

SGC Holdings Inc.

Financial Statements

For the year ended March 31, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of SGC Holdings Inc. (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Professional Accountants

Regina, Canada
May 17, 2024

SGC Holdings Inc.
Statement of Financial Position
As at March 31

	<u>Note</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Current			
Cash		\$ 1,642	\$ 5,056
Accounts receivable		93,088	34,450
Current portion of lease receivable	4	<u>8,830,959</u>	<u>8,438,762</u>
		8,925,689	8,478,268
Long-term lease receivable	4	<u>27,236,323</u>	<u>26,123,558</u>
		<u>\$ 36,162,012</u>	<u>\$ 34,601,826</u>
LIABILITIES AND EQUITY			
Current			
Trade and other payables		\$ 3,430,421	\$ 1,563,395
Due to Saskatchewan Gaming Corporation (SaskGaming)	5	<u>32,639,362</u>	<u>32,955,235</u>
		<u>36,069,783</u>	<u>34,518,630</u>
Share capital	8	1,000	1,000
Retained earnings		<u>91,229</u>	<u>82,196</u>
		<u>92,229</u>	<u>83,196</u>
		<u>\$ 36,162,012</u>	<u>\$ 34,601,826</u>
Description of business	1		

(See accompanying notes)

On behalf of the Board:

Director:  _____

Director:  _____

SGC Holdings Inc.
Statement of Comprehensive Income
For the year ended March 31

	<u>2024</u>	<u>2023</u>
REVENUE		
Bank interest and other	\$ 8,673	\$ 4,909
Foreign exchange gain	434	4,205
	<u>9,107</u>	<u>9,114</u>
EXPENSES		
Bank charges and other	<u>74</u>	<u>53</u>
Net income	9,033	9,061
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 9,033</u>	<u>\$ 9,061</u>

Statement of Changes in Equity
For the year ended March 31

	<u>2024</u>			<u>2023</u>		
	Retained Earnings	Share Capital	Total	Retained Earnings	Share Capital	Total
Balance, beginning of year	\$ 82,196	\$ 1,000	\$ 83,196	\$ 73,135	\$ 1,000	\$ 74,135
Comprehensive income	9,033	-	9,033	9,061	-	9,061
Balance, end of year	<u>\$ 91,229</u>	<u>\$ 1,000</u>	<u>\$ 92,229</u>	<u>\$ 82,196</u>	<u>\$ 1,000</u>	<u>\$ 83,196</u>

(See accompanying notes)

SGC Holdings Inc.
Statement of Cash Flows
For the year ended March 31

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Net income	\$ 9,033	\$ 9,061
Changes in non-cash working capital balances:		
Accounts receivable	(58,638)	18,146
Trade and other payables	1,867,026	(608,669)
	<u>1,817,421</u>	<u>(581,462)</u>
INVESTING ACTIVITIES		
Purchase of property, plant & equipment for lease	(9,943,724)	(10,324,920)
Lease payments received from SaskGaming	8,438,762	7,941,869
	<u>(1,504,962)</u>	<u>(2,383,051)</u>
FINANCING ACTIVITIES		
(Decrease) increase in due to SaskGaming	(315,873)	3,437,441
Change in cash	(3,414)	472,928
Cash (bank indebtedness), beginning of year	5,056	(467,872)
Cash, end of year	<u>\$ 1,642</u>	<u>\$ 5,056</u>

(See accompanying notes)

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

1. Description of Business

SGC Holdings Inc. (SGC Holdings) was incorporated under *The Business Corporations Act (Saskatchewan)* and is a wholly-owned subsidiary of the Saskatchewan Gaming Corporation (SaskGaming), which is a wholly-owned subsidiary of the Saskatchewan provincial Crown Corporation Lotteries and Gaming Saskatchewan (LGS). It is domiciled in Canada. The address of SGC Holdings registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2. As a wholly-owned subsidiary of SaskGaming, SGC Holdings is not subject to federal or provincial income or capital taxes. Since its inception, SGC Holdings is responsible for the purchase of property, plant and equipment for lease to SaskGaming for the operation of Casino Regina and Casino Moose Jaw. The financial results of SGC Holdings are included in the consolidated financial statements of SaskGaming.

2. Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

The financial statements were authorized for issue by the Board of Directors on May 17, 2024.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is SGC Holdings' functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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.

Significant items subject to estimates include the carrying amounts of long-term lease receivables (Note 4).

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies listed in Note 3.

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

3. Material Accounting Policies

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

Effective April 1, 2023, SGC Holdings has adopted *Definition of Accounting Estimates (Amendments to IAS 8)*, which introduced a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. Upon application of the new amendment, there were no updates required.

Effective April 1, 2023, SGC Holdings has adopted *Disclosure of Accounting Policies (Amendments to IAS 1)*, which requires companies to disclose their material accounting policies rather than significant accounting policies and clarify that accounting policies related to immaterial transactions or events do not need to be disclosed. The amendments also clarify that not all accounting policies that relate to a material transaction or event are themselves material to the financial statements. Upon application of the new amendment, there were no updates required.

a) Revenue

Revenue is recognized in the period that it is earned.

b) Foreign Currency

Transactions in foreign currencies are translated to the functional currency of SGC Holdings at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. All gains and losses on translation of these foreign currency transactions are included in income in the current period.

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

3. Material Accounting Policies (continued)

c) Financial Instruments

(i) Non-derivative financial assets and liabilities

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

Cash is classified as fair value through profit and loss and is recorded at fair value. Accounts receivable are classified as amortized cost. Financial assets classified as amortized cost are subsequently measured at amortized cost using the effective interest method, less any impairment.

SGC Holdings has the following financial liabilities which are classified as other liabilities: trade and other payables and due to SaskGaming. Such financial liabilities are recorded 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.

SGC Holdings 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 asset are transferred. Any interest in transferred financial assets that is created or retained by SGC Holdings is recognized as a separate asset or liability. SGC Holdings derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SGC Holdings 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.

d) Leases

SGC Holdings purchases property and equipment for the purpose of leasing to SaskGaming. This lease is accounted for as a finance lease.

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

3. Material Accounting Policies (continued)

- e) New standards and interpretations not yet adopted

SGC Holdings is currently assessing the impact of interpretations and amendments to existing standards that 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 March 31, 2024. These standards include:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments clarify the classification of liabilities as current or non-current and remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024. SGC Holdings does not expect any material impact with the adoption of these amendments.

Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and carries forward many requirements from IAS 1 unchanged. The new standard introduces changes to the structure of the income statement, more discipline and transparency in presentation of non-GAAP measures and less aggregation of items. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027.

4. Long-term Lease Receivable

SGC Holdings entered into a direct financing lease agreement with SaskGaming for building and equipment. SGC Holdings records the cost of the leased assets as lease receivable from SaskGaming and SaskGaming records the equivalent amount as property, plant & equipment.

The lease receivable is non-interest bearing and has minimum repayments as follows:

2024/25	\$ 8,830,959
2025/26	6,853,526
2026/27	4,547,663
2027/28	3,579,042
2028/29	3,131,517
2029/30+	<u>9,124,575</u>
Total minimum payments receivable	36,067,282
Current portion	<u>(8,830,959)</u>
Long-term portion	<u>\$27,236,323</u>

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

5. Due to SaskGaming

Amounts due to SaskGaming are non-interest bearing and payable on demand. These amounts represent payments made by SaskGaming on behalf of SGC Holdings which have not yet been reimbursed.

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 32,955,235	\$ 29,517,794
Additions	5,880,630	11,699,166
Repayments	<u>(6,196,503)</u>	<u>(8,261,725)</u>
Balance, end of year	<u>\$ 32,639,362</u>	<u>\$ 32,955,235</u>

6. Financial Risk Management

a) Fair Value

Fair values approximate amounts at which financial instruments could be exchanged in an orderly transaction between market participants 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 SGC Holdings' financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

Financial Instruments	Classification¹	Fair Value Hierarchy	<u>2024</u>		<u>2023</u>	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	\$ 1,642	\$ 1,642	\$ 5,056	\$ 5,056
Accounts receivable	AC	N/A	93,088	93,088	34,450	34,450
Trade and other payables	AC	N/A	3,430,421	3,430,421	1,563,395	1,563,395
Due to SaskGaming	AC	N/A	32,639,362	32,639,362	32,955,235	32,955,235

¹Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

b) Foreign exchange risk

SGC Holdings faces exposure to the US/Canadian dollar exchange rate through the purchase of property, plant and equipment that are payable in US dollars. The risk is not considered significant. There has been no change in the risk exposure from March 31, 2023.

c) Liquidity risk

Liquidity risk is the risk that SGC Holdings is unable to meet its financial commitments as they become due or can only do so at excessive cost. SGC Holdings manages its cash resources through its parent, SaskGaming, based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of SGC Holdings' financial liabilities.

At March 31, 2024

Financial Liabilities	Carrying Amount	Contractual Cash Flows					
		Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	More than 5 years
Trade and other payables	\$ 3,430,421	\$ 3,430,421	\$ 3,430,421	\$ -	\$ -	\$ -	\$ -

At March 31, 2023

Financial Liabilities	Carrying Amount	Contractual Cash Flows					
		Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	More than 5 years
Trade and other payables	\$ 1,563,395	\$ 1,563,395	\$ 1,563,395	\$ -	\$ -	\$ -	\$ -

7. Capital Disclosures

SGC Holdings' capital is managed in conjunction with its parent, Saskatchewan Gaming Corporation.

8. Share Capital

	<u>2024</u>	<u>2023</u>
Authorized		
Unlimited voting common shares with no par value		
Unlimited non-voting preferred shares with no par value		
Issued and outstanding		
100 (2023 - 100) common shares	<u>\$ 1,000</u>	<u>\$ 1,000</u>

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
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9. Related Party Transactions

SGC Holdings pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties are described separately in these financial statements and the notes thereto.