

Saskatchewan Liquor and Gaming Authority

Annual Report for 2021-22

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Letters of Transmittal

Office of the Lieutenant Governor of Saskatchewan



The Honourable
Lori Carr
Minister Responsible
for the Saskatchewan
Liquor and Gaming
Authority

I respectfully submit the Annual Report for the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2022. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*.

SLGA started to return to pre-pandemic levels in 2021-22. SLGA's revenues from liquor operations declined slightly from 2020-21 and gaming operations revenues saw a significant increase compared to the prior year. As public health measures were amended in 2021-22, gaming revenues began to increase as Saskatchewan Indian Gaming Authority casinos began to return to pre-pandemic operations. The Annual Report measures progress against the commitments outlined in SLGA's 2021-22 Plan.

The 2021-22 financial statements show a net income of \$477.4M. 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.



Lori Carr
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

The Honourable Lori Carr
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Dear Minister:



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

I have the honour of submitting SLGA's Annual Report for the fiscal year ending March 31, 2022.

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 how SLGA employees continued to manage 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.

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 (34 as of June 12, 2022) SLGA retail liquor stores in 24 communities across Saskatchewan.

SLGA issues liquor permits for all commercial facilities including restaurants, taverns, and manufacturers (including craft manufacturers). As of March 31, 2022, there were 2,936 commercial liquor permittees and manufacturers operating in the province, including 621 retail store permittees that sell liquor for off-site consumption. During 2021-22, public health measures required social distancing and limitations on the size of gatherings. This resulted in 4,710 special occasion permits being issued to individuals or organizations to sell liquor products at special events. Although this is higher than the 529 issued in 2020-21, it is well below pre-pandemic levels where more than 12,000 have been issued annually.

SLGA owns and manages most 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, 2022, VLTs were located at 574 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 impact of the pandemic on gaming decreased in 2021-22. Although there were minimal horse racing events, revenues from SIGA casinos and VLT operations began to increase as public health measures eased. However, revenues from VLTs, SIGA casinos and bingo halls did not reach pre-pandemic levels. All public health measures have been removed and gaming revenues are expected to increase in 2022-23.

SLGA's operations include the regulation of cannabis which is wholesaled and retailed by the private sector. As of March 31, 2022, there were 134 cannabis retail store permits issued in Saskatchewan along with five wholesale permits and 142 licensed producer registrations.

As of March 31, 2022, SLGA employed 623 staff throughout the province. The majority of staff work in SLGA's Retail Inc. liquor stores.

In December 2021, SLGA was the victim of a cybersecurity incident which impacted its computer systems. SLGA engaged a team of cybersecurity experts to take immediate steps to secure its systems and mitigate the impact to data and operations. As of March 31, 2022, many recommendations from the cyber security experts to update SLGA's cyber security systems have been implemented and those remaining are in progress. SLGA started to engage a third party to review its document management and retention policies and will implement recommendations from that process. SLGA communicated directly and indirectly with SLGA employees and clients regarding access to personal information. SLGA will continue to assess further communication needed based on impacts to its clients. SLGA consulted with the Saskatchewan Information and Privacy Commissioner's Office regarding direct and indirect notifications.

The Annual Report provides an update on SLGA's progress toward its [2021-22 Plan](#).

Progress in 2021-22

Government Goals



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 to meet customer needs and net income objectives.
 - The pandemic continued to result in increased retail liquor sales compared to pre-pandemic levels. Although not as profitable as the prior year, SLGA Retail Inc.'s net income of \$3.2 million was higher than the 2021-22 budgeted amount. By implementing public health measures as required, SLGA Retail Inc. was able to continue to provide safe, quality service to its customers.
- Ensure the liquor system is maximizing net income for the province.
 - SLGA made a record number of products (9,928) available to liquor retailers in the province in 2021-22. As the impact of the pandemic continued into 2021-22 liquor sales remained above average but declined from sales levels reached in 2020-21. This contributed to a gross profit of \$290.9 million in 2021-22.

Strategy

Improve gaming net income.

Key Actions

- Modernize VLT systems and review strategies to improve operations, engage customers, and meet net income objectives.
 - VLT net income in 2021-22 was \$152.1 million. This was an increase over the previous year but still below pre-pandemic levels. New VLTs were installed in the spring of 2021 and a new game was rolled out to existing VLTs in March 2022.
- Work with SIGA to develop strategies to manage the impact of the pandemic on SIGA's operations
 - Public health measures related to the pandemic impacted SIGA operations in 2021-22. SIGA net income of \$68.2 million is less than pre-pandemic levels but the 2021-22 net income

¹ SLGA Retail Inc. is a subsidiary of SLGA that manages and oversees SLGA's 35 (34 as of June 12, 2022) retail liquor stores in communities across the province as well as merchandising, marketing and property management.

was considerably higher than the previous year when SIGA operations had to cease for more than 200 days. SLGA worked with SIGA to establish cash flow arrangements to meet financial obligations given the significant revenue impact they experienced during the last two years. As public health measures were removed at the end of 2021-22 there is increased optimism for SIGA operations in 2022-23.

Performance Measure Results

Net Income²

SLGA's net income is primarily generated from liquor wholesale sales, VLT activity, slot machines in SIGA casinos, and SLGA Retail Inc. net income. SLGA's goal for 2021-22 was to meet or exceed budgeted net income.

Fiscal Year	Budgeted Net Income	Actual Net Income
2021-22	\$423.4M	\$477.4M
2020-21	\$263.6M	\$360.6M
2019-20	\$477.9M	\$470.3M
2018-19	\$481.4M	\$485.1M
2017-18	\$523.3M	\$492.9M

SLGA's net income began to return to pre-pandemic levels in 2021-22. SIGA and VLT net income had the largest improvements from the previous year when normal operations resumed as public health measures removed.

Revenue for wholesale liquor and Retail Inc. saw a decline from the prior year but were still above pre-pandemic levels and the budgeted amount for 2021-22.

Source: SLGA

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

Key Actions

- Continue to promote awareness of standard drink sizes to citizens and determine the impact that the distributed educational information on standard drink sizes has had on liquor consumers. These guidelines have been established to promote a culture of moderation, support healthy lifestyles and provide individuals information to make informed decisions related to their liquor consumption.
 - This action was delayed pending completion of the Canadian Centre on Substance Use and Addiction's (CCSA) review of the low-risk alcohol drinking guidelines and standard drink sizes.

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

The CCSA's review is expected to be complete in 2022, after which SLGA will determine how best to move forward.

- Provide support to promote newly developed lower-risk gambling guidelines. These guidelines have been established to help individuals who gamble make well-informed decisions and mitigate potential gambling-related harms for themselves and others.
 - SLGA received the CCSA's lower risk gambling guidelines in September 2021. A review of the guidelines and an action plan was delayed due to competing priorities and will be assessed in 2022-23. As a member of the Steering Committee for development of the guidelines, SLGA has kept provincial partners apprised of the progress of the guidelines.

Performance Measure Results

Awareness of Standard Drink Sizes

In 2021-22, SLGA intended to provide additional information to liquor retailers related to standard drink sizes. This action was delayed pending completion of the CCSA's review of the low-risk drinking guidelines and standard drink sizes. SLGA plans to conduct actions to increase awareness of standard drink sizes in 2022-23.

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

- Review the results of the Minors as Test Shoppers (MATS) compliance program, which targets liquor sales to minors, and assess which improvements should be implemented to reduce sales to minors.
 - The MATS program was put on hold during the pandemic and the minors employed aged out of the program. Recruitment of new minors will occur, and the MATS program is expected to resume operations in 2022-23.
- Expand the MATS compliance program to include cannabis sales once the public health measures related to the pandemic are lifted.
 - As the MATS program for liquor was on hold during 2021-22, an expansion of the program to cannabis did not occur. When the liquor MATS program resumes, an expansion of the program into cannabis will begin.

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.
 - Content development for this training has occurred, however, a Request for Quotation to administer the program was delayed due to the cyber incident at SLGA. Plans to launch the training in early 2022-23 to SLGA employees are established and underway.
- Review and improve risk assessment processes to help increase the safe and fair provision of alcohol, gaming, and cannabis products.
 - Liquor and gaming risk assessments were used in 2021-22 to prioritize inspections and investigations. The policy and risk matrix for cannabis was finalized and implemented in March 2022.

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 (first full year statistics were compiled) and found 62 per cent of retailers were in compliance and did not serve the underage individual.

Target: Increase compliance by five per cent from prior year.

Government Goals



SLGA Goal 4

To provide a great customer experience.

Strategy

Meet or exceed customer expectations.

Key Actions

- Implement improvements to corporate customer service processes to ensure feedback is assessed, actions are implemented, and results monitored.
 - Service standards for commercial permittees, charitable gaming, cannabis retail store permittees, wholesalers and licensed producers and special occasion permit applicants have been updated to include meaningful measures and targets. It is anticipated that these groups will be surveyed in 2022-23.
- Implement gaming regulation improvements identified in charitable gaming stakeholder consultations to ensure the reduction of red tape, increased efficiencies, and improved customer service.

- A red tape review related to charitable gaming events resulted in charities having more flexible raffle ticket sales and delivery by adding options around multiple-ticket packages and removing the requirement to mail out paper tickets for online sales. Charitable gaming website enhancements were implemented to streamline processes for applicants.

Performance Measure Results

Customer Satisfaction

Serving citizens is one of government’s values and customer service excellence is a strategic priority for SLGA. In 2021-22, SLGA surveyed retail store permittees with the results noted below.

Target: Satisfaction score of 80 per cent or higher.

Customer Group	Question	Satisfaction Score
Liquor retail store permittee wholesale customers	Overall, how satisfied are you as a wholesale customer with SLGA?	89 per cent

Source: SLGA

Government Goals



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 to help meet Government’s goal of supporting growth in the local craft alcohol industry.
 - The Saskatchewan Alcohol Manufacturing Policy manual has been finalized and posted to SLGA’s craft webpage.
- Continue to review the impact of the pandemic on SLGA operations and assess temporary pandemic measures to determine if they should continue.
 - The temporary regulatory change to allow restaurants to offer off-sale with a meal for take-out or delivery or after the patron eats at the establishment was made permanent in 2022-23. Mask wearing remains an option for SLGA Retail Inc. staff while working. Other safety measures initiated during the pandemic, such as plexi-glass shields and practicing safe distancing, will remain in place for the foreseeable future.
- Explore opportunities to expand the use of business intelligence software to improve data analytics,

better understand needs and improve decision making.

- Business intelligence has been expanded into many areas of SLGA. One example of its use is to transform data received from third parties to meet the reporting and decision making needs of SLGA.

Government Goals



SLGA Goal 6

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

Strategy

Increase attraction and retention with a focus on youth³ and diversity.

Key Actions

- Continue to work toward a diverse workforce with the goal of increasing representation of traditionally underrepresented groups including a focus on younger workers (age 19-29).
 - The pandemic continued to impact in person gatherings and attendance at job fairs to target underrepresented groups. SLGA will continue to explore different partnerships to continue to promote inclusion within SLGA's workplace.

Strategy

Improve employee health, wellness, and workplace safety.

Key Actions

- Continue to promote a culture of health, safety, and wellness by increasing awareness and providing education to employees with the goal of reducing time loss, promoting mental health awareness, and preventing psychological harm in the workplace.
 - During the first half of 2021-22, SLGA's Psychologically Healthy Workplace Committee surveyed employees to determine the priority areas of focus for the Committee's work in the coming months. A plan has since been developed and approved by SLGA's Executive and work is underway to implement related actions.

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 2019, total injuries decreased by 67 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

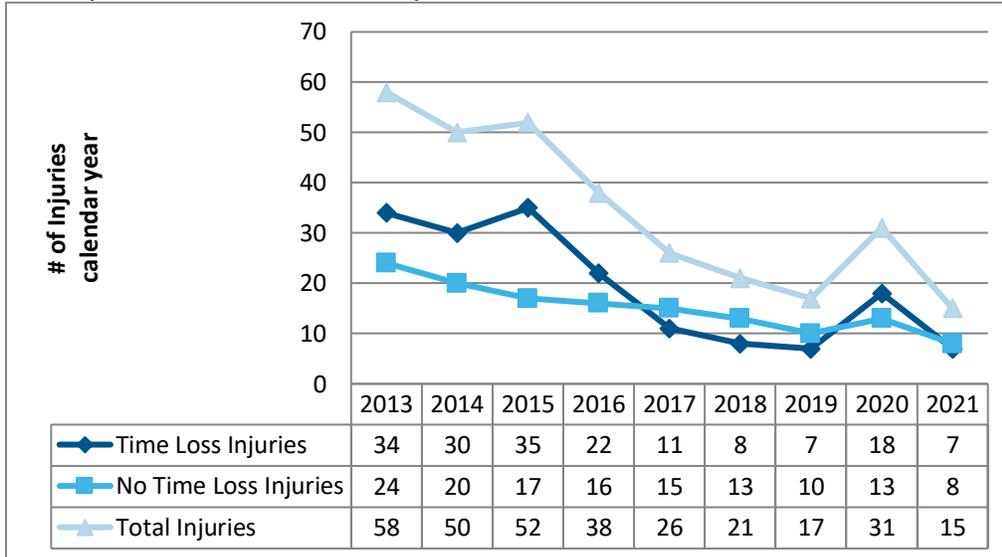
³ SLGA classifies youth and younger workers as those aged 19-29.

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.

Target: Five per cent reduction from prior year.

Actual: 51 per cent reduction from 2020 to 2021, 11 per cent reduction from 2019 to 2021.

SLGA Injuries Based on Workers Compensation Board Statistics



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.

Goal: Maintain percentages where target achieved, improve on areas below target.

Actual: Women and members of visible minorities achieved their target.

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%*
2021-22	9.3%	56.0%	6.3%	10.6%	8.0%
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

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 to Budget and Prior Year

SLGA's net income reflects the accounts of SLGA and its wholly-owned subsidiaries, SLGA Retail Inc. and SLGA Holding Inc. As noted in the table below, net income for 2021-22 was \$54 million above SLGA's budget and \$116.8 million above the prior year. In relation to budget, SLGA liquor revenues were higher than anticipated. A larger decline in liquor revenues was expected as it was anticipated that the impacts of the pandemic would decline during 2021-22. However, higher liquor sales continued through the first several months of the year in 2021-22. Despite some public health measures that continued in 2021-22, the increase in gaming operations revenues were higher than expected.

	2020-21 Actual	2021-22 Budget	2021-22 Actual
SLGA Net Income	\$360.6M	\$423.4M	\$477.4M
Revenues			
Liquor Sales	\$691.0M	\$606.4M	\$667.2M
VLT Revenue	\$174.1M	\$214.0M	\$216.0M
Slot Machine Revenue	\$79.1M	\$159.1M	\$175.3M
Licence, Permit and Other Income	\$ 10.8M	\$ 8.7M	\$ 9.0M
Total Revenue	\$955.0M	\$988.2M	\$1,067.5M

Source: SLGA Financial Statements, Statement 2

SLGA Revenue to Budget and Prior Year

As noted in the table above, SLGA's total revenue for 2021-22 was \$1.07 billion, that is \$79.3 million over budget and an increase of \$112.5 million from the prior year. A closer look at the revenues of SLGA notes the following:

- Wholesale and retail liquor sales were \$60.8 million above budget and \$23.8 million below the prior year.
- VLT revenues were \$2.0 million above budget and \$41.9 million above the prior year.
- Slot machine revenues at SIGA casinos were \$16.2 million above budget and \$96.2 million above the prior year.
- Licence, permit, and other income was \$0.3 million above budget and \$1.8 million below the prior year.

SLGA Net Income

SLGA's net income is essential funding to support government programs and services. While SLGA's net income has fluctuated due to the pandemic, SLGA continues to be a significant contributor to the General Revenue Fund.

Additional financial information on the Government's financial performance for each fiscal year 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 7, 2022

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, 2022, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2022, 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 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 decisions 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.



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June 7, 2022
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Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

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

	Notes	2022 (000's)	2021 (000's)
Current assets:			
Cash		\$ 1,582	\$ 2,017
Due from General Revenue Fund	4	41,213	24,465
Trade and other receivables	10	46,182	3,133
Prepaid expenses		2,125	1,729
Inventory	6	24,068	29,206
Held for sale	7 & 27	525	525
Total current assets		<u>115,695</u>	<u>61,075</u>
Non-current assets:			
Long term receivable	10	31,009	37,826
Property, plant and equipment	7 & 11	128,536	135,394
Intangible assets	8	18,899	17,182
Total non-current assets		<u>178,444</u>	<u>190,402</u>
Total Assets		<u>\$ 294,139</u>	<u>\$ 251,477</u>
Current liabilities:			
Trade and other payables		\$ 22,686	\$ 21,705
Payable to the General Revenue Fund	5	126,316	71,135
Goods and Services Tax payable	11	844	1,548
Promissory note debt	26	89,902	94,980
Provisions	21	1,142	1,163
Lease liabilities	9	4,264	4,128
Total current liabilities		<u>245,154</u>	<u>194,659</u>
Non-current liabilities:			
Accrued pension liability	12	29,731	35,690
Lease liabilities	9	18,560	21,609
Total non-current liabilities		<u>48,291</u>	<u>57,299</u>
Total Liabilities		<u>\$ 293,445</u>	<u>\$ 251,958</u>
Equity			
Retained earnings (deficit) and unrealized losses (Statement 3)		694	(481)
Total Equity		<u>\$ 694</u>	<u>\$ (481)</u>
Total Liabilities & Equity		<u>\$ 294,139</u>	<u>\$ 251,477</u>
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	2022		2021
		Budget	Actual	Actual
		(000's) (Note 17)	(000's)	(000's)
Operating				
Revenues:				
Liquor sales	16	\$ 606,434	\$ 667,235	\$ 691,027
VLT		213,998	215,996	174,113
Slot machines	13	159,080	175,323	79,134
Licence, permit and other income		8,735	8,985	10,758
		<u>988,247</u>	<u>1,067,539</u>	<u>955,032</u>
Cost of sales:				
Cost of liquor	6	308,406	342,755	349,991
VLT site commissions		32,100	39,148	44,076
		<u>340,506</u>	<u>381,903</u>	<u>394,067</u>
Gross profit on sales		647,741	685,636	560,965
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		115,272	101,279	102,986
Slot machines expense		86,237	93,632	85,750
Other	13	22,843	13,467	11,958
Total expenses		<u>224,352</u>	<u>208,378</u>	<u>200,694</u>
Operating Income		<u>\$ 423,389</u>	<u>\$ 477,258</u>	<u>\$ 360,271</u>
Finance Income and Expense				
Finance income		---	651	823
Finance expense		---	(497)	(527)
Net Finance Income (Loss)		<u>---</u>	<u>154</u>	<u>296</u>
Net Income		<u>\$ 423,389</u>	<u>\$ 477,412</u>	<u>\$ 360,567</u>
Other Comprehensive Income (OCI)				
Net gain (loss) on interest rate swaps	13	---	1,981	1,978
Remeasurement of defined benefit obligation	12	---	4,440	(770)
Total OCI		<u>\$ ---</u>	<u>\$ 6,421</u>	<u>\$ 1,208</u>
Total Comprehensive Income		<u>\$ 423,389</u>	<u>\$ 483,833</u>	<u>\$ 361,775</u>

(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)	Net gain (loss) on interest rate swaps	Net actuarial gain (loss) on defined benefit pension plans	Total
	(000's)	(000's)	(000's)	(000's)
Equity				
Balance April 1, 2020	\$ (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)
Net income	477,412	---	---	477,412
Other comprehensive income (loss)	---	1,981	4,440	6,421
Dividends	(482,658)	---	---	(482,658)
Balance March 31, 2022 (to Statement 1)	\$ (4,235)	\$ 659	\$ 4,270	\$ 694

(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

	2022 <u>(000's)</u>	2021 <u>(000's)</u>
Operating		
Receipts from customers	\$ 1,065,113	\$ 1,007,453
Interest received	850	334
Interest paid	(238)	(435)
Payments to suppliers and other	(516,169)	(533,737)
Payments to employees	(43,988)	(44,538)
Payments to grant recipients	(6,451)	(6,714)
Payment of Goods and Services Tax	(22,981)	(20,363)
Net cash provided by operating activities	<u>\$ 476,136</u>	<u>\$ 402,000</u>
Investing		
Purchase of property, plant and equipment	(18,007)	(15,173)
Purchase of intangible assets	(6,138)	(4,153)
Proceeds from disposal of property, plant and equipment	795	932
Proceeds from sale of stores	1	71
Net cash (used in) investing activities	<u>\$ (23,349)</u>	<u>\$ (18,323)</u>
Financing		
Cash deposited in General Revenue Fund	(427,477)	(392,961)
Promissory note proceeds received	184,684	211,293
Promissory note repayments	(189,524)	(215,630)
Payment of lease liabilities	(4,157)	(4,086)
Net cash (used in) financing activities	<u>\$ (436,474)</u>	<u>\$ (401,384)</u>
Net increase (decrease) in cash position	16,313	(17,707)
Cash position, beginning of year	26,482	44,189
Cash position, end of year	<u>\$ 42,795</u>	<u>\$ 26,482</u>
Cash position consists of:		
Cash	\$ 1,582	\$ 2,017
Due from General Revenue Fund	41,213	24,465
	<u>\$ 42,795</u>	<u>\$ 26,482</u>

(See the accompanying notes to the consolidated financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

1. Description of Business

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

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

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

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

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

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

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these consolidated statements on June 7, 2022.

(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(e), note 7); intangible assets (note 3(f), note 8); and right of use assets (note 3(h)(i) and note 7)
- Measurement of defined benefit obligations (note 12(b))
- Provisions (note 21)
- Measurement of lease liabilities (note 9)
- Cash generating units (CGUs) for SLGA are SLGA liquor operations and SLGA gaming operations (note 3(g)(ii)).

(e) Basis of Consolidation

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

(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, casino operations including slot machines were closed on December 19, 2020 but reopened on June 20, 2021.

3. Significant Accounting Policies

(a) Revenue Recognition

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

(i) Liquor sales

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

(ii) Licence fees

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

(iii) Video lottery terminals (VLT)

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

(iv) Slot machines

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

(b) Promotional Allowances

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

(c) VLT Site Commission

Establishments where VLTs are located are entitled to a commission based on 15 per cent of the VLT revenue earned. The commission 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 rate returned to 15 per cent on July 1, 2021. The commission is recorded as the VLT revenue is earned.

(d) Inventories

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

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

(e) Property, Plant and Equipment

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

Property, plant and equipment, 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.

(f) Intangible Assets

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

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

(g) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

(h) Leases

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.

(i) Provisions

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

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

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

(j) Foreign Currency

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

(k) Employee Benefits

(i) Defined benefit plan

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

- Service cost, past-service cost, gains and losses on curtailments and settlements;
- Net interest expense or income;
- Remeasurement

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

Remeasurements are recorded in other comprehensive income.

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

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

(ii) **Defined contribution plan**

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

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

(iii) **Other employee benefits**

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

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

(l) **Grants**

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

(m) **Financial Instruments**

(i) **Non-derivative financial assets and liabilities**

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

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

Trade and other receivables are classified as amortized cost. Financial assets classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets 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.

(n) Finance Income and Expense

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

Finance expense is comprised of interest expense on financial and lease liabilities, non-capitalized borrowing costs and impairment losses recognized on financial assets.

(o) Borrowing Costs

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

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 \$482.7 million (2021 - \$359.0 million) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	<u>2022</u> (000's)	<u>2021</u> (000's)
Payable to GRF at beginning of year	\$ 71,135	\$ 105,140
Deposits during the year	(427,477)	(392,961)
Dividend to GRF	482,658	358,956
Payable to GRF at end of year	<u>\$ 126,316</u>	<u>\$ 71,135</u>

6. Inventories

	<u>2022</u> (000's)	<u>2021</u> (000's)
Wines, coolers and spirits in stores	\$ 7,111	\$ 7,822
Wines, coolers and spirits in warehouse	13,789	18,008
Beer in stores	2,710	2,834
Gaming machine parts	458	541
	<u>\$ 24,068</u>	<u>\$ 29,205</u>

The cost of liquor and gaming machine part inventories recognized as an expense during the year ended March 31, 2022 was \$342.8 million and \$367 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, 2022 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, 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
Additions/adjustments	---	157	80	17,044	725	1,243	---	---	19,249
Disposals/ retirements	---	(12)	(2,737)	(12,456)	(395)	---	(11)	---	(15,611)
Balance, March 31, 2022	\$ 3,802	\$ 46,637	\$ 87,295	\$ 107,301	\$ 24,041	\$ 34,925	\$ 7,853	\$ 1,201	\$ 313,055
Accumulated Depreciation									
Balance, April 1, 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
Depreciation expense	---	1,566	9,438	9,545	656	4,770	39	---	26,014
Adjustments	---	---	---	(43)	42	---	---	---	(1)
Disposals/ retirements	---	(12)	(2,730)	(12,369)	(395)	---	(11)	---	(15,517)
Balance, March 31, 2022	\$ ---	\$ 20,656	\$ 67,493	\$ 53,113	\$ 20,898	\$ 13,439	\$ 7,719	\$ 676	\$ 183,994
Net Book Value									
Balance, March 31, 2021	\$ 3,802	\$ 27,390	\$ 29,167	\$ 46,733	\$ 3,116	\$ 25,013	\$ 173	\$ 525	\$ 135,919
Balance, March 31, 2022	\$ 3,802	\$ 25,981	\$ 19,802	\$ 54,188	\$ 3,143	\$ 21,486	\$ 134	\$ 525	\$ 129,061

8. Intangible Assets

(000's)	Software Total	
Cost		
Balance, April 1, 2020	\$	51,396
Additions/adjustments		4,153
Disposals/retirements		---
Balance, March 31, 2021	\$	55,549
Additions/adjustments		6,138
Disposals/retirements		(3,818)
Balance, March 31, 2022	\$	57,869
Accumulated depreciation		
Balance, April 1, 2020	\$	32,917
Depreciation expense		5,450
Disposals/retirements		---
Balance, March 31, 2021	\$	38,367
Depreciation expense		4,369
Adjustments		---
Disposals/retirements		(3,766)
Balance, March 31, 2022	\$	38,970
Net Book Value		
Balance, March 31, 2021	\$	17,182
Balance, March 31, 2022	\$	18,899

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,			2022	2021
Contractual undiscounted cash flows				
One year or less	\$	4,524	\$	4,688
Between one and five years		6,460		10,027
Greater than five years		109		182
Total undiscounted lease liabilities	\$	11,093	\$	14,897
Discounted lease liabilities included in the statement of financial position				
Current	\$	4,264	\$	4,128
Non-current	\$	18,560	\$	21,609

Amounts recognized in net income

(000's)

For the year ended March 31,

	2022	2021
Interest on lease liabilities	\$ 497	\$ 527

Amounts recognized in the statement of**cash flows**

(000's)

For the year ended March 31,

	2022	2021
Interest paid on lease liabilities	\$ 497	\$ 527
Lease liability principal payments	4,157	4,086
Total cash outflow for leases	\$ 4,654	\$ 4,613

10. Trade and Other Receivables and Long Term Receivables

	2022	2021
	(000's)	(000's)
Trade and Other Receivables		
Slot machines receivable (payable) – SIGA	\$ 25,997	\$ (13,116)
VLT receivable	4,726	2,379
Other	15,459	13,870
Total Trade and Other Receivables	\$ 46,182	\$ 3,133
Long term receivable – SIGA (See Note 13)	31,009	37,826
Total Trade and Other Receivables and Long Term Receivables	\$ 77,191	\$ 40,959

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 \$2.9 million (2021 - \$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.

LifeWorks performed the valuation of the Plan as at Sept. 30, 2020 and extrapolated the valuation to March 31, 2022. 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:

	<u>2022</u>	<u>2021</u>
Expected long-term rate of return on plan assets	4.00%	3.70%
Inflation rate	2.00%	2.00%
Discount rate	4.10%	3.10%
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 4.10 per cent.

	<u>Long-Term Assumptions</u>			
	<u>Inflation*</u>		<u>Discount Rate</u>	
(Decrease) increase in liability	3.00%	1.00%	5.1%	3.1%
	(2.9%)	3.2%	(8.5%)	10.0%

* 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.

	2022 (000's)	2021 (000's)
Current service cost – defined contribution plan	\$ 2,928	\$ 2,802
Net interest expense	1,067	1,315
Components of pension costs recorded in profit or loss	<u>3,995</u>	<u>4,117</u>
Return on plan assets (excluding net interest expense)	63	126
Actuarial (gains) losses – assumption changes	(4,440)	770
Components of defined benefit costs recorded in OCI	<u>(4,377)</u>	<u>896</u>
Total of components of benefit cost	<u>\$ (382)</u>	<u>\$ 5,013</u>

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

	2022 (000's)	2021 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 47,262	\$ 47,998
Interest cost	1,414	1,712
Benefits paid	(3,284)	(3,475)
Experience (gain) loss		
- Change in financial assumptions	(3,940)	1,027
- Change in mortality assumptions	---	---
	<u>\$ 41,452</u>	<u>\$ 47,262</u>
Plan Assets		
Fair value of plan assets, beginning of year	\$ 11,572	\$ 10,670
Actual return on plan assets	911	780
Employer contributions	2,522	3,597
Benefits paid	(3,284)	(3,475)
Fair value of plan assets, end of year	<u>\$ 11,721</u>	<u>\$ 11,572</u>
Accrued pension liability	<u>\$ 29,731</u>	<u>\$ 35,690</u>

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 22.0 per cent (2021 – 22.7 per cent) in a Canadian equity pooled fund, 28.5 per cent (2021 – 29.1 per cent) in foreign equity pooled funds, 46.6 per cent (2021 – 43.4 per cent) in a bond and debenture pooled fund and 2.9 per cent (2021 – 4.8 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:

	<u>2022</u> (000's)	<u>2021</u> (000's)
Due from General Revenue Fund	\$ 64	\$ 283
TD Canadian Bond Index Fund	5,450	4,920
Equity Instruments		
- TD Canadian Equity Index Fund	2,573	2,575
- TD International Equity Index Fund	1,651	1,683
- TD Pooled US Fund	1,682	1,616
- TD Canadian Short Term Investment Fund	<u>347</u>	<u>540</u>
Total equity instruments	<u>6,253</u>	<u>6,414</u>
	<u>\$ 11,767</u>	<u>\$ 11,617</u>

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

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

The total cash inflow is the amount of employer contributions expected to be received by the pension plan together with interest on investments of 4.00 per cent and employer contributions calculated as 74.0 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
2023	2,408	3,253	418	(427)
2024	2,362	3,191	401	(428)
2025	2,312	3,123	385	(426)
2026	2,267	3,063	368	(428)
2027	2,222	3,002	351	(429)
Total next 5 years	11,571	15,632	1,923	(2,138)
Total 5-10 years	10,411	14,066	1,502	(2,153)
Total 11-30 years	24,211	32,709	2,285	(6,213)
Total 31-50 years	1,185	1,601	43	(373)

13. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Sovereign Indigenous Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. This amendment also permitted SIGA to retain \$5 million annually from slot machine operations as a capital reserve for the sole purpose of acquiring capital assets. This \$5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 10.

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

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

Also under the 2002 Framework Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2022, SIGA owes \$34.8 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, 2022, the unrealized gain included in the slot machines receivable was \$2.0 million (2021 – \$2.0 million gain).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 14).

The COVID-19 pandemic resulted in various measures being put in place to combat the spread of the virus, including the continued closure of casinos. When casinos were re-opened, capacity restrictions, masking and proof of vaccination requirements were in place, impacting SIGA's operations throughout the year. With the removal of all restrictions in February 2022, operations are now returning to normal. For 2022, SIGA has a net profit of \$70.2 million of which \$18.6 million has been used to recover the prior year shortfall (2021 - \$18.6 million shortfall with no distribution of SIGA's net profits to the GRF and is recoverable from future revenues).

Due to the prolonged closure of casinos, SIGA's ability to make all required Amended and Restated Casino Operating Agreement Revenue and Reimbursement of Equipment Costs to SLGA had been reduced and therefore both parties agreed in March 29, 2021 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, 2022, the agreement is worth \$33.7 million (2021 - \$43.3 million), which is the non-interest bearing loan.

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 would advance SIGA \$5.7 million per month for up to four (4) months and includes interest of up to \$252 thousand. SLGA and SIGA also revised the Forebearance and Debt Repayment Agreement to add the deferral of the reimbursement of equipment costs for an additional three (3) months for approximately \$3 million. SLGA advanced SIGA \$5.7 million plus interest and deferred the additional three (3) months of reimbursement of equipment costs, all of which have been repaid prior to March 31, 2022.

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:

	2022 <u>(000's)</u>	2021 <u>(000's)</u>
Table games revenues	\$ 9,268	\$ 2,448
Table games expenses	<u>12,668</u>	<u>5,301</u>
Net losses from table games	<u>\$ 3,400</u>	<u>\$ 2,853</u>
Ancillary operations gross profit	\$ 8,495	\$ 3,107
Ancillary operations expenses	<u>12,787</u>	<u>6,612</u>
Net losses from ancillary operations	<u>\$ 4,292</u>	<u>\$ 3,505</u>
Total losses expensed	\$ 7,692	\$ 6,358
IGR payment	3,175	3,000
SPPC payment	<u>2,600</u>	<u>2,600</u>
	<u>\$ 13,467</u>	<u>\$ 11,958</u>

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	\$ 634
Between one and five years	401
More than five years	<u>2</u>
	<u>\$ 1,037</u>

The above commitments include amounts committed to related parties of \$30 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, 2022, SIGA owes \$34.8 million (2021 - \$42.1 million) under this agreement at interest rates varying from 2.05 per cent to 5.09 per cent.

On June 7, 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 \$33.7 million is outstanding at March 31, 2022.

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2023, the budgeted transfers are \$3.3 million (2022 -

\$3.3 million). For fiscal year 2021-2022 a reduced amount was accepted by IGR due to the impacts of Covid, with the total payment being \$3.2 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 2022, SIGA paid \$2.6 million (2021 - \$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 2021) per annum.

Right-of-use assets

Net carrying amount of right-of-use assets:

	2022 (000's)	2021 (000's)
Base Building Costs		
Gold Horse Casino	\$ 20,484	\$ 21,841
Gold Eagle Casino	8,409	10,020
Central Office	8,945	9,707
Dakota Dunes Casino	6,128	7,421
Living Sky Casino	5,435	6,473
Painted Hand Casino	4,187	4,991
Northern Lights Casino	1,038	3,269
Bear Claw Casino	2,604	2,822
	<u>\$ 57,230</u>	<u>\$ 66,544</u>

Lease liabilities

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

	2022 (000's)	2021 (000's)
Total future minimum lease payments	\$ 101,959	\$ 117,098
Less future finance charges on lease liabilities	(28,809)	(34,795)
Present value of lease liabilities	<u>\$ 73,150</u>	<u>\$ 82,303</u>
Less current portion of lease liabilities	(8,986)	(9,506)
Lease liabilities	<u>\$ 64,164</u>	<u>\$ 72,797</u>

As at March 31, 2022, scheduled future minimum lease payments of the lease liabilities are as follows:

	1 year (000's)	1-5 years (000's)	More than 5 years (000's)
Future minimum lease payments	\$ 14,335	\$ 51,944	\$ 35,680
Present value of lease liabilities	8,986	37,774	26,390

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

	<u>2022</u> (000's)	<u>2021</u> (000's)
Wines, coolers and spirits		
-To the public via SLGA Retail stores	\$ 101,056	\$ 120,889
-To retail store permittees	293,126	288,802
	<u>394,182</u>	<u>409,691</u>
Beer		
-To the public via SLGA Retail stores	68,826	75,291
-To retail store permittees	204,227	206,045
	<u>273,053</u>	<u>281,336</u>
Total	<u>\$ 667,235</u>	<u>\$ 691,027</u>

17. 2022 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

	2022 (000's)						2021 (000's)
	Liquor	VLT	Slots in SIGA Casinos	Other Gaming	Cannabis	Total	Total
Revenues	\$ 667,235	\$ 215,996	\$ 175,323	\$ ---	\$ ---	\$ 1,058,554	\$ 944,274
Other income	<u>7,107</u>	<u>967</u>	<u>---</u>	<u>818</u>	<u>744</u>	<u>9,636</u>	<u>11,581</u>
Total revenues	<u>674,342</u>	<u>216,963</u>	<u>175,323</u>	<u>818</u>	<u>744</u>	<u>1,068,190</u>	<u>955,855</u>
Direct expenses	342,755	39,148	---	---	---	381,903	394,067
Operating expenses (Schedule 1 & 2)	<u>61,105</u>	<u>25,704</u>	<u>107,099</u>	<u>11,221</u>	<u>3,746</u>	<u>208,875</u>	<u>201,221</u>
Total expenses	<u>403,860</u>	<u>64,852</u>	<u>107,099</u>	<u>11,221</u>	<u>3,746</u>	<u>590,778</u>	<u>595,288</u>
Subtotal	270,482	152,111	68,224	(10,403)	(3,002)	477,412	360,567
Other comprehensive income	<u>4,440</u>	<u>---</u>	<u>1,981</u>	<u>---</u>	<u>---</u>	<u>6,421</u>	<u>1,208</u>
Total comprehensive income	\$ 274,922	\$ 152,111	\$ 70,205	\$ (10,403)	\$ (3,002)	\$ 483,833	\$ 361,775
Retained earnings (deficit) beginning of year	841	---	(1,322)	---	---	(481)	(3,300)
Dividend to General Revenue Fund	<u>275,763</u>	<u>152,111</u>	<u>68,189</u>	<u>(10,403)</u>	<u>(3,002)</u>	<u>482,658</u>	<u>358,956</u>
Retained earnings (deficit) end of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 694</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 694</u>	<u>\$ (481)</u>
Property, plant and equipment and intangible assets	<u>\$ 61,322</u>	<u>\$ 61,631</u>	<u>\$ 19,860</u>	<u>\$ 4,376</u>	<u>\$ 771</u>	<u>\$ 147,960</u>	<u>\$ 153,101</u>
Property, plant and equipment purchases	<u>\$ 3,999</u>	<u>\$ 20,649</u>	<u>\$ 80</u>	<u>\$ 37</u>	<u>\$ 622</u>	<u>\$ 25,387</u>	<u>\$ 22,849</u>
Depreciation	<u>\$ 8,866</u>	<u>\$ 10,162</u>	<u>\$ 9,438</u>	<u>\$ 1,878</u>	<u>\$ 39</u>	<u>\$ 30,383</u>	<u>\$ 30,154</u>

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 2022 SLGA paid \$14 thousand (2021 - \$138 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 2022 SLGA paid \$14.7 million (2021 - \$18.0 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:

	2022 <u>(000's)</u>	2021 <u>(000's)</u>
Salaries and short-term employee benefits	\$ 946	\$ 986
Post-employment benefits	186	183
	<u>\$ 1,132</u>	<u>\$ 1,169</u>

20. Contingencies

	2022 <u>(000's)</u>	2021 <u>(000's)</u>
Court proceedings (i)	\$ ---	\$ ---

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

At March 31, 2022 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

	<u>Short-term Employee Benefits</u> (000's)
Balance, April 1, 2020	\$ 1,020
Provisions made during the period	1,163
Provisions used during the period	(1,020)
<hr/> Balance, March 31, 2021	<hr/> \$ 1,163
Provisions made during the period	1,142
Provisions used during the period	(1,163)
<hr/> Balance, March 31, 2022	<hr/> \$ 1,142

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, 2022, WCLC charged SLGA \$13.6 million (2021 - \$14.0 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 \$817 thousand (2021 - \$732 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2022, the retirement plan is in a surplus status of \$2.0 million (2021 - \$617 thousand surplus 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.

Financial Instruments	Classification ¹	Fair Value Hierarchy	2022		2021	
			(000's)		(000's)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	\$ 1,582	\$ 1,582	\$ 2,017	\$ 2,017
Due from General Revenue Fund	FVTPL	Level One	41,213	41,213	24,465	24,465
Trade and other receivables	AC	N/A	46,182	46,182	3,133	3,133
Long term receivable	AC	N/A	31,009	31,009	37,826	37,826
Trade and other payables	OFL	N/A	22,686	22,686	21,705	21,705
Promissory Note debt Payable to General Revenue Fund	OFL	N/A	89,902	89,902	94,980	94,980
GST Payable	OFL	N/A	126,316	126,316	71,135	71,135
			844	844	1,548	1,548

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 \$89.9 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:

	2022 (000's)	2021 (000's)
Cash	\$ 1,582	\$ 2,017
Due from General Revenue Fund	41,213	24,465
Trade and other receivables	46,182	3,133
Long term receivable	31,009	37,826
	\$ 119,986	\$ 67,441

As described in Note 3(m), SLGA is exposed to SIGA's credit and interest rate risks. SIGA's financial risks arise mainly from its bank financing (\$34.8 million – March 31, 2022; \$42.1 million – March 31, 2021) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2022, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed \$1.4 million.

As of March 31, 2022, 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, 2022, SLGA had \$1 thousand (2021 - \$54 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2022, SLGA has \$610 thousand (2021 – \$602 thousand) in this account.

In 2022, SLGA recorded a \$13 thousand gain (2021 - \$30 thousand gain) 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 - 2022
(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	\$ 22,686	\$ 22,686	\$ 22,686	\$ ---	\$ ---	\$ ---	\$ ---
Payable to the GRF	126,316	126,316	126,316	---	---	---	---
GST payable	844	844	844	---	---	---	---
Provisions	1,142	1,142	1,142	---	---	---	---
Promissory note debt	89,902	89,902	89,902	---	---	---	---
Accrued pension liability	29,731	29,731	1,627	1,626	3,191	9,188	14,099
	<u>\$ 270,621</u>	<u>\$ 270,621</u>	<u>\$ 242,517</u>	<u>\$ 1,626</u>	<u>\$ 3,191</u>	<u>\$ 9,188</u>	<u>\$ 14,099</u>

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	94,980	---	---	---	---
Accrued pension liability	35,690	35,690	1,667	1,666	3,238	9,327	19,792
	<u>\$ 226,221</u>	<u>\$ 226,221</u>	<u>\$ 192,198</u>	<u>\$ 1,666</u>	<u>\$ 3,238</u>	<u>\$ 9,327</u>	<u>\$ 19,792</u>

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 \$89.9 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, 2022, SLGA held \$462 thousand (2021 - \$500 thousand) on behalf of in-scope employees.

26. Promissory Notes

SLGA's promissory notes of \$89.9 million are due to the Government of Saskatchewan's GRF. 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, 2022, the promissory notes are as follows:

Date of issue	Date of maturity	Interest rate (%)	Currency	Outstanding amount (000's)
28-Oct-2021	26-Apr-2022	0.394	CAD	\$ 19,494
04-Nov-2021	03-May-2022	0.380	CAD	19,493
18-Nov-2021	17-May-2022	0.449	CAD	19,489
13-Jan-2022	07-Jul-2022	0.619	CAD	24,959
17-Mar-2022	13-Sep-2022	1.126	CAD	6,467
				\$ 89,902

Changes in promissory note debt during the year ended March 31, 2022 are as follows:

	2022 (000's)
Opening balance	\$ 94,980
Changes from financing cash flows:	
Proceeds received	184,684
Repayments	(189,524)
Interest Expense	(238)
Ending balance	<u>\$ 89,902</u>

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.

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	<u>VLT, Liquor, Other Gaming & Cannabis</u>		<u>Slots in SIGA Casinos*</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	\$ 44,307	\$ 44,766	\$ 37,287	\$ 21,971	\$ 81,594	\$ 66,737
Depreciation	20,945	19,234	9,438	10,920	30,383	30,154
Operations and maintenance	1,533	1,408	20,841	20,534	22,374	21,942
Professional and contractual services	12,743	12,357	2,522	1,775	15,265	14,132
Rent, utilities and insurance	4,040	3,789	7,487	7,194	11,527	10,983
Service charges and interest	927	4,231	6,705	7,916	7,632	12,147
Grants (Note 3 (l))	6,250	6,645	---	---	6,250	6,645
Goods and Services Tax	2,572	2,787	2,642	2,691	5,214	5,478
Information technology	2,494	2,377	2,721	1,868	5,215	4,245
Debit/Credit charges	3,442	3,646	---	---	3,442	3,646
Advertising, printing and promotion	89	44	1,783	9,547	1,872	9,591
Sundry	887	983	749	299	1,636	1,282
Stationery and supplies	752	873	644	332	1,396	1,205
Communications	388	383	485	562	873	945
Travel and business	455	427	328	141	783	568
Honoraria and related expenses	10	16	---	---	10	16
Customer service programs	(58)	(453)	---	---	(58)	(453)
Indigenous Gaming Regulators (Note 13)	---	---	3,175	3,000	3,175	3,000
Saskatoon Prairieland Park Corporation (Note 13)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 13)	---	---	7,692	6,358	7,692	6,358
	<u>\$ 101,776</u>	<u>\$ 103,513</u>	<u>\$ 107,099</u>	<u>\$ 97,708</u>	<u>\$ 208,875</u>	<u>\$ 201,221</u>

*Represents operating costs of SIGA casinos.

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED SCHEDULE OF SEGMENTED EXPENSES
For the Year Ended March 31

	<u>Liquor</u>		<u>Other Gaming</u>		<u>VLT</u>		<u>Cannabis</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	\$ 36,845	\$ 37,670	\$ 3,641	\$ 3,509	\$ 1,678	\$ 1,554	\$ 2,143	\$ 2,033	\$ 44,307	\$ 44,766
Depreciation	8,469	9,097	1,356	1,302	10,353	8,083	767	752	20,945	19,234
Professional and contractual services	2,197	1,695	480	234	9,670	10,248	396	180	12,743	12,357
Grants (Note 3(l))	973	1,003	5,057	5,427	155	156	65	59	6,250	6,645
Rent, utilities and insurance	2,864	2,868	82	80	1,051	803	43	38	4,040	3,789
Debit/credit charges	3,407	3,615	35	28	---	2	---	1	3,442	3,646
Goods and Services Tax	93	83	1	---	2,478	2,704	---	---	2,572	2,787
Information technology	1,776	1,876	299	244	188	99	231	158	2,494	2,377
Operations and maintenance	1,473	1,359	52	38	2	3	6	8	1,533	1,408
Service charges & interest	684	668	24	34	206	3,513	13	16	927	4,231
Sundry	868	958	11	12	6	10	2	3	887	983
Stationary and supplies	721	840	19	22	5	4	7	7	752	873
Travel and business	288	272	110	100	5	3	52	52	455	427
Communications	302	304	51	47	16	15	19	17	388	383
Advertising, printing, and promotion	89	43	---	---	---	1	---	---	89	44
Honoraria and related expenses	5	8	3	5	---	---	2	3	10	16
Customer service programs	51	53	---	---	(109)	(506)	---	---	(58)	(453)
	<u>\$ 61,105</u>	<u>\$ 62,412</u>	<u>\$ 11,221</u>	<u>\$ 11,082</u>	<u>\$ 25,704</u>	<u>\$ 26,692</u>	<u>\$ 3,746</u>	<u>\$ 3,327</u>	<u>\$ 101,776</u>	<u>\$ 103,513</u>

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, 2022, 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, 2022, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SLGA Retail Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SLGA Retail Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SLGA Retail Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Regina, Saskatchewan

May 26, 2022

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Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

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

	Notes	2022 (000's)	2021 (000's)
Current assets:			
Cash		\$ 339	\$ 354
Due from General Revenue Fund	4	176,261	210,582
Trade and other receivables		2,276	1,829
Prepaid expenses		365	331
Inventory	6	18,432	20,044
Held for sale	7	98	98
Total current assets		<u>197,771</u>	<u>233,238</u>
Non-current assets:			
Property, plant and equipment	7	21,774	23,923
Intangible assets	8	2,190	2,615
Total non-current assets		<u>23,964</u>	<u>26,538</u>
Total Assets		<u>\$ 221,735</u>	<u>\$ 259,776</u>
Current liabilities:			
Trade and other payables		\$ 2,595	\$ 2,192
Payable to SLGA	10 & 16	174,616	214,063
Goods and Services Tax (GST) payable		161	62
Liquor Consumption Tax (LCT) payable		1,018	1,320
Lease liabilities	9	3,393	3,269
Total current liabilities		<u>181,783</u>	<u>220,906</u>
Non-current liabilities:			
Lease liabilities	9	21,894	23,971
Total non-current liabilities		<u>21,894</u>	<u>23,971</u>
Total Liabilities		<u>\$ 203,677</u>	<u>\$ 244,877</u>
Equity			
Retained earnings (Statement 3)		18,058	14,899
Total Equity		<u>\$ 18,058</u>	<u>\$ 14,899</u>
Total Liabilities & Equity		<u>\$ 221,735</u>	<u>\$ 259,776</u>

(See the accompanying notes to the financial statements)

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

	Notes	2022		2021
		Budget	Actual	Actual
		(000's) (Note 12)	(000's)	(000's)
Revenues:				
Liquor sales		\$ 159,884	\$ 156,723	\$ 189,327
Other income		1,000	1,185	1,207
		<u>160,884</u>	<u>157,908</u>	<u>190,534</u>
Cost of sales:				
Cost of liquor	6	<u>124,710</u>	<u>119,458</u>	<u>151,170</u>
Gross profit on sales		36,174	38,450	39,364
Expenses (Schedule 1):				
Salary, wages and benefits		19,403	20,131	20,002
Other operating		13,956	14,728	14,595
Total expenses		<u>33,359</u>	<u>34,859</u>	<u>34,597</u>
Results from operating activities		2,815	3,591	4,767
Finance expense		---	432	439
Net income		<u>\$ 2,815</u>	<u>\$ 3,159</u>	<u>\$ 4,328</u>
Total Comprehensive Income		<u>\$ 2,815</u>	<u>\$ 3,159</u>	<u>\$ 4,328</u>

(See the accompanying notes to the financial statements)

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

	<u>Retained earnings (deficit)</u> (000's)	<u>Share capital</u> (000's) (Note 15)	<u>Total</u> (000's)
Equity			
Balance April 1, 2020	\$ 10,571	\$ ---	\$ 10,571
Comprehensive income	4,328	---	4,328
Balance March 31, 2021 (to Statement 1)	<u>\$ 14,899</u>	<u>\$ ---</u>	<u>\$ 14,899</u>
Comprehensive income	3,159	---	3,159
Balance March 31, 2022 (to Statement 1)	<u>\$ 18,058</u>	<u>\$ ---</u>	<u>\$ 18,058</u>

(See the accompanying notes to the financial statements)

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

	2022 (000's)	2021 (000's)
Cash Flows from Operating Activities:		
Total Comprehensive Income	\$ 3,159	\$ 4,328
Adjustments to reconcile comprehensive income to cash provided by operating activities:		
Depreciation	3,059	2,695
Finance expense	432	439
Changes in non-cash working capital:		
(Decrease) in payable to SLGA	(39,447)	(13,560)
Increase (Decrease) in trade and other payables	404	(100)
(Decrease) in LCT payable	(302)	(178)
(Increase) in trade and other receivables	(447)	(330)
Increase (Decrease) in GST payable	99	(30)
(Increase) in prepaid expenses	(34)	(316)
Decrease (Increase) in inventory	1,612	(353)
Net cash from operating activities	\$ (31,465)	\$ (7,405)
Cash Flows from Financing Activities:		
Payment of lease liabilities	\$ (2,871)	\$ (2,828)
Net (decrease) in cash position	(34,336)	(10,233)
Cash position, beginning of period	210,936	221,169
Cash position, end of period	\$ 176,600	\$ 210,936
Cash Position Consists of:		
Cash	\$ 339	\$ 354
Due from General Revenue Fund	176,261	210,582
	\$ 176,600	\$ 210,936

(See the accompanying notes to the financial statements)

SLGA RETAIL INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

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 26, 2022.

(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(c) and note 7), intangible assets (note 3(d) and note 8) and right-of-use assets (note 3(f)(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(e)(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) Revenue Recognition

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

(i) Liquor Sales

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

(b) Inventories

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

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

(c) Property, Plant and Equipment

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

Property, plant and equipment, 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 lesser of their estimated useful lives or the term of the lease with SLGA. Rates are as follows:

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

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

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

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

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

(d) Intangible Assets

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

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

(e) Impairment

(i) Financial assets

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

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

impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

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

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

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

(ii) Non-financial assets

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

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

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

(f) Leases

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.

(g) Foreign Currency

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

(h) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA Retail Inc. classifies its financial instruments into one of the following categories: fair value through profit or loss; amortized cost; and other financial liabilities. All

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

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

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

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

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

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

(ii) Derivatives and Embedded derivatives

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

(i) 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

	<u>2022</u> (000's)	<u>2021</u> (000's)
Wines, coolers and spirits in stores	\$ 14,310	\$ 15,691
Beer in stores	<u>4,122</u>	<u>4,353</u>
	<u>\$ 18,432</u>	<u>\$ 20,044</u>

The cost of liquor inventories recognized as an expense during the year ended March 31, 2022 was \$119.5 million (2021- \$151.2 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, 2022 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, 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
Additions/adjustments	155	1,261	46	---	---	1,462
Disposals/Retirements	---	---	---	---	---	---
Balance, March 31, 2022	\$ 5,691	\$ 25,665	\$ 1,484	\$ 81	\$ 140	\$ 33,061
Accumulated Depreciation						
Balance, April 1, 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
Depreciation expense	383	3,059	158	11	---	3,611
Adjustments	---	---	---	---	---	---
Disposals/Retirements	---	---	---	---	---	---
Balance, March 31, 2022	\$ 1,793	\$ 8,347	\$ 945	\$ 62	\$ 42	\$ 11,189
Net Book Value						
Balance, March 31, 2021	\$ 4,126	\$ 19,116	\$ 651	\$ 30	\$ 98	\$ 24,021
Balance, March 31, 2022	\$ 3,898	\$ 17,318	\$ 539	\$ 19	\$ 98	\$ 21,872

8. Intangible Assets

(000's)	Software Total	
Cost		
Balance, April 1, 2020	\$	2,601
Additions/adjustments		366
Disposals/retirements		---
Balance, March 31, 2021	\$	2,967
Additions/adjustments		---
Disposals/retirements		---
Balance, March 31, 2022	\$	2,967
Accumulated depreciation		
Balance, April 1, 2020	\$	---
Depreciation expense		352
Disposals/retirements		---
Balance, March 31, 2021	\$	352
Depreciation expense		425
Disposals/retirements		---
Balance, March 31, 2022	\$	777
Net Book Value		
Balance, March 31, 2021	\$	2,615
Balance, March 31, 2022	\$	2,190

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,	
	2022	2021
Contractual undiscounted cash flows		
One year or less	\$ 2,740	\$ 2,897
Between one and five years	4,332	6,193
Greater than five years	109	182
Total undiscounted lease liabilities	\$ 7,181	\$ 9,272
Discounted lease liabilities included in the statement of financial position		
Current	\$ 3,393	\$ 3,269
Non-current	\$ 21,894	\$ 23,971

Amounts recognized in net income

(000's)

For the year ended March 31,

	2022	2021
Interest on lease liabilities	\$ 432	\$ 439

Amounts recognized in the statement of cash flows

(000's)

For the year ended March 31,

	2022	2021
Interest paid on lease liabilities	\$ 432	\$ 439
Lease liability principal payments	2,439	2,389
Total cash outflow for leases	\$ 2,871	\$ 2,828

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. 2022 Budget

These amounts represent the budget approved by SLGA Retail Inc. Board of Directors. Discontinued operations are included in SLGA Retail Inc.'s 2021-22 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 \$11 thousand (2021- \$12 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 \$14.7 million (2021- \$18.0 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.

Financial Instruments	Classification ¹	Fair Value Hierarchy	2022 (000's)		2021 (000's)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	\$ 339	\$ 339	\$ 354	\$ 354
Due from General Revenue Fund	FVTPL	Level One	176,261	176,261	210,582	210,582
Trade and other receivables	AC	N/A	2,276	2,276	1,829	1,829
Trade and other payables	OFL	N/A	2,595	2,595	2,192	2,192
Payable to SLGA	OFL	N/A	174,616	174,616	214,063	214,063
GST payable	OFL	N/A	161	161	62	62
LCT payable	OFL	N/A	1,018	1,018	1,320	1,320

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:

	<u>2022</u> (000's)	<u>2021</u> (000's)
Cash	\$ 339	\$ 354
Due from General Revenue Fund	176,261	210,582
Trade and other receivables	<u>2,276</u>	<u>1,829</u>
	<u>\$ 178,876</u>	<u>\$ 212,765</u>

As of March 31, 2022, 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, 2022, SLGA Retail Inc. has \$212 thousand (2021- \$209 thousand) in this account.

During the year, SLGA Retail Inc. recorded a \$NIL (2021- \$NIL) 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 - 2022
(In 000's)

Financial Liabilities	<u>Carrying amount</u>	<u>Total</u>	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>3 - 5 years</u>	<u>Greater than 5 years</u>
Trade and other payables	\$ 2,595	\$ 2,595	\$ 2,595	\$ ---	\$ ---	\$ ---	\$ ---
Payable to SLGA	174,616	174,616	174,616	---	---	---	---
GST payable	161	161	161	---	---	---	---
LCT payable	1,018	1,018	1,018	---	---	---	---
Lease Liabilities obligation	25,287	25,287	1,682	1,711	3,373	8,547	9,974
	<u>\$ 203,677</u>	<u>\$ 203,677</u>	<u>\$ 180,072</u>	<u>\$ 1,711</u>	<u>\$ 3,373</u>	<u>\$ 8,547</u>	<u>\$ 9,974</u>

Contractual cash flows – 2021
(In 000's)

Financial Liabilities	<u>Carrying amount</u>	<u>Total</u>	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>3 - 5 years</u>	<u>Greater than 5 years</u>
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
	<u>\$ 244,877</u>	<u>\$ 244,877</u>	<u>\$ 219,276</u>	<u>\$ 1,630</u>	<u>\$ 3,253</u>	<u>\$ 7,138</u>	<u>\$ 13,580</u>

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

	<u>2022</u>	<u>2021</u>
Authorized		
Unlimited voting common shares with no par value		
Issued and outstanding		
1 common share	\$ <u> ---</u>	\$ <u> ---</u>

16. 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, 2022, SLGA Retail Inc. has \$174.6 million (2021- \$214.1 million) in this account.

Schedule 1

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

	Total	
	<u>2022</u> (000's)	<u>2021</u> (000's)
Salaries, wages and benefits	\$ 20,131	\$ 20,002
Professional and contractual services	4,799	4,779
Depreciation expense (Note 7 & 8)	4,036	3,477
Rent, utilities and insurance	2,186	2,178
Operations and maintenance	1,061	968
Debit/credit charges	983	1,175
Stationary & supplies	513	640
Service charges	436	443
Grants	335	395
Sundry	284	426
Communications	124	139
Travel and business	121	154
Advertising	85	38
Information Technology	74	108
Goods and services tax	72	64
Customer Service	51	50
Commission	---	---
	<u>\$ 35,291</u>	<u>\$ 35,036</u>

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, 2022, and the statement 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 Holding Inc. as at March 31, 2022, 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 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 Holding 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 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.



Regina, Saskatchewan
May 26, 2022
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Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

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

	Notes	2022 (000's)	2021 (000's)
Current assets:			
Cash		\$ ---	\$ ---
Trade and other receivables		2	2
Due from General Revenue Fund	4	5,498	5,420
Goods and Services Tax (GST) receivable		777	31
Current portion of lease receivable	6	21,178	18,993
Total current assets		<u>27,455</u>	<u>24,446</u>
Non-current assets:			
Long-term lease receivable	6	59,992	61,138
Total non-current assets		<u>59,992</u>	<u>61,138</u>
Total Assets		<u>\$ 87,447</u>	<u>\$ 85,584</u>
Liabilities:			
Trade and other payables		\$ 1,144	\$ 130
Due to SLGA	8 & 10	84,353	84,211
Total Liabilities		<u>\$ 85,497</u>	<u>\$ 84,341</u>
Equity			
Retained earnings (Statement 3)		1,950	1,243
Total Equity		<u>\$ 1,950</u>	<u>\$ 1,243</u>
Total Liabilities & Equity		<u>\$ 87,447</u>	<u>\$ 85,584</u>

(See the accompanying notes to the financial statements)

Statement 2

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

	2022		2021
	Budget (000's) (Note 9)	Actual (000's)	Actual (000's)
Revenues:			
Other income	\$ 22,200	\$ 19,666	\$ 18,851
	<u>22,200</u>	<u>19,666</u>	<u>18,851</u>
Expenses:			
Other operating	22,200	19,600	18,722
Total expenses	<u>22,200</u>	<u>19,600</u>	<u>18,722</u>
Operating Income	<u>\$ ---</u>	<u>\$ 66</u>	<u>\$ 129</u>
Gain on disposal of non-current assets	<u>---</u>	<u>641</u>	<u>836</u>
Net income	---	707	965
Other comprehensive income	<u>---</u>	<u>---</u>	<u>---</u>
Total Comprehensive Income	<u><u>\$ ---</u></u>	<u><u>\$ 707</u></u>	<u><u>\$ 965</u></u>

(See the accompanying notes to the financial statements)

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, 2020	\$ 278	\$ ---	\$ 278
Comprehensive Income	965	---	965
Balance March 31, 2021 (to Statement 1)	<u>\$ 1,243</u>	<u>\$ ---</u>	<u>\$ 1,243</u>
Comprehensive Income	707	---	707
Balance March 31, 2022 (to Statement 1)	<u>\$ 1,950</u>	<u>\$ ---</u>	<u>\$ 1,950</u>

(See the accompanying notes to the financial statements)

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

	2022	2021
	(000's)	(000's)
Cash flows from operating activities:		
Total comprehensive Income (Loss)	\$ 707	\$ 965
Adjustments for:		
Increase (Decrease) in due to SLGA	142	(1,070)
Increase (Decrease) in trade and other payables	1,014	(966)
Decrease in long-term lease receivables	1,146	2,074
(Increase) in current portion of lease receivable	(2,185)	(133)
Decrease in trade and other receivables	---	784
(Increase) Decrease in GST receivable	(746)	187
Net cash from operating activities	\$ 78	\$ 1,841
Net increase in cash position	78	1,841
Cash position, beginning of period	5,420	3,579
Cash position, end of period	\$ 5,498	\$ 5,420
Cash position consists of:		
Cash	\$ ---	\$ ---
Due from General Revenue Fund	5,498	5,420
	\$ 5,498	\$ 5,420

(See the accompanying notes to the financial statements)

SLGA HOLDING INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

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 26, 2022.

(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, casino operations including slot machines were closed on December 18, 2020 but reopened on June 20, 2021.

3. Significant Accounting Policies

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

(a) Financing Leases Receivable

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

(b) Revenue Recognition

SLGA Holding Inc. evaluates all contractual arrangements it enters into and evaluates the nature of the promises it makes, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such

performance obligations are concluded to be distinct from each other, the consideration SLGA Holding Inc. expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices.

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

(c) Foreign Currency

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

(d) Financial Instruments

(i) Non-derivative financial assets and liabilities

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

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

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

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SLGA Holding Inc. has a

legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivatives and embedded derivatives

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

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:

	<u>(000's)</u>
2023-24	\$ 20,168
2024-25	17,044
2025-26	10,619
2026-27	6,570
2027-28 and subsequent	<u>5,591</u>
Total minimum payments receivable	\$ 59,992
Current portion	<u>\$ 21,178</u>
Total	<u>\$ 81,170</u>

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.

	<u>(000's)</u>
Balance, April 1, 2020	\$ 85,281
Additions	(1,070)
Repayments	---
Balance, March 31, 2021	<u>\$ 84,211</u>
Additions	142
Repayments	---
Balance, March 31, 2022	<u>\$ 84,353</u>

9. 2022 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 \$NIL thousand (2021- \$126 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	2022 (000's)		2021 (000's)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due from General Revenue Fund	FVTPL	Level One	\$ 5,498	\$ 5,498	\$ 5,420	\$ 5,420
Trade and other receivables	AC	N/A	2	2	2	2
GST receivables	AC	N/A	777	777	31	31
Trade and other payables	OFL	N/A	1,144	1,144	130	130
Due to SLGA	OFL	N/A	84,353	84,353	84,211	84,211

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:

	2022 (000's)	2021 (000's)
Due from General Revenue Fund	\$ 5,498	\$ 5,420
Trade and other receivables	2	2
Lease receivable	81,170	80,131
	<u>\$ 86,670</u>	<u>\$ 85,553</u>

As of March 31, 2022, 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 \$66 thousand gain (2021-\$24 thousand 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 - 2022
(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	\$ 1,144	\$ 1,144	\$ 1,144	\$ ---	\$ ---	\$ ---	\$ ---
Due to SLGA	84,353	84,353	84,353	---	---	---	---
	<u>\$ 85,497</u>	<u>\$ 85,497</u>	<u>\$ 85,497</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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	---	---	---	---
	<u>\$ 84,341</u>	<u>\$ 84,341</u>	<u>\$ 84,341</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

	<u>2022</u>	<u>2021</u>
Authorized		
Unlimited voting common shares with no		
par value		
Issued and outstanding		
1 common share	\$ ---	\$ ---
	<u>\$ ---</u>	<u>\$ ---</u>

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 licences, permits and registrations and compliance matters;
- 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) with respect to on-reserve charitable gaming licences and registrations and compliance matters.

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

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 pandemic concerns and restrictions, in 2021-22 only two (2) hearings were held:

- Regina, August 2021, to review sanctions assessed by SLGA for a cannabis permit violation.
- Regina, March 2022, to review sanctions assessed by SLGA for a liquor permit violation.

The Commission members as of March 31, 2022:

- Vacant, Chair
- 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

2021-22 Results at a glance

SLGA net income	\$477.4M
SIGA net income	\$68.2M
Total liquor sales	\$667.2M
Liquor net income	\$270.5M
VLT net income	\$152.1M
VLT site commission	\$39.1M
Number of SLGA employees	623
Number of SLGA Retail Inc. liquor stores	35
Number of active liquor Retail Store Permittees	621
Special order listings	6,428
Total SLGA distributed products	9,141 ⁴
Privately distributed products	803
Total retail products available	9,928
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	4,197
Number of businesses with VLTs	574
Number of active commercial liquor permittees	2,936
Number of special occasion permits issued	4,710
Number of cannabis retail store permits issued	134
Number of cannabis wholesale permits issued	5
Number of cannabis licensed producer registrations	142
Number of sanctions and warnings (liquor, gaming, cannabis and horse racing)	168
Number of registered gaming employees	2,304
Number of registered gaming suppliers	114
Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em, and Monte Carlo licences	4,197
Number of bingo halls	9
Total gross bingo sales	\$6.9M
Total gross raffle sales	\$67.1M
Total gross breakopen sales	\$1.0M
Total gross charitable gaming event sales	\$28.4M
Total net proceeds to charity (bingo, raffle, breakopen, charitable gaming event, Texas Hold'em and Monte Carlo)	\$34.2M
Total grants paid to charitable gaming licensees	\$5.2M

All data as of March 31, 2022

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