

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY

FINANCIAL STATEMENTS

For the Year Ending March 31, 2015



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the statement of financial position as at March 31, 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2015, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
June 5, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

Statement 1

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

	Notes	2015 (000's)	2014 (000's) (Restated – Note 25)
Current assets:			
Cash		\$ 5,632	\$ 1,364
Due from General Revenue Fund	4	50,233	65,712
Trade and other receivables	9	64,780	79,456
Prepaid expenses		1,446	951
Inventory	6	27,352	29,178
Total current assets		<u>149,443</u>	<u>176,661</u>
Non-current assets:			
Property, plant and equipment	7 & 10	110,194	106,857
Intangible assets	8	27,458	24,746
Total non-current assets		<u>137,652</u>	<u>131,603</u>
Total Assets		<u>\$ 287,095</u>	<u>\$ 308,264</u>
Current Liabilities:			
Trade and other payables		\$ 21,389	\$ 31,363
Payable to the General Revenue Fund	5	94,196	106,038
Goods and Services Tax payable	10	436	156
Provisions	19	1,075	1,182
Total current liabilities		<u>117,096</u>	<u>263,739</u>
Non-current liabilities:			
Promissory Note Debt	24	120,000	125,000
Post employment benefits	11	53,030	48,158
Total non-current liabilities		<u>173,030</u>	<u>48,158</u>
Total liabilities		<u>290,126</u>	<u>311,897</u>
Equity			
Retained earnings (deficit) (Statement 3)		<u>(3,031)</u>	<u>(3,633)</u>
Total Equity		<u>(3,031)</u>	<u>(3,633)</u>
Total Liabilities & Equity		<u>\$ 287,095</u>	<u>\$ 308,264</u>

Commitments (Note 13)

Contingencies (Note 18)

(See the accompanying notes to the financial statements)

Statement 2

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

		2015		2014
		Budget (Note 15)	Actual	Actual
Notes		(000's)	(000's)	(000's) (Restated – Note 25)
OPERATING				
Revenues:				
Liquor sales	14	\$ 643,478	\$ 622,361	\$ 612,026
VLT		246,024	245,925	239,077
Slot machines	12	235,998	226,812	222,997
Licence, permit, and other income		3,125	4,302	4,966
		1,128,625	1,099,400	1,079,066
Cost of sales:				
Cost of liquor	6	311,195	303,232	295,246
VLT site commissions		36,904	36,889	35,861
		348,099	340,121	331,107
Gross profit on sales		780,526	759,279	747,959
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		132,888	120,636	117,103
Slot machines expense		136,857	124,698	123,246
Other	12	18,981	18,330	19,536
Total expenses		288,726	263,664	259,885
Operating Income		491,800	495,615	488,074
FINANCING				
Gain (loss) on disposal of non-current assets		---	50	(26)
Financing Income		---	50	(26)
Net Income		491,800	495,665	488,048
Other Comprehensive Income (OCI)				
Unrealized (loss) gain in interest rate swaps	12	---	(1,028)	2,115
Remeasurement of defined benefit obligation	11	---	(6,651)	4,387
Total OCI		---	(7,679)	6,502
Total Comprehensive Income		\$ 491,800	\$ 487,986	\$ 494,550

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
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) (Restated – Note 25)	(000's)	(000's)	(000's) (Restated – Note 25)
Equity					
Balance April 1, 2013	\$	3,619	\$ (7,319)	\$ (3,181)	\$ (6,881)
Net income		488,048	---	---	488,048
Other comprehensive income (loss)		---	2,115	4,387	6,502
Dividends		(491,302)	---	---	(491,302)
Balance March 31, 2014 (to statement 1)		365	(5,204)	1,206	\$ (3,633)
Net income		495,665	---	---	495,665
Other comprehensive income (loss)		---	(1,028)	(6,651)	(7,679)
Dividends		(487,384)	---	---	(487,384)
Balance March 31, 2015 (to statement 1)	\$	8,646	\$ (6,232)	\$ (5,445)	\$ (3,031)

(See the accompanying notes to the financial statements)

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

	2015 (000's)	2014 (000's)
BUSINESS		
Operating		
Receipts from customers	\$ 1,149,257	\$ 1,096,021
Interest received	152	147
Payments made to suppliers and other	(538,027)	(554,070)
Payments made to employees	(53,605)	(52,600)
Payments made to grant recipients	(9,167)	(7,202)
Payment of Goods and Services Tax	(20,105)	(26,109)
Net cash provided by operating activities	528,505	456,187
Investing		
Purchase of property, plant and equipment	(28,216)	(19,347)
Purchase of intangible assets	(7,324)	(12,595)
Proceeds from disposal of property, plant and equipment	50	(26)
Net cash (used in) investing activities	(35,490)	(31,968)
Net cash provided by BUSINESS activities	493,015	424,219
FINANCING		
Repayment of Promissory Notes	(5,000)	---
Cash Deposited in General Revenue Fund	(499,226)	(481,072)
Net cash (used in) FINANCING activities	(504,226)	(481,072)
Net (decrease) increase in cash position	(11,211)	(56,853)
Cash position, beginning of year	67,076	123,929
Cash position, end of year	\$ 55,865	\$ 67,076
Cash position consists of:		
Cash	\$ 5,632	\$ 1,364
Due from General Revenue Fund	50,233	65,712
	\$ 55,865	\$ 67,076

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

1. Description of Business

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

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

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these statements.

SLGA operates as a Treasury Board Crown Corporation under the direction of the Government of Saskatchewan. The financial results of SLGA are included in the summary financial statements of the Province of Saskatchewan.

2. Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these statements on June 5, 2015.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

3. Significant Accounting Policies

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

(a) Revenue

Liquor Sales

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

License Fees

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

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

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

(b) Promotional Allowances

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

(c) VLT Site Commission

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

(d) Inventories

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

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

(e) Property, Plant and Equipment

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

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

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

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

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

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

(f) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of 3 – 7 years. The estimated useful

lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

(g) Impairment

(i) Financial assets

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

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

(ii) Non-financial assets

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

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

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

(h) Leases

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

As at March 31, 2015, SLGA does not have any finance leases.

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

(i) Provisions

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

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

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

(j) Foreign Currency

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

(k) Employee Benefits

(i) Defined benefit plan

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

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

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

Remeasurements are recorded in other comprehensive income.

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

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

(ii) Defined contribution plan

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

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

(iii) Other employee benefits

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

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

(l) Grants

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

(m) Financial Instruments

(i) Non-derivative financial assets and liabilities

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

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

Trade and other receivables are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

SLGA has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to the General Revenue Fund, goods and services tax payable, and short-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

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

(ii) Derivatives

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

(iii) Embedded derivatives

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

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

(n) Finance income

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

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets are added to the costs of that asset, until it is available for use. Qualifying assets are those assets that take a substantial period of time to get ready for their intended use. 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, 2015 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

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.

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, 2017.

Annual Improvement Cycles on IFRS 8, IFRS 13, IAS 24, and IAS 38 are also underway and have minimal impact on SLGA.

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 \$487,384 thousand (2014 - \$491,302 thousand) to the GRF under

subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	<u>2015</u> (000's)	<u>2014</u> (000's)
Payable to GRF at beginning of year	\$ 106,038	\$ 95,809
Deposits during the year	(499,226)	(481,073)
Dividend to GRF	<u>487,384</u>	<u>491,302</u>
Payable to GRF at end of year	<u>\$ 94,196</u>	<u>\$ 106,038</u>

6. Inventories

	<u>2015</u> (000's)	<u>2014</u> (000's)
Wines, coolers and spirits in stores	\$ 6,283	\$ 9,394
Wines, coolers and spirits in warehouse	9,868	11,593
Beer in stores	6,332	3,296
Gaming machine parts	<u>4,869</u>	<u>4,895</u>
	<u>\$ 27,352</u>	<u>\$ 29,178</u>

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ended March 31, 2015 was \$303,232 thousand and \$433 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, 2015 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	Total
Cost								
Balance, April 1, 2013	\$ 4,713	\$ 30,368	\$ 57,149	\$ 147,152	\$ 28,003	\$ 2,979	\$ 9,020	\$ 279,384
Additions/Adjustments	---	1,644	4,018	6,799	4,360	---	2,526	19,347
Disposals/ Retirements	(17)	(1)	(4,049)	(54,385)	(1,101)	---	(12)	(59,565)
Balance, March 31, 2014	\$ 4,696	\$ 32,011	\$ 57,118	\$ 99,566	\$ 31,262	\$ 2,979	\$ 11,534	\$ 239,166
Additions/Adjustments	---	16,963	10,693	(1,859)	2,491	---	273	28,561
Disposals/ Retirements	---	---	(11,522)	(16,365)	(812)	---	(9)	(28,708)
Balance, March 31, 2015	\$ 4,696	\$ 48,974	\$ 56,289	\$ 81,342	\$ 32,941	\$ 2,979	\$ 11,798	\$ 239,019
Accumulated Depreciation								
Balance, April 1, 2013	\$ ---	\$ 20,562	\$ 48,848	\$ 70,963	\$ 16,250	\$ 2,976	\$ 8,215	\$ 167,814
Depreciation Expense	---	1,012	4,040	15,771	3,031	---	149	24,003
Disposals/ Retirements	---	(1)	(4,049)	(54,385)	(1,073)	---	---	(59,508)
Balance, March 31, 2014	\$ ---	\$ 21,573	\$ 48,839	\$ 32,349	\$ 18,208	\$ 2,976	\$ 8,364	\$ 132,309
Depreciation Expense	---	247	4,452	17,308	3,023	---	159	25,189
Disposals/ retirements	---	---	(10,731)	(17,120)	(813)	---	(9)	(28,673)
Balance, March 31, 2015	\$ ---	\$ 21,820	\$ 42,560	\$ 32,537	\$ 20,418	\$ 2,976	\$ 8,514	\$ 128,825
Net Book Value								
Balance, March 31, 2014	\$ 4,696	\$ 10,438	\$ 8,279	\$ 67,217	\$ 13,054	\$ 3	\$ 3,170	\$ 106,857
Balance, March 31, 2015	\$ 4,696	\$ 27,154	\$ 13,729	\$ 48,805	\$ 12,523	\$ 3	\$ 3,284	\$ 110,194

8. Intangible Assets

(000's)	Software Total	
Cost		
Balance, April 1, 2013	\$	19,045
Additions/Adjustments		12,595
Disposals/retirements		(968)
Balance, March 31, 2014	\$	30,672
Additions/Adjustments		7,324
Disposals/retirements		(8)
Balance, March 31, 2015	\$	37,988
Accumulated depreciation		
Balance, April 1, 2013	\$	4,064
Depreciation Expense		2,829
Disposals/retirements		(967)
Balance, March 31, 2014	\$	5,926
Depreciation Expense		4,612
Disposals/retirements		(8)
Balance, March 31, 2015	\$	10,530
Net Book Value		
Balance, March 31, 2014	\$	24,746
Balance, March 31, 2015	\$	27,458

9. Trade and Other Receivables

	2015 (000's)	2014 (000's)
Slot machines receivable – SIGA	\$ 59,831	\$ 64,458
VLT receivable	2,356	9,585
Other	2,593	5,413
	<u>\$ 64,780</u>	<u>\$ 79,456</u>

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

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

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

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

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

11. Post Employment Benefits

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

(i) Defined contribution plan

The defined contribution plan is called the Public Employees Pension Plan (PEPP). SLGA is required to contribute a specified percentage of payroll costs to PEPP to fund the benefits. The only obligation of SLGA with respect to PEPP is to make the specified contributions. During the year, SLGA paid PEPP and expensed its required contributions of \$3,075 thousand (2014 - \$2,994 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, 2014 and extrapolated the valuation to March 31, 2015. 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:

	2015	2014
Expected long-term rate of return on plan assets	5.00%	5.50%
Discount Rate	3.40%	4.10%
Salary increases	3.50%	3.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life*	0 years	0 years

* SLGA does not have any contributing employees, all have reached 35 years of service.

The following illustrates the effect of changing certain assumptions from assumed rate of: inflation 2.50% and discount rate 3.40%.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.5%	1.5%	4.4%	2.4%
(Decrease) increase in liability	(2.8%)	3.0%	(10.5%)	12.7%

* 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.

	2015 (000's)	2014 (000's)
Current service cost – defined contribution plan	\$ 3,075	\$ 2,994
Net Interest expense	1,584	2,145
Components of pension costs recorded in profit or loss	4,659	5,139
Return on plan assets (excluding net interest expense)	124	70
Actuarial (gains) losses – assumption changes	6,527	(4,457)
Components of defined benefit costs recorded in OCI	6,651	(4,387)
Total of components of benefit cost	\$ 11,310	\$ 752

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

	2015 (000's)	2014 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 58,667	\$ 64,341
Interest cost	2,321	2,553
Benefits paid	(4,135)	(4,156)
Experience (gain) loss		
- Change in financial assumptions	3,363	(4,071)
- Change in mortality assumptions	3,276	---
	<u>\$ 63,492</u>	<u>\$ 58,667</u>
Plan Assets		
Fair value of plan assets, beginning of year	\$ 10,509	\$ 10,170
Actual return on plan assets	772	794
Employer contributions	3,316	3,701
Benefits paid	(4,135)	(4,156)
	<u>\$ 10,462</u>	<u>\$ 10,509</u>
Fair value of plan assets, end of year	<u>\$ 10,462</u>	<u>\$ 10,509</u>
Accrued pension liability	<u>\$ 53,030</u>	<u>\$ 48,158</u>

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 23.1% (2014 – 22.0%) in a Canadian equity pooled fund, 28.7% (2014 – 33.5%) in foreign equity pooled funds, 46.4% (2014 – 39.0%) in a bond and debenture pooled fund and 1.8% (2014 – 5.4%) in a money market pooled fund.

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

	2015 (000's)	2014 (000's)
Due from General Revenue Fund	\$ 245	\$ 11
Greystone Fixed Income Fund	---	4,103
TD Canadian Bond Index Fund	4,744	---
Equity Instruments		
- Greystone Canadian Equity Fund	---	2,310
- TD Canadian Equity Index Fund	2,355	---
- Greystone EAFE Growth Fund	---	1,754
- TD International Equity Index Fund	1,472	---
- Greystone US Equity Fund	---	1,771
- TD US Market Index Fund	1,464	---
- Greystone Money Market Fund	---	570
- TD Canadian S.T. Investment Fund	180	---
Total equity instruments	5,471	6,405
	<u>\$ 10,460</u>	<u>\$ 10,519</u>

During the year the Plan moved its investments from an actively managed portfolio with Greystone to a passive portfolio with TD Asset Management. The Plan limits its investment in foreign equities including foreign pooled funds to 40% 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.

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

The total cash inflow is the amount of employer contributions expected to be received by the pension plan together with interest on investments of 5.0% and employer contributions calculated as 79.4% 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
2016	3,415	4,301	527	(359)
2017	3,338	4,204	510	(356)
2018	3,258	4,103	492	(353)
2019	3,173	3,996	475	(348)
2020	3,096	3,900	458	(346)
Total next 5 years	16,280	20,504	2,462	(1,762)
Total 5-10 years	13,968	17,592	2,056	(1,568)
Total 11-30 years	40,551	51,075	4,346	(6,178)
Total 31-50 years	6,948	8,753	327	(1,478)

12. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

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

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the 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 five years.

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, 2015, SIGA owes \$47,498 thousand under a \$79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 13). SLGA has postponed its security in regards to this financing agreement.

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

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

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 9. As of March 31, 2015, the accumulated unrealized loss reducing the slot machines receivable was \$ 1,028 thousand (2014 – \$2,115 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:

	2015 (000's)	2014 (000's)
Table games revenues	\$ 11,227	\$ 9,724
Table games expenses	13,430	13,030
Net losses from table games	<u>\$ 2,203</u>	<u>\$ 3,306</u>
Ancillary operations revenues	\$ 14,982	\$ 14,596
Ancillary operations expenses	25,209	25,326
Net losses from ancillary operations	<u>\$ 10,227</u>	<u>\$ 10,730</u>
Total losses expensed	12,430	14,036
IGR payment	3,300	2,900
SPPC payment	2,600	2,600
	<u>\$ 18,330</u>	<u>\$ 19,536</u>

13. Commitments

SLGA

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

Year Ending March 31	(000's)
Less than one year	\$ 4,287
Between one and five years	9,578
More than five years	<u>1,143</u>
Total	<u>\$ 15,008</u>

SIGA Leases, Casino and Debt

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

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

Year Ending March 31	(000's)
Less than one year	\$ 6,038
Between one and five years	13,994
More than five years	<u>4,462</u>
	<u>\$ 24,494</u>

The above commitments include amounts committed to parties related to SIGA totalling \$16,421 thousand for years 2016 through 2020 and \$4,462 thousand for the years beyond 2020.

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

Year Ending March 31	(000's)
Less than one year	\$ 6,532
Between one and five years	26,126
More than 5 years	<u>46,949</u>
Total	<u>\$ 79,607</u>

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 the Bank for \$79,000 thousand to finance the new casino projects. As of March 31, 2015, SIGA owes

\$47,498 thousand (2014 - \$52,953 thousand) under this agreement at interest rates varying from 4.94% to 5.09%. SIGA's principal repayments are as follows:

Year Ending March 31	(000's)
2016	\$ 5,456
2017	5,456
2018	5,455
2019	5,456
2020 and subsequent	25,673

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2016, the budgeted transfers are \$3,300 thousand (2015 - \$3,300 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC \$2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of \$217 thousand. In 2015, SIGA paid \$2,600 thousand (2014 - \$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

	2015 (000's)	2014 (000's)
Wines, coolers and spirits		
In stores:		
-To permittees	\$ 72,440	\$ 71,558
-To public	225,814	229,656
	<u>298,254</u>	<u>301,214</u>
To franchisees/private stores:		
-To permittees	5,491	5,685
-To public	43,544	31,010
	<u>49,035</u>	<u>36,695</u>
	<u>347,289</u>	<u>337,909</u>
Beer		
-To permittees	135,153	138,696
-In stores	115,573	119,826
-To franchisees/private stores	24,346	15,595
	<u>275,072</u>	<u>274,117</u>
Total	<u>\$ 622,361</u>	<u>\$ 612,026</u>

15. 2015 Budget

These amounts represent the budget approved by Treasury Board.

16. Segmented Information

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

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

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

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

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

The breakopen vending machine operations consist of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of \$191 thousand (2014 - \$211 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of \$155 thousand (2014 - \$178 thousand) for the year. Included in Other Gaming segment is a \$32 thousand net income (2014 - \$33 thousand net income) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2015					2014 (000's) (Restat ed – Note 25)
	(000's)					
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	\$ 622,361	245,925	226,812	---	1,095,098	\$ 1,074,100
Other Income	<u>3,722</u>	<u>164</u>	<u>---</u>	<u>466</u>	<u>4,352</u>	<u>4,940</u>
Total Revenues	<u>626,083</u>	<u>246,089</u>	<u>226,812</u>	<u>466</u>	<u>1,099,450</u>	<u>1,079,040</u>
Direct Expenses	303,232	36,889	---	---	340,121	331,107
Operating Expenses (Schedule 1 & 2)	<u>71,973</u>	<u>29,570</u>	<u>143,028</u>	<u>19,093</u>	<u>263,664</u>	<u>259,885</u>
Total Expenses	<u>375,205</u>	<u>66,459</u>	<u>143,028</u>	<u>19,093</u>	<u>603,785</u>	<u>590,992</u>
Subtotal	250,878	179,630	83,784	(18,627)	495,665	488,048
Other Comprehensive Income	<u>(6,651)</u>	<u>---</u>	<u>(1,028)</u>	<u>---</u>	<u>(7,679)</u>	<u>6,502</u>
Total Comprehensive Income	244,227	179,630	82,756	(18,627)	487,986	494,550
Retained earnings (deficit) beginning of year	1,571	---	(5,204)	---	(3,633)	(6,881)
Dividend to General Revenue Fund	<u>242,642</u>	<u>179,630</u>	<u>83,784</u>	<u>(18,672)</u>	<u>487,384</u>	<u>491,302</u>
Retained earnings (deficit) end of year	<u>\$ 3,156</u>	<u>---</u>	<u>(6,232)</u>	<u>(45)</u>	<u>(3,031)</u>	<u>\$ (3,633)</u>
Property, plant and equipment	<u>\$ 49,254</u>	<u>54,871</u>	<u>24,735</u>	<u>8,792</u>	<u>137,652</u>	<u>\$ 131,603</u>
Property, plant and equipment purchases	<u>\$ 26,470</u>	<u>9,171</u>	<u>244</u>	<u>---</u>	<u>35,885</u>	<u>\$ 31,942</u>
Depreciation	<u>\$ 3,901</u>	<u>18,293</u>	<u>7,080</u>	<u>527</u>	<u>29,801</u>	<u>\$ 26,833</u>

17. Related Parties

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

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

SLGA also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance, in 2015 SLGA paid \$185 thousand (2014 - \$3,561 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 2015 SLGA paid \$35,120 thousand (2014 - \$37,037 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:

	2015 (000's)	2014 (000's)
Salaries and short-term employee benefits	\$ 995	\$ 1,103
Post-employment benefits	133	145
	<u>\$ 1,128</u>	<u>\$ 1,248</u>

18. Contingencies

	2015 (000's)	2014 (000's)
Court proceedings (i)	<u>\$ 5,000</u>	<u>\$ 11,500</u>

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

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

19. Provisions

	Short-term Employee Benefits (000's)
Balance, April 1, 2013	\$ 2,133
Provisions made during the period	1,182
Provisions used during the period	(2,133)
Balance, March 31, 2014	\$ 1,182
Provisions made during the period	1,075
Provisions used during the period	(1,182)
Balance, March 31, 2015	\$ 1,075

Short-term Employee Benefits

The provision for short-term employee benefits represents part-time pension benefits, annual sick leave and long service gratuity entitlements. SLGA recognized a liability of nil (2014 - \$107 thousand) in respect of the part-time pension benefit claims outstanding against SLGA. SLGA settled all claims in 2014-15.

20. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2015, WCLC charged SLGA \$18,232 thousand (2014 - \$17,701 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year which is included in professional and contractual services on Schedule 1.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The current service and interest costs of the retirement plan are included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of \$1,019 thousand (2014 - \$1,162 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2015, the retirement plan is in a deficit status of \$3,820 thousand (2014 - \$3,025 thousand deficit status)

21. Financial Risks

Fair Value

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

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

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

Financial Instruments	Classification ¹	Fair Value Hierarchy	(in 000's)			
			2015		2014	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	\$ 5,632	\$ 5,632	\$ 1,364	\$ 1,364
Due from General Revenue Fund	FVTPL	Level One	50,233	50,233	65,712	65,712
Trade and other receivables	L&R	N/A	64,780	64,780	79,456	79,456
Trade and other payables	OFL	N/A	21,389	21,389	31,846	31,846
Promissory Note debt	OFL	N/A	120,000	120,000	125,000	125,000
Payable to General Revenue Fund	OFL	N/A	94,196	94,196	106,038	106,038
GST Payable	OFL	N/A	436	436	156	156

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 \$120,000 thousand of promissory note debt. Due to the short-term nature of SLGA's debt, the interest rate risk SLGA is exposed to is minimal.

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

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

	2015 (000's)	2014 (000's)
Cash	\$ 5,632	\$ 1,364
Due from General Revenue Fund	50,233	65,712
Accounts Receivable	64,780	79,456
	<u>\$ 120,645</u>	<u>\$ 146,532</u>

As described in Note 3(m), SLGA is exposed to SIGA's credit and interest rate risks. SIGA's financial risks arise mainly from its bank financing (\$47,498 thousand – March 31, 2015; \$52,953 thousand – March 31, 2014) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2015, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed \$2,221 thousand.

As of March 31, 2015, 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, 2015, SLGA had \$146 thousand (2014 - \$174 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, 2015, SLGA has \$1,341 thousand (2014 – \$1,135 thousand) in this account.

In 2015, SLGA recorded a \$210 thousand gain (2014 - \$33 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 - 2015
(In 000's)

FINANCIAL LIABILITIES	<u>Carrying amount</u>	<u>Total</u>	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>3 - 5 years</u>	<u>Greater than 5 years</u>
Trade and other payables	\$ 21,389	\$ 21,389	21,389	---	---	---	---
Payable to the GRF	94,196	94,196	94,196	---	---	---	---
GST Payable	436	436	436	---	---	---	---
Provisions	1,075	1,075	1,075	---	---	---	---
Promissory Note debt	120,000	120,000	---	5,000	5,000	15,000	95,000
Post Employment Benefits	53,030	53,030	2,151	2,150	4,204	11,999	32,526
	<u>\$ 290,126</u>	<u>\$ 290,126</u>	<u>\$ 119,247</u>	<u>\$ 7,150</u>	<u>\$ 9,204</u>	<u>\$ 26,999</u>	<u>\$ 127,526</u>

Contractual cash flows - 2014
(In 000's)

FINANCIAL LIABILITIES	<u>Carrying amount</u>	<u>Total</u>	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>3 - 5 years</u>	<u>Greater than 5 years</u>
Trade and other payables	\$ 31,363	\$ 31,363	31,363	---	---	---	---
Payable to the GRF	106,038	106,038	106,038	---	---	---	---
GST Payable	156	156	156	---	---	---	---
Provisions	1,182	1,182	1,182	---	---	---	---
Promissory Note debt	125,000	125,000	125,000	---	---	---	---
Post Employment Benefits	48,158	48,158	2,201	2,201	4,279	12,122	27,355
	<u>\$ 311,897</u>	<u>\$ 311,897</u>	<u>\$ 265,940</u>	<u>\$ 2,201</u>	<u>\$ 4,279</u>	<u>\$ 12,122</u>	<u>\$ 27,355</u>

22. Capital

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

SLGA finances its capital requirements through internal operating activities and funds obtained by borrowing from the Government of Saskatchewan General Revenue Fund (GRF). SLGA borrows all of its capital through the Government of Saskatchewan. At the end of the year, SLGA had \$120,000 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 short-term debt from the GRF were capitalized during the year.

23. Funds held in Trust

SLGA holds funds in trust on behalf of employees as part of SLGA's extended health care plan. At March 31, 2015, SLGA held \$261 thousand (2014 - \$279 thousand) on behalf of in-scope employees.

24. Promissory Notes

SLGA holds \$120,000 thousand in a series of promissory notes with various financial institutions. SLGA has not set repayment terms on the promissory notes and will make repayments as cashflows allow. As at March 31, 2015, the promissory notes are as follows:

Date of issue	Date of maturity	Interest Rate (%)	Currency	Outstanding amount (000's)
05-DEC-2014	02-JUN-2015	1.010	CAD	\$ 3,400
05-DEC-2014	03-JUN-2015	1.011	CAD	10,000
05-DEC-2014	03-JUN-2015	1.011	CAD	10,000
05-DEC-2014	04-JUN-2015	1.009	CAD	10,000
05-DEC-2014	05-JUN-2015	1.010	CAD	10,000
10-DEC-2014	04-JUN-2015	1.000	CAD	11,500
10-DEC-2014	08-JUN-2015	1.001	CAD	11,600
15-DEC-2014	15-JUN-2015	1.000	CAD	8,500
06-MAR-2015	02-SEP-2015	0.720	CAD	15,000
09-MAR-2015	04-SEP-2015	0.700	CAD	10,000
23-MAR-2015	18-SEP-2015	0.679	CAD	20,000
				\$ 120,000

25. Restatement of Prior Years Statement of Comprehensive Income and Statement of Changes in Equity

It is not required that the extended health care plan for out of scope employees be accounted for as trade and other payables. This will be recognized in other comprehensive income (loss) and all current service costs to be recognized immediately to net income. The impact of this change is as follows:

Statement of Comprehensive Income

	Increase (decrease) Year ended March 31, 2014 (000's)
VLT, liquor and other gaming (Salaries, wages and benefits) – Schedule 1	<u>(45)</u>
Adjustment to Net Income	45

Statement of Changes in Equity

	Increase (decrease) March 31, 2014 (000's)
Retained earnings (deficit)	438
Net Income	<u>45</u>
Adjustment to total equity	483

Schedule 1

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

	<u>VLT, Liquor & Other Gaming</u>		<u>Slots in SIGA Casinos*</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
	(000's)	(000's) (Restated – Note 25)	(000's)	(000's)	(000's)	(000's) (Restated – Note 25)
Salaries, wages and benefits	\$ 53,398	\$ 51,302	\$ 50,176	\$ 49,482	\$ 103,574	\$ 100,784
Depreciation	22,721	20,852	7,080	5,982	29,801	26,834
Operations and maintenance	1,989	1,979	20,064	20,557	22,053	22,536
Rent, utilities and insurance	7,208	6,850	11,207	10,574	18,415	17,424
Advertising, printing and promotion	39	52	17,220	17,223	17,259	17,275
Professional and contractual services	13,310	15,108	2,626	2,741	15,936	17,849
Grants (Note 3(l))	9,154	7,248	---	---	9,154	7,248
Service charges and interest	1,505	2,047	7,193	7,656	8,698	9,703
Goods and Services Tax	2,335	2,383	3,127	3,313	5,462	5,696
Debit/Credit charges	4,118	4,057	---	---	4,118	4,057
Sundry	552	695	2,214	1,844	2,766	2,539
Communications	530	573	1,838	1,899	2,368	2,472
Information Technology	1,589	1,790	---	---	1,589	1,790
Stationery and supplies	1,058	1,021	736	722	1,794	1,743
Travel and business	828	874	750	741	1,578	1,615
Honoraria and related expenses	69	63	464	512	533	575
Customer service programs	233	209	---	---	233	209
Indigenous Gaming Regulators (Note 12)	---	---	3,300	2,900	3,300	2,900
Saskatoon Prairieland Park Corporation (Note 12)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 12)	---	---	12,433	14,036	12,433	14,036
	<u>\$ 120,636</u>	<u>\$ 117,103</u>	<u>\$ 143,028</u>	<u>\$ 142,782</u>	<u>\$ 263,664</u>	<u>\$ 259,885</u>

*Represents operating costs of SIGA casinos.

Schedule 2

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

	Liquor		Other Gaming		VLT		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(000's)	(000's) (Restated – Note 25)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's) (Restated – Note 25)
Salaries, wages and benefits	\$ 45,843	\$ 44,359	\$ 7,555	\$ 6,943	\$ ---	\$ ---	\$ 53,398	\$ 51,302
Depreciation	3,901	3,034	527	748	18,293	17,070	22,721	20,852
Professional and contractual services	3,312	4,799	1,632	1,626	8,366	8,683	13,310	15,108
Grants (Note 3(l))	1,079	1,094	8,075	6,154	---	---	9,154	7,248
Rent, utilities and insurance	7,191	6,823	17	27	---	---	7,208	6,850
Debit/Credit charges	4,116	4,054	2	3	---	---	4,118	4,057
Goods and Services Tax	---	---	346	402	1,989	1,981	2,335	2,383
Operations and maintenance	1,961	1,945	28	34	---	---	1,989	1,979
Information Technology	1,295	1,436	294	354	---	---	1,589	1,790
Service charges and interest	503	1,962	80	85	922	---	1,505	2,047
Stationary and supplies	971	959	87	62	---	---	1,058	1,021
Travel and business	572	619	256	255	---	---	828	874
Sundry	513	656	39	39	---	---	552	695
Communications	424	451	106	122	---	---	530	573
Customer service programs	233	209	---	---	---	---	233	209
Honoraria and related expenses	34	33	35	30	---	---	69	63
Advertising, printing and promotion	25	36	14	16	---	---	39	52
	<u>\$ 71,973</u>	<u>\$ 72,469</u>	<u>\$ 19,093</u>	<u>\$ 16,900</u>	<u>\$ 29,570</u>	<u>\$ 27,734</u>	<u>\$ 120,636</u>	<u>\$ 117,103</u>