

# Saskatchewan Liquor and Gaming Authority



## Annual Report for 2013-14



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# Letters of Transmittal



Her Honour, the Honourable Vaughn Solomon Schofield  
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the annual report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2014. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*.

The Government of Saskatchewan is committed to increased accountability, to honouring its commitments and to managing expenditures responsibly on behalf of Saskatchewan people. The Annual Report measures progress against the commitments outlined in SLGA's 2013-14 Plan.

The 2013-14 financial statements show a record year with net income of \$494.5 million. SLGA will continue to deliver on 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.

A handwritten signature in dark ink, appearing to read 'Don McMorris'.

Don McMorris  
Minister Responsible for the Saskatchewan Liquor and Gaming Authority



The Honourable Don McMorris  
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

I have the honour of submitting the annual report of the Saskatchewan Liquor and Gaming Authority for the fiscal year ending March 31, 2014.

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

This annual report highlights SLGA's many achievements in 2013-14 and reflects another successful year for the organization.

A handwritten signature in dark ink, appearing to read 'Barry C. Lacey'.

Barry C. Lacey, CA, CMA  
President & CEO  
Saskatchewan Liquor and Gaming Authority

## Introduction

This annual report for the Saskatchewan Liquor and Gaming Authority (SLGA) presents SLGA's results on activities and outcomes for the fiscal year ending March 31, 2014. It reports to the public and elected officials on public commitments made and other key accomplishments of SLGA.

Although a renewed vision in the *Saskatchewan Plan for Growth – Vision 2020 and Beyond* was introduced in October 2012, the 2013-14 Annual Report will be presented in relation to the vision and goals that guided the development of the 2013-14 Plan.

Results are provided on publicly committed strategies, actions and performance measures identified in the 2013-14 Plan.

The report also demonstrates progress made on Government commitments as stated in the *Government Direction for 2013-14: Balanced Growth*, throne speeches and other commitments and activities of SLGA.

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

## Alignment with Government's Direction

SLGA's activities in 2013-14 align with Government's vision and four goals.

## Our Government's Vision

A strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

## Government's Goals

- Sustaining growth and opportunities for Saskatchewan people.
- Improving our quality of life.
- Making life affordable.
- Delivering responsive and responsible government.

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

# Overview

## SLGA's Mission Statement

*Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.*

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves its mandate through socially responsible, fair and cost-effective services at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 79 liquor stores in 64 communities throughout the province. In 2013-14, SLGA expanded its partnership with the private retail network with the opening of a full-line private liquor store in Saskatoon and one in Regina. SLGA continued to partner with 182 rural franchises that sell beverage alcohol on its behalf and 449 off-sale outlets in Saskatchewan. In addition, SLGA regulates all liquor-permitted premises in the province.

SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs) and the slot machines at First Nations casinos. SLGA also plays an important role in regulating the Province's eight casinos including six First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA) and two casinos operated by SaskGaming. Most other forms of gaming are licensed and regulated by SLGA including bingos, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events as well as the provincial horse racing industry.

In the early part of 2014-15, Cabinet was re-organized and responsibility for SLGA was transferred to Minister Don McMorris. As of March 31, 2014, SLGA employed approximately 955 staff throughout the province. The majority are part-time staff who work in SLGA stores.

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

In 2013-14, SLGA continued with adjustments to its organizational structure that had begun in 2012-13. The changes will ensure the most effective and efficient operations to deliver services to its customers and partners.

SLGA has five divisions:

- The Liquor Store Operations Division manages and oversees SLGA's 79 liquor stores in 64 communities across Saskatchewan.
- The Partnerships and Supply Management Division manages SLGA's liquor and gaming partnerships and is responsible for service excellence across the organization. The division manages liquor pricing and procurement processes, product listings, merchandising, special orders and the distribution centre. In addition, the division has oversight of SIGA operations and manages the province's VLT program.
- The Regulatory Services Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The division manages the charitable gaming grant program, is responsible for horse racing and provides community information and education seminars.
- The Corporate Services Division is responsible for policy and legislation, privacy/Freedom of Information, social responsibility, information technology, internal audit services, human resources, organizational development and employee health and safety.
- The Performance Management Division is responsible for financial services, strategic planning and reporting, performance management, risk management, enterprise project management, program review, organizational change management and business improvement.

## Progress in 2013 - 14

### Government Goal: Sustaining Growth and Opportunities for Saskatchewan People

#### STRATEGY - SUPPORT ECONOMIC GROWTH IN LIQUOR AND GAMING INDUSTRIES AND ASSOCIATED SECTORS

##### Key Actions & Results

- To address increasing volume, improve efficiencies and enhance services, SLGA is relocating and expanding its liquor distribution centre. Construction of the new centre began in the fall of 2013 and is targeted for completion in 2015.
- SLGA enhanced its existing public-private retail network in 2013-14 with the establishment of a full-line private liquor store in Regina and Saskatoon. SLGA worked closely with its private partners throughout the opening of the two stores to ensure that their integration into the blended retail model would address capacity issues and meet customer requirements. The existing full-line private liquor store in Regina will move to a new location in 2014-15. An additional two private stores are expected to open in late summer 2014 in Saskatoon and in spring 2015 in Regina.
- On July 4, 2013, Government announced changes to its rural franchise model to better meet the needs of customers. The changes allow new franchises to open in larger communities with a population greater than 1,000. The changes also allow existing franchises in larger communities the opportunity to sell mainstream beer.
- On April 1, 2013, SLGA converted its off-sale commercial permittee beer discount from a flat rate to a percentage based discount to ensure that the discount keeps pace with inflation. The change has been incorporated by all private beer distributors as well as internally.
- SLGA continued to support the charitable gaming industry in 2013-14 through the distribution of \$5.7 million in charitable gaming grants to charities across the province. The grant program issues grant payments equal to 25 per cent of the net revenue generated through licensed charitable gaming activities up to a maximum of \$100,000 per year per organization.

##### Performance Measure & Results

##### Liquor Sales

The dollar value of liquor sales has grown steadily during the past five years. In 2013-14, this growth was largely driven by markup increases that were implemented as part of the 2013-14 Provincial Budget. Saskatchewan's growing population and strong economy have also contributed to the growth in liquor sales by increasing volume and shifting consumer preferences towards specialty and higher priced products. In 2013-14, beer sales showed further decline, while spirit sales continued on an upward trend. The wine and refreshment beverage categories had strong growth.

| Liquor Sales |           |           |           |           |
|--------------|-----------|-----------|-----------|-----------|
| 2009-10      | 2010-11   | 2011-12   | 2012-13   | 2013-14   |
| \$541.1 M    | \$550.5 M | \$571.8 M | \$592.3 M | \$612.0 M |

Source: SLGA

##### VLT Revenue and Site Commission

The number of VLTs in the province is capped at 4,000 machines. SLGA owns all of the VLT machines and contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain its VLTs. Gross VLT revenue reflects the amount of VLT activity prior to payment of operating expenses and commission. SLGA supports local businesses through a 15 per cent VLT site commission paid to liquor-permitted establishments that host VLTs.

At the end of 2012-13 and beginning of 2013-14, the province's VLT machines were replaced leading to an increase in VLT revenue and site commissions. SLGA will monitor the gaming market to ensure revenue sustainability.

| Fiscal Year | Gross VLT Revenue | VLT Site Commission |
|-------------|-------------------|---------------------|
| 2013-14     | \$239.1 M         | \$35.9 M            |
| 2012-13     | \$223.2 M         | \$33.9 M            |
| 2011-12     | \$226.4 M         | \$34.4 M            |
| 2010-11     | \$223.3 M         | \$33.9 M            |
| 2009-10     | \$225.8 M         | \$34.3 M            |

Source: SLGA



# Government Goal: Delivering Responsive and Responsible Government

## STRATEGY – MODERNIZE SLGA'S POLICY FRAMEWORK TO ALLOW FOR GREATER FLEXIBILITY AND ENCOURAGE INCREASED INVOLVEMENT BY KEY STAKEHOLDERS IN THE ECONOMY

### *Key Actions & Results*

SLGA continued to review and amend its regulatory framework to create new business opportunities and improve flexibility in the regulatory environment while maintaining a balance with social responsibility and community safety.

- In November 2012, SLGA announced 77 changes to Saskatchewan's liquor regulatory framework. The first 39 changes were implemented in May 2013 as a result of policy changes, another 37 changes came into effect on Aug. 1, 2013 as a result of legislative and regulatory changes and the final change came into effect Jan. 1, 2014.
- Terms and Conditions and Technical Standards were put in place by SLGA to allow the introduction of electronic bingo minders and the online sale of raffle tickets in the charitable gaming sector.

### *Performance Measure & Results*

#### **Total Gross Franchise and Commercial Permittee Beverage Alcohol Purchases**

Franchises and commercial permittees generate revenue and economic activity through the purchase and resale of beverage alcohol. The beverage alcohol purchases made by SLGA's private partners reflect the extent to which the Saskatchewan market is served by a blended public-private distribution model.

Franchise and commercial permittee purchases continued to grow in 2013-14. Overall growth since 2009-10 has been supported by a combination of industry price increases and consumers' shifting preference to premium products.

| Fiscal Year | Franchise Purchases | Commercial Permittee Purchases |
|-------------|---------------------|--------------------------------|
| 2013-14     | \$60.5 M            | \$228.0 M                      |
| 2012-13     | \$57.1 M            | \$226.5 M                      |
| 2011-12     | \$54.8 M            | \$220.1 M                      |
| 2010-11     | \$51.3 M            | \$210.3 M                      |
| 2009-10     | \$50.2 M            | \$215.4 M                      |

Source: SLGA

## STRATEGY - STRENGTHEN THE SOCIALLY RESPONSIBLE SALE AND DISTRIBUTION OF LIQUOR AND GAMING PRODUCTS IN AN EFFORT TO REDUCE THE ADVERSE CONSEQUENCES OF THESE ACTIVITIES

### *Key Actions & Results*

- SLGA continued to participate on the Interprovincial Lottery Corporation Responsible Gaming Sub-Committee. Among other projects, SLGA participated in the development of a three-minute responsible gambling video tutorial that helps players understand the randomness and probability of winning prizes while playing VLTs. In 2013-14, the video was installed on two of four types of VLTs, with the remaining implementation to occur in 2014-15.
- The Saskatchewan Partnership for Responsible Gambling (SPRG) met on a regular basis throughout 2013-14 and continues to share information and collaborate in the development of responsible gambling initiatives.
- Building on SLGA's partnership with Saskatchewan Government Insurance (SGI) and other organizations, SLGA continued to deliver programs to promote awareness and prevention of drinking and driving:
  - In May 2013, SLGA announced the expansion of its Automated Teller Machine (ATM) pilot project to all seven Regina liquor stores. The ATMs create awareness and generate revenue to fund local Mothers Against Drunk Driving (MADD) and Students Against Drinking and Driving (SADD) activities.
  - SLGA continues to provide MADD with funding for the delivery of its School Assembly Program to Saskatchewan high school students regarding the consequences of drinking and driving.
  - SLGA, SGI, MADD, SADD and law enforcement agencies continue to support the Report Impaired Drivers (RID) program. The RID program encourages people to call 911 if they suspect an impaired driver.

- Development of a responsible use training program will be deferred to 2014-15. SLGA is planning to select several agencies who are capable of offering a range of expertise for the development and delivery of responsible use programs and initiatives over the next few years, including responsible use training for SLGA employees.

### *Performance Measure & Results*

#### **Regulatory Services Measures**

SLGA's regulatory framework supports the socially responsible sale and distribution of liquor and gaming products and services. In 2013-14, SLGA issued 1,874 commercial liquor permits, 15,817 special occasion permits and 3,967 charitable gaming licences.

SLGA administers and enforces the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA registers all gaming employees in the province, as well as industry suppliers. In 2013-14, SLGA registered 3,237 gaming employees and 96 suppliers.

SLGA works in collaboration with law enforcement authorities and other regulatory agencies to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. In 2013-14, SLGA imposed 207 sanctions including 56 liquor-related sanctions, 132 charitable gaming-related sanctions and 19 horse racing sanctions. Sanctions include warnings, suspensions and fines depending upon the violation and past compliance history.

All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

## **STRATEGY - SUPPORT AND STRENGTHEN THE COLLABORATIVE PARTNERSHIP BETWEEN SLGA AND FIRST NATIONS**

### *Key Actions & Results*

- SLGA worked collaboratively with the Saskatchewan Indian Gaming Authority (SIGA) to fulfill commitments under the Casino Operating Agreement. Some highlights of the work completed in 2013-14 include:
  - Review and approval of a new lease structure for the Gold Eagle Casino in North Battleford;
  - Development of a proposal to request additional slots for SIGA casinos; and
  - Implementation of a new casino management system in all six SIGA casinos.
- SLGA and Indigenous Gaming Regulators (IGR) continue to meet regularly to ensure consistency in gaming regulations, on and off reserve. Discussions continue toward the transfer of regulatory responsibility to IGR for registration of on-reserve charitable gaming employees.
- SLGA continues to provide ongoing support to Government in responding to issues that arise under the Gaming Framework Agreement (GFA) and, more broadly, relating to First Nations gaming.

### *Performance Measure & Results*

#### **SIGA Net Income**

As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA casinos. The net income\* generated by SIGA is distributed according to the revenue sharing formula in the 2002 GFA between the Province and the Federation of Saskatchewan Indian Nations (FSIN).

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

*\*Net income figures throughout the annual report correspond with the comprehensive income figures reported in the financial statements.*

Under the GFA, payments are made from SIGA profits to: IGR (\$2.9 million in 2013-14) to support its work in regulating charitable gaming on-reserve and the First Nations Addictions Rehabilitation Foundation (\$2.25 million) for problem gambling services.

After deducting operating expenses, SIGA's net income fell to \$82.3 million in 2013-14.

| SIGA Net Income |          |          |          |          |
|-----------------|----------|----------|----------|----------|
| 2009-10         | 2010-11  | 2011-12  | 2012-13  | 2013-14  |
| \$65.1 M        | \$64.4 M | \$79.2 M | \$86.8 M | \$82.3 M |

*Profit sharing is based on net income prior to the accounting adjustment made for an interest rate swap (\$80.2 million in 2013-14).*

Source: SLGA

## STRATEGY - ENSURE CONTINUOUS IMPROVEMENT IN INTERNAL OPERATIONAL EFFICIENCY, PRODUCTIVITY AND PROGRAM EFFECTIVENESS

### Key Actions & Results

- SLGA continued to build on its foundational work to develop a corporate culture focused on continuous improvement in process efficiency and customer service. Work is being done with all areas of the organization to identify further initiatives and support their implementation.
- As a result of other organizational technology needs that the Warehouse Management/Supply Chain system and Regulatory Services application system are dependent upon, the replacement of both systems has been deferred to 2014-15. SLGA also anticipates the completion of its external web strategy in 2014-15 to coincide with the release of these new systems.
- SLGA has implemented multi-year program reviews as part of an ongoing process to ensure operational efficiency and effectiveness. In 2013-14, SLGA completed all six of its scheduled program reviews.

### Performance Measure & Results

#### Store Operating Costs as a Per Cent of Store Sales

The store operating ratio demonstrates SLGA's efforts to maximize liquor store sales using the least amount of operational resources. After a three year increase, this indicator showed improvement in both 2012-13 and 2013-14 due to reduced expenses from pension adjustments. With liquor sales growing at a faster rate than store costs, SLGA continues to improve the efficiency of its store operations.

| Store Operating Costs as Per Cent of Store Sales |         |         |         |         |
|--|---------|---------|---------|---------|
| 2009-10  | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 11.1%  | 11.7%*  | 11.9%*  | 11.0%*  | 10.0%*  |

*\*Liquor Board Superannuation Plan adjustments resulted in an increase to store operating costs of \$3.9 million in 2010-11, a further increase of \$1.5 million in 2011-12, followed by a \$3.5 million decrease in 2012-13. In 2013-14, changes in actuarial assumptions and increases in assets resulted in a \$5.1 million decrease in costs.*

Source: SLGA

#### Warehouse Activity

SLGA's distribution centre processed 22,731 orders in 2013-14 which corresponds to approximately 2.4 million cases of beverage alcohol shipped from the warehouse to stores and franchises. This is up from 20,543 orders and 2.3 million cases in 2012-13.

#### Licensing, Regulating and Support Expenses as a Per Cent of Revenue

This efficiency measure reflects SLGA's efforts to balance revenue optimization with expenditures to meet operational and regulatory roles. For the year ending March 31, 2014, SLGA's licensing, regulating and support expenses as a percentage of revenue remained relatively constant at 3.4 per cent.

| Licensing, Regulation & Support Expenses as a Per Cent of Revenue |         |         |         |         |
|---|---------|---------|---------|---------|
| 2009-10   | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 3.5%  | 3.3%*   | 3.2%*   | 3.3%*   | 3.4%*   |

*\*Liquor Board Superannuation Plan adjustments resulted in an increase in head office labour costs of \$1.3 million in 2010-11, a further increase of \$0.5 million in 2011-12, followed by a \$0.5 million decrease in 2012-13. In 2013-14, changes in actuarial assumptions and increases in assets resulted in a \$1.1 million decrease in pension costs.*

Source: SLGA

#### VLT Net Income as a Per Cent of VLT Revenue

In 2013-14, VLT activity generated around 73 cents in net income to SLGA for each dollar of VLT revenue. The VLTs were fully amortized in 2008-09 and therefore did not carry a depreciation expense until the network was replaced in 2013-14. With the reintroduction of depreciation expenses, the decrease in operating ratio in 2013-14 was anticipated.

| VLT Net Income as a Per Cent of VLT Revenue |         |         |         |         |
|---|---------|---------|---------|---------|
| 2009-10                                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 81.1%                                       | 80.8%   | 81.0%   | 80.0%   | 73.4%   |

Source: SLGA

## SIGA Net Income as a Per Cent of SIGA Net Revenue

In 2013-14, SIGA earned almost 37 cents on each dollar of revenue it generated. The lower ratio in 2009-10 and 2010-11 reflected the increase in expenditures associated with opening the Dakota Dunes, Living Sky and Painted Hand casinos. The increase in 2013-14 reflects a decrease in SIGA operating costs.

| SIGA Net Income as a Per Cent of SIGA Revenue |         |         |         |         |
|---|---------|---------|---------|---------|
| 2009-10                                       | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| 26.7%   | 25.8%   | 29.7%   | 32.6%   | 36.9%   |

Source: SLGA

## Marginal Return on Expenses (MRE)

The MRE is intended to measure SLGA's overall return on investment for the expenditures it makes. The MRE expresses a ratio between the change in net income compared to the change in total expenses where any outcome greater than zero is a positive outcome.

In 2013-14, net income grew more than the increase in overall expenses. The overall positive performance of the MRE demonstrates SLGA's commitment to fiscal responsibility.

| Marginal Return on Expenses |         |         |         |         |
|-----------------------------|---------|---------|---------|---------|
| 2009-10                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| (0.11)                      | 1.39    | 20.79   | 4.97    | 2.77    |

Source: SLGA

## STRATEGY - PROVIDE RESPONSIVE AND HIGH QUALITY SERVICES TO CUSTOMERS AND STAKEHOLDERS

### Key Actions & Results

- The retail store customer satisfaction survey planned for 2013-14 has been delayed to ensure alignment with a new Service Excellence framework that will be implemented in 2014-15.
- SLGA continues to focus on expansion and improvement of online services to SLGA customers and stakeholders. SLGA deployed a new Intranet for employees and created efficiencies to document management and document workflows. SLGA anticipates the completion of its external web strategy in 2014-15 to coincide with the Regulatory Services and Warehouse Management/Supply Chain software replacement initiatives.

- SLGA carried out a comprehensive review of the Special Occasion Permit process with a goal of improving efficiency, accuracy, transparency and customer service. Results of the review will be implemented in conjunction with the new Regulatory Services software replacement project.
- SLGA continued to ensure that Saskatchewan's blended model for alcohol distribution meets the demands and expectations of customers. To improve convenience and customer service, SLGA partnered with the private sector to establish two full-line private liquor stores in 2013-14.

## Performance Measure & Results

### Customer Satisfaction

Customer satisfaction is an important indicator of the quality of SLGA's programs and services. In 2010-11, SLGA conducted both online and telephone surveys to facilitate transition to an online survey model. The 2010-11 online survey results will be used as a benchmark for the customer satisfaction survey planned for 2014-15.

| Fiscal Year | Method | Satisfied with Customer Service | Customer Service Meets or Exceeds Expectations |
|-------------|--------|---------------------------------|--|
| 2010-11***  | Online | 83%                             | 95%  |
| 2010-11**   | Phone  | 92%                             | 97%  |
| 2007-08*    | Phone  | 88%                             | 95%  |
| 2004-05*    | Phone  | 91%                             | 96%  |
| 2002-03*    | Phone  | 92%                             | 97%  |

\*Considered accurate to within  $\pm 2.5\%$  at a 95% confidence level

\*\*Considered accurate to within  $\pm 3.7\%$  at a 95% confidence level

\*\*\*Uses a non-probability proportional sampling technique, therefore, the standard margin of error is not applicable

Source: SLGA

## Representative Workforce

SLGA has undertaken initiatives to facilitate achievement of a representative workforce, using the Saskatchewan Human Rights Commission's (SHRC) equity group employment targets as a long-term goal. In September 2013, SLGA and the Saskatchewan Government and General Employees' Union (SGEU) negotiated a Letter of Understanding where both parties committed to increased recruitment efforts resulting in the hiring of qualified self-identified representative workforce candidates.

Relative to 2012-13, representation of Aboriginal people, persons with disabilities and members of visible minorities have all increased. SLGA further breaks down its representation of women by occupational group, showing that women are underrepresented in SLGA's senior management and in liquor distribution occupations. SLGA will continue to work toward the SHRC employment targets.

| <b>Fiscal Year</b> | <b>Aboriginal People</b> | <b>Women</b> | <b>Persons with Disabilities</b> | <b>Members of Visible Minorities</b> |
|--------------------|--------------------------|--------------|----------------------------------|--------------------------------------|
| <b>SHRC Target</b> | 13.1%                    | 47%          | 9.7%                             | 3.8%                                 |
| <b>2013-14</b>     | 8.6%                     | 63.0%        | 4.7%                             | 4.3%                                 |
| <b>2012-13</b>     | 7.0%                     | 65.0%        | 4.4%                             | 3.9%                                 |
| <b>2011-12</b>     | 6.1%                     | 62.6%        | 4.2%                             | 3.4%                                 |
| <b>2010-11</b>     | 6.9%                     | 62.1%        | 3.6%                             | 3.2%                                 |
| <b>2009-10</b>     | 6.3%                     | 62.7%        | 3.6%                             | 2.8%                                 |

Source: SLGA

## 2013-14 Financial Overview

SLGA's net income reflects the total net revenue generated less operating expenses, including associated regulatory and compliance costs. Net income for 2013-14 was \$2.7 million above SLGA's budget projection of \$491.8 million. Net income exceeded budget by \$1.0 million from liquor operations, \$7.3 million from SIGA and \$10.2 million from other gaming. These increases were partially offset by a \$15.8 million shortfall in VLT net income from budget expectations.

### SLGA Net Income

SLGA's net income is essential to providing sustainable funding in support of Government programs and services. SLGA's net income has increased steadily during the past five years.

SLGA net income for 2013-14 was \$494.5 million, an increase of \$16.1 million relative to 2012-13. The net impact was driven by a \$20.1 million increase in net income from liquor operations and a \$3.2 million increase in other gaming net income. This was partially offset by a \$4.4 million decrease in SIGA net income and a \$2.8 million decrease in VLT net income.

| SLGA Net Income |           |           |           |           |
|-----------------|-----------|-----------|-----------|-----------|
| 2009-10         | 2010-11   | 2011-12   | 2012-13   | 2013-14   |
| \$433.1 M       | \$442.5 M | \$463.5 M | \$478.4 M | \$494.5 M |

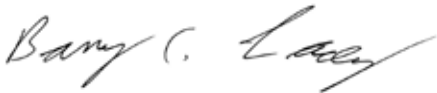
Source: SLGA

# Management's Report

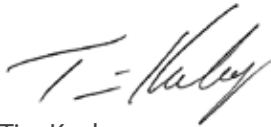
The accompanying financial statements, and related financial information throughout the annual report, have been prepared by management using International Financial Reporting Standards. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

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



Barry C. Lacey, CA, CMA  
President & CEO



Tim Kealey  
Vice-President and CFO



Val Banilevic, CMA  
Director, Financial Services

Regina, Saskatchewan  
June 4, 2014



## Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the statement of financial position as at March 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Judy Ferguson, FCA  
Acting Provincial Auditor

Regina, Saskatchewan  
June 4, 2014



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

|   | Notes  | 2014<br>(000's)   | 2013<br>(000's)<br>(Restated – Note 25) |
|---|--------|-------------------|---|
| Current assets:                           |        |                   |   |
| Cash                                      |        | \$ 1,364          | \$ 1,890                                |
| Due from General Revenue Fund             | 4      | 65,712            | 122,039                                 |
| Trade and other receivables               | 9      | 79,456            | 61,096                                  |
| Prepaid expenses                          |        | 951               | 645                                     |
| Inventory                                 | 6      | 29,178            | 27,434                                  |
| Total current assets                      |        | 176,661           | 213,104                                 |
| Non-current assets:                       |        |                   |   |
| Property, plant and equipment             | 7 & 10 | 106,857           | 111,570                                 |
| Intangible assets                         | 8      | 24,746            | 14,981                                  |
| Total non-current assets                  |        | 131,603           | 126,551                                 |
| <b>Total Assets</b>                       |        | <b>\$ 308,264</b> | <b>\$ 339,655</b>                       |
| Current Liabilities:                      |        |                   |   |
| Trade and other payables                  |        | \$ 31,846         | \$ 67,914                               |
| Payable to the General Revenue Fund       | 5      | 106,038           | 95,809                                  |
| Goods and Services Tax payable            | 10     | 156               | 1,883                                   |
| Short-term Debt                           | 24     | 125,000           | 125,064                                 |
| Provisions                                | 19     | 1,182             | 2,133                                   |
| Total current liabilities                 |        | 264,222           | 292,803                                 |
| Non-current liabilities:                  |        |                   |   |
| Post employment benefits                  | 11     | 48,158            | 54,171                                  |
| Total non-current liabilities             |        | 48,158            | 54,171                                  |
| Total liabilities                         |        | 312,380           | 346,974                                 |
| <b>Equity</b>                             |        |                   |   |
| Retained earnings (deficit) (Statement 3) |        | (4,116)           | (7,319)                                 |
| <b>Total Equity</b>                       |        | <b>(4,116)</b>    | <b>(7,319)</b>                          |
| <b>Total Liabilities &amp; Equity</b>     |        | <b>\$ 308,264</b> | <b>\$ 339,655</b>                       |
| Commitments (Note 13)                     |        |                   |   |
| Contingencies (Note 18)                   |        |                   |   |

(See the accompanying notes to the financial statements)

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

|   |       | 2014             |            | 2013       |
|---|-------|------------------|------------|------------|
|   |       | Budget (Note 15) | Actual     | Actual     |
|   | Notes | (000's)          | (000's)    | (000's)    |
| (Restated – Note 25)                        |       |                  |            |            |
| <b>OPERATING</b>                            |       |                  |            |            |
| Revenues:                                   |       |                  |            |            |
| Liquor sales                                | 14    | \$ 624,692       | \$ 612,026 | \$ 592,330 |
| VLT   |       | 263,500          | 239,077    | 223,186    |
| Slot machines                               | 12    | 219,582          | 222,997    | 241,514    |
| Licence, permit, and other income           |       | 3,125            | 4,966      | 3,409      |
|   |       | 1,110,899        | 1,079,066  | 1,060,439  |
| Cost of sales:                              |       |                  |            |            |
| Cost of liquor                              | 6     | 307,253          | 295,246    | 291,192    |
| VLT site commissions                        |       | 39,525           | 35,861     | 33,854     |
|   |       | 346,778          | 331,107    | 325,046    |
| Gross profit on sales                       |       | 764,121          | 747,959    | 735,393    |
| Expenses (Schedule 1 & 2):                  |       |                  |            |            |
| VLT, liquor and other gaming                |       | 127,728          | 117,148    | 99,059     |
| Slot machines expense                       |       | 125,430          | 123,246    | 136,189    |
| Other                                       | 12    | 19,152           | 19,536     | 18,869     |
| Total expenses                              |       | 272,310          | 259,930    | 254,117    |
| Operating Income                            |       | 491,811          | 488,029    | 481,276    |
| <b>FINANCING</b>                            |       |                  |            |            |
| Loss on disposals of non-current assets     |       | ---              | (26)       | (5)        |
| Financing Income                            |       | ---              | (26)       | (5)        |
| Net Income                                  |       | 491,811          | 488,003    | 481,271    |
| <b>Other Comprehensive Income (OCI)</b>     |       |                  |            |            |
| Unrealized gain in interest rate swaps      | 12    | ---              | 2,115      | 318        |
| Remeasurement of defined benefit obligation | 11    | ---              | 4,387      | (3,181)    |
| Total OCI                                   |       | ---              | 6,502      | (2,863)    |
| <b>Total Comprehensive Income</b>           |       | \$ 491,811       | \$ 494,505 | \$ 478,408 |

(See the accompanying notes to the financial statements)

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

|  | <b>Retained<br/>Earnings</b>       | <b>Net losses on<br/>interest rate<br/>swaps</b> | <b>Net actuarial<br/>losses on<br/>defined<br/>benefit<br/>pension plans</b> | <b>Total</b> |
|--|------------------------------------|--|--|--------------|
|  | (000's)<br>(Restated – Note<br>25) | (000's)  | (000's)<br>(Restated –<br>Note 25)   | (000's)      |
| <b>Equity</b>                                  |                                    |  |  |              |
| Balance April 1, 2012                          | \$ ---                             | \$ (7,637)                                       | \$ ---   | \$ (7,637)   |
| Net income                                     | 481,271                            | ---  | ---  | 481,271      |
| Other comprehensive income (loss)              | ---                                | 318  | (3,181)  | (2,863)      |
| Dividends                                      | (478,090)                          | ---  | ---  | (478,090)    |
| <b>Balance March 31, 2013 (to statement 1)</b> | 3,181                              | (7,319)  | (3,181)  | \$ (7,319)   |
| Net income                                     | 488,003                            | ---  | ---  | 488,003      |
| Other comprehensive income (loss)              | ---                                | 2,115  | 4,387  | 6,502        |
| Dividends                                      | (491,302)                          | ---  | ---  | (491,302)    |
| <b>Balance March 31, 2014 (to statement 1)</b> | \$ (118)                           | \$ (5,204)                                       | \$ 1,206   | \$ (4,116)   |

(See the accompanying notes to the financial statements)

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

|   | 2014<br>(000's) | 2013<br>(000's) |
|---|-----------------|-----------------|
| <b>BUSINESS</b>                                 |                 |                 |
| <b>Operating</b>                                |                 |                 |
| Receipts from customers                         | \$ 1,096,021    | \$ 1,093,901    |
| Interest received                               | 147             | 128             |
| Payments made to suppliers and other            | (554,070)       | (471,892)       |
| Payments made to employees                      | (52,600)        | (55,304)        |
| Payments made to grant recipients               | (7,202)         | (10,379)        |
| Payment of Goods and Services Tax               | (26,109)        | (19,158)        |
| Net cash provided by operating activities       | 456,187         | 537,296         |
| <b>Investing</b>                                |                 |                 |
| Purchase of property, plant and equipment       | (19,347)        | (92,005)        |
| Purchase of intangible assets                   | (12,595)        | (11,336)        |
| Disposition of property, plant and equipment    | (26)            | (5)             |
| Net cash (used in) investing activities         | (31,968)        | (103,346)       |
| <b>Net cash provided by BUSINESS activities</b> | 424,219         | 433,950         |
| <b>FINANCING</b>                                |                 |                 |
| Financing from General Revenue Fund             | ---             | 125,000         |
| Cash Deposited in General Revenue Fund          | (481,072)       | (478,094)       |
| <b>Net cash (used in) FINANCING activities</b>  | (481,072)       | (353,094)       |
| Net (decrease) increase in cash position        | (56,853)        | 80,856          |
| Cash position, beginning of year                | 123,929         | 43,073          |
| Cash position, end of year                      | \$ 67,076       | \$ 123,929      |
| Cash position consists of:                      |                 |                 |
| Cash  | \$ 1,364        | \$ 1,890        |
| Due from General Revenue Fund                   | 65,712          | 122,039         |
|   | \$ 67,076       | \$ 123,929      |

(See the accompanying notes to the financial statements)

**SASKATCHEWAN LIQUOR AND GAMING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**1. Description of Business**

The Saskatchewan Liquor and Gaming Authority (SLGA) is a corporation domiciled in Canada. The address of SLGA's registered office and principal place of business is 2500 Victoria Avenue, Regina, SK, S4P 3M3.

SLGA operates 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 retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. 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 statements.

SLGA operates as a Treasury Board Crown Corporation under the direction of the Government of Saskatchewan. 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these statements on June 5, 2014.

**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's functional currency.

**d) Use of estimates and judgments**

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

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

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

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

### 3. Significant Accounting Policies

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

(a) Revenue

Liquor Sales

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

License Fees

Liquor and gaming licence fees are recorded when the licence is approved.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

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 using a historical weighted average of expected point redemption. 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% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

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

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

(e) Property, Plant and Equipment

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

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

|                            |              |
|----------------------------|--------------|
| Buildings                  | 5 – 40 years |
| Furniture & equipment      | 3 – 7 years  |
| VLT and slot machines      | 5 years      |
| Breakopen vending machines | 3 – 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.

(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 3 – 7 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.

(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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

(h) Leases

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

As at March 31, 2014, SLGA does not have any finance leases.

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

(i) Provisions

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

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

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

(j) Foreign Currency

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



(k) Employee Benefits

(i) Defined benefit plan

A defined benefit plan is a post-employment plan other than a defined contribution plan. Total cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected unit credit method prorated on service. Remeasurements comprising of actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in the 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. However, SLGA may transfer those amounts recognized in other comprehensive income within equity. 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 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 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; loans and receivables; 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 loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, 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 short-term 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 statement of financial position when, and only when, SLGA has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivatives

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

(iii) Embedded derivatives

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

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

(n) Finance income

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

(o) Borrowing costs

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

(p) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after January 1, 2014 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

- IFRS 7 – Financial Instruments: Disclosures
- IFRS 9 – Financial Instruments
- IAS 32 – Financial Instruments: Presentation
- IAS 39 – Financial Instruments: Recognition and Measurement

#### 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 \$491,302 thousand (2013 - \$478,090 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

|                                     | 2014<br>(000's)   | 2013<br>(000's)  |
|-------------------------------------|-------------------|------------------|
| Payable to GRF at beginning of year | \$ 95,809         | \$ 95,813        |
| Deposits during the year            | (481,073)         | (478,094)        |
| Transfer to GRF                     | 491,302           | 478,090          |
| Payable to GRF at end of year       | <u>\$ 106,038</u> | <u>\$ 95,809</u> |

#### 6. Inventories

|   | 2014<br>(000's)  | 2013<br>(000's)  |
|---|------------------|------------------|
| Wines, coolers and spirits in stores    | \$ 9,394         | \$ 1,075         |
| Wines, coolers and spirits in warehouse | 11,593           | 10,593           |
| Beer in stores                          | 3,296            | 11,243           |
| Gaming machine parts                    | 4,895            | 4,523            |
|   | <u>\$ 29,178</u> | <u>\$ 27,434</u> |

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ended March 31, 2014 was \$295,246 thousand and \$403 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, 2014 there was no amount of inventory pledged as security.

## 7. Property, Plant and Equipment

| (000's)                 | Land     | Buildings | Slot<br>Machines | VLT        | Furniture and<br>Equipment | Breakopen<br>Vending<br>Machines | Leasehold<br>Improvements | Total      |
|-------------------------|----------|-----------|------------------|------------|----------------------------|----------------------------------|---------------------------|------------|
| <b>Cost</b>             |          |           |                  |            |                            |                                  |                           |            |
| Balance, April 1, 2012  | \$ 2,342 | \$ 30,196 | \$ 56,605        | \$ 69,957  | \$ 20,000                  | \$ 2,979                         | \$ 8,543                  | \$ 190,622 |
| Additions               | 2,375    | 39        | 3,035            | 77,303     | 8,464                      | ---                              | 10                        | 91,226     |
| Disposals/retirements   | (4)      | ---       | (2,662)          | (108)      | (461)                      | ---                              | (8)                       | (3,243)    |
| Adjustments             | ---      | 133       | 171              | ---        | ---                        | ---                              | 475                       | 779        |
| Balance, March 31, 2013 | \$ 4,713 | \$ 30,368 | \$ 57,149        | \$ 147,152 | \$ 28,003                  | \$ 2,979                         | \$ 9,020                  | \$ 279,384 |
| Additions               | ---      | 185       | 955              | 6,799      | 1,208                      | ---                              | 79                        | 9,226      |
| Disposals/Retirements   | (17)     | (1)       | (4,049)          | (54,385)   | (1,101)                    | ---                              | (12)                      | (59,565)   |
| Adjustments             | ---      | 1,459     | 3,063            | ---        | 3,152                      | ---                              | 2,447                     | 10,121     |
| Balance, March 31, 2014 | \$ 4,696 | \$ 32,011 | \$ 57,118        | \$ 99,566  | \$ 31,262                  | \$ 2,979                         | \$ 11,534                 | \$ 239,166 |

### Accumulated Depreciation

|                         |        |           |           |           |           |          |          |            |
|-------------------------|--------|-----------|-----------|-----------|-----------|----------|----------|------------|
| Balance, April 1, 2012  | \$ --- | \$ 19,761 | \$ 45,342 | \$ 69,887 | \$ 15,310 | \$ 2,976 | \$ 8,039 | \$ 161,315 |
| Depreciation Expense    | ---    | 801       | 6,147     | 1,184     | 1,400     | ---      | 182      | 9,714      |
| Disposals/retirements   | ---    | ---       | (2,641)   | (108)     | (460)     | ---      | (6)      | (3,215)    |
| Balance, March 31, 2013 | \$ --- | \$ 20,562 | \$ 48,848 | \$ 70,963 | \$ 16,250 | \$ 2,976 | \$ 8,215 | \$ 167,814 |
| Depreciation Expense    | ---    | 1,012     | 4,040     | 15,771    | 3,031     | ---      | 149      | 24,003     |
| Disposals/retirements   | ---    | (1)       | (4,049)   | (54,385)  | (1,073)   | ---      | ---      | (59,508)   |
| Balance, March 31, 2014 | \$ --- | \$ 21,573 | \$ 48,839 | \$ 32,349 | \$ 18,208 | \$ 2,976 | \$ 8,364 | \$ 132,309 |

### Net Book Value

|                         |          |           |          |           |           |      |          |            |
|-------------------------|----------|-----------|----------|-----------|-----------|------|----------|------------|
| Balance, March 31, 2013 | \$ 4,713 | \$ 9,806  | \$ 8,301 | \$ 76,189 | \$ 11,753 | \$ 3 | \$ 805   | \$ 111,570 |
| Balance, March 31, 2014 | \$ 4,696 | \$ 10,438 | \$ 8,279 | \$ 67,217 | \$ 13,054 | \$ 3 | \$ 3,170 | \$ 106,857 |

## 8. Intangible Assets

| (000's)                         | Software Total |          |
|---------------------------------|----------------|----------|
| <b>Cost</b>                     |                |          |
| Balance, April 1, 2012          | \$             | 20,828   |
| Additions                       |                | 11,336   |
| Disposals/retirements           |                | (13,119) |
| Adjustments                     |                | ---      |
| Balance, March 31, 2013         | \$             | 19,045   |
| Additions                       |                | 9        |
| Disposals/retirements           |                | (968)    |
| Adjustments                     |                | 12,586   |
| Balance, March 31, 2014         | \$             | 30,672   |
| <b>Accumulated depreciation</b> |                |          |
| Balance, April 1, 2012          | \$             | 15,874   |
| Depreciation Expense            |                | 1,309    |
| Disposals/retirements           |                | (13,119) |
| Balance, March 31, 2013         | \$             | 4,064    |
| Depreciation Expense            |                | 2,829    |
| Disposals/retirements           |                | (967)    |
| Balance, March 31, 2014         | \$             | 5,926    |
| <b>Net Book Value</b>           |                |          |
| Balance, March 31, 2013         | \$             | 14,981   |
| Balance, March 31, 2014         | \$             | 24,746   |

## 9. Trade and Other Receivables

|                                 | 2014<br>(000's)  | 2013<br>(000's)  |
|---------------------------------|------------------|------------------|
| Slot machines receivable – SIGA | \$ 64,458        | \$ 50,761        |
| VLT receivable                  | 9,585            | 8,648            |
| Other                           | 5,413            | 1,687            |
|                                 | <u>\$ 79,456</u> | <u>\$ 61,096</u> |

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

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

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

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

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

## 11. Post Employment Benefits

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

### (i) 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 \$2,994 thousand (2013 - \$2,962 thousand).

### (ii) 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% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Hewitt performed the valuation of the Plan as at September 30, 2011 and extrapolated the valuation to March 31, 2014. 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:

|   | 2014    | 2013    |
|---|---------|---------|
| Expected long-term rate of return on plan assets            | 5.50%   | 5.75%   |
| Discount Rate   | 4.10%   | 3.70%   |
| Salary increases  | 3.50%   | 3.50%   |
| Indexing increases to pensions as % 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 2.50%, salary 3.50% and discount rate 4.1%.

|   | Long-Term Assumptions |      |        |        |               |       |
|---|-----------------------|------|--------|--------|---------------|-------|
|   | Inflation*            |      | Salary |        | Discount Rate |       |
|   | 3.5%                  | 1.5% | 4.5%   | 2.5%   | 5.1%          | 3.1%  |
| (Decrease) increase in pension obligation | (2.5%)                | 2.7% | 0.0%   | (0.0%) | (10.0%)       | 12.2% |

\* A change in the inflation rate of 1% has a corresponding change in the discount rate of 1%, and in the salary scale of 1%.

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

|  | 2014<br>(000's) | 2013<br>(000's) |
|--|-----------------|-----------------|
| Current service cost – defined benefit plan            | \$ ---          | \$ 35           |
| Current service cost – defined contribution plan       | 2,994           | 2,962           |
| Net Interest expense                                   | 2,145           | 1,844           |
| Components of pension costs recorded in profit or loss | 5,139           | 4,841           |
| Return on plan assets (excluding net interest expense) | 70              | 68              |
| Actuarial (gains) losses – assumption changes          | (4,457)         | 3,113           |
| Components of defined benefit costs recorded in OCI    | (4,387)         | 3,181           |
| Total of components of benefit cost                    | \$ 752          | \$ 8,022        |

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

|   | 2014<br>(000's)  | 2013<br>(000's)  |
|---|------------------|------------------|
| <b>Accrued benefit obligation</b>             |                  |                  |
| Accrued benefit obligation, beginning of year | \$ 64,341        | \$ 62,818        |
| Current service cost – employer               | ---              | 35               |
| Current service cost – employee               | ---              | 8                |
| Interest cost                                 | 2,553            | 2,209            |
| Benefits paid                                 | (4,156)          | (4,130)          |
| Experience (gain) loss                        |                  |                  |
| - Change in assumptions                       | (4,071)          | 3,401            |
|   | <u>\$ 58,667</u> | <u>\$ 64,341</u> |
| <b>Plan Assets</b>                            |                  |                  |
| Fair value of plan assets, beginning of year  | \$ 10,170        | \$ 10,209        |
| Actual return on plan assets                  | 794              | 653              |
| Employer contributions                        | 3,701            | 3,430            |
| Employee contributions                        | ---              | 8                |
| Benefits paid                                 | (4,156)          | (4,130)          |
|   | <u>\$ 10,509</u> | <u>\$ 10,170</u> |
| Fair value of plan assets, end of year        |                  |                  |
|   | <u>\$ 48,158</u> | <u>\$ 54,171</u> |
| Accrued pension liability                     |                  |                  |

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 22.0% (2013 – 22.8%) in a Canadian equity pooled fund, 33.5% (2013 – 29.5%) in foreign equity pooled funds, 39.0% (2013 – 41.4%) in a bond and debenture pooled fund and 5.4% (2013 – 6.3%) in a money market pooled fund.

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

|                                  | 2014<br>(000's)  | 2013<br>(000's) |
|----------------------------------|------------------|-----------------|
| Due from General Revenue Fund    | \$ 11            | \$ 30           |
| Greystone Fixed Income Fund      | 4,103            | 4,107           |
| Equity Instruments               |                  |                 |
| - Greystone Canadian Equity Fund | 2,310            | 2,256           |
| - Greystone EAFE Growth Fund     | 1,754            | 1,475           |
| - Greystone US Equity Fund       | 1,771            | 1,451           |
| - Greystone Money Market Fund    | 570              | 626             |
| Total equity instruments         | <u>6,405</u>     | <u>5,808</u>    |
|                                  | <u>\$ 10,519</u> | <u>\$ 9,945</u> |



The Plan presently holds only pooled funds that are classified as Level 2 financial instruments. The Greystone EAFE Growth Fund may use derivative financial instruments such as foreign currency forward exchange contracts and future contracts for hedging foreign currency and replicating indexes.

Derivative financial instruments are financial contracts that change in value resulting from changes in underlying assets or indices. Derivatives 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 employee and employer contributions expected to be received by the pension plan together with interest on investments of 5.5% and employer contributions calculated as 78.4% 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 |
| 2015               | 3,450         | 4,402         | 574               | (378)            |
| 2016               | 3,354         | 4,279         | 554               | (371)            |
| 2017               | 3,262         | 4,162         | 535               | (365)            |
| 2018               | 3,166         | 4,039         | 515               | (358)            |
| 2019               | 3,073         | 3,921         | 497               | (351)            |
| Total next 5 years | 16,305        | 20,803        | 2,675             | (1,823)          |
| Total 5-10 years   | 13,876        | 17,702        | 2,215             | (1,611)          |
| Total 11-30 years  | 38,545        | 49,176        | 4,692             | (5,939)          |
| Total 31-50 years  | 7,185         | 9,163         | 433               | (1,545)          |

## 12. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

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

The 2002 Framework Agreement has a term of 25 years. 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 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 five years.

Also under the 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, 2014, SIGA owes \$52,953 thousand under a \$79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 13). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008, April 1, 2009, and March 22, 2013. These swap arrangements fixed the interest rates at 2.08% to 5.09% for the duration of the long-term debt (March 2023 and August 2024).

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

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 9. As of March 31, 2014, the accumulated unrealized loss reducing the slot machines receivable was \$ 2,115 thousand (2013 – \$7,319 thousand).

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

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

|                                      | 2014<br>(000's)  | 2013<br>(000's)  |
|--------------------------------------|------------------|------------------|
| Table games revenues                 | \$ 9,724         | \$ 10,027        |
| Table games expenses                 | 13,030           | 13,048           |
| Net losses from table games          | \$ 3,306         | \$ 3,021         |
| Ancillary operations revenues        | \$ 14,596        | \$ 15,036        |
| Ancillary operations expenses        | 25,326           | 25,052           |
| Net losses from ancillary operations | \$ 10,730        | \$ 10,016        |
| Total losses expensed                | 14,036           | 13,037           |
| IGR payment                          | 2,900            | 3,232            |
| SPPC payment                         | 2,600            | 2,600            |
|                                      | <u>\$ 19,536</u> | <u>\$ 18,869</u> |

### 13. Commitments

#### SLGA

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

Year Ending March 31

(000's)

|                            |                  |
|----------------------------|------------------|
| Less than one year         | \$ 4,252         |
| Between one and five years | 10,527           |
| More than five years       | 1,538            |
|                            | <u>16,317</u>    |
| Total                      | <u>\$ 16,317</u> |

## SIGA Leases, Casino and Debt

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

**Operating Leases:** SIGA has obligations under casino operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments over the next five years are as follows:

| Year Ending March 31       |    | (000's)       |
|----------------------------|----|---------------|
| Less than one year         | \$ | 5,400         |
| Between one and five years |    | 13,450        |
| More than five years       |    | <u>2,190</u>  |
|                            | \$ | <u>21,040</u> |

The above commitments include amounts committed to parties related to SIGA totalling \$15,878 thousand for years 2015 through 2019 and \$2,190 thousand for the years beyond 2019.

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

| Year Ending March 31       |    | (000's)       |
|----------------------------|----|---------------|
| Less than one year         | \$ | 6,532         |
| Between one and five years |    | 26,126        |
| More than 5 years          |    | <u>53,481</u> |
| Total                      | \$ | <u>86,139</u> |

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

**Long-term debt:** In 2007, SIGA made a long-term financing agreement with the Bank for \$79,000 thousand to finance the new casino projects. As of March 31, 2014, SIGA owes \$52,953 thousand (2013 - \$58,283 thousand) under this agreement at interest rates varying from 4.94% to 5.09%. SIGA's principal repayments are as follows:

| Year Ending March 31 |    | (000's) |
|----------------------|----|---------|
| 2015                 | \$ | 5,455   |
| 2016                 |    | 5,456   |
| 2017                 |    | 5,456   |
| 2018                 |    | 5,455   |
| 2019 and subsequent  |    | 31,130  |

**Other:** The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2015, the budgeted transfers are \$3,300 thousand (2014 - \$2,900 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC \$2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of \$217 thousand. In 2014, SIGA paid \$2,600 thousand (2013 - \$2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

## 14. Liquor Sales

|                            | 2014<br>(000's)   | 2013<br>(000's)   |
|----------------------------|-------------------|-------------------|
| Wines, coolers and spirits |                   |                   |
| In stores:                 |                   |                   |
| -To permittees             | \$ 71,558         | \$ 67,663         |
| -To public                 | 229,656           | 220,223           |
|                            | <u>301,214</u>    | <u>287,886</u>    |
| To franchisees:            |                   |                   |
| -To permittees             | 5,685             | 6,998             |
| -To public                 | 31,010            | 29,378            |
|                            | <u>36,695</u>     | <u>36,376</u>     |
|                            | <u>337,909</u>    | <u>324,262</u>    |
| Beer                       |                   |                   |
| -To permittees             | 138,696           | 139,639           |
| -In stores                 | 119,826           | 115,747           |
| -To franchisees            | 15,595            | 12,682            |
|                            | <u>274,117</u>    | <u>268,068</u>    |
| Total                      | <u>\$ 612,026</u> | <u>\$ 592,330</u> |

## 15. 2014 Budget

These amounts represent the budget approved by Treasury Board.

## 16. Segmented Information

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

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

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

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

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles, and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operations consist of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of \$211 thousand (2013 - \$282 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of \$178 thousand (2013 - \$240 thousand) for the year. Included in Other Gaming segment is a \$33 thousand net income (2013 - \$42 thousand net income) relating to the breakopen operation.

Key amounts by segment as follows:

|   | SEGMENTS        |         |                          |                 |           |                 |
|---|-----------------|---------|--------------------------|-----------------|-----------|-----------------|
|   | 2014<br>(000's) |         |                          |                 |           | 2013<br>(000's) |
|   | LIQUOR          | VLT     | SLOTS IN SIGA<br>CASINOS | OTHER<br>GAMING | TOTAL     | TOTAL           |
| Revenues  | \$ 612,026      | 239,077 | 222,997                  | ---             | 1,074,100 | \$ 1,057,030    |
| Other Income  | 3,644           | 118     | ---                      | 1,178           | 4,940     | 3,404           |
| Total Revenues                                      | 615,670         | 239,195 | 222,997                  | 1,178           | 1,079,040 | 1,060,434       |
| Direct Expenses                                     | 295,246         | 35,861  | ---                      | ---             | 331,107   | 325,046         |
| Operating Expenses<br>(Schedule 2)                  | 72,514          | 27,734  | 142,782                  | 16,900          | 259,930   | 254,117         |
| Total Expenses                                      | 367,760         | 63,595  | 142,782                  | 16,900          | 591,037   | 579,163         |
| Subtotal  | 247,910         | 175,600 | 80,215                   | (15,722)        | 488,003   | 481,271         |
| Other<br>Comprehensive<br>Income                    | 4,387           | ---     | 2,115                    | ---             | 6,502     | (2,863)         |
| Net income (loss)                                   | 252,297         | 175,600 | 82,330                   | (15,722)        | 494,505   | 478,408         |
| Retained earnings<br>(deficit) beginning<br>of year | ---             | ---     | (7,319)                  | ---             | (7,319)   | (7,637)         |
| Transfer to General<br>Revenue Fund                 | 251,596         | 175,212 | 80,215                   | (15,721)        | 491,302   | 478,090         |
| Retained earnings<br>(deficit) end of year          | \$ 701          | 388     | (5,204)                  | (1)             | (4,116)   | \$ (7,319)      |
| Property, plant and<br>equipment                    | \$ 31,903       | 74,089  | 21,343                   | 4,268           | 131,603   | \$ 126,551      |
| Property, plant<br>and equipment<br>purchases       | \$ 17,301       | 6,964   | 7,677                    | ---             | 31,942    | \$ 103,356      |
| Depreciation  | \$ 3,034        | 17,069  | 5,982                    | 748             | 26,833    | \$ 11,402       |

## 17. Related Parties

Included in these 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 2014 SLGA paid \$3,561 thousand (2013 - \$880 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 2014 SLGA paid \$37,037 thousand (2013 - \$32,107 thousand). All other transactions with related parties are routine operating transactions that are settled at prevailing market prices under normal trade terms.

## SLGA's Key Management Personnel Compensation

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

|   | 2014<br>(000's) | 2013<br>(000's) |
|---|-----------------|-----------------|
| Salaries and short-term employee benefits | \$ 1,103        | \$ 1,205        |
| Post-employment benefits                  | 145             | 146             |
|   | <u>\$ 1,248</u> | <u>\$ 1,351</u> |

## 18. Contingencies

|                       | 2014<br>(000's)  | 2013<br>(000's) |
|-----------------------|------------------|-----------------|
| Court proceedings (i) | <u>\$ 11,500</u> | <u>\$ 5,000</u> |

(i) As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the likelihood of loss is unlikely. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

## 19. Provisions

|                                   | Long-term<br>Employee Benefits<br>(000's) | Short-term<br>Employee Benefits<br>(000's) | Total<br>(000's) |
|-----------------------------------|---|--|------------------|
| Balance, April 1, 2012            | \$ 1,690                                  | \$ 1,075                                   | \$ 2,765         |
| Provisions made during the period | ---                                       | 2,133                                      | 2,133            |
| Provisions used during the period | (1,690)                                   | (1,075)                                    | (2,765)          |
| Balance, March 31, 2013           | \$ ---                                    | \$ 2,133                                   | \$ 2,133         |
| Provisions made during the period | ---                                       | 1,182                                      | 1,182            |
| Provisions used during the period | ---                                       | (2,133)                                    | (2,133)          |
| Balance, March 31, 2014           | \$ ---                                    | \$ 1,182                                   | \$ 1,182         |

### Short-term Employee Benefits

The provision for short-term employee benefits represents part-time pension benefits, annual sick leave and long service gratuity entitlements. SLGA recognized a liability of \$107 thousand (2013 - \$1,058 thousand) in respect of the part-time pension benefit claims outstanding against SLGA, but not paid out as of March 31, 2014. SLGA expects to settle claims in 2014-15.

## 20. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SLGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2014, WCLC charged SLGA \$17,701 thousand (2013 - \$16,956 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year which is included in professional and contractual services on Schedule 1.

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 \$1,162 thousand (2013 - \$778 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2014, the retirement plan is in a deficit status of \$3,025 thousand (2013 - \$4,170 thousand deficit status)

## 21. Financial Risks

### 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 <sup>1</sup> | Fair Value Hierarchy | (in 000's)      |            |  |                 |            |  |
|---------------------------------|-----------------------------|----------------------|-----------------|------------|--|-----------------|------------|--|
|                                 |                             |                      | 2014            |            |  | 2013            |            |  |
|                                 |                             |                      | Carrying Amount | Fair Value |  | Carrying Amount | Fair Value |  |
| Cash                            | FVTPL                       | Level One            | \$ 1,364        | \$ 1,364   |  | \$ 1,890        | \$ 1,890   |  |
| Due from General Revenue Fund   | FVTPL                       | Level One            | 65,712          | 65,712     |  | 122,039         | 122,039    |  |
| Trade and other receivables     | L&R                         | N/A                  | 79,456          | 79,456     |  | 61,096          | 61,096     |  |
| Trade and other payables        | OFL                         | N/A                  | 31,846          | 31,846     |  | 67,914          | 67,914     |  |
| Short-term debt                 | OFL                         | N/A                  | 125,000         | 125,000    |  | 125,064         | 125,064    |  |
| Payable to General Revenue Fund | OFL                         | N/A                  | 106,038         | 106,038    |  | 95,809          | 95,809     |  |
| GST Payable                     | OFL                         | N/A                  | 156             | 156        |  | 1,883           | 1,883      |  |

<sup>1</sup> Classification:

FVTPL – Fair value through profit and loss, L&R - Loans and receivables, 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.

### 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 short term debt and may be exposed to interest rate risk on future short-term and long-term borrowings. At year end, SLGA had \$125,000 thousand of short-term debt. Due to the short-term nature of SLGA's debt, the interest rate risk SLGA is exposed to is minimal.

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

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

|                               | 2014<br>(000's)   | 2013<br>(000's)   |
|-------------------------------|-------------------|-------------------|
| Cash                          | \$ 1,364          | \$ 1,890          |
| Due from General Revenue Fund | 65,712            | 122,039           |
| Accounts Receivable           | 79,456            | 61,096            |
|                               | <u>\$ 146,532</u> | <u>\$ 185,025</u> |

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 (\$52,953 thousand – March 31, 2014; \$58,283 thousand – March 31, 2013) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2014, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed \$2,662 thousand.

As of March 31, 2014, 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.

### 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, 2014, SLGA had \$174 thousand (2013 - \$149 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, 2014, SLGA has \$1,135 thousand (2013 - \$1,533 thousand) in this account.

In 2014, SLGA recorded a \$33 thousand gain (2013 - \$6 thousand loss) due to the variation in the foreign exchange rates.

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

### 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 - 2014**  
(In 000's)

| <b>FINANCIAL LIABILITIES</b> | Carrying amount   | Total             | 0 - 6 months      | 7 - 12 months   | 1 - 2 years     | 3 - 5 years      | Greater than 5 years |
|------------------------------|-------------------|-------------------|-------------------|-----------------|-----------------|------------------|----------------------|
| Trade and other payables     | \$ 31,846         | \$ 31,846         | 31,846            | ---             | ---             | ---              | ---                  |
| Payable to the GRF           | 106,038           | 106,038           | 106,038           | ---             | ---             | ---              | ---                  |
| GST Payable                  | 156               | 156               | 156               | ---             | ---             | ---              | ---                  |
| Provisions                   | 1,182             | 1,182             | 1,182             | ---             | ---             | ---              | ---                  |
| Short-Term debt              | 125,000           | 125,000           | 125,000           | ---             | ---             | ---              | ---                  |
| Post Employment Benefits     | 48,158            | 48,158            | 2,201             | 2,201           | 4,279           | 12,122           | 27,355               |
|                              | <u>\$ 312,380</u> | <u>\$ 312,380</u> | <u>\$ 266,423</u> | <u>\$ 2,201</u> | <u>\$ 4,279</u> | <u>\$ 12,122</u> | <u>\$ 27,355</u>     |

**Contractual cash flows - 2013**  
(In 000's)

| <b>FINANCIAL LIABILITIES</b> | Carrying amount   | Total             | 0 - 6 months      | 7 - 12 months   | 1 - 2 years     | 3 - 5 years     | Greater than 5 years |
|------------------------------|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|----------------------|
| Trade and other payables     | \$ 67,914         | \$ 67,914         | 67,914            | ---             | ---             | ---             | ---                  |
| Payable to the GRF           | 95,809            | 95,809            | 95,809            | ---             | ---             | ---             | ---                  |
| GST Payable                  | 1,883             | 1,883             | 1,883             | ---             | ---             | ---             | ---                  |
| Provisions                   | 2,133             | 2,133             | 2,133             | ---             | ---             | ---             | ---                  |
| Short-Term debt              | 125,064           | 125,064           | 125,064           | ---             | ---             | ---             | ---                  |
| Post Employment Benefits     | 54,171            | 54,171            | 1,535             | 1,535           | 3,070           | 9,210           | 38,821               |
|                              | <u>\$ 346,974</u> | <u>\$ 346,974</u> | <u>\$ 294,338</u> | <u>\$ 1,535</u> | <u>\$ 3,070</u> | <u>\$ 9,210</u> | <u>\$ 38,821</u>     |

## 22. Capital

SLGA's capital structure consists of current payables and post employment benefits, short term 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.

SLGA finances its capital requirements through internal operating activities and funds obtained by borrowing from the Government of Saskatchewan General Revenue Fund (GRF). SLGA borrows all of its capital from the Province of Saskatchewan. At the end of the year, SLGA had \$125,000 thousand in short term debt (Note 24).

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

No borrowing costs associated with the short-term debt from the GRF were capitalized during the year.

## 23. Funds held in Trust

SLGA holds funds in trust on behalf of employees as part of SLGA's extended health care plan. At March 31, 2014, SLGA held \$279 thousand (2013 - \$361 thousand) on behalf of in-scope employees.

## 24. Short-term Debt

SLGA converted the \$125,000 thousand outstanding Line of Credit with the Province of Saskatchewan to a series of promissory notes during the year. As at March 31, 2014, the promissory notes are as follows:

| Date of issue | Date of maturity | Yield (%) | Currency | Outstanding amount<br>(000's) |
|---------------|------------------|-----------|----------|-------------------------------|
| 11-MAR-2014   | 09-JUN-2014      | 0.959     | CAD      | \$ 20,000                     |
| 11-MAR-2014   | 09-JUN-2014      | 0.959     | CAD      | 10,000                        |
| 11-MAR-2014   | 11-JUN-2014      | 0.958     | CAD      | 20,000                        |
| 12-MAR-2014   | 05-SEP-2014      | 1.001     | CAD      | 10,000                        |
| 12-MAR-2014   | 08-SEP-2014      | 1.001     | CAD      | 10,000                        |
| 12-MAR-2014   | 08-SEP-2014      | 1.001     | CAD      | 10,000                        |
| 12-MAR-2014   | 08-SEP-2014      | 1.001     | CAD      | 10,000                        |
| 12-MAR-2014   | 09-SEP-2014      | 0.999     | CAD      | 10,000                        |
| 13-MAR-2014   | 12-JUN-2014      | 0.961     | CAD      | 8,000                         |
| 13-MAR-2014   | 12-JUN-2014      | 0.961     | CAD      | 8,500                         |
| 13-MAR-2014   | 16-JUN-2014      | 0.959     | CAD      | 8,500                         |
|               |                  |           |          | \$ 125,000                    |

## 25. Amendments to IAS 19 Employee Benefits (IAS 19)

The amendments to IAS 19 require that all actuarial gains and losses and the actual return on plan assets be recognized immediately in other comprehensive income (loss) and all current service costs and interest income (expense) to be recognized immediately to net income. SLGA has applied the provisions of IAS 19 retroactively, in accordance with the transition provisions of the standard. The impact upon adoption of the new standard is as follows:

### Statement of Comprehensive Income

|  | Increase (decrease)<br>Year ended March 31, 2013<br>(000's) |
|--|---|
| VLT, liquor and other gaming (Salaries, wages and benefits) – Schedule 1 | <u>(3,181)</u>  |
| Adjustment to operating income   | 3,181   |
| Remeasurement of defined benefit obligation                              | <u>3,181</u>  |
| Adjustment to other comprehensive income                                 | (3,181)   |

### Statement of Changes in Equity

|   | Increase (decrease)<br>March 31, 2013<br>(000's) |
|---|--|
| Retained earnings (deficit)                           | 3,181  |
| Net actuarial losses on defined benefit pension plans | <u>(3,181)</u>                                   |
| Total equity  | -  |

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

|   | <b><u>VLT, Liquor &amp; Other Gaming</u></b> |                  | <b><u>Slots in SIGA Casinos*</u></b> |                   | <b><u>Total</u></b> |                   |
|---|--|------------------|--------------------------------------|-------------------|---------------------|-------------------|
|   | <u>2014</u>                                  | <u>2013</u>      | <u>2014</u>                          | <u>2013</u>       | <u>2014</u>         | <u>2013</u>       |
|   | (000's)                                      | (000's)          | (000's)                              | (000's)           | (000's)             | (000's)           |
| Salaries, wages and benefits                        | \$ 51,347                                    | \$ 51,743        | \$ 49,482                            | \$ 53,071         | \$ 100,829          | \$ 104,814        |
| Depreciation  | 20,852                                       | 5,189            | 5,982                                | 6,213             | 26,834              | 11,402            |
| Operations and maintenance                          | 1,979  | 1,648            | 20,557                               | 19,060            | 22,536              | 20,708            |
| Professional and contractual services               | 15,108                                       | 11,742           | 2,741                                | 3,406             | 17,849              | 15,148            |
| Rent, utilities and insurance                       | 6,850  | 7,569            | 10,574                               | 9,812             | 17,424              | 17,381            |
| Advertising, printing and promotion                 | 52   | 42               | 17,223                               | 25,020            | 17,275              | 25,062            |
| Service charges and interest                        | 2,047  | 449              | 7,656                                | 9,048             | 9,703               | 9,497             |
| Grants (Note 3(l))                                  | 7,248  | 9,995            | ---                                  | ---               | 7,248               | 9,995             |
| Goods and Services Tax                              | 2,383  | 2,050            | 3,313                                | 4,027             | 5,696               | 6,077             |
| Debit/Credit charges                                | 4,057  | 3,760            | ---                                  | ---               | 4,057               | 3,760             |
| Sundry  | 695  | 466              | 1,844                                | 2,122             | 2,539               | 2,588             |
| Communications                                      | 573  | 542              | 1,899                                | 2,001             | 2,472               | 2,543             |
| Information Technology                              | 1,790  | 1,642            | ---                                  | ---               | 1,790               | 1,642             |
| Stationery and supplies                             | 1,021  | 935              | 722                                  | 1,000             | 1,743               | 1,935             |
| Travel and business                                 | 874  | 983              | 741                                  | 989               | 1,615               | 1,972             |
| Honoraria and related expenses                      | 63   | 64               | 512                                  | 420               | 575                 | 484               |
| Customer service programs                           | 209  | 240              | ---                                  | ---               | 209                 | 240               |
| Indigenous Gaming Regulators (Note 12)              | ---  | ---              | 2,900                                | 3,232             | 2,900               | 3,232             |
| Saskatoon Prairieland Park Corporation (Note 12)    | ---  | ---              | 2,600                                | 2,600             | 2,600               | 2,600             |
| SIGA table and ancillary operation losses (Note 12) | ---  | ---              | 14,036                               | 13,037            | 14,036              | 13,037            |
|   | <u>\$ 117,148</u>                            | <u>\$ 99,059</u> | <u>\$ 142,782</u>                    | <u>\$ 155,058</u> | <u>\$ 259,930</u>   | <u>\$ 254,117</u> |

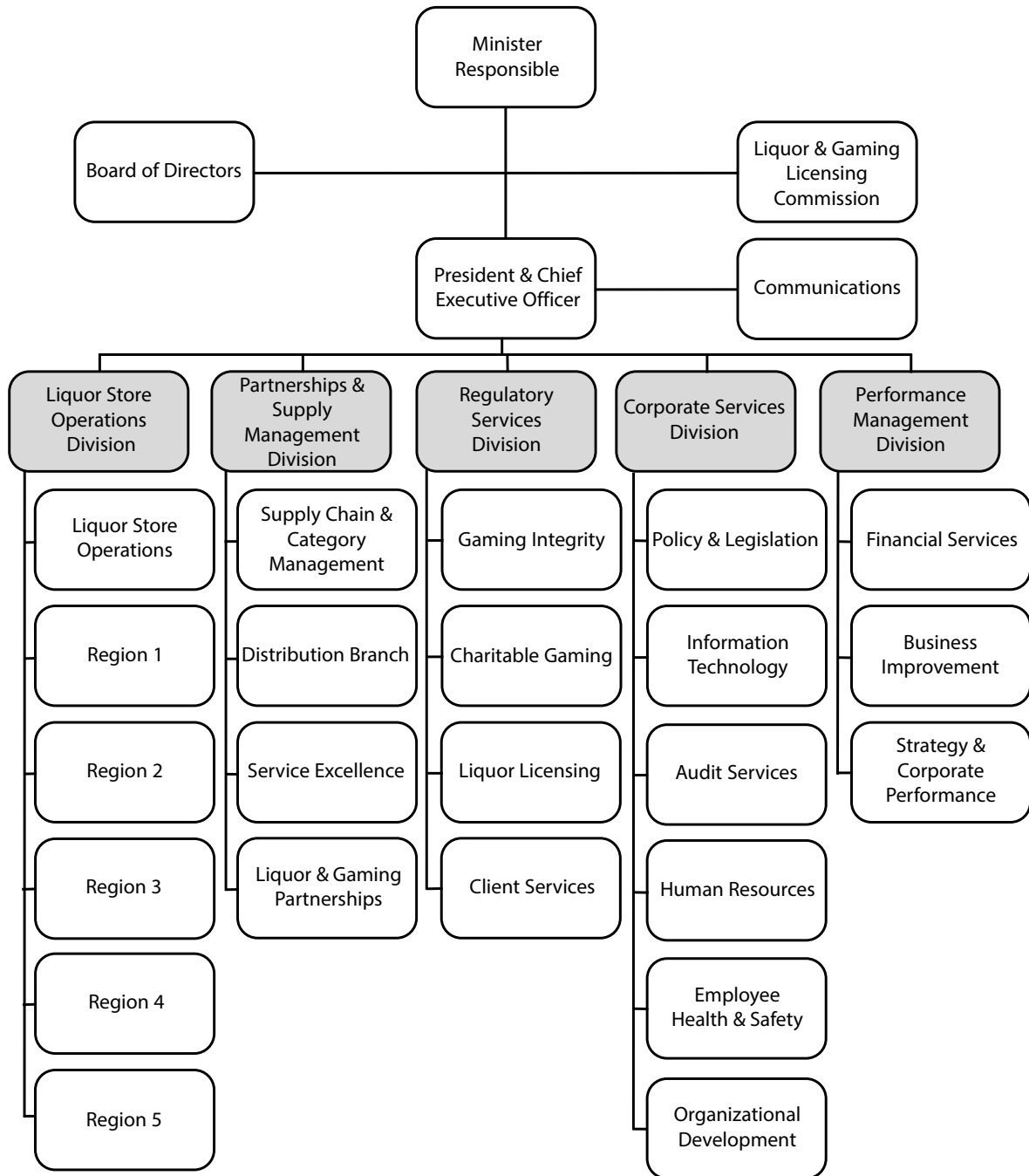
\*Represents operating costs of SIGA casinos.

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

|                                       | <b>Liquor</b>    |                  | <b>Other Gaming</b> |                  | <b>VLT</b>       |                  | <b>Total</b>      |                  |
|---------------------------------------|------------------|------------------|---------------------|------------------|------------------|------------------|-------------------|------------------|
|                                       | 2014             | 2013             | 2014                | 2013             | 2014             | 2013             | 2014              | 2013             |
|                                       | (000's)          | (000's)          | (000's)             | (000's)          | (000's)          | (000's)          | (000's)           | (000's)          |
| Salaries, wages and benefits          | \$ 44,404        | \$ 44,352        | \$ 6,943            | \$ 7,391         | \$ ---           | \$ ---           | \$ 51,347         | \$ 51,743        |
| Depreciation                          | 3,034            | 2,869            | 748                 | 618              | 17,070           | 1,702            | 20,852            | 5,189            |
| Professional and contractual services | 4,799            | 3,098            | 1,626               | 1,046            | 8,683            | 7,598            | 15,108            | 11,742           |
| Grants (Note 3(l))                    | 1,094            | 1,155            | 6,154               | 8,840            | ---              | ---              | 7,248             | 9,995            |
| Rent, utilities and insurance         | 6,823            | 7,340            | 27                  | 229              | ---              | ---              | 6,850             | 7,569            |
| Debit/Credit charges                  | 4,054            | 3,758            | 3                   | 2                | ---              | ---              | 4,057             | 3,760            |
| Goods and Services Tax                | ---              | ---              | 402                 | 269              | 1,981            | 1,781            | 2,383             | 2,050            |
| Service charges and interest          | 1,962            | 364              | 85                  | 85               | ---              | ---              | 2,047             | 449              |
| Operations and maintenance            | 1,945            | 1,600            | 34                  | 48               | ---              | ---              | 1,979             | 1,648            |
| Information Technology                | 1,436            | 1,346            | 354                 | 296              | ---              | ---              | 1,790             | 1,642            |
| Stationary and supplies               | 959              | 880              | 62                  | 55               | ---              | ---              | 1,021             | 935              |
| Travel and business                   | 619              | 730              | 255                 | 253              | ---              | ---              | 874               | 983              |
| Sundry                                | 656              | 431              | 39                  | 35               | ---              | ---              | 695               | 466              |
| Communications                        | 451              | 422              | 122                 | 120              | ---              | ---              | 573               | 542              |
| Customer service programs             | 209              | 240              | ---                 | ---              | ---              | ---              | 209               | 240              |
| Honoraria and related expenses        | 33               | 33               | 30                  | 31               | ---              | ---              | 63                | 64               |
| Advertising, printing and promotion   | 36               | 37               | 16                  | 5                | ---              | ---              | 52                | 42               |
|                                       | <u>\$ 72,514</u> | <u>\$ 68,655</u> | <u>\$ 16,900</u>    | <u>\$ 19,323</u> | <u>\$ 27,734</u> | <u>\$ 11,081</u> | <u>\$ 117,148</u> | <u>\$ 99,059</u> |

# Appendix A

## SLGA Organizational Chart



## Appendix B

### Summary of SLGA's Partners and Stakeholders

**Beer Canada.** Represents the multi-national brewers as well as several regional breweries. [www.beercanada.com](http://www.beercanada.com)

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

**Canadian Centre on Substance Abuse (CCSA).** The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. [www.ccsa.ca](http://www.ccsa.ca)

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

**Canadian Vintners Association.** This is a national association dedicated to the promotion and well being of Canada's wine sector. [www.canadianvintners.com](http://www.canadianvintners.com)

**Charities.** Charities are eligible for licensing to raise funds to support their charitable gaming activities through bingo, raffle, breakopen, Texas Hold'em poker and Monte Carlo events. Non-profit groups are also eligible for licensing for raffles with prizes of less than \$1,000.

**Federation of Saskatchewan Indian Nations (FSIN).** The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. [www.fsin.com](http://www.fsin.com)

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

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

**Non-Profit Clubs.** Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to groups who use special occasion permits and may or may not have a permanent location).

**Responsible Gambling Council (RGC).** The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. [www.responsiblegambling.org](http://www.responsiblegambling.org)

**Restaurants Canada.** (Saskatchewan Division). Restaurants Canada has approximately 600 members in Saskatchewan including both liquor permitted and non-liquor permitted establishments. [www.restaurantscanada.org](http://www.restaurantscanada.org)

**Saskatchewan Government and General Employees Union (SGEU).** Eighty-nine per cent of SLGA employees are unionized and represented by SGEU. [www.sgeu.org](http://www.sgeu.org)

**Saskatchewan Hotel and Hospitality Association (SHHA).** SHHA represents both hotel owners and operators in urban areas and rural communities. [www.hotelsofsask.com](http://www.hotelsofsask.com)

**Saskatchewan Indian Gaming Authority (SIGA).** SIGA operates the province's six First Nations casinos on behalf of the FSIN. [www.siga.sk.ca](http://www.siga.sk.ca)

**Saskatchewan Liquor Vendors Association (SLVA).** SLVA represents all of the rural liquor franchises. Franchises are authorized by SLGA to sell beverage alcohol in rural communities across the province. [www.saskliquorvendors.ca](http://www.saskliquorvendors.ca)

**Saskatchewan Partnership for Responsible Gambling (SPRG).** The SPRG is a partnership of provincial organizations working to support and foster a culture of responsible use of gaming products and services among providers and consumers. Members include representatives from the Community Initiatives Fund; First Nations Addiction Rehabilitation Foundation; Ministry of Health; Ministry of Parks, Culture and Sport; SaskGaming; Saskatchewan Indian Gaming Authority; Saskatchewan Liquor and Gaming Authority; Saskatchewan Lotteries and Western Canada Lottery Corporation.

**Saskatchewan Tourism and Education Council (STEC).**

STEC delivers the Serve it Right Saskatchewan program. The program helps operators and servers of liquor permitted establishments understand their duty of care and promotes responsible use, while maintaining or enhancing profits. STEC also offers the Door Staff Workshop. This program trains door staff in liquor permitted establishments to identify signs of intoxication, monitor the activities of patrons and reduce the risk of violence in and around permitted premises. [www.stec.com](http://www.stec.com)

**Saskatchewan Wine and Spirits Association (SWSA).**

SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

**Spirits Canada.** Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. [www.acd.ca](http://www.acd.ca)

**Students Against Drinking and Driving (SADD)**

**Saskatchewan.** SADD is a charitable organization that strives to save lives and prevent injuries caused by drinking and driving. SADD works to achieve this goal through education and public awareness and by influencing legislation and public policy in areas related to drinking and driving. [www.saddsask.ca](http://www.saddsask.ca)

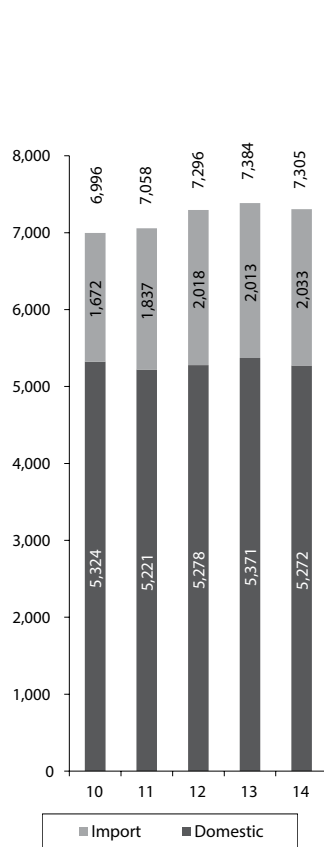
**Western Canada Lottery Corporation (WCLC).** WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. [www.wclc.com](http://www.wclc.com)

# Appendix C

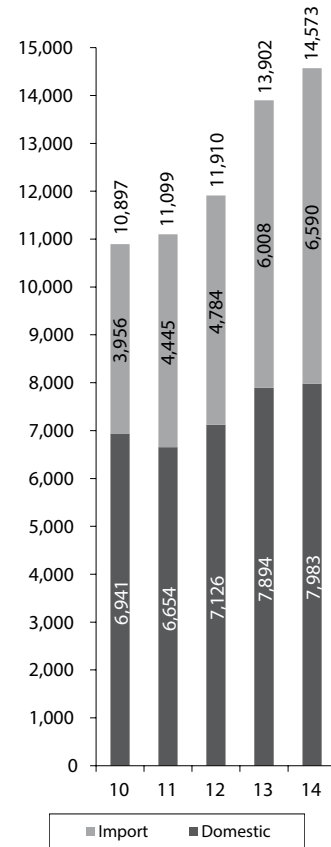
## Volume of Sales – Five Year History

### Financial Years Ending March 31

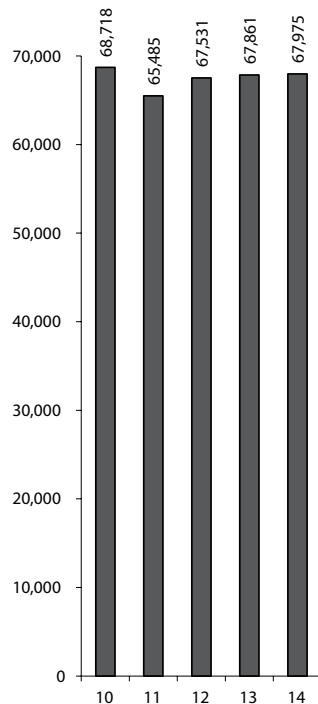
Spirits (000s of litres)



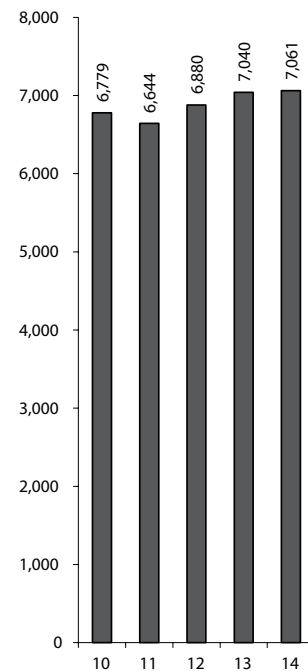
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

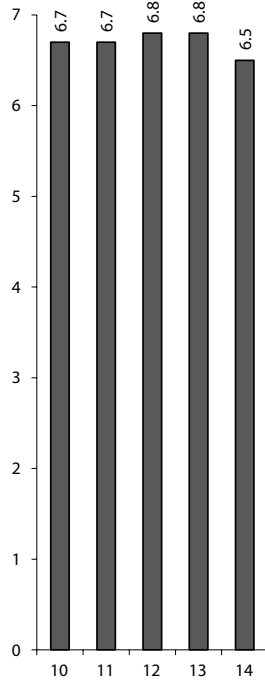




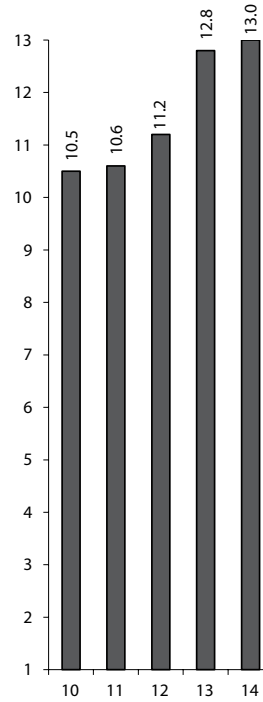
## Appendix D

### Per Capita Sales – Five Year History Financial Years Ending March 31

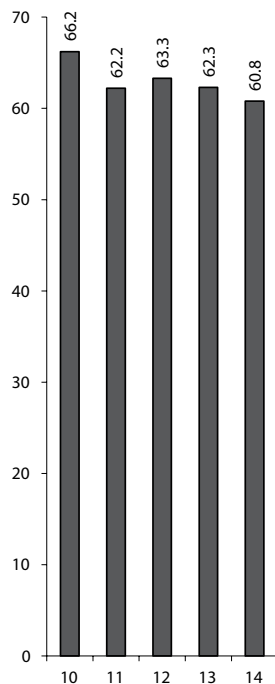
**Spirits (litres)**



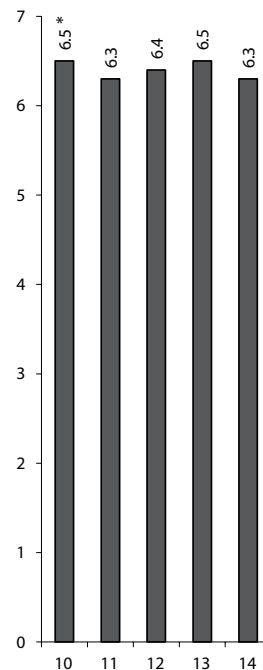
**Wine and Coolers (litres)**



**Beer (litres)**



**Absolute Alcohol (litres)**



\*SLGA has restated the 2009-10 figure.

# Appendix E

## Saskatchewan Liquor and Gaming Licensing Commission

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

- decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over Saskatchewan Gaming Corporation (SaskGaming) and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off reserve bingo and all provincial liquor permittees;
- decisions of SIGA casino operators and SaskGaming respecting involuntary casino bans of patrons from casinos operated under their respective jurisdictions; and
- decisions of Indigenous Gaming Regulators (IGR) respecting on-reserve gaming such as bingo.

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

During 2013-14, the Commission scheduled and heard 10 hearings to address the same number of requests for review of various decisions made by SLGA, SaskGaming and SIGA. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Three hearings were held in Regina and seven hearings were held in Saskatoon.

The applications have included reviews of SLGA's decisions to suspend the liquor permits of various establishments, to review involuntary casino bans handed down by SaskGaming and SIGA and to review denials and suspensions of licenses relating to issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition based, frivolous or vexatious. During 2013-14, there were two objection hearings held.

Of the 10 hearings held during the past fiscal year, six were liquor related, comprised of assessments of penalties and suspensions, two hearing reviews were in regard to casino admission bans, one of those sanctions being enforced by SaskGaming and one sanction by SIGA. There were two hearings held with respect to horse racing, involving violations of the horse racing rules.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record, and are maintained in the office of the Commission Registrar. The Commission members as of March 31, 2014:

Elaine R. Morgan, Chairperson, Gainsborough  
Rod Sexsmith, Vice-Chairperson, Prince Albert  
Sid Katzman, Secretary, Saskatoon  
Theodore (Ted) Gleim, Member, Eastend  
Cindy Gross, Member, Swift Current  
Bernie Ness, Member, Saskatoon

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

## Appendix F

### SLGA Fact Sheet: 2013-14 Results at a Glance

| Financial   |           |
|---|-----------|
| SLGA net income   | \$494.5 M |
| SIGA net income   | \$82.3 M  |
| Total liquor sales  | \$612.0 M |
| Liquor net income   | \$252.3 M |
| VLT net income  | \$175.6 M |
| VLT site commission   | \$35.9 M  |
| Franchise commission  | \$8.2 M   |
| Off-sale permittee beer discount  | \$12.1 M  |
| Structure and Organization  |           |
| Number of SLGA employees  | 955       |
| Number of retail liquor stores  | 79        |
| Number of communities with SLGA stores  | 64        |
| Number of off-sale outlets  | 449       |
| Number of rural liquor franchises   | 182       |
| Number of full-line private stores  | 2         |
| Total number of liquor outlets  | 712       |
| Regular listed products available to SLGA liquor stores, franchises, private stores                       | 2,544     |
| Additional products sold through franchises, private stores   | 2,048     |
| Total retail products available   | 4,592     |
| Number of casinos   | 8         |
| Number of slot machines in SIGA casinos   | 1,870     |
| Number of slot machines in SaskGaming casinos   | 1,057     |
| Number of VLTs  | 3,960     |
| Number of communities with VLTs   | 303       |
| Number of VLT sites   | 616       |
| Compliance and Licensing  |           |
| Number of commercial liquor permittees  | 1,874     |
| Number of special occasion permits issued   | 15,817    |
| Number of sanctions (liquor, gaming and horse racing)   | 207       |
| Number of registered gaming employees   | 3,237     |
| Number of registered gaming suppliers   | 96        |
| Charitable Gaming and Horse Racing  |           |
| Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em and Monte Carlo licences | 3,967     |
| Number of bingo halls   | 12        |
| Total gross bingo sales   | \$18.9 M  |
| Total gross raffle sales  | \$58.6 M  |
| Total gross breakopen sales   | \$3.3 M   |
| Total gross charitable gaming event sales   | \$41.5 M  |
| Total gross Texas Hold'em and Monte Carlo event sales   | \$0.4 M   |
| Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em and Monte Carlo)                   | \$26.7 M  |
| Total grants paid to charitable gaming licensees  | \$5.7 M   |
| Total provincial handle (all horse racing wagers)   | \$7.6 M   |

All data as of March 31, 2014

## For More Information

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

Saskatchewan Liquor and Gaming Authority  
P.O. Box 5054  
2500 Victoria Avenue  
Regina, SK, S4P 3M3  
Toll free 1-800-667-7565 or (306)787-5563  
[www.slga.gov.sk.ca](http://www.slga.gov.sk.ca)







