Saskatchewan Liquor and Gaming Authority




Annual Report for 2017-18

Government of Saskatchewan

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Letters of Transmittal

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

His Honour, the Honourable W. Thomas Molloy,
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, 2018. 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 2017-18 Plan.

The 2017-18 financial statements show a total comprehensive income of $494.9 million. SLGA will continue to deliver the Government's commitments to the people of Saskatchewan and be a positive contributor to the growth and prosperity of the province in the years ahead.

Gene Makowsky
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Cam Swan
President & CEO
Saskatchewan Liquor and Gaming Authority

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

Dear Minister:

I have the honour of submitting the Annual Report of the Saskatchewan Liquor and Gaming Authority for the fiscal year ending March 31, 2018.

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

This annual report highlights SLGA's many achievements in 2017-18 and reflects the positive contributions to the General Revenue Fund by the organization.

Cam Swan
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report for the Saskatchewan Liquor and Gaming Authority (SLGA) presents SLGA's results for the fiscal year ending March 31, 2018. It provides results of publicly committed strategies, key actions and performance measures identified in the *SLGA Plan for 2017-18*. It also reflects progress toward commitments from the *Government Direction for 2017-18*, the *Saskatchewan Plan for Growth – Vision 2020 and Beyond,* throne speeches and activities of SLGA.

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

Alignment with Government's Direction

SLGA's activities in 2017-18 aligned with Saskatchewan's vision and four goals:

Saskatchewan's Vision

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

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

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

Overview

SLGA's Mission Statement

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

About SLGA

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation. As part of its core line of business, SLGA is responsible for the distribution and regulation of liquor and gaming products across the province. SLGA achieves its mandate through socially responsible, fair and effective services at offices in Regina and Saskatoon and a liquor distribution centre in Regina. SLGA regulates all liquor-permitted premises in Saskatchewan.

In 2017-18, SLGA delivered the first full year of an expanded private retail system for liquor retailing and a level playing field for all liquor retailers. The level playing field took effect October 9, 2016. As of March 31, 2018, there were 655 Retail Store Permittees (RSP) operating throughout the province.

SLGA Retail Inc. oversees the operation of SLGA retail liquor stores in Saskatchewan. As previously announced, a transition is underway to reduce the number of SLGA operated retail liquor stores. As at March 31, 2018 there were two SLGA operated stores remaining to be closed and replaced by private retailers.

SLGA issued 2,817 commercial permits providing an opportunity for the permittees to sell liquor products. A total of 14,733 special occasion permits were issued to individuals or organizations to sell liquor products for onsite consumption for a limited period of time.

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. VLTs are located at 581 sites throughout the province allowing for these site operators to earn commissions from VLT play that occurs on their site. 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, Monte Carlo events and the provincial horse racing industry.

The federal legalization of cannabis in 2018-19 will expand SLGA's regulatory operations. The wholesaling and retailing of cannabis will be conducted by the private sector. SLGA played a considerable role in the preparation and implementation of the cannabis framework that was released by the Government of Saskatchewan in 2017-18. The framework outlines a plan for the legal and responsible distribution, sale and use of cannabis in the province.

As of March 31, 2018, SLGA employed 685 staff throughout the province. The majority of staff work in the 37 SLGA retail liquor stores.

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

SLGA's corporate structure is as follows:

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

Progress in 2017-18

Government Goals

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

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

SLGA Goal

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

Strategy

Improve liquor net income.

Key Actions and Results

Implement a strategy for SLGA wholesale operations and SLGA Retail Inc. stores that meet customer needs and maximizes profitability.

- SLGA Retail Inc. piloted a Customer Intervention Program in five stores during 2017-18. This program is a product knowledge/customer service program that provides SLGA Retail Inc. staff training on certain products to promote each month. This program contributed to an increase of 3.14 per cent in the average amount spent by a customer compared to non-pilot stores. Further analysis will be undertaken to determine if the pilot should be expanded to other stores.
- SLGA Retail Inc. stores began refrigerating domestic mainstream beer in 24 pack cans in 24 SLGA retail stores which has helped to increase sales of 24 pack cans.
- SLGA Liquor Wholesale and Distribution Division implemented the following in 2017-18:
  - SLGA partnered with the Saskatchewan Hotel and Hospitality Association to hold the first ever RSP Conference and Trade Show. The event was attended by over 400 industry representatives and provided an opportunity for RSPs, suppliers and SLGA to interact, build relationships and gain insight on how all parties can work together to enjoy mutual success.
  - Successfully launched a new online ordering module for RSPs to provide a modernized approach to liquor ordering. As of March 31, approximately 65 per cent of RSPs that order from the distribution centre use online ordering.
  - Successfully implemented a number of RSP promotions by leveraging relationships with liquor suppliers. These promotions allowed RSPs to obtain favourable pricing, marketing merchandise and other product information to assist them in marketing products in their establishment.
  - Sourced and sold more than 8,000 unique products (regular listings, allocations and special orders) to RSPs with a new assortment strategy using a demand based model. The strategy involves attempting to obtain special order products upon request and monitoring product trends to predict the future demands of customers and create a portfolio of products that meets their needs.

Strategy

Improve gaming net income.

Key Actions and Results

Implement province-wide VLT progressive program.

⇨ After a successful pilot beginning June 22, 2017, SLGA implemented a province-wide progressive game at all VLT sites on August 17, 2017. Progressive games provide a modern gaming experience and allow players the opportunity to win a jackpot that grows to a maximum amount as more players play the games. As of March 31, 2018, there were two winners of the grand prize jackpot totaling almost $2 million.

Jackpot	Number of wins	Total dollar amount won	Largest jackpot won
Grand Jackpot- Province wide ($500,000 to $1,500,000)	2	$1,989,408	$1,224,014
Major Jackpot- Regional ($5,000 to $25,000)	53	$738,546	$24,955
Minor Jackpot- Site ($100 to $500)	4,849	$1,424,510	$499

Source: SLGA

Performance Measures

Comprehensive Income (CI)

Comprehensive income reflects net income plus gain/losses for interest rate and pension obligation changes. SLGA's CI is generated from four primary areas: SLGA Retail Inc. net income, liquor wholesale sales, VLT activity and slot machines in SIGA operated casinos. SLGA provides a dividend to the GRF in support of government programs and services.

Challenging economic factors in the province resulted in decreased sales for liquor, VLTs and SIGA slots. SLGA's CI increased compared to the prior year due to a significant reduction in expenses.

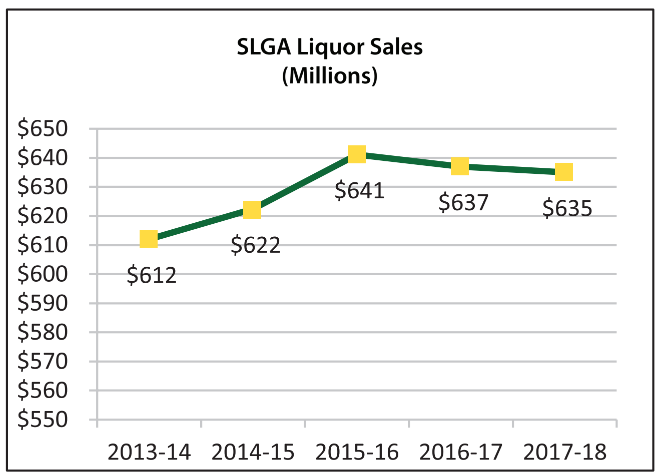
Fiscal Year	Budgeted CI	Actual CI
2017-18	$523.3M	$494.9M
2016-17	$511.0M	$478.9M
2015-16	$500.0M	$505.1M
2014-15	$491.8M	$488.0M
2013-14	$491.8M	$494.5M

Source: SLGA

Competition for disposable income dollars in a challenging economy resulted in SLGA being unable to attain its goal of budgeted CI in 2017-18. In the last five years, SLGA has provided more than $2.4 billion to the GRF.

Liquor Sales (Wholesale and SLGA Retail Inc.)

Liquor sales represent product sold from SLGA's distribution centre, the three private beer distributors and sales through SLGA Retail Inc. stores. In 2017-18, total liquor sales declined slightly as a result of continued softening in the economy. A breakdown by category shows that the sales volume for beer and spirits declined while wine and refreshment beverages increased. The beer decline can be partially attributed to consumer preferences for craft beer purchased from private brewers which is not reflected in these sales numbers.



Source: SLGA

VLT Revenue and Site Commission

SLGA owns all of the VLTs in the province and contracts with the Western Canada Lottery Corporation (WCLC) to manage the VLT program. Gross VLT revenue is the amount of VLT activity prior to payment of program operating expenses and commission to sites. A 15 per cent VLT site commission is paid by SLGA to liquor-permitted establishments that host VLTs. In 2017-18, VLT revenue declined largely due to continued softening in the province, resulting in less disposable income for gaming activities.

Fiscal Year	Gross VLT Revenue	VLT Site Commission
2017-18	$224.1M	$34.1M
2016-17	$232.1M	$35.2M
2015-16	$240.9M	$36.1M
2014-15	$245.9M	$36.9M
2013-14	$239.1M	$35.9M

Source: SLGA

SIGA Comprehensive Income (CI)

SLGA owns the slot machines located in SIGA casinos. SIGA's CI increased in 2017-18 due to a reduction in expenses. CI generated by SIGA is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement (GFA) between the Province and the Federation of Sovereign Indigenous Nations (FSIN).

SIGA Comprehensive Income				
2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
$82.3M	$82.8M	$87.1M	$82.8M	$86.4M

Source: SLGA

Profit sharing is based on net income prior to the accounting adjustment made for an interest rate swap ($84.6 million in 2017-18)

Under the revenue sharing formula, the GRF retains 25 per cent of SIGA's net profits, after defined payments, in support of broader provincial objectives. The remaining 75 per cent is distributed back to 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.

Under the GFA, payments are made from SIGA profits to Indigenous Gaming Regulators Inc. ($3.3 million in 2017-18) 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 CI increased to $86.4 million in 2017-18. SIGA felt the effects of a softening economy during the year but was able to reduce operating expenditures enough to offset the revenue lost.

Government Goals

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

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

SLGA Goal

Alcohol and gaming products are used responsibly.

Strategy

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

Key Actions and Results

Implement a responsible gaming module for VLTs to encourage responsible play.

- ⇨ SLGA introduced a module that allows VLT players to voluntarily establish a user account to monitor play, spending and set limits for both. As a fully self-service system, it is the first of its kind in Canada on a VLT network. SLGA began a pilot of this initiative on June 22, 2017 and the responsible gaming features became available at all VLT sites on August 17, 2017. From June 22, 2017 to April 30, 2018, there were 5,828 accounts established. Additional analysis of the number of new accounts created and the frequency of use will be performed to determine if the module is meeting its objective.

SLGA Goal

Alcohol and gaming products are provided safely and fairly.

Strategy

Improve refusal of service to minors and intoxicated individuals.

Key Actions and Results

Pilot a program for the use of minors as agents to determine compliance with liquor regulations that prohibit the sale of beverage alcohol to minors.

- ⇨ Individuals were hired and trained to assist SLGA as test shoppers. These employees enter a RSP and attempt to purchase alcohol to determine if the RSP is complying with prohibition against serving individuals under the age of 19. A pilot program was implemented in Regina and surrounding area to test processes and establish a baseline measure. Planning is in progress for next steps in the program.

Strategy

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

Key Actions and Results

Implement a framework to improve the quality assurance of beverage alcohol products distributed by SLGA.

- ⇨ SLGA has developed a Product Quality Assurance policy to help ensure the product SLGA distributes to RSPs meets required health standards. This in turn helps to ensure customers at Saskatchewan retailers are receiving a quality product. In 2017-18, most of the elements within the new Product Quality Assurance policy were implemented with the outstanding elements to be completed in 2018-19.

SLGA Goal

SLGA is a good corporate citizen.

Strategy

Increase Corporate Social Responsibility.

Key Actions and Results

Investigate and evaluate options for Corporate Social Responsibility.

- ⇨ Corporate Social Responsibility (CSR) is SLGA's initiative to assess the ways employees give back or maintains awareness of environmental and social wellbeing. SLGA has reviewed current CSR activity and will continue to consider opportunities to expand CSR initiatives as they arise. In 2017-18, SLGA employees supported programs such as United Way, Santa for Seniors and Adopt a Family to name a few.

Performance Measures

Identification Check/Refusal at Point of Sale

SLGA's Check 25 program requires SLGA retail liquor store employees to ask customers that appear 25 years of age or younger for identification (ID) as proof of their age. To help ensure customers consume alcohol products responsibly, SLGA Retail Inc. employees also refuse service to individuals that appear intoxicated. In 2017-18, SLGA Retail Inc. stores had 7,028,756 customers approach the till to purchase product. SLGA Retail Inc. employees asked 421,787 or six per cent of customers for ID, exceeding SLGA's target of 5.0 per cent. Of the 421,787 customers, SLGA Retail Inc. employees refused service to 11,420 customers for insufficient ID and 6,966 customers were refused service for appearing to be intoxicated.

Compliance with Server Intervention Training

Serve It Right Saskatchewan (SIRS) is a program delivered by the Saskatchewan Tourism Education Council that provides consistent training for the sale and service of alcohol, helping commercial and special occasion permit holders ensure that alcohol-related activities are conducted with integrity and in a socially responsible manner. In June 2015, the Government of Saskatchewan announced that mandatory server intervention training for employees of commercial liquor permittees would be phased in during a three year period:

- ⇨ By June 30, 2016, all owners and managers were required to have completed training and new hires must take the training within 30 days of beginning employment;
- ⇨ By June 30, 2017, there must be at least one person on each shift who has completed training; and
- ⇨ By June 30, 2018, all employees involved in the sale and service of alcohol must have completed SIRS training.

SLGA's focus is to work with permittees on SIRS compliance through education and the inspection process. Overall in 2017-18, approximately 30 per cent of those inspected met the SIRS requirement. The final phase of mandatory SIRS training phase-in requires all employees selling or serving alcohol in commercial establishments to have taken training by June 30, 2018.

Compliance with VLT Responsible Gaming Training

A Responsible Gaming training program helps VLT site operators and their staff understand the differences between responsible and problem gambling, the myths associated with gambling and how to provide information to players seeking help. It is mandatory that at least one owner or manager from each site complete the training. Upon completion of the training the certification is valid for a period of five years. As of March 31, 2018, there was 100 per cent compliance of sites with the minimum guidelines for this training program.

Government Goals

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

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

SLGA Goal

To provide a great customer experience.

Strategy

Exceed customer expectations.

Key Actions and Results

Establish customer service standards for all customers.

- ⇨ In 2017-18, SLGA documented customer service standards for all 14 identified customer groups. The standards will be used to assess customer satisfaction going forward.

Engage customers and measure customer satisfaction.

- ⇨ In fiscal 2017-18, SLGA engaged more than 450 RSPs, growler customers and growler suppliers at SLGA retail stores to determine satisfaction and delivered a responsible use survey to SLGA retail customers to determine their awareness of standard drink sizes. This information will be used to establish a baseline measure/target, and determine what action should be taken going forward to increase customer satisfaction and awareness of social responsibility. SLGA will also review other customer groups and conduct additional satisfaction surveys in 2018-19.

Performance Measures

Customer Satisfaction

As a means of measuring customer satisfaction, SLGA established customer service standards for all customers in 2017-18. Service standards define what a customer can expect in terms of service. If standards are being met there is an expectation that customers will be satisfied with the service provided and confirms to management that customers are receiving what they have been promised. SLGA plans to conduct surveys to measure customer satisfaction so SLGA can take steps to continuously improve its customer service.

In 2017-18 SLGA conducted a survey of RSPs that asked, among other things, "How satisfied are you as a wholesale customer with SLGA?" Of the 277 respondents, 232 (84 per cent) were "very satisfied" or "somewhat satisfied."

Government Goals

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

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

SLGA Goal

Efficient, effective programs and services.

Strategy

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

Key Actions and Results

Replace the Retail Point of Sale (POS) infrastructure for SLGA retail liquor stores.

- ⇨ An update to the SLGA retail store POS system will help to ensure the system meets regulatory requirements and is adequately supported resulting in a favourable purchasing process for customers. A request for proposal for a system replacement was issued and submissions are being reviewed.

Analyze and implement improvement as necessary to the SLGA liquor supply chain to support the new liquor retailing model.

- ⇨ In 2017-18, a review of the liquor supply chain was conducted and provided recommendations for improvements that could be implemented in a short time frame to support the new liquor retail model. All elements required in the liquor supply chain to support the new liquor retail model have been implemented and initial indications appear positive based on an overall customer satisfaction rating of 84 per cent from RSPs.

Strategy

Strengthen the corporate culture of continuous improvement.

Key Actions and Results

Refresh the continuous improvement plan with a focus on training, planning, reporting and communication.

- ⇨ Continuous improvement is an ongoing process at SLGA with many events being executed across SLGA to help ensure efficient and effective processes are in place. For example, customers can now complete the special occasion permit (SOP) application online at a time convenient for them. This is expected to reduce SOP customer wait times by 50 per cent. In 2017-18, SLGA completed all planned continuous improvement events and the branch responsible has received additional requests for more work to be done on a regular basis. This shows the communication of benefits provided from continuous improvement events is having a positive effect on the continuous improvement culture at SLGA.

Implement a continuous improvement e-learning module.

- ⇨ A continuous improvement e-learning module was developed and implemented that allows employees across the province to complete training on their electronic device at a time convenient for them.

Performance Measures

Operating Ratio

SLGA Retail Inc. Store Operating Costs as a Per Cent of Store Sales

The store operating ratio demonstrates SLGA's efforts to maximize SLGA Retail Inc. liquor store sales using the least amount of operational resources. The goal is for the percentage to decrease, representing a decline in operating expenses and/or an increase in retail store sales. SLGA experienced an increase of less than one per cent for this measure. The changes to the liquor retailing model in the province resulted in declining net store sales for SLGA Retail Inc. The changes that continue to be made to reduce spending were not sufficient to fully offset the declining revenue.

Store Operating Costs as a Per Cent of Store Sales				
2013-14	2014-15	2015-16	2016-17	2017-18
10.0%*	10.1%*	10.4%*	12.4%*	12.3%*

Source: SLGA

** Liquor Board Superannuation Plan adjustments resulted in a decrease to store operating costs of $5.1 million in 2013-14, followed by a $4.5 million decrease in 2014-15, a $4.4 million increase in 2015-16 and a $0.4 million decrease in 2016-17. In 2017-18, changes in actuarial assumptions and increases in assets resulted in a $0.9 million decrease in costs.*

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. In 2017-18, SLGA's licensing, regulating and support expenses as a percentage of revenue remained at 4.4 per cent. This was the result of revenues and expenses fluctuating at similar levels.

Licensing, Regulation & Support Expenses as a Per Cent of Revenue				
2013-14	2014-15	2015-16	2016-17	2017-18
3.4%*	3.7%*	4.2%*	4.4%*	4.4%*

Source: SLGA

**Liquor Board Superannuation Plan adjustments resulted in an decrease in head office labour costs of $1.1 million in 2013-14, followed by a $1.5 million decrease in 2014-15, a $1.5 million decrease in 2015-16 and a $0.1 million decrease in 2016-17. In 2017-18, changes in actuarial assumptions and increases in assets resulted in a $0.4 million decrease in Plan costs.*

Distribution Centre Activity

SLGA's distribution centre processed 43,126 orders in 2017-18 an increase of roughly 25 per cent from 34,525 in 2016-17. This corresponds to approximately 2.6 million cases of beverage alcohol shipped from the distribution centre in 2017-18 which is on par with the cases shipped in 2016-17.

VLT Net Income as a Per Cent of VLT Revenue

A higher percentage means more net income is generated for each dollar of sales. While program operating costs remain fairly stable over time, changes in play and gross revenue will affect the percentage. In 2017-18, VLT activity generated over 75 cents in net income to SLGA for each dollar of VLT revenue which is above the target set of 70 cents. VLT net income increased in 2017-18 leading to an increased percentage.

VLT Net Income as a Per Cent of VLT Revenue				
2013-14	2014-15	2015-16	2016-17	2017-18
73.4%	73.0%	73.1%	71.9%	75.7%

Source: SLGA

SIGA Net Income as a Per Cent of SIGA Net Revenue

For this measure, a higher percentage represents a more positive outcome for SIGA and SLGA. In 2017-18, SIGA earned 39 cents on each dollar of revenue it generated. SIGA net income increased due to a reduction in expenses leading to an increase in the percentage.

SIGA Net Income as a Per Cent of SIGA Revenue				
2013-14	2014-15	2015-16	2016-17	2017-18
36.9%	36.5%	38.1%	37.2%	39.0%

Source: SLGA

Marginal Return on Expenses (MRE)

The MRE measures SLGA's overall return on investment for its expenditures. The MRE expresses a ratio representing the change in net income compared to the change in total expenses, where any outcome greater than zero is a positive outcome. In 2017-18, operating expenses declined largely due to a decline in liquor related expenses and net income increasing, which resulted in the higher MRE.

Marginal Return on Expenses				
2013-14	2014-15	2015-16	2016-17	2017-18
2.77	(1.33)	15.05	(5.12)	0.62

Source: SLGA

Government Goals

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

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

SLGA Goal

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

Strategy

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

Key Actions and Results

Develop and implement a youth attraction and retention strategy.

- ⇨ A draft youth and retention strategy has been developed and incorporated into an overarching inclusion strategy. The inclusion strategy includes the former representative workforce strategy for the four equity groups and also includes strategies and key actions on youth attraction and retention. The draft strategy is to be implemented early in the 2018-19 fiscal year.

Strategy

Improve employee knowledge and experience.

Key Actions and Results

Implement a corporate employee training and development plan with a focus on customer service excellence and continuous improvement.

- ⇨ Continuous improvement e-learning training occurred for head office employees in the first half of 2017-18 and continued in the second half of the fiscal year for employees in retail and distribution areas. As of March 31, 2018, 95 per cent of head office employees, 82 per cent of Retail Inc. employees and 65 per cent of the distribution centre employees have taken the training. Retail Inc. developed frontline customer service training and piloted in certain stores.

Strategy

Improve employee health, wellness and workplace safety.

Key Actions and Results

Set objectives and develop a plan for the implementation of the National Standards for Psychological Health and Safety.

- ⇨ SLGA continued implementation of a corporate wellness plan in 2017-18. Actions implemented include:
  - Integrated mental health policy wording into the SLGA Health and Safety Policy Statement.
  - Online mental health resource centre (wellness centre) for SLGA employees.
  - Targeted communications strategy to reduce mental health stigma.
  - Regular coping strategies on various topics delivered to employees as well as weekly wellness videos that will be provided as a proactive resource for employees.
  - Mental health awareness sessions for managers and lunch and learns for employees.
  - A draft e-learning module will be launched early in 2018-19.

Performance Measures

Representative Workforce

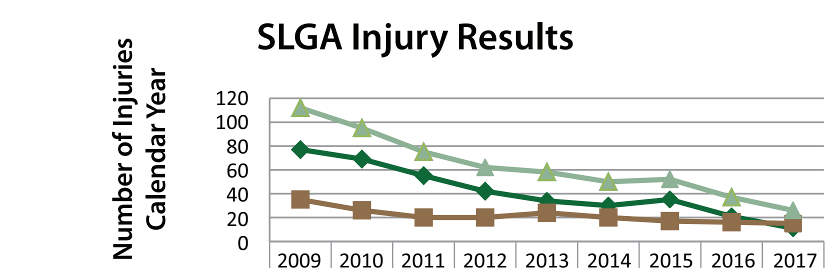
Fiscal Year	Aboriginal People	Women	Persons with Disabilities	Members of Visible Minorities
SHRC Target	14.0%	46.0%	12.4%	6.6%
2017-18	10.1%	58.3%	7.7%	7.4%
2016-17	10.9%	61.4%	7.3%	5.9%
2015-16	11.9%	62.4%	6.6%	6.4%
2014-15	11.4%	63.3%	6.6%	5.2%
2013-14	8.6%	63.0%	4.7%	4.3%

Source: SLGA

SLGA is committed to increased recruitment efforts and initiatives to facilitate achievement of a representative workforce using the Saskatchewan Human Rights Commission's (SHRC) equity group employment targets as a long-term goal. SLGA experienced store closures and a reduction in staff in the liquor retailing sector as a result of changes in the liquor retailing market. These changes have an effect on the representative workforce percentages compared to the prior year. Relative to 2016-17, persons with disabilities and members of visible minorities saw a percentage increase while the other two categories experienced a decline. While women are highly represented in SLGA's workforce, women continue to be underrepresented in SLGA's senior management and liquor distribution occupations.

In 2017-18, SLGA hired 61 new employees and 40 (65 per cent) identified as being part of one of the four representative workforce categories. This exceeded the target of 30 per cent.

Injury Results



	2009	2010	2011	2012	2013	2014	2015	2016	2017
Time Loss Injuries	77	69	55	42	34	30	35	21	11
No Time Loss Injuries	35	26	20	20	24	20	17	16	15
Total Injuries	112	95	75	62	58	50	52	37	26

Source: SLGA

SLGA has repetitive lifting occurring at the distribution centre and SLGA Retail Inc. stores which can lead to an increased probability of injuries. SLGA monitors the results of all injuries that occur whether they result in time away from work or a minor injury where an employee is able to continue to work. The information to the right is compiled on a calendar year basis and shows that, for the period 2009 to 2017, SLGA total injuries have decreased by 76.7 per cent. SLGA established a long term goal to see a 45 per cent reduction in injuries from 2015 to 2020. At the end of 2017, a reduction of 50 per cent had already occurred. A short term goal of a five per cent reduction between 2016 and 2017 was also set and SLGA achieved a reduction of 30 per cent. SLGA remains focused on workplace safety to ensure safe employees and workplaces which reduces time away from work, increases employee engagement and operational efficiency. Sustained emphasis on safety over the last few years focused on reducing risks, changes in process and regular discussions on safety have resulted in an improved safety culture and the significant reduction in injuries.

2017-18 Financial Overview

SLGA Comprehensive Income (CI) to Budget

SLGA's CI reflects the total net revenue generated less operating expenses, including associated regulatory and compliance costs. As noted in the table, CI for 2017-18 was $28.4 million below SLGA's budget projection of $523.3 million. A CI shortfall of $27.8 million in liquor operations and $11.0 million in VLT operations was offset by a $4.4 million increase from SIGA operations and an increase of $6.0 million of other gaming. Most of the CI decreases are attributable to the softening provincial economy and decreasing disposable income for discretionary expenses such as liquor and gaming activity.

	2016-17 Actual	2017-18 Budget	2017-18 Actual
Comprehensive Income	$478.9M	$523.3M	$494.9M
Liquor Operations	$245.9M	$281.6M	$253.8M
VLT	$166.8M	$180.7M	$169.7M
SIGA	$82.8M	$82.0M	$86.4M
Other Gaming	$(16.6)M	$(21.0)M	$(15.0)M

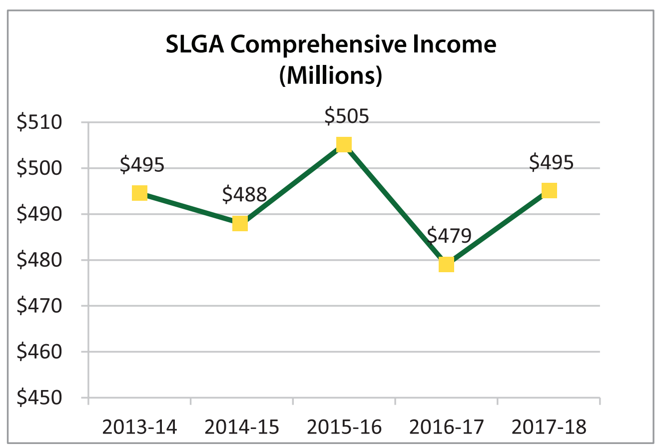
Source: SLGA

SLGA Comprehensive Income (CI) to Prior Year

As noted in the table above, SLGA's CI for 2017-18 was $494.9 million, an increase of $16 million relative to 2016-17. The net impact was driven by a $7.9 million increase in CI from liquor operations, a $2.9 million increase in VLT CI, a $3.6 million increase in SIGA CI and a $1.6 million increase in other gaming CI.

SLGA Comprehensive Income (CI)

SLGA's CI is essential to providing sustainable funding in support of Government programs and services. There has been some fluctuation in SLGA's CI over the last five years but SLGA continues to be a large contributor to the GRF.



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.

Cam Swan
President & CEO

Jim Engel
Vice-President, Corporate Services and Gaming Operations

Val Banilevic, CPA, CMA
Director, Financial Services

Regina, Saskatchewan
June 1, 2018

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying consolidated financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated 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 Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Judy Ferguson

Regina, Saskatchewan
June 1, 2018

Judy Ferguson, FCPA, FCA
Provincial Auditor

Statement 1

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

	Notes	2018 (000's)	2017 (000's)
Current assets:			
Cash		$ 1,274	$ 1,247
Due from General Revenue Fund	**4**	46,861	49,889
Trade and other receivables	**9**	76,802	70,612
Prepaid expenses		1,452	939
Inventory	**6**	23,053	26,307
Held for sale	**7 & 25**	1,871	---
Total current assets		151,313	148,994
Non-current assets:			
Property, plant and equipment	**7 & 10**	98,074	89,286
Intangible assets	**8**	27,438	30,938
Total non-current assets		125,512	120,224
Total Assets		$ 276,825	$ 269,218
Current liabilities:			
Trade and other payables		$ 27,316	$ 25,213
Payable to the General Revenue Fund	**5**	102,081	93,015
Goods and Services Tax payable	**10**	2,924	2,152
Provisions	**19**	1,075	1,075
Total current liabilities		133,396	121,455
Non-current liabilities:			
Promissory note debt	**24**	104,368	105,000
Accrued pension liability	**11**	43,985	46,452
Total non-current liabilities		148,353	151,452
Total liabilities		281,749	272,907
Equity			
Retained earnings (deficit) and unrealized losses (Statement 3)		(4,924)	(3,689)
Total Equity		(4,924)	(3,689)
Total Liabilities & Equity		$ 276,825	$ 269,218

Commitments (Note 13)
Contingencies (Note 18)

(See the accompanying notes to the consolidated financial statements)

Statement 2

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

	Notes	2018 Budget (Note 15) (000's)	2018 Actual (000's)	2017 Actual (000's)
OPERATING				
Revenues:				
Liquor sales	**14**	$ 676,599	$ 635,378	$ 636,966
VLT		252,029	224,095	232,067
Slot machines	**12**	228,070	221,424	222,482
Licence, permit, and other income		12,025	5,704	3,917
		1,168,723	1,086,601	1,095,432
Cost of sales:				
Cost of liquor	**6**	329,688	318,195	316,055
VLT site commissions		37,804	34,104	35,216
		367,492	352,299	351,271
Gross profit on sales		801,231	734,302	744,161
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		131,839	104,994	126,214
Slot machines expense		129,662	119,771	124,137
Other	**12**	16,408	17,079	17,280
Total expenses		277,909	241,844	267,631
Operating Income		523,322	492,458	476,530
FINANCING				
Gain (loss) on disposal of non-current assets		---	447	764
Financing Income		---	447	764
Net Income		523,322	492,905	477,294
Other Comprehensive Income (OCI)				
Net gain (loss) on interest rate swaps	**12**	---	1,790	1,755
Remeasurement of defined benefit obligation	**11**	---	178	(105)
Total OCI		---	1,968	1,650
Total Comprehensive Income		$ 523,322	$ 494,873	$ 478,944

(See the accompanying notes to the consolidated financial statements)

Statement 3

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

	Retained Earnings (deficit)	Net gain (loss) on interest rate swaps	Net actuarial gain (loss) on defined benefit pension plans	Total
	(000's)	(000's)	(000's)	(000's)
Equity				
Balance April 1, 2016	$ 3,439	$ (5,444)	$ (2,487)	$ (4,492)
Net income	477,294	---	---	477,294
Other comprehensive income (loss)	---	1,755	(105)	1,650
Dividends	(478,141)	---	---	(478,141)
Balance March 31, 2017 (to statement 1)	$ 2,592	$ (3,689)	$ (2,592)	$ (3,689)
Adjustment to Equity	(154)			(154)
Net income	492,905	---	---	492,905
Other comprehensive income (loss)	---	1,790	178	1,968
Dividends	(495,954)	---	---	(495,954)
Balance March 31, 2018 (to statement 1)	$ (611)	$ (1,899)	$ (2,414)	$ (4,924)

(See the accompanying notes to the consolidated financial statements)

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

	2018	2017
	(000's)	(000's)
Operating		
Receipts from customers	$ 1,115,506	$ 1,124,777
Interest received	354	132
Payments to suppliers and other	(523,728)	(528,291)
Payments to employees	(49,110)	(58,150)
Payments to grant recipients	(8,597)	(8,019)
Payment of Goods and Services Tax	(18,139)	(16,638)
Net cash provided by operating activities	516,286	513,811
Investing		
Purchase of property, plant and equipment	(29,166)	(10,973)
Purchase of intangible assets	(3,048)	(5,255)
Proceeds from disposal of property, plant and equipment	447	764
Net cash (used in) investing activities	(31,767)	(15,464)
Financing		
Cash deposited in General Revenue Fund	(486,888)	(490,451)
Promissory note proceeds received	209,000	---
Promissory note repayments	(209,632)	---
Net cash (used in) financing activities	(487,520)	(490,451)
Net (decrease) increase in cash position	(3,001)	7,896
Cash position, beginning of year	51,136	43,240
Cash position, end of year	$ 48,135	$ 51,136
Cash position consists of:		
Cash	$ 1,274	$ 1,247
Due from General Revenue Fund	46,861	49,889
	$ 48,135	$ 51,136

(See the accompanying notes to the consolidated financial statements)

1. Description of Business

The Saskatchewan Liquor and Gaming Authority (SLGA) along with its subsidiary SLGA Retail Inc. 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.

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

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

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

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

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these consolidated statements on June 1, 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. During the year ended March 31, 2018, SLGA changed its accounting estimate for the useful life of VLTs and slots, see note 26.

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

- Useful lives of property, plant, and equipment and intangible assets (note 3(e), note 3(f), note 7, note 8, and note 26)
- Measurement of defined benefit obligations (note 11(ii))
- Provisions (note 19)
- Cash generating units (CGUs) for SLGA are SLGA liquor operations and SLGA gaming operations (note 3(g)(ii)).

(e) Basis of consolidation

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

3. Significant Accounting Policies

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

(a) Revenue

Liquor Sales

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

Licence Fees

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

Video Lottery Terminals (VLT)

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

Slot Machines

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

(b) Promotional Allowances

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

(c) VLT Site Commission

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

(d) Inventories

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

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

(e) Property, Plant and Equipment

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

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

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

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

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

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

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

(f) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of 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 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, 2018, SLGA does not have any finance leases.

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

(i) Provisions

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

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

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

(j) Foreign Currency

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

(k) Employee Benefits

(i) Defined benefit plan

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

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

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

Remeasurements are recorded in other comprehensive income.

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

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

(ii) Defined contribution plan

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

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

(iii) Other employee benefits

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

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

(l) Grants

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

(m) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA classifies its financial instruments into one of the following categories: fair value through profit or loss; 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 promissory note debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

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

(ii) Derivatives

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

(iii) Embedded derivatives

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

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

(n) Finance income

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

(o) Borrowing costs

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

(p) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after January 1, 2018 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

IFRS 7 – Financial instruments disclosures was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, Financial Instruments: Recognition and Measurement to IFRS 9, Financial Instruments. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. SLGA does not plan to early adopt this standard. Application of this standard is not expected to significantly impact SLGA's financial statements.

IFRS 9 – Financial Instruments (IFRS 9 (2014)) expands on IFRS 9 as issued in 2009. The 2010 version has a significant impact on financial liabilities designated under the fair value option. In addition, IFRS 9 (2010) retains virtually all the classification and measurement guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective for periods beginning on or after January 1, 2018. Application of this standard is not expected to significantly impact SLGA's financial statements.

IFRS 15 – Revenue from Contracts with Customers replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31 and provides for a single model that applies to contracts with customers with two approaches to recognizing revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. Application of this standard is not expected to significantly impact SLGA's financial statements.

IFRS 16 – Leases was issued in January 2016 and is intended to replace IAS 17 Leases, and related IFRICs. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of application of this standard on SLGA's financial statements.

(q) Standards adopted in the current year

The following standards were applied in preparing the current year's consolidated financial statements.

IAS 7 – Statement of cash flows was issued in January 2016 to enhance disclosure of changes in liabilities arising from financing activities. This standard is effective for annual periods beginning on or after January 1, 2017. Application of this standard did not significantly impact SLGA's financial statements.

4. Due from General Revenue Fund

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

5. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. Treasury Board has directed SLGA to transfer $495,954 thousand (2017 - $478,141 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2018 (000's)	2017 (000's)
Payable to GRF at beginning of year	$ 93,015	$ 105,325
Deposits during the year	(486,888)	(490,451)
Dividend to GRF	495,954	478,141
Payable to GRF at end of year	$ 102,081	$ 93,015

6. Inventories

	2018 (000's)	2017 (000's)
Wines, coolers and spirits in stores	$ 6,551	$ 8,403
Wines, coolers and spirits in warehouse	10,907	11,012
Beer in stores	2,626	2,972
Gaming machine parts	2,969	3,920
	$ 23,053	$ 26,307

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ended March 31, 2018 was $318,195 thousand and $725 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, 2018 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Breakopen Vending Machines	Leasehold Improvements	Held for Sale	Total
Cost									
Balance, April 1, 2016	$ 4,672	$ 60,048	$ 67,326	$ 81,357	$ 34,013	$ 1,923	$ 9,033	$ ---	$ 258,372
Additions/Adjustments	---	186	9,782	30	499	---	476	---	10,973
Disposals/ Retirements	---	(360)	(8,606)	(118)	(10,856)	(1,923)	(798)	---	(22,661)
Balance, March 31, 2017	$ 4,672	$ 59,874	$ 68,502	$ 81,269	$ 23,656	$ ---	$ 8,711	$ ---	$ 246,684
Additions/Adjustments	(243)	(5,301)	10,921	18,372	(199)	---	---	5,616	29,166
Disposals/ Retirements	(164)	(2,765)	(3,296)	(394)	(673)	---	(407)	---	(7,699)
Balance, March 31, 2018	$ 4,265	$ 51,808	$ 76,127	$ 99,247	$ 22,784	$ ---	$ 8,304	$ 5,616	$ 268,151

Accumulated Depreciation									
Balance, April 1, 2016	$ ---	$ 23,618	$ 45,294	$ 48,807	$ 22,839	$ 1,920	$ 8,654	$ ---	$ 151,132
Depreciation Expense	---	1,479	7,343	15,977	2,922	---	52	---	27,773
Disposals/ Retirements	---	(355)	(8,574)	(90)	(10,190)	(1,923)	(375)	---	(21,507)
Balance, March 31, 2017	$ ---	$ 24,742	$ 44,063	$ 64,694	$ 15,571	$ (3)	$ 8,331	$ ---	$ 157,398
Depreciation Expense	---	1,497	6,232	7,125	2,706	---	138	132	17,830
Adjustments	---	(3,613)	---	---	---	---	---	3,613	---
Disposals/ Retirements	---	(2,369)	(3,283)	(310)	(653)	---	(407)	---	(7,022)
Balance, March 31, 2018	$ ---	$ 20,257	$ 47,012	$ 71,509	$ 17,624	$ (3)	$ 8,062	$ 3,745	$ 168,206

Net Book Value									
Balance, March 31, 2017	$ 4,672	$ 35,132	$ 24,439	$ 16,575	$ 8,085	$ 3	$ 380	$ ---	$ 89,286
Balance, March 31, 2018	$ 4,265	$ 31,551	$ 29,115	$ 27,738	$ 5,160	$ 3	$ 242	$ 1,871	$ 99,945

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2016	$	44,601
Additions/Adjustments		5,255
Disposals/retirements		(1,788)
Balance, March 31, 2017	$	48,068
Additions/Adjustments		3,048
Disposals/retirements		(35)
Balance, March 31, 2018	$	51,081

Accumulated depreciation		
Balance, April 1, 2016	$	15,196
Depreciation Expense		4,421
Disposals/retirements		(2,487)
Balance, March 31, 2017	$	17,130
Depreciation Expense		6,548
Disposals/retirements		(35)
Balance, March 31, 2018	$	23,643

Net Book Value		
Balance, March 31, 2017	$	30,938
Balance, March 31, 2018	$	27,438

9. Trade and Other Receivables

		2018 (000's)		2017 (000's)
Slot machines receivable – SIGA	$	65,160	$	59,352
VLT receivable		6,008		5,442
Other		5,634		5,818
	$	76,802	$	70,612

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 $2,873 thousand (2017 - $3,271 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, 2017 and extrapolated the valuation to March 31, 2018. 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:

	2018	2017
Expected long-term rate of return on plan assets	4.50%	4.60%
Inflation rate	2.25%	2.25%
Discount rate	3.40%	3.50%
Salary increases	---	3.25%
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 2.25% and discount rate 3.40%.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.25%	1.25%	4.4%	2.4%
(Decrease) increase in liability	(2.8%)	3.0%	(9.8%)	11.8%

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

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

	2018 (000's)	2017 (000's)
Current service cost – defined contribution plan	$ 2,873	$ 3,271
Net interest expense	1,604	1,632
Components of pension costs recorded in profit or loss	4,477	4,903
Return on plan assets (excluding net interest expense)	61	53
Actuarial (gains) losses – assumption changes	(239)	52
Components of defined benefit costs recorded in OCI	(178)	105
Total of components of benefit cost	$ 4,299	$ 5,008

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

	2018 (000's)	2017 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 56,734	$ 58,612
Interest cost	1,916	2,038
Benefits paid	(4,009)	(4,009)
Experience (gain) loss		
Change in financial assumptions	111	93
Change in mortality assumptions	-	-
	$ 54,752	$ 56,734
Plan Assets		
Fair value of plan assets, beginning of year	$ 10,282	$ 10,144
Actual return on plan assets	684	457
Employer contributions	3,788	3,712
Benefits paid	(3,987)	(4,031)
Fair value of plan assets, end of year	$ 10,767	$ 10,282
Accrued pension liability	$ 43,985	$ 46,452

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 26.1% (2017 – 25.3%) in a Canadian equity pooled fund, 30.6% (2017 – 28.3%) in foreign equity pooled funds, 41.4% (2017 – 42.9%) in a bond and debenture pooled fund and 1.9% (2017 – 3.5%) in a short term investment pooled fund.

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

	2018 (000's)	2017 (000's)
Due from General Revenue Fund	$ 32	$ 172
TD Canadian Bond Index Fund	4,455	4,348
Equity Instruments		
- TD Canadian Equity Index Fund	2,801	2,567
- TD International Equity Index Fund	1,608	1,377
- TD US Market Index Fund	1,680	1,481
- TD Canadian Short Term Investment Fund	209	354
Total equity instruments	6,298	5,779
	$ 10,785	$ 10,299

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

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

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

The total cash inflow is the amount of employer contributions expected to be received by the pension plan together with interest on investments of 4.5% 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
2019	3,096	3,946	456	(394)
2020	3,014	3,842	439	(389)
2021	2,894	3,689	422	(373)
2022	2,755	3,512	406	(351)
2023	2,677	3,413	390	(346)
Total next 5 years	14,436	18,402	2,113	(1,853)
Total 5-10 years	12,616	16,083	1,723	(1,744)
Total 11-30 years	33,824	43,123	3,194	(6,105)
Total 31-50 years	3,612	4,588	137	(839)

12. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

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

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

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

Also under the 2002 Framework Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2018, SIGA owes $30,976 thousand under a $79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 13). SLGA has postponed its security in regards to this financing agreement.

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

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

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on 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, 2018, the unrealized gain included in the slot machines receivable was $1,790 thousand (2017 – $1,755 thousand gain).

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

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

	2018 (000's)	2017 (000's)
Table games revenues	$ 12,627	$ 12,192
Table games expenses	14,427	14,158
Net losses from table games	$ 1,800	$ 1,966
Ancillary operations gross profit	$ 14,285	$ 15,640
Ancillary operations expenses	23,664	25,054
Net losses from ancillary operations	$ 9,379	$ 9,414
Total losses expensed	11,179	11,380
IGR payment	3,300	3,300
SPPC payment	2,600	2,600
	$ 17,079	$ 17,280

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	$	4,998
Between one and five years		11,218
More than five years		4,026
Total	$	20,242

SIGA Leases, Casino and Debt

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

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

Year Ending March 31		(000's)
Less than one year	$	4,594
Between one and five years		12,977
More than five years		2,136
	$	19,707

The above commitments include amounts committed to parties related to SIGA totalling $13,730 thousand for years 2019 through 2023 and $2,095 thousand for the years beyond 2023.

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

Year Ending March 31		(000's)
Less than one year	$	9,646
Between one and five years		43,536
More than 5 years		69,589
Total	$	122,771

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

Long-term debt: In 2007, SIGA made a long-term financing agreement with a Bank for $79,000 thousand to finance new casino projects. As of March 31, 2018, SIGA owes $30,976 thousand (2017 - $36,377 thousand) under this agreement at interest rates varying from 2.08% to 5.09%. SIGA's principal repayments are as follows:

Year Ending March 31		(000's)
2019	$	5,403
2020		5,403
2021		5,403
2022		5,403
2023		5,645
Thereafter		3,719

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2019, the budgeted transfers are $3,300 thousand (2018 - $3,300 thousand).

As well, under an agreement with SPPC effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2018, SIGA paid $2,600 thousand (2017 - $2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

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

14. Liquor Sales

		2018 (000's)		2017 (000's)
Wines, coolers and spirits				
-To the public via SLGA Retail stores	$	195,524	$	245,653
-To retail store permittees		156,230		109,826
		351,754		355,479
Beer				
-To the public via SLGA Retail stores		95,057		109,940
-To retail store permittees		188,567		171,547
		283,624		281,487
Total	$	635,378	$	636,966

15. 2018 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, and raffles and the regulation and support of the horse racing industry.

Key amounts by segment as follows:

	SEGMENTS					
	2018 (000's)					2017 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 635,378	224,095	221,424	---	1,080,897	$ 1,091,515
Other Income	5,345	343	---	463	6,151	4,681
Total Revenues	640,723	224,438	221,424	463	1,087,048	1,096,196
Direct Expenses	318,195	34,104	---	---	352,299	351,271
Operating Expenses (Schedule 1 & 2)	68,924	20,648	136,850	15,422	241,844	267,631
Total Expenses	387,119	54,752	136,850	15,422	594,143	618,902
Subtotal	253,604	169,686	84,574	(14,959)	492,905	477,294
Other Comprehensive Income	178	---	1,790	---	1,968	1,650
Total Comprehensive Income	253,782	169,686	86,364	(14,959)	494,873	478,944
Retained earnings (deficit) beginning of Year	---	---	(3,689)	---	(3,689)	(4,492)
Adjustment to Equity	(154)	---	---	---	(154)	---
Dividend to General Revenue Fund	256,653	169,686	84,574	(14,959)	495,954	478,141
Retained earnings (deficit) end of year	$ (3,025)	---	(1,899)	---	(4,924)	$ (3,689)
Property, plant and equipment	$ 42,515	30,847	33,945	20,076	127,383	$ 120,224
Property, plant and equipment purchases	$ 2,229	18,948	10,808	229	32,214	$ 16,228
Depreciation	$ 7,072	8,473	8,750	84	24,378	$ 32,194

17. Related Parties

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

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

SLGA also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance, in 2018 SLGA paid $5 thousand (2017 - $215 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 2018 SLGA paid $28,786 thousand (2017 - $33,286 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:

	2018 (000's)	2017 (000's)
Salaries and short-term employee benefits	$ 939	$ 871
Post-employment benefits	126	113
	$ 1,065	$ 984

18. Contingencies

	2018 (000's)	2017 (000's)
Court proceedings (i)	$ 5,000	$ 5,000

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

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

19. Provisions

	Short-term Employee Benefits (000's)
Balance, April 1, 2016	$ 1,075
Provisions made during the period	1,075
Provisions used during the period	(1,075)
Balance, March 31, 2017	$ 1,075
Provisions made during the period	1,075
Provisions used during the period	(1,075)
Balance, March 31, 2018	$ 1,075

Short-term Employee Benefits

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

20. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA. For the year ended March 31, 2018, WCLC charged SLGA $21,132 thousand (2017 - $22,920 thousand) to operate the VLT, and slot machine program for the year.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The current service and interest costs of the retirement plan are included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of $1,092 thousand (2017 - $1,384 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2018, the retirement plan is in a deficit status of $2,820 thousand (2017 - $2,905 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.

(in 000's)

			2018		2017	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 1,274	$ 1,274	$ 1,247	$ 1,247
Due from General Revenue Fund	FVTPL	Level One	46,861	46,861	49,889	49,889
Trade and other receivables	L&R	N/A	76,802	76,802	70,612	70,612
Trade and other payables	OFL	N/A	27,316	27,316	25,213	25,213
Promissory Note debt	OFL	N/A	104,368	104,368	105,000	105,000
Payable to General Revenue Fund	OFL	N/A	102,081	102,081	93,015	93,015
GST Payable	OFL	N/A	2,924	2,924	2,152	2,152

[1] 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 promissory note debt and may be exposed to interest rate risk on future short-term and long-term borrowings. At year end, SLGA had $104,368 thousand of promissory note debt. Due to SLGA's use of promissory note debt, the interest rate risk SLGA is exposed to is minimal because interest rates are re-negotiated to a current rate annually.

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

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

	2018 (000's)	2017 (000's)
Cash	$ 1,274	$ 1,247
Due from General Revenue Fund	46,861	49,889
Trade and other receivables	76,802	70,612
	$ 124,937	$ 121,748

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 ($30,976 thousand – March 31, 2018; $36,377 thousand – March 31, 2017) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2018, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $903 thousand.

As of March 31, 2018, 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, 2018, SLGA had $682 thousand (2017 - $18 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, 2018, SLGA has $3,422 thousand (2017 – $3,470 thousand) in this account.

In 2018, SLGA recorded a $51 thousand loss (2017 - $82 thousand gain) due to the variation in the foreign exchange rates.

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

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 - 2018
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 27,316	$ 27,316	27,316	---	---	---	---
Payable to the GRF	102,081	102,081	102,081	---	---	---	---
GST Payable	2,924	2,924	2,924	---	---	---	---
Provisions	1,075	1,075	1,075	---	---	---	---
Promissory Note debt	104,368	104,368	---	5,000	5,000	15,000	79,368
Accrued pension liability	43,985	43,985	1,973	1,973	3,842	10,614	25,583
	$ 281,749	$ 281,749	$ 135,369	$ 6,973	$ 8,842	$ 25,614	$ 104,951

Contractual cash flows - 2017
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 25,213	$ 25,213	25,213	---	---	---	---
Payable to the GRF	93,015	93,015	93,015	---	---	---	---
GST Payable	2,152	2,152	2,152	---	---	---	---
Provisions	1,075	1,075	1,075	---	---	---	---
Promissory Note debt	105,000	105,000	---	5,000	5,000	15,000	80,000
Accrued pension liability	46,452	46,452	2,018	2,018	3,923	10,980	27,513
	$ 272,907	$ 272,907	$ 123,473	$ 7,018	$ 8,923	$ 25,980	$ 107,513

22. Capital

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

The Government of Saskatchewan facilitates the borrowing of capital for SLGA through various financial institutions. At the end of the year, SLGA had $104,368 thousand in promissory notes (Note 24).

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

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

23. Funds held in Trust

SLGA holds funds in trust on behalf of employees as part of SLGA's extended health care plan. At March 31, 2018, SLGA held $452 thousand (2017 - $544 thousand) on behalf of in-scope employees.

24. Promissory Notes

SLGA holds $104,368 thousand in a series of promissory notes with various financial institutions. SLGA has committed to distribute the full amount of dividend to the GRF. SLGA expects to continue to refinance the repayment of its current promissory notes by incurring new borrowing using new promissory notes. SLGA has not set repayment terms on the promissory notes and will make repayments as cashflows allow. As at March 31, 2018, the promissory notes are as follows:

Date of issue	Date of maturity	Interest Rate (%)	Currency		**Outstanding amount (000's)**
02-NOV-2017	01-MAY-2018	1.181	CAD	$	16,802
09-NOV-2017	01-MAY-2018	1.169	CAD		31,426
10-NOV-2017	01-MAY-2018	1.165	CAD		9,946
27-NOV-2017	24-MAY-2018	1.151	CAD		7,955
05-DEC-2017	01-JUN-2018	1.169	CAD		8,452
01-FEB-2018	30-JUL-2018	1.460	CAD		24,822
01-MAR-2018	27-AUG-2018	1.450	CAD		4,965
				$	104,368

Changes in promissory note debt during the year ended March 31, 2018 are as follows:

	2018
	(000's)
Opening balance	$105,000
Changes from financing cash flows:	
Proceeds received	209,000
Repayments	(209,632)
Ending balance	$104,368

25. Liquor Retailing Changes

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

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

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

Assets Held for Sale

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

Assets Sold During 2017-18

During the year SLGA sold land and buildings from 14 discontinued retail stores. The net gain on the sale of assets is included in the Consolidated Statement of Comprehensive Income. The proceeds received from the sale of assets is included in the Consolidated Statement of Cash Flows.

Assets Held For Sale After March 31, 2018

Subsequent to year end, SLGA released a request for bid on the Regina Broad Street store land and building.

26. Useful Life Changes for VLTs and Slots from 5 years to 6

During the year ended March 31, 2018, SLGA changed its accounting estimate for the useful life of VLTs and slot machines to 6 years (2017 – 5 years) to better reflect the life of VLTs and slot machines. SLGA has applied this change prospectively. The increase to the useful life of VLTs and slot machines reduces depreciation expense by $5,347 thousand for March 31, 2018 and is estimated to reduce depreciation expense by $4,799 thousand for March 31, 2019 and future periods.

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

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2018	2017	2018	2017	2018	2017
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 48,608	$ 57,586	$ 50,637	$ 51,342	$ 99,245	$ 108,928
Depreciation	15,629	22,317	8,957	9,877	24,586	32,194
Operations and maintenance	1,811	1,906	20,240	22,303	22,051	24,209
Rent, utilities and insurance	8,055	8,628	9,541	9,514	17,596	18,142
Professional and contractual services	12,933	13,909	3,340	2,119	16,273	16,028
Advertising, printing and promotion	9	17	12,184	13,911	12,193	13,928
Grants (Note3(l))	7,411	8,487	---	---	7,411	8,487
Service charges and interest	575	928	6,729	6,566	7,304	7,494
Goods and Services Tax	1,983	2,191	2,671	2,630	4,654	4,821
Information Technology	1,766	2,353	1,231	---	2,997	2,353
Debit/Credit charges	2,731	4,315	---	---	2,731	4,315
Sundry	1,529	1,219	1,138	2,104	2,667	3,323
Stationery and supplies	759	931	1,190	803	1,949	1,734
Communications	414	459	1,339	1,832	1,753	2,291
Travel and business	564	698	574	652	1,138	1,350
Honoraria and related expenses	57	58	---	484	57	542
Customer service programs	160	212	---	---	160	212
Indigenous Gaming Regulators (Note 12)	---	---	3,300	3,300	3,300	3,300
Saskatoon Prairieland Park Corporation (Note 12)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 12)	---	---	11,179	11,380	11,179	11,380
	$ 104,994	$ 126,214	$ 136,850	$ 141,417	$ 241,844	$ 267,631

**Represents operating costs of SIGA casinos.*

Schedule 2

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

	Liquor		Other Gaming		VLT		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 41,330	$ 49,820	$ 7,278	$ 7,766	$ ---	$ ---	$ 48,608	$ 57,586
Depreciation	7,072	4,792	84	377	8,473	17,148	15,629	22,317
Professional and contractual services	2,149	2,338	823	1,085	9,961	10,486	12,933	13,909
Rent, utilities and insurance	8,036	8,600	19	28	---	---	8,055	8,628
Grants (Note 3(l))	1,112	1,237	6,299	7,250	---	---	7,411	8,487
Debit/Credit charges	2,720	4,309	11	6	---	---	2,731	4,315
Goods and Services Tax	---	---	63	209	1,920	1,982	1,983	2,191
Operations and maintenance	1,718	1,867	93	39	---	---	1,811	1,906
Information Technology	1,426	1,802	340	551	---	---	1,766	2,353
Sundry	1,504	1,171	25	48	---	---	1,529	1,219
Stationary & supplies	714	886	45	45	---	---	759	931
Service charges and interest	239	346	42	60	294	522	575	928
Travel & business	386	492	178	206	---	---	564	698
Communications	320	369	94	90	---	---	414	459
Customer service programs	160	211	---	1	---	---	160	212
Honoraria and related expenses	31	30	26	28	---	---	57	58
Advertising, printing and promotion	7	11	2	6	---	---	9	17
	$ 68,924	$ 78,281	$ 15,422	$ 17,795	$ 20,648	$ 30,138	$ 104,994	$ 126,214

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of SLGA Retail Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive income (loss), 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 SLGA Retail Inc. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Judy Ferguson

Regina, Saskatchewan
June 25, 2018

Judy Ferguson, FCPA, FCA
Provincial Auditor

Statement 1

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

	Notes	2018 (000's)	2017 (000's)
Current assets:			
Cash		$ 380	$ 173
Due from General Revenue Fund	**4**	335,235	174,662
Trade and other receivables		239	19
Goods and Services Tax (GST) receivable	**10**	1,272	1,184
Prepaid expenses		---	385
Inventory	**6**	18,502	21,894
Held for sale	**7 & 16**	1,759	---
Total current assets		357,387	198,317
Non-current assets:			
Property, plant and equipment	**7 & 11**	5,665	8,353
Intangible assets	**8**	345	---
Total non-current assets		6,010	8,353
Total Assets		$ 363,397	$ 206,670
Current liabilities:			
Trade and other payables		$ 1,685	$ 4,290
Payable to SLGA	**9**	356,714	188,081
Liquor Consumption Tax (LCT) payable		2,028	11,417
Current finance lease obligation	**11**	722	1,034
Total current liabilities		361,149	204,822
Non-current liabilities:			
Finance lease obligation	**11**	7,047	7,319
Total non-current liabilities		7,047	7,319
Total liabilities		368,196	212,141
Equity			
Retained earnings (deficit) (Statement 3)		(4,799)	(5,471)
Total Equity		(4,799)	(5,471)
Total Liabilities & Equity		$ 363,397	$ 206,670

Commitments (Note 11)

(See the accompanying notes to the financial statements)

Statement 2

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

	Notes	2018 Budget (Note 12) (000's)	2018 Actual (000's)	2017 Actual Sept 28/16-Mar 31/17 (000's)
CONTINUING OPERATIONS				
Revenues:				
Liquor sales		$ 296,625	$ 280,011	$ 149,915
Licence, permit, and other income		767	1,264	503
		297,392	281,275	150,418
Cost of sales:				
Cost of liquor	**6**	254,781	239,956	128,714
Gross profit on sales		42,611	41,319	21,704
Expenses (Schedule 1):				
Salary, wages and benefits		28,994	23,314	17,585
Other operating		16,080	14,793	8,962
Total expenses		45,074	38,107	26,547
Net income (loss) from continuing operations		(2,463)	3,212	(4,843)
Discontinued Operations				
Net loss from discontinued store operations	**16**	---	(2,540)	(628)
Total		---	(2,540)	(628)
Total Comprehensive Income (Loss)		$ (2,463)	$ 672	$ (5,471)

(See the accompanying notes to the financial statements)

Statement 3

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

	Retained Earnings (deficit)	**Share Capital** (Note 15)	**Total**
	(000's)	(000's)	(000's)
Equity			
Balance September 28, 2016	$ ---	$ ---	$ ---
Comprehensive loss	(5,471)	---	(5,471)
Balance March 31, 2017 (to statement 1)	(5,471)	---	(5,471)
Net income	672	---	672
Balance March 31, 2018 (to statement 1)	$ (4,799)	$ ---	$ (4,799)

(See the accompanying notes to the financial statements)

Statement 4

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

	2018 (000's)	2017 Sept 28/16- Mar 31/17 (000's)
Cash flows from operating activities:		
Total Comprehensive Income (Loss)	$ 672	$ (5,471)
Adjustments for:		
Increase in payable to SLGA	168,633	188,081
(Decrease) Increase in trade and other payables	(2,605)	4,290
(Decrease) Increase in LCT payable	(9,389)	11,417
Increase in trade and other receivables	(220)	(19)
Increase in GST receivable	(88)	(1,184)
Decrease (Increase) in prepaid expenses	385	(385)
Decrease (Increase) in inventory	3,392	(21,894)
Net cash from operating activities	160,780	174,835
Net increase in cash position	160,780	174,835
Cash position, beginning of period	174,835	---
Cash position, end of period	335,615	174,835
Cash position consists of:		
Cash	$ 380	$ 173
Due from General Revenue Fund	335,235	174,662
	$ 335,615	$ 174,835

(See the accompanying notes to the financial statements)

SLGA RETAIL INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. Description of Business

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

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

2. Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA Retail Inc.'s Board of Directors approved these statements on May 29, 2018.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

3. Significant Accounting Policies

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

(a) <u>Revenue</u>

Liquor Sales

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

(b) <u>Inventories</u>

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

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

(c) Property, Plant and Equipment

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

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

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

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

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

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

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

(d) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of 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.

(e) Impairment

(i) Financial assets

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

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

(ii) Non-financial assets

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

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

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

(f) Leases

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

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

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

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

(g) Foreign Currency

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

(h) Financial Instruments

(i) Non-derivative financial assets and liabilities

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

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

Trade and other receivables and GST receivable 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 cost using the effective interest method, less any impairment losses.

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

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

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

(ii) Derivatives and Embedded derivatives

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

(i) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after January 1, 2018 or later periods. SLGA Retail Inc. is assessing the impact of these pronouncements on its results and financial position. These include:

IFRS 7 – Financial instruments disclosures was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, Financial Instruments: Recognition and Measurements to IFRS 9, Financial Instruments. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. SLGA Retail Inc. does not plan to early adopt this standard. Application of this standard is not expected to significantly impact SLGA Retail Inc.'s financial statements.

IFRS 9 – Financial Instruments (IFRS 9 (2014)) expands on IFRS 9 as issued in 2009. The 2010 version has a significant impact on financial liabilities designated under the fair value option. In addition, IFRS 9 (2010) retains virtually all the classification and measurement guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective for periods beginning on or after January 1, 2018. Application of this standard is not expected to significantly impact SLGA Retail Inc.'s financial statements.

IFRS 15 – Revenue from Contracts with Customers replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31 and provides for a single model that applies to contracts with customers with two approaches to recognizing revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. Application of this standard is not expected to significantly impact SLGA Retail Inc.'s financial statements.

IFRS 16 – Leases was issued in January 2016 and is intended to replace IAS 17 Leases, and related IFRICs. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months of less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019. Management is assessing the impact of application of this standard on SLGA Retail Inc.'s financial statements.

(j) Standards adopted in the current year

The following standards were applied in preparing the current year's financial statements.

IAS 7 – Statement of cash flows was issued in January 2016 to enhance disclosure of changes in liabilities arising from financing activities. This standard is effective for annual periods beginning on or after January 1, 2017. Application of this standard did not significantly impact SLGA Retail Inc.'s financial statements.

4. Due from General Revenue Fund

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

5. Disposition of Retained Earnings

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

6. Inventories

	2018 (000's)	2017 (000's)
Wines, coolers and spirits in stores	$ 13,925	$ 17,059
Beer in stores	4,577	4,835
	$ 18,502	$ 21,894

The cost of liquor inventories recognized as an expense during the year ended March 31, 2018 was $258,599 thousand (2017- $130,844 thousand). SLGA Retail Inc. purchases its wines, coolers, and spirits inventory from SLGA. During the period, SLGA Retail Inc. had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2018 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment under Finance Lease

(000's)	Buildings	Furniture and Equipment	Leasehold Improvements	Held For Sale	Total
Cost					
Balance, September 28, 2016	$ ---	$ ---	$ ---	$ ---	$ ---
Additions/Adjustments	7,904	897	91	---	8,892
Disposals/Retirements	---	---	---	---	---
Balance, March 31, 2017	$ 7,904	$ 897	$ 91	$ ---	$ 8,892
Additions/Adjustments	(1,815)	--	---	1,827	12
Disposals/Retirements	(36)	(22)	---	---	(58)
Balance, March 31, 2018	$ 6,053	$ 875	$ 91	$ 1,827	$ 8,846

(000's)	Buildings	Furniture and Equipment	Leasehold Improvements	Held For Sale	Total
Accumulated Depreciation					
Balance, September 28, 2016	$ ---	$ ---	$ ---	$ ---	$ ---
Depreciation Expense	305	210	24	---	539
Disposals/Retirements	---	---	---	---	---
Balance, March 31, 2017	$ 305	$ 210	$ 24	$ ---	$ 539
Depreciation Expense	571	336	34	---	941
Adjustments	(68)	---	---	68	---
Disposals/Retirements	(36)	(22)	---	---	(58)
Balance, March 31, 2018	$ 772	$ 524	$ 58	$ 68	$ 1,422

(000's)	Buildings	Furniture and Equipment	Leasehold Improvements	Held For Sale	Total
Net Book Value					
Balance, March 31, 2017	$ 7,599	$ 687	$ 67	$ ---	$ 8,353
Balance, March 31, 2018	$ 5,281	$ 351	$ 33	$ 1,759	$ 7,424

8. Intangible Assets

(000's)	Software Total
Cost	
Balance, September 28, 2016	$ ---
Additions/Adjustments	---
Disposals/retirements	---
Balance, March 31, 2017	$ ---
Additions/Adjustments	345
Disposals/retirements	---
Balance, March 31, 2018	$ 345

Accumulated depreciation	
Balance, September 28, 2016	$ ---
Depreciation Expense	---
Disposals/retirements	---
Balance, March 31, 2017	$ ---
Depreciation Expense	---
Disposals/retirements	---
Balance, March 31, 2018	$ ---

Net Book Value	
Balance, March 31, 2017	$ ---
Balance, March 31, 2018	$ 345

9. Agreement with SLGA

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

10. Goods and Services Tax (GST)

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

11. Commitments

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

(000's)	March 31, 2018	March 31, 2017
Less than one year	$ 4,998	$ 2,924
Between one and five years	11,218	9,474
More than five years	4,026	5,846
Lease obligation	$ 20,242	$ 18,244

Finance Leases: On October 9, 2016 SLGA Retail Inc. entered into a finance lease arrangement with SLGA for the assets of SLGA used in the operation of retail liquor stores. The agreement with SLGA is for cost recovery, therefore, the interest rates underlying all obligations under finance leases are fixed at 0% per annum. The term of the leases range from 2017-2027. Lease payments are due to SLGA on demand.

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

(000's)	March 31, 2018		March 31, 2017	
Total future minimum lease payments	$	7,769	$	8,353
Less future finance charges on finance leases		---		---
Present value of finance lease obligation		7,769		8,353
Less current portion of finance lease obligation		722		1,034
Finance lease obligation	$	7,047	$	7,319

As at March 31, 2018, scheduled future minimum lease payments of the finance lease obligation are as follows:

(000's)	March 31, 2018		March 31, 2017	
Less than one year	$	722	$	1,034
Between one and five years		1,722		1,997
More than five years		5,325		5,322
Finance lease obligation	$	7,769	$	8,353

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

12. 2018 Budget

These amounts represent the budget approved by SLGA Retail Inc. Board of Directors. Discontinued operations are included in SLGA Retail Inc.'s 2017-18 budgeted revenue and expenses.

13. Related Parties

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

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

SLGA Retail Inc. pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. During the period SLGA Retail Inc. paid $5 thousand (2017- $88 thousand). Taxes paid are recorded as part of the cost of those purchases. SLGA Retail Inc. also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance. During the period SLGA Retail Inc. paid $28,786 thousand (2017- $15,029 thousand). Other amounts and transactions with related parties are described separately in these financial statements and the notes thereto.

14. Financial Risks

<u>Fair Value</u>

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

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

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

(in 000's)			2018		2017 Sept 28/16- Mar 31-17	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 380	$ 380	$ 173	$ 173
Due from General Revenue Fund	FVTPL	Level One	335,235	335,235	174,662	174,662
Trade and other receivables	L&R	N/A	239	239	19	19
GST receivables	L&R	N/A	1,272	1,272	1,184	1,184
Trade and other payables	OFL	N/A	1,685	1,685	4,290	4,290
Payable to SLGA	OFL	N/A	356,714	356,714	188,081	188,081
LCT Payable	OFL	N/A	2,028	2,028	11,417	11,417

[1] Classification:
FVTPL – Fair value through profit and loss, L&R - Loans and receivables, OFL - Other financial liabilities

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

Credit and Interest Rate Risk

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

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

	2018 (000's)	2017 (000's)
Cash	$ 380	$ 173
Due from General Revenue Fund	335,235	174,662
Trade and other receivables	239	19
	$ 335,854	$ 174,854

As of March 31, 2018, there was no impairment required on any of the financial assets of SLGA Retail Inc.

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

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

Foreign Currency Exchange Risk

SLGA Retail Inc. is exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA Retail Inc.'s Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2018, SLGA Retail Inc. has $110 thousand (2017- $37 thousand) in this account.

During the year, SLGA Retail Inc. recorded a $3 thousand (2017- $1 thousand) gain due to the variation in the foreign exchange rates.

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

Liquidity Risk

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

Contractual cash flows - 2018
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 1,685	$ 1,685	1,685	---	---	---	---
Payable to SLGA	356,714	356,714	356,714	---	---	---	---
LCT Payable	2,028	2,028	2,028	---	---	---	---
Finance lease obligation	7,769	7,769	361	361	542	1,180	5,325
	$ 368,196	$ 368,196	$ 360,788	$ 361	$ 542	$ 1,180	$ 5,325

Contractual cash flows – 2017
Sept 28/16-Mar 31/17
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 4,290	$ 4,290	4,290	---	---	---	---
Payable to SLGA	188,081	188,081	188,081	---	---	---	---
LCT Payable	11,417	11,417	11,417	---	---	---	---
Finance lease obligation	8,353	8,353	517	517	711	1,285	5,323
	$ 212,141	$ 212,141	$ 204,305	$ 517	$ 711	$ 1,285	$ 5,323

15. Capital

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

Share Capital

	2018	2017
Authorized		
Unlimited voting common shares with no par value		
Issued and outstanding		
1 common share	$ ---	$ ---

16. Discontinued Operations

On November 18, 2015, the Government of Saskatchewan announced its intent to make changes to liquor retailing in the province. The plan included the conversion of existing government liquor stores to private opportunities.

In 2016-17 SLGA released RFPs for 50 retail store permittees. These opportunities were for communities with an existing SLGA store that would be closed as the new private stores open. As of March 31, 2018 the only stores slated to close that remain open are Regina-Broad Street and Melfort. Buildings under finance lease related to closed stores have been reclassified in the current year to Held for sale (Note 7). Held for sale assets are expected to be sold within one year.

Cash from operating discontinued stores in 2017-18 totaled $21,194 thousand (2016-17 - $2,431 thousand).

Included in the Payable to SLGA are $327 thousand (2016-17 - $2,516 thousand) in severance costs related to store closures. During 2017-18 the following liquor store operations were discontinued:

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

	2017 (in 000's)		
	Revenue	**Expense**	**Net Income**
St. Walburg	$ 216	$ 395	$ (179)
Foam Lake	308	448	(140)
Stoughton	328	438	(110)
Rosthern	463	528	(65)
Lanigan	370	404	(34)
Wakaw	281	351	(70)
Watson	465	495	(30)
Total	$ 2,431	$ 3,059	$ (628)

Discontinued operations expenses are detailed as follows:

(000's)	2018	2017
Cost of sales	$ 18,643	$ 2,130
Salaries, wages and benefits	3,576	769
Other expenses	1,515	160
Total	$ 23,734	$ 3,059

17. Comparative Figures

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

Schedule 1

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

	Total	
	2018	2017 (Sept 28/16-Mar 31/17)
	(000's)	(000's)
Salaries, wages and benefits	$ 23,314	$ 17,585
Rent, utilities and insurance	4,883	2,566
Professional and contractual services	3,964	2,600
Debit/credit charges	1,927	1,309
Operations and maintenance	1,140	701
Sundry	787	581
Depreciation expense (Note 7 & 8)	687	539
Stationary & supplies	417	241
Grants	383	26
Travel and business	210	111
Communications	143	93
Information Technology	125	132
Customer service	113	54
Service charges	9	8
Advertising	4	1
Commission	1	-
	$ 38,107	$ 26,547

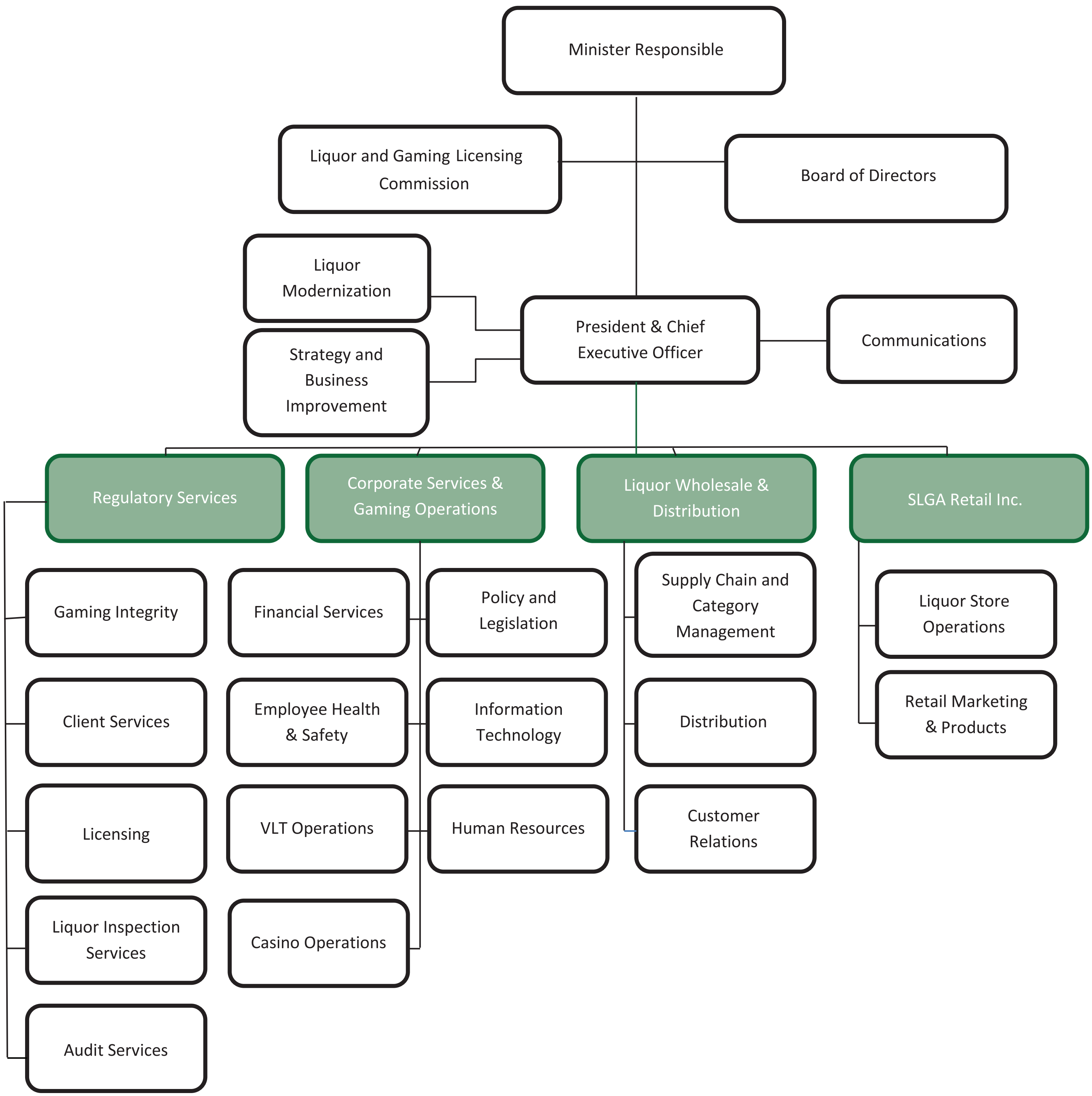
For More Information

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

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

Appendix A

SLGA Organizational Chart



Appendix B

Summary of SLGA's Partners and Stakeholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Saskatchewan Tourism and Education Council (STEC). STEC delivers the *Serve it Right Saskatchewan* 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. www.industry.tourismsaskatchewan.com/education-and-training/stec-courses-and-workshops

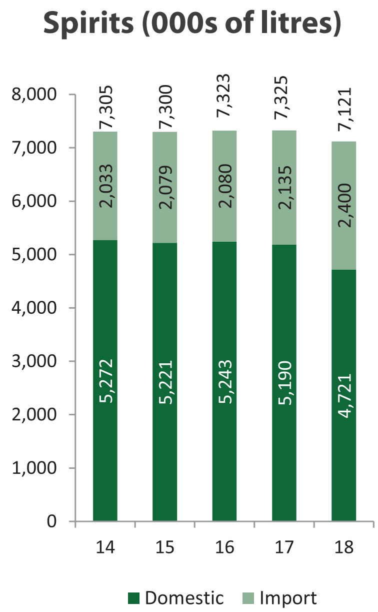
Spirits Canada. Spirits Canada is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.spiritscanada.ca

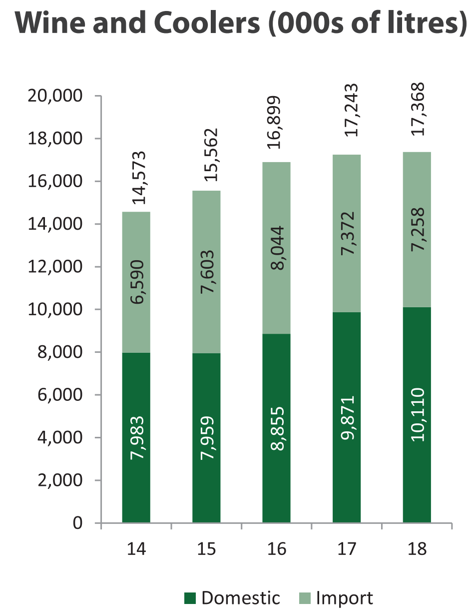
Students Against Drinking and Driving (SADD) Saskatchewan. SADD is a charitable organization that strives to save lives and prevent injuries caused by drinking and driving. SADD works to achieve this goal through education and public awareness and by influencing legislation and public policy in areas related to drinking and driving. www.saddsask.ca

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

Appendix C

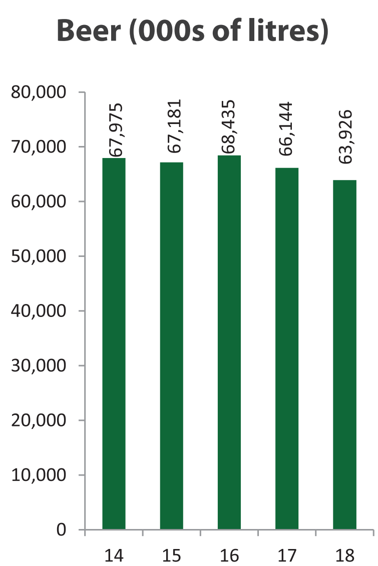
Volume of Sales - Five Year History
Financial Years Ending March 31

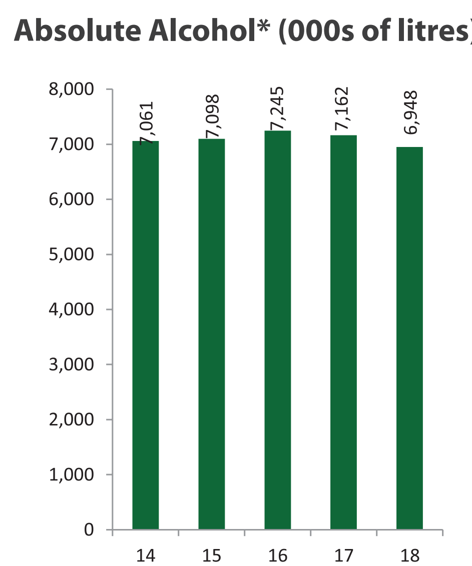




In the categories of spirits, wine and coolers, and beer the value in the 16 column was restated.

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



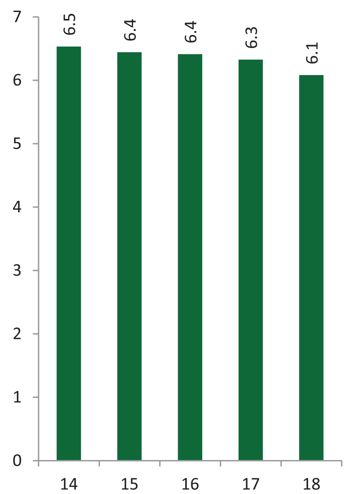


**As most alcoholic beverages have different alcohol percentages they are often converted to absolute alcohol to allow for comparison. Absolute alcohol refers to the amount sold as if all products were 100 per cent alcohol.*

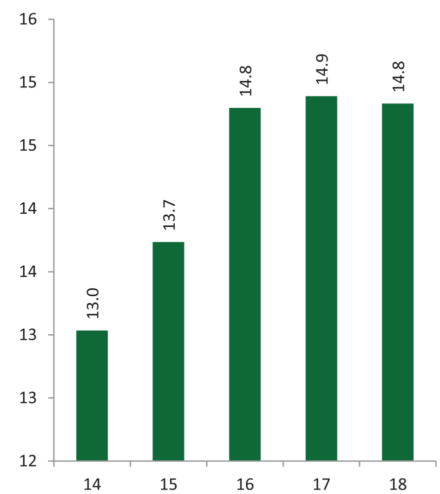
Appendix D

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

Spirits (litres)



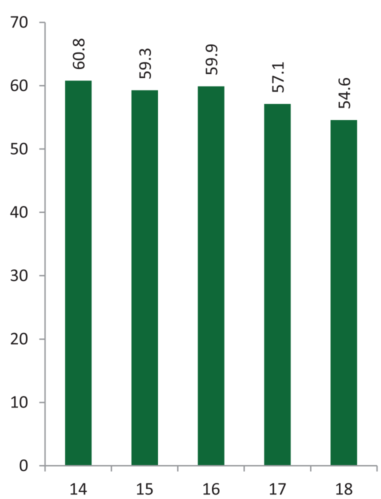
Wine and Coolers (litres)



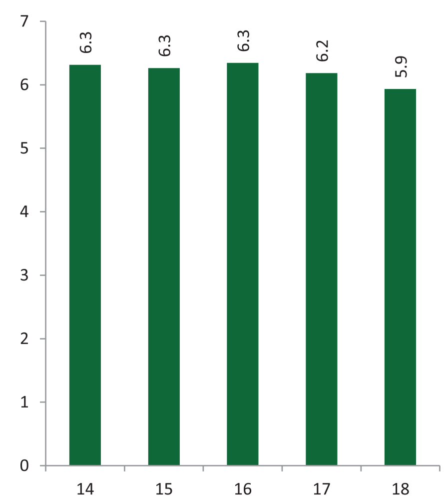
In the categories of spirits, wine and coolers, and beer the value in the 16 column was restated.

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

Beer (litres)



Absolute Alcohol* (litres)



**As most alcoholic beverages have different alcohol percentages they are often converted to absolute alcohol to allow for comparison. Absolute alcohol refers to the amount sold as if all products were 100 per cent alcohol.*

Population Source: Saskatchewan Bureau of Statistics
– Saskatchewan Quarterly Population as of January 1, 2018

Appendix E

Saskatchewan Liquor and Gaming Licensing Commission

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

(a) decisions of 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 SaskGaming and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off reserve bingo and liquor permittees;

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

(c) decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve charitable gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing liquor, gaming and horse racing, over which SLGA has jurisdiction. 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, a casino patron who has been involuntarily banned from a casino may request a review by the Commission.

During 2017-18, the Commission scheduled and held 21 hearings to address the same number of requests for review of various decisions made by SLGA, SaskGaming and SIGA. Hearings are typically scheduled at the nearest major centre in the province to the cause of action. Nine hearings were held in Regina and 12 hearings were held in Saskatoon.

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

Of the 21 hearings held during the past fiscal year, seven were liquor related suspensions including one immediate suspension, 12 hearing reviews were in regard to casino admission bans, four by SaskGaming and eight by SIGA. There were two hearings held with respect to horse racing, involving violation of the horse racing rules.

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

The Commission members as of March 31, 2018:

Elaine R. Morgan, Chairperson, Gainsborough
Cindy Gross, Secretary, Swift Current
Ray Sadler, Member, Biggar

The Commission also has a part-time Registrar.

In 2018-19, the commission's role will be extended to SLGA decisions related to cannabis retail and wholesale permits and registrations. 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

2017-18 Results at a glance

Financial	
SLGA comprehensive income	$494.9M
SIGA comprehensive income	$86.4M
Total liquor sales	$635.4M
Liquor net income	$253.8M
VLT net income	$169.7M
VLT site commission	$34.1M
Structure and Organization	
Number of SLGA employees	685
Number of SLGA retail liquor stores	37
Number of communities with SLGA retail liquor stores	24
Total number of Retail Store Permittees (RSPs)	655
Regular listed product available to RSPs	3,001
Special order listings	4,936
Total retail products available	7,937
Number of casinos	8
Number of slot machines in SIGA casinos	2,120
Number of slot machines in SaskGaming casinos	1,023
Number of VLTs	3,974
Number of communities with VLTs	282
Number of VLT sites	581
Compliance and Licensing	
Number of commercial liquor permittees	2,817
Number of special occasion permits issued	14,733
Number of sanctions (liquor, gaming and horse racing)	410
Number of registered gaming employees	2,980
Number of registered gaming suppliers	101
Charitable Gaming and Horse Racing	
Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em, and Monte Carlo licences	5,298
Number of bingo halls	10
Total gross bingo sales	$9.9M
Total gross raffle sales	$62.5M
Total gross breakopen sales	$2.3M
Total gross charitable gaming event sales	$48.3M
Total gross Texas Hold'em and Monte Carlo event sales	$0.3M
Total net proceeds to charity (bingo, raffle, Texas Hold'em and Monte Carlo)	$32.7M
Total grants paid to charitable gaming licensees	$6.5M
Total provincial handle (all horse racing wagers)	$7.9M

All data as of March 31, 2018