



Government of
Saskatchewan

2005 - 2006 Annual Report

Saskatchewan
Liquor and Gaming Authority

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This annual report is also available online at www.slga.gov.sk.ca

Letters of Transmittal



Regina, Saskatchewan
July 2006

The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority for the period ending March 31, 2006. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*.

A handwritten signature in cursive script that reads "Deb Higgins".

Deb Higgins
Minister Responsible for the Saskatchewan Liquor and Gaming Authority



Honourable Deb Higgins
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Deb Higgins:

I have the honour of submitting the 2005-06 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2006.

SLGA published its 2005-06 Corporate Performance Plan last March as part of the release of the provincial budget documents. As part of SLGA's commitment to enhanced public reporting and accountability, this Annual Report provides an assessment of SLGA's performance directly against its Performance Plan for 2005-06. Overall, I believe that SLGA's 2005-06 performance results demonstrate continued leadership and vision in the management of the province's liquor and gaming industries.

A handwritten signature in cursive script that reads "Sandra Morgan".

Sandra Morgan
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This is the third consecutive year that the Saskatchewan Liquor and Gaming Authority (SLGA) has published its year-end results directly against the goals and objectives published in its Performance Plan. SLGA published its 2005-06 Corporate Performance Plan (Balanced Scorecard) in March 2005 as part of the release of the provincial budget documents. This Annual Report contains detailed information on the key actions and performance measures identified in that Performance Plan. Detailed information on SLGA's 2005-06 Performance Plan, as well as last year's Annual Report, is available online at www.slga.gov.sk.ca

The overall goals and objectives set out in SLGA's 2005-06 Performance Plan remained unchanged from 2004-05. SLGA has again provided information and analysis for specific performance measurement results in an effort to demonstrate the value of the measures, how they should be interpreted over time, and how these results contribute to longer-term outcomes that SLGA is seeking to achieve. SLGA remains committed to the principles of enhanced accountability for results and the ongoing implementation of the Government's Accountability Framework.

Who We Are

The Saskatchewan Liquor and Gaming Authority is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves this through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 80 liquor stores throughout the province.

As of March 31, 2006, SLGA employed approximately 910 staff in 64 communities throughout the province, the majority of which work part-time. Approximately 90 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the SGEU; the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association; liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Saskatchewan Responsible Gaming Association (SRGA); the Canadian Vintners Association; the Responsible Gaming Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; and, Spirits Canada (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six major divisions:

- The Retail Operations Division is responsible for the purchasing, distribution, warehousing and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores and franchises.
- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and gaming activities in the province. The Division is also responsible for charitable gaming and horse racing and provides a range of community information and education seminars.
- The Gaming Operations Division is responsible for the planning, implementation and management of the VLT program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.
- The Corporate Services Division provides financial, administrative, procurement, information systems, property management and audit support services to the organization.
- The Human Relations Division provides organizational development, communications and human resource services to the organization.
- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, research and evaluation and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement.

Overview

The Provincial Beverage Alcohol Sector

Saskatchewan's model for beverage alcohol distribution combines a public model of liquor distribution with private franchises and off-sale outlets. SLGA operates 80 liquor stores in 64 communities throughout the province. In addition, SLGA grants approximately 189 small businesses in rural Saskatchewan a franchise to sell beverage alcohol on its behalf. This partnership with provincial franchises serves a critical role in ensuring that all Saskatchewan residents have equal and fair access to liquor products and services. In 2005-06, there were also 465 off-sale outlets across the province licensed to sell a full range of beverage alcohol products.

In 2005-06, SLGA listed 2,193 products, which includes general listings, specialty listings (with an emphasis on fine wine) and domestic and imported beer. General listings remained relatively stable at 1,081 (1,062 in 2004-05). The specialty listing base was up to 789 from 747 in 2004-05. Domestic and imported beer listings remained constant at approximately 323 (325 in 2004-05). SLGA is also committed to ensuring customer needs are met by offering a special order service for customers who want products not currently listed by SLGA. SLGA continues to place a greater emphasis on procuring limited allocation premium wines from around the world to meet the growing requests of Saskatchewan consumers.

SLGA's distribution centre, located in Regina, processed 14,482 orders in 2005-06 (up from 13,923 in 2004-05) at an average of 136 cases of product per order for stores and 24 cases per order for franchises. This represents an annual flow of approximately 1.35 million cases of beverage alcohol that are received, stored and ultimately shipped across the province.

SLGA also manages the administration of special occasion permits for the province. Special occasion permits are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 17,104 permits issued in 2005-06 compared to 17,309 in 2004-05.

As a regulatory body for liquor-permitted premises, SLGA ensures that commercial permittees in the province are complying with the rules and

regulations set out in *The Alcohol and Gaming Regulation Act, 1997*. SLGA also follows up on any complaints regarding permitted establishments. At March 31, 2006, there were 1,698 commercial permittees in Saskatchewan, a small decrease from 1,726 permittees in 2004-05.

The Provincial Gaming Sector

Saskatchewan Liquor and Gaming Authority

SLGA fulfills a number of distinct roles in the provincial gaming sector. First, SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs), and the slot machines at First Nations casinos. SLGA owns and operates all provincial VLTs. The overall number of VLTs in Saskatchewan remains capped at 4,000 machines. SLGA contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain the VLTs and pays a commission to liquor-permitted establishments that host the VLT machines. As of March 31, 2006, there were 3,978 VLTs in 678 sites, located in 318 communities across the province.

Second, SLGA plays an important role in regulating the operations of the province's seven existing casinos which include: Saskatoon's Emerald Casino, operated by Saskatoon Prairieland Park Corporation; four First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA); and, two casinos in Moose Jaw and Regina operated by the Saskatchewan Gaming Corporation (SGC). SLGA also reviews proposals for new casino developments and provides recommendations to government. Two new casinos were approved for SIGA in 2004-05 in Swift Current and at the Whitecap Dakota First Nation.

Third, SLGA also licenses and regulates most other forms of gaming including charitable bingo, raffles, breakopen tickets, as well as the horse racing industry in the province. SLGA conducts this regulatory activity through a range of licensing, monitoring and auditing activities. Money raised through charitable gaming activities is retained by charitable organizations. In 2005-06, total charitable gaming proceeds from bingo, raffle and breakopen sales were \$26.6 million. The Province also provides grants to track operators to

help maintain the horse racing industry. Total grant expenditures paid to the horse racing industry in 2005-06 were \$1.5 million. Two tracks received support for horse racing: Saskatoon Prairieland Park Corporation (Marquis Downs) and the Yorkton Exhibition Association.

Saskatchewan Indian Gaming Authority (SIGA)

First Nations casino gaming in Saskatchewan is conducted through an agreement between the Province and the Federation of Saskatchewan Indian Nations (FSIN). The FSIN created SIGA to operate:

- Gold Eagle Casino - opened February 1996 in North Battleford
- Northern Lights Casino - opened March 1996 in Prince Albert
- Bear Claw Casino - opened November 1996 on the White Bear First Nation
- Painted Hand Casino - opened December 1996 in Yorkton

Two additional SIGA casinos were approved in 2004-05 in Swift Current and at the Whitecap Dakota First Nation.

SIGA revenues are split, with 37.5 per cent of net profits provided to the provincial government's General Revenue Fund, 37.5 per cent provided to the First Nations Trust, and 25 per cent directed to Community Development Corporations (CDCs). The First Nations Trust supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The Trust is administered by a First Nation Board of Trustees. Saskatchewan First Nations and Métis Relations (FNMR) is responsible for providing funds to the Trust and for ensuring that the Trust meets the accountability requirements expected of it. CDCs fund economic development, social development, justice,

education, recreation, culture, health and other related initiatives among First Nations and non-First Nations organizations in and around the communities where these casinos are located. CDCs are run by boards in each of these four communities.

Under the Gaming Framework Agreement between the Province and the FSIN, payments are also made to the First Nations Addiction Rehabilitation Foundation (\$1.5 million) for problem gambling services, and to the FSIN (\$250,000) to support its efforts to prepare proposals for on-reserve gaming jurisdiction. These payments are made prior to the profit distribution described above.

As of March 31, 2006, SIGA casinos employed 1,174 people, 81 per cent of whom are of Aboriginal heritage. In 2005-06, SIGA reported a net profit of \$40.2 million, the highest net profit ever reported for SIGA, and an 18 per cent increase over 2004-05 (\$34.0M).

Saskatchewan Gaming Corporation (SGC)

Casinos Regina and Moose Jaw are independently operated by SGC, a Treasury Board Crown Corporation. Casino Regina opened in January 1996; Casino Moose Jaw opened in September 2002. Revenues from SGC casinos are also split, with 50 per cent of revenues retained by the provincial government's General Revenue Fund, 25 per cent provided to the First Nations Trust and 25 per cent provided to the Community Initiatives Fund (CIF). The CIF distributes casino profits to exhibition associations and to community groups that provide programs and services for vulnerable children, youth and families. The CIF is administered by Saskatchewan Culture, Youth and Recreation. Fifty per cent of the employees employed at Casinos Regina and Moose Jaw are of Aboriginal heritage.

Results At A Glance

Below is a summary of SLGA's key performance outcomes for the 2005-06 fiscal year. This summary highlights key achievements within each of SLGA's five strategic goals. More detailed information on each of these performance results, as well as information on additional results, is provided in the section "2005-06 Performance Results" and in SLGA's audited financial statements.

Goal 1: Customer Perspective: Meet the expectations of our customers by having the right products and services, delivered by friendly, courteous and knowledgeable staff.

- Completed the implementation of the new retail point-of-sale system in SLGA's stores and an associated head office system (OASIS and ORION).
- Implemented new online systems for SLGA's Compliance and Special Occasion Permit (SOP) systems and enhanced existing online services for liquor licensing, charitable gaming licensing and gaming registration.
- Opened new stores in Kindersley, Estevan, Swift Current and in Saskatoon (University Heights).

Goal 2: Public Policy Perspective: Develop and administer fair public policy, which monitors and regulates liquor and gaming activities, provides for a distribution of revenue among provincial stakeholders and promotes integrity and social responsibility in the industry.

- SLGA completed two audits on SIGA's progress in meeting the sustained progress benchmarks.
- Implemented a criminal record check policy for all SLGA employees.
- Fully implemented an online gaming employee registration system.
- Initiated a liquor regulatory review, including undertaking a broad range of external stakeholder consultations.
- Adopted a privacy policy, approved a data classification policy and began the delivery of internal training sessions on the privacy policy.
- SLGA adopted a framework as the basis for its development of an overall social responsibility strategy. SLGA continued to work with Saskatchewan Health on problem gambling

programming and the provincial Cognitive Disabilities Strategy.

Goal 3: Our People Perspective: Provide a positive and safe environment for our employees that values the differences in others and encourages continuous learning, mutual respect and self-responsibility.

- Administered and evaluated a corporate employee satisfaction survey.
- Ratified a new Collective Agreement that continues to emphasize a cooperative, interest-based approach to labour relations at SLGA.
- Began the development of a new out-of-scope class plan based on the plan implemented within executive government.
- Continued efforts to achieve a representative workforce with modest gains in the employment outcomes for three of the four designated equity groups.

Goal 4: Internal Perspective: Continually improve our business processes through enhanced productivity, improved internal management systems and through the creativity of all employees.

- Developed an information systems strategic planning framework to help assess and prioritize information system initiatives.
- Provided online services to commercial liquor permittees. Compliance and Special Occasion Permit (SOP) information systems were implemented at head office and in all stores.
- Implemented new point-of-sale system and related back office reporting systems.
- Continued work on the development of a Corporate Business Continuity Plan.
- Began the development of a disaster recovery planning process in SLGA, including working with WCLC in the development and implementation of a disaster recovery plan for the VLT and slot machine central operating systems.

Goal 5: Financial Perspective: Be fiscally responsible and accountable in support of provincial financial objectives.

- SLGA's net income for 2005-06 was \$351.4 million.

Summary Financial Results

SLGA's 2005-06 financial plan builds on the strategic direction set out in SLGA's Performance Plan. Aligning strategic and financial planning is a key part of SLGA's annual planning and budget development process. SLGA's financial investments must demonstrate how expenditures help SLGA achieve the goals and objectives set out in its Performance Plan.

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income consists primarily of provincial VLT revenue, SIGA net income and profits from the retail liquor sector. SLGA's net income is transferred annually to the province's General Revenue Fund (GRF). This annual transfer to the GRF represents a significant contribution to meeting a wide range of broader provincial economic and social objectives. SLGA has transferred more than \$3.6 billion in net income to the GRF since 1994-95 not including the additional transfer of retained earnings in

2000-01. SLGA's net income transferred to the GRF has generally increased over time due to overall increased net income in all segments of SLGA's operations including VLTs, SIGA casinos and liquor operations.

SLGA's net income for 2005-06 was \$351.4 million down from its 2004-05 net income of \$362.1 million, but significantly higher than SLGA's 2005-06 budgeted net income target of \$330.7 million. SLGA's net income was higher than expected primarily due to better than expected VLT revenues (primarily due to the fact that the impact of the provincial smoking ban was slightly less than anticipated) and higher than anticipated SIGA net income. SIGA's net income increase is attributed to several factors, including: capital improvements to some of SIGA's casinos; a conservative forecast used for SIGA's net income during the budget process; and, SIGA casinos provide smoking areas.

2005-06 Performance Results

This section of the Annual Report illustrates SLGA's progress in achieving its goals and objectives as they are outlined in SLGA's 2005-06 Performance Plan. The key actions originally published in SLGA's 2005-06 plan are listed below, followed by a report on actual progress. Actual results are included for all key actions and performance measures that were published in SLGA's 2005-06 performance plan. More detailed information on SLGA's 2005-06 performance measures, as well as SLGA's 2006-07 Performance Plan (published in April 2006) can be found online at: www.sлга.gov.sk.ca

Goal 1: Customer Service

Meet the expectations of our customers by having the right products and services, delivered by friendly, courteous and knowledgeable staff.

Objective 1: Customer Satisfaction: Achieve and maintain a high level of customer satisfaction for our customers.

As a customer-oriented business, SLGA's strategic plan has dedicated considerable resources to continually maintaining and improving customer service. Customer service excellence is ultimately one of the most important outcomes for SLGA. Customer satisfaction is an important indicator of the quality of SLGA's programs and services and how these services are perceived by the public and stakeholders.

SLGA has defined a range of key actions and initiatives that support this focus on improving customer service. Identifying what is most important to customers is a key component for SLGA in continuing to offer high quality programs and services. Significantly, SLGA's retail customer satisfaction surveying demonstrates very high customer satisfaction ratings for the overall quality of service provided by SLGA's liquor stores. In 2005-06, SLGA also continued to improve its online licensing and registration services and streamlined the licensing application process. SLGA also completed the implementation of a new retail point-of-sale system.

2005-06 Key Results:

Analyze the results of the 2004-05 retail liquor

customer satisfaction survey. (2005-06 Planned Result)

- Initial analysis of the 2004-05 Customer Satisfaction Survey was conducted in late 2004-05, indicating that satisfaction levels were comparable to the previous survey. More in-depth analysis in 2005-06 determined that the key drivers of overall satisfaction are: helpfulness of store staff; store hours; cleanliness of stores; consistency of service and product knowledge; and, accessibility of staff and ability to identify staff. A follow-up survey of customer satisfaction will be conducted in 2006-07.

Continue to implement a customer service and product knowledge training program to improve customer service. (2005-06 Planned Result)

- SLGA continues to provide its retail store staff with access to customer service and product knowledge training programs. These sessions are intended to give employees a thorough knowledge of the beverage alcohol products available in the province, and also to introduce employees to customer service techniques. One Customer Service Through Product Knowledge (CSTPK) workshop was held during 2005-06, with 13 employees attending. To date, 84.5 per cent of retail store staff have attended the program. CSTPK sessions will continue during 2006-07.

Continue to update our corporate website to increase the information and services available to customers and sector partners. (2005-06 Planned Result)

- In April 2005, SLGA provided commercial liquor permittees with online services. The services allow a commercial liquor permittee to apply for new permits, renew permits and update existing information and endorsements online. Enhancement and maintenance activities on existing external-facing client systems (Liquor Licensing, Charitable Gaming Licensing, Gaming Registration) were also conducted in 2005-06.

Upgrade and roll out management information systems to increase efficiencies and provide more meaningful information. This work will include

business and information system process improvements to SLGA's regulatory compliance activities. (2005-06 Planned Result)

- Implementation of SLGA's new point-of-sale system in stores (ORION) and a related head office liquor retail system (OASIS) was completed in July 2005 slightly behind the targeted date of late 2004-05. Compliance and Special Occasion Permit (SOP) modules designed to improve and automate some of SLGA's internal business processes were also implemented during 2005-06.

Performance Measurement Results:

Retail Customer Satisfaction

In 2004-05, SLGA administered a customer satisfaction survey pertaining to SLGA's retail liquor stores. This survey follows up on a similar survey conducted in 2002-03. Satisfaction surveys help SLGA to develop strategies to improve customer satisfaction. The survey was administered to a random sample of 1,500 Saskatchewan residents. The survey is considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level.

Actual Results:

SLGA administers this survey every two years and a follow-up survey will be undertaken in 2006-07. Based on the most recent data from 2004-05, 91 per cent of survey respondents are satisfied with customer service at liquor stores, and 96 per cent of survey respondents said that the overall quality of service provided by liquor stores either met or exceeded their expectations.

Retail Customer Satisfaction	02-03 Survey	04-05 Survey
Satisfaction with customer service	92%	91%
Satisfaction with quality of service	97%	96%

Overall, satisfaction ratings for SLGA's retail liquor customers remained very strong in 2004-05. The level of customer satisfaction was maintained relative to the 2002-03 baseline survey taking into consideration the statistical accuracy of the surveys.

Objective 2: Customer Focused Infrastructure: Distribute liquor and gaming products through a contemporary infrastructure that balances customer expectations with fiscal responsibility.

SLGA's core businesses and the overall quality of its services are dependent on a range of components, including the infrastructure used to house and deliver its products and services. This infrastructure can range from retail liquor stores, to VLT and slot machines, to the warehouse inventory management and point-of-sale systems. The extent to which SLGA's infrastructure is maintained, replaced or upgraded has significant implications for how the corporation meets specific stakeholder needs, including a desire to enhance customer service and to respond to changing market demands. In 2005-06, SLGA made improvements to its capital infrastructure, including opening four new stores in Estevan, Kindersley, Swift Current and Saskatoon.

2005-06 Key Results:

Review the VLT Distribution Policy. SLGA will begin to review its VLT Distribution Policy by consulting with site contractors to discuss the parameters and scope of a review of the existing VLT distribution policy across the province. (2005-06 Planned Result)

- SLGA continues to monitor VLT distribution across the province. As machines become available, SLGA distributes the machines to new and existing sites in accordance with the Distribution Policy. SLGA will continue to monitor the effectiveness of the policy and make revisions as necessary. SLGA continues to evaluate any concerns raised by stakeholders such as the Saskatchewan Hotel and Hospitality Association (SHHA) or the Canadian Restaurant and Foodservices Association (CRFA) regarding the distribution of VLTs.

Annual Retail Marketing Plan. Update and implement an annual marketing plan that identifies opportunities to enhance and promote retail liquor sales and services. The focus of marketing work in 2005-06 revolves around opportunities for special events like the provincial Centennial celebrations and the 2006 National Brier. (2005-06 Planned Result)

- In 2005-06, SLGA's Retail Marketing Plan focused on the following:
 - Publishing a marketing store newsletter containing industry information and consumer trends on a quarterly basis;
 - Finalizing a pilot project for category management in the beer category for implementation in early 2006-07;
 - Ongoing participation with SGI in their social responsibility program promoting safe driving and responsible use of beverage alcohol;
 - Revamping the demonstration kitchen programs and the programs conducted in the Moose Jaw store tasting room; and,
 - The promotion and sale of official Centennial theme products.

Implement a liquor store capital plan that provides improved customer service through increased product selection, improved parking and improved access to products and services. (2005-06 Planned Result)

- New stores were opened in Kindersley, Estevan, Swift Current, and Saskatoon (the new University Heights store replaces the Sutherland liquor store). The expansion of the

retail area in St. Walburg was completed in December 2005. While a 'request for proposal' (RFP) was issued and awarded for a new liquor store in La Ronge, SLGA decided to cancel the RFP after a number of community concerns were raised about the location of the new store. SLGA is currently considering options for the future of the La Ronge liquor store.

Performance Measurement Results:

Number of Stores Renovated/Relocated

Making structural investments to SLGA's retail liquor stores is a key component to improving customer service and meeting customer expectations. While a sustainable infrastructure helps meet the needs of SLGA's retail liquor operations, SLGA must also balance the desire to improve its infrastructure with financial considerations. SLGA's capital plan envisions a measured approach to infrastructure renewal, which provides for some improvements but which also ensures that infrastructure investments are aligned with fiscal constraints.

Actual Results:

The total number of stores renovated or relocated from April 1, 2005 to March 31, 2006 was five. The La Ronge store replacement project was put on hold.

Goal 2: Public Policy

Develop and administer fair public policy, which monitors and regulates liquor and gaming activities, provides for a distribution of revenue among provincial stakeholders and promotes integrity and social responsibility in the industry.

**Objective 1: Monitoring and Regulating:
Promote integrity, responsibility and fairness
in the liquor and gaming industry.**

A key part of SLGA's role focuses on developing, administering and enforcing the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities, the Provincial Auditor's Office and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. In addition, SLGA plays an important role in ensuring the legislative, regulatory and financial framework for liquor and gaming addresses emerging challenges. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

In 2005-06, SLGA continued to work with the Saskatchewan Indian Gaming Authority (SIGA) to ensure that it meets the sustained progress benchmarks. SLGA also reviewed and approved the strategic, business and financial plans developed by SIGA for the 2006-07 planning and budget cycle. SLGA continues to work closely with the Provincial Auditor's Office to act on the recommendations it set out for both SIGA and SLGA.

2005-06 Key Results:

Ensure SIGA compliance with sustained progress benchmarks and work towards improving SIGA's overall planning and accountability. (2005-06 Planned Result)

- SLGA continues to work with SIGA to develop and improve upon their organizational planning and accountability, and to ensure SIGA policies

are implemented and amended as necessary. During 2005-06, SLGA completed two audits on SIGA sustained progress. The audit periods were October 1, 2004 to March 31, 2005 and April 1, 2005 to September 30, 2005. While SIGA made good progress towards achieving compliance, as of September 30, 2005, SIGA had not yet met all of the requirements to achieve compliance with the sustained progress benchmarks. The next audit will be for the period of October 1, 2005 to March 31, 2006 and is targeted for completion by the end of June 2006. SLGA continues to work closely with SIGA to ensure policies are complied with and that appropriate actions are taken to meet compliance with the sustained progress benchmarks and the Provincial Auditor recommendations.

Continue to register gaming employees and suppliers as a key part of SLGA's overall compliance activity. (2005-06 Planned Result)

- SLGA has fully implemented an online gaming employee registration system. At March 31, 2006, 2,604 gaming employees were registered using the new technology. This represents a small increase over the 2,551 employees registered in 2004-05. SLGA also registered 92 suppliers in 2005-06 up from 90 in 2004-05.

Continue to provide formal consultations to SLGA stakeholders about compliance issues. (2005-06 Planned Result)

- SLGA provided 2,731 consultations to stakeholders in 2005-06, a small decrease from the 2,810 consultations undertaken in 2004-05.

Work with Western Canada Lottery Corporation (WCLC) to improve compliance with gaming integrity standards. (2005-06 Planned Result)

- SLGA works regularly with WCLC to ensure policies and procedures are followed to achieve compliance with gaming integrity standards (including the requirement to register all employees whose position deals with electronic gaming, the restriction on employees playing electronic games, the requirement for gaming suppliers to be registered, etc.). During 2005-06, WCLC was in compliance with all

gaming integrity standards set out by SLGA.

SLGA will complete a liquor licensing review in 2005-06 that evaluates the liquor licensing and regulatory system including consideration of the benefits and costs of different types of permit systems. (2005-06 Planned Result)

- In January 2006, SLGA initiated a broad range of external stakeholder consultations on this review. These consultations and the subsequent analysis will continue into 2006-07. The liquor licensing review will address issues identified by stakeholders and by SLGA that affect the regulation of the commercial, special use, special occasion and manufacturer segments of the liquor regulatory framework.

In 2005-06, SLGA will continue to implement its workplan to bring SLGA into compliance with the province's Privacy Framework. Priorities for 2005-06 include: revising SLGA forms to ensure information collected is relevant and in compliance with the Privacy Framework; and, conducting training seminars to ensure SLGA employees are informed and knowledgeable of privacy requirements. (2005-06 Planned Result)

- In 2005-06, SLGA adopted a Privacy Policy and approved, in principle, a Data Classification Policy. Internal training sessions continue.

Continue to modernize and update the legislative and regulatory framework for liquor and gaming activity in the province. (2005-06 Planned Result)

- No amendments were undertaken in 2005-06. Specific amendments related to the charitable gaming and liquor licensing reviews will be addressed in 2006-07 and will be dependent on the recommendations that are approved. At year-end for 2005-06, recommendations arising from the charitable gaming review were under review.

Implement a Criminal Record Check Policy for all employees. (Additional 2005-06 Result)

- As part of SLGA's effort to enhance accountability policies and processes within the organization, in November 2005 SLGA

implemented a Criminal Record Check Policy which requires all employees to submit a criminal record check or certified criminal record check to the Manager of the Human Resources Branch. The policy provides that: potential employees are required to provide a criminal record check prior to receiving a formal offer of employment from SLGA; all out-of-scope staff and in-scope store managers must submit a criminal record check within one year of the policy coming into effect; and, all other employees have three years to submit a criminal record check. Employees are required to notify SLGA of any criminal charges or convictions that occur after they have filed a criminal record check and are also required to provide an updated criminal record check every three years.

Performance Measurement Results:

Ensuring a high degree of compliance with established laws and regulations is a critical outcome for SLGA. Below are a series of measures that demonstrate how SLGA monitors compliance in the liquor and gaming sectors. Each measure contributes to ensuring the integrity of SLGA's regulatory compliance framework. The first measure is an aggregate measure that depicts the outcome of SLGA's retail liquor compliance activity by illustrating what percentage of inspections and investigations result in an actual sanction. Overall, the measure demonstrates that compliance rates are very high. Measures surrounding the number of inspections, investigations, sanctions and audits reflect the scope of activity conducted in various areas of regulatory compliance. SLGA also conducts a number of educational workshops that are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan.

Compliance Rate

Actual Results:

In 2005-06, the overall compliance rate for beverage alcohol remained constant at 97 per cent. The compliance rate is even higher if only those sanctions that resulted in a fine or a suspension are counted as opposed to letters of warning.

Total Number of Compliance Contacts With Stakeholders

Actual Results:

In 2005-06, there were a total of 10,266 contacts with the public and stakeholders across the liquor and gaming sectors. This result is comparable to the 10,190 total contacts undertaken in 2004-05. Contacts include telephone calls, letters and other forms of communication, including in-depth, project-based inspections.

Number of Inspections Contacts

Actual Results:

In 2005-06, SLGA conducted 4,695 inspections of liquor and gaming activity. This is a slight increase over 2004-05 when SLGA conducted 4,377 inspections in the liquor and gaming industry. The number of inspections is generally dependent on the focus of the inspection cycle in a given year.

Number of Investigations Contacts

Actual Results:

In 2005-06, SLGA conducted 2,454 liquor and gaming investigations. This is comparable to the 2,650 investigations conducted in 2004-05.

Number of Audits/Reviews

Actual Results:

In 2005-06, SLGA conducted 92 audits and reviews of liquor stores, casinos, charitable gaming organizations and within head office. The total number of audits completed is lower than 2004-05 as a result of staff turnover, the implementation of a new point-of-sale system and performing two significant investigations. Whenever a significant system change occurs, audit staff are required to become knowledgeable about the new system and amend any audit programs associated with the new system as necessary. The investigations completed during the year focused on the loss of funds at two liquor stores. All of the above resulted in fewer audits being performed in 2005-06 compared to the plan for the year and compared to the number of audits performed in previous years. As well, over the long term, SLGA expects the number of audits conducted to decrease slightly from historical levels due to the introduction of a risk-based planning framework by SLGA's Audit Services

Branch in 2003-04. While the number of audits will decline slightly from historical levels and generally be larger in scope and complexity, SLGA expects the audits to add greater overall value to the organization.

Total Number of Sanctions

Actual Results:

In 2005-06, the total number of sanctions remained constant at 196. As of March 31, 2006, SLGA had 97 liquor-related sanctions (only 12 of which resulted in a fine or suspension); 83 charitable gaming-related sanctions; and, 16 horse racing sanctions (15 of which resulted in a fine or suspension).¹

Number of Educational Workshops

Actual Results:

In 2005-06, SLGA conducted 237 educational workshops and consultations, compared with 221 consultations in 2004-05. This figure is comprised of: 60 community workshops; 32 community consultations; 85 community liaison meetings; and, 60 charitable gaming consultations.

Historical Compliance Results for SLGA: 2002-03 to 2005-06

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Compliance rate	92%	95%	97%	97%
Number of inspections	4,939	4,300	4,377	4,695
Number of investigations	3,324	3,093	2,650	2,454
Total contacts with licensees	12,334	11,270	10,190	10,266
Number of consultations	3,439	3,028	2,810	2,731
Educational workshops	207	207	221	237
Number of audits/reviews	132	145	132	92
Number of sanctions	292	180	196	196

¹ Data on sanctions does not include sanctions related to Special Occasion Permits or VLTs.

A Note on Year-to-Year Variances in Compliance Results

Some of SLGA's compliance outcomes fluctuate from year-to-year depending on the scope and complexity of project-based inspections and investigations. As compliance issues become more complex, and as reviews become broader in scope, they take more time to complete. As a result, a decline in the number of investigations in 2005-06 for example, does not necessarily mean that less compliance activity has taken place, but rather that more complex reviews have been undertaken. As well, SLGA now spends more time with commercial permittees to review changes in policy or the nature of past infractions in an effort to avoid future infractions and sanctions.

Objective 2: Revenue Distribution: Distribute liquor and gaming revenues among provincial stakeholders in support of broader provincial objectives.

SLGA plays a significant role in both revenue generation for the provincial government as well as in redistributing liquor and gaming revenues among provincial stakeholders in support of the achievement of broader provincial objectives. The policy and legislative framework governing the province's liquor and gaming sectors provides for more than direct redistribution in that it allows stakeholders the opportunity to generate their own revenue from these activities. This objective speaks to SLGA's role in setting out an effective and fair policy framework, as well as the corporation's role in redistributing revenue among charities, businesses and partners.

In 2005-06, SLGA transferred \$351.7 million to the provincial government's General Revenue Fund (GRF). VLT site contractor revenues decreased to \$36.4 million relative to the \$40.1 million generated in 2004-05 consistent with the decline in net VLT revenue. Franchise commissions increased slightly to \$4.9 million compared to \$4.8 million in 2004-05. Charitable gaming proceeds were \$26.6 million in 2005-06 down \$3.7 million from the \$30.3 million retained by charities in 2004-05. The decline continues to be attributable to the decline in popularity of bingo and breakopen tickets as well as the impact of the provincial smoking ban.

2005-06 Key Results:

Continue to implement the provisions of the Gaming Framework Agreement and work towards the fulfillment of its obligations, including work on: the Casino Operating Agreement; the IGR-SLGA Regulatory Agreement; operationalizing the arrangements for two new casinos approved for SIGA in 2004-05 in Swift Current and Whitecap; and, the joint FSIN/provincial committee respecting First Nations jurisdiction over gaming on First Nations land. (2005-06 Planned Result)

- A technical subcommittee of SLGA and IGR officials was formed and met regularly to further advance work on the Licensing Delegation Agreement and the Capacity Assessment documentation and process. Work related to the two additional casino sites focused on working with SIGA in its efforts to obtain third-party financing. Officials from the FSIN, SLGA and the departments of Justice and First Nations and Métis Relations (FNMR) met on three occasions to develop wording for a joint proposal that, if approved, could be forwarded to the federal government for consideration. As of March 31, 2006, work continued on all of the key actions identified above.

Based on the 2004-05 charitable gaming review, develop recommendations regarding potential measures to sustain the charitable gaming industry and determine the long-term role of SLGA in supporting the charitable gaming sector. (2005-06 Planned Result)

- Recommendations arising from the charitable gaming review were developed and were under review at year end. Implementation of any recommendations that are approved will occur in 2006-07.

SLGA will continue to play an ongoing role with respect to Community Development Corporations (CDCs) by acting as the province's representative on four CDC Boards. (2005-06 Planned Result)

- The Department of First Nations and Métis Relations (FNMR) assumed the role of provincial representative on the four Community Development Corporation Boards. SLGA continues to have a role with respect to CDCs in the context of a province-wide Joint

Standing Committee which involves interdepartmental/interagency representation.

Participate with an industry led stakeholder committee in the development of strategies for the revitalization of the provincial horse racing industry. The group will develop a long-term strategic plan for the stability and rejuvenation of the horse racing industry in Saskatchewan. (2005-06 Planned Result)

- In 2005-06, SLGA continued to collaborate with Horse Racing Saskatchewan on the development of a long-term strategic plan intended to sustain the horse racing industry in the province. Industry officials are currently reconsidering options to implement the revitalization proposal. SLGA remains committed to working with industry stakeholders to improve horse racing in Saskatchewan.

Implement SLGA's corporate research agenda, which includes policy and program evaluation, background research and post-implementation evaluation. In 2005-06, analysis will be focused on monitoring the impact of the province-wide smoking ban on SLGA and its stakeholders. (2005-06 Planned Result)

- In 2005-06, work has focused primarily on: measuring the potential impact of the provincial smoking ban on stakeholder and government revenue on a regular basis; and, evaluating requests/proposals from the hospitality sector for compensation in lieu of perceived smoking ban impacts. SLGA has also supported a variety of inter-jurisdictional research studies that have had a social responsibility focus. This has included: developing a methodology for measuring the social and economic impact of gaming; correlating addictive behaviours; examining the impact of access to, and availability of, electronic gaming machines on problem gambling; and, identifying best practices in reducing problem gambling.

Performance Measurement Results:

Revenue Distribution: VLT Site Commission Revenue

The VLT site commission revenue for the year ending March 31, 2006 is \$36.4 million.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
VLT site commission revenue	\$35.6M	\$35.6M	\$41.2M	\$40.1M	\$36.4M

For 2005-06, the impact of the provincial smoking ban on VLT sales was slightly less than anticipated. As VLT site commissions are based on VLT sales, VLT site commission revenue was slightly higher than budget. During the period of 2001-02 to 2003-04, VLT site commission revenue increased due to the replacement of old machines with new machines and the addition of 400 VLTs in 2003-04. However, the decrease in 2004-05 and 2005-06 relative to 2003-04 is due primarily to the impact of *The Tobacco Control Amendment Act, 2004* as well as municipal smoking bans implemented in advance of the legislation in Saskatoon, Yorkton, Moose Jaw and Humboldt. Despite the decrease, revenues continued above 2002-03 levels. SLGA pays a 15 per cent VLT site commission to permitted establishments that host VLTs.

Revenue Distribution: Off-Sale Permittee Beer Discount

The off-sale permittee beer discount for the year ending March 31, 2006 is \$8.3 million.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Off-sale permittee beer discount	\$10.5M	\$9.8M	\$9.9M	\$8.2M	\$8.3M

In 2005-06, the off-sale commercial permittee discount increased slightly from 2004-05, however it has not rebounded from 2003-04 levels. Factors that have likely influenced these purchase levels are: the substitution effect toward the purchases of spirits from off-sale outlets since they became available for sale late in 2003; the NHL strike that impacted sales during the playoff season early in 2005-06; an aging demographic; continued rural depopulation; and, changing consumer preferences.

Revenue Distribution: Franchise Commission

The franchise commission for the year ending

March 31, 2006 is \$4.9 million.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Franchise commission	\$3.5M	\$3.8M	\$4.7M	\$4.8M	\$4.9M

For 2005-06, franchise sales continued to increase slightly resulting in total franchisee commissions being slightly higher than they were for 2004-05. SLGA revised the commission structure for wine, spirits and refreshments in 2002-03 from 11.3 per cent to 15.3 per cent which accounts for the increase in 2003-04.

Revenue Distribution: Revenue Transferred to the First Nations Addiction Rehabilitation Foundation (FNARF)

FNARF receives \$1.5 million in funding annually through the Gaming Framework Agreement to support problem gambling prevention and treatment services.

Revenue Distribution: SLGA Net Income Transferred to the General Revenue Fund

SLGA's transfer to the GRF for the year ending March 31, 2006 is \$351.7 million.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
SLGA net income transfer to the GRF	\$315.7 million	\$328.7 million	\$360.8 million	\$361.0 million	\$351.7 million

In 2005-06, SLGA transferred \$351.7 million to the GRF. The decreased transfer compared to 2004-05 is primarily attributed to lower VLT revenues that were partially offset by an increase in SIGA net income.

Revenue Distribution: Charitable Gaming Proceeds

Total charitable gaming proceeds for 2005-06 were \$26.6 million.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Charitable gaming proceeds	\$38.2 million	\$37.0 million	\$34.4 million	\$30.3 million	\$26.6 million

The 2005-06 result represents a \$3.7 million decline from the 2004-05 figure of \$30.3 million. Charitable gaming proceeds have continued to decrease due to the ongoing decline in popularity of bingo and breakopen tickets, and due to the implementation of the municipal and provincial smoking bans. Total charitable gaming proceeds have declined 30 per cent in the past five years.

Objective 3: Fair Access: Support fair access to liquor and gaming products and services.

Saskatchewan's geographically dispersed population makes achieving this objective a key principle in the province's public delivery model from not only a consumer's perspective but also from a business perspective. The policy framework not only allows for access to these goods and services in rural and remote areas by consumers, but it also provides businesses, charities and First Nations with the opportunity to benefit from these activities. In the retail liquor distribution sector, this objective is dependent on SLGA's partnership with the province's network of private franchises and off-sale outlets, and access to gaming activities depends on SLGA's partnership with VLT site contractors, the province's charitable gaming network and SIGA casinos. In 2005-06, SLGA maintained existing access to the province's network of liquor outlets and VLT sites.

2005-06 Key Results:

A formal review of the VLT Distribution Policy was originally targeted for 2004-05 with implementation to follow. However, the approval of the provincial non-smoking legislation required SLGA to reconsider the timing of redistribution. A formal review is now being targeted for late 2005-06. The review will include a detailed consultation with site

contractors (through the Saskatchewan Hotel and Hospitality Association and the Canadian Restaurant and Foodservices Association) to discuss the scope of the review. This consultation process will help identify the key issues that require review and the criteria for addressing them. (2005-06 Planned Result)

- SLGA continues to monitor VLT distribution across the province. As machines become available, SLGA distributes the machines to new and existing sites in accordance with the Distribution Policy. SLGA will continue to monitor the effectiveness of the policy and make revisions as necessary. SLGA continues to listen to any concerns raised by stakeholders such as the Saskatchewan Hotel and Hospitality Association and the Canadian Restaurant and Foodservices Association regarding the distribution of VLTs.

Performance Measurement Results:

Retail Liquor Outlets Per Capita

This measure depicts the ratio of liquor outlets per capita using provincial population data for those age 19 and older. The measure serves as an indicator for tracking fair access to liquor products and services. The measure is calculated by dividing the 19 and older provincial population cohort by the total number of retail outlets, including the number of SLGA liquor stores, the number of franchises and the number of off-sale outlets.

Actual Results:

In 2005-06, Saskatchewan had one liquor outlet for every 1,005 residents age 19 and older, compared to one outlet for every 978 residents in 2004-05. The 2005-06 result is calculated based on a total of 734 outlets (80 SLGA stores + 465 off-sale outlets + 189 franchises) and a provincial population for those age 19 and older of 737,942 (Statistics Canada, Annual Population Estimates by Age and Sex, July 2005).

Number of Retail Liquor Outlets Per Capita for Population 19+

Year	Provincial Population 19+ ²	Total Number of Outlets	Outlets Per Capita 19+
2002-03	726,662	755	1:962
2003-04	730,213	755	1:967
2004-05	734,145	750	1:978
2005-06	737,942	734	1: 1,005

Number of VLTs, Number of Sites and Number of Communities with VLTs

This measure tracks the total number of VLTs in operation, the number of sites in which VLTs are operational and the number of communities with VLTs. The measure serves as a good indicator for tracking fair access to VLTs.

Actual Results:

As of March 31, 2006, there were 3,978 VLTs in 678 sites, located in 318 communities in Saskatchewan.

Year	Number of VLTs	Number of sites	Number of Communities with VLTs
1999-00	3,567	641	326
2000-01	3,561	643	321
2001-02	3,536	682	332
2002-03	3,760	691	334
2003-04	3,995	691	326
2004-05	3,971	697	324
2005-06	3,978	678	318

In 2002-03, the cap on the number of VLTs in the province was increased from 3,600 to 4,000. SLGA continues to operate within this established cap of 4,000 VLTs. The number of sites and the number of communities with VLTs has been maintained over time with minor fluctuations over the past five years.

² Population figures are provided by Statistics Canada, annual population estimates by age. Population figures from Statistics Canada are frequently revised as they receive more information. Population data for 2002 through 2004 has been restated based on these revisions. SLGA will continue to restate population data as it is updated by Statistics Canada.

Objective 4: Social Responsibility: Promote social responsibility in the use of liquor and gaming products.

This objective is intended to reflect the key partnership role SLGA plays in promoting the socially responsible use of liquor and gaming products in collaboration with agencies like Saskatchewan Health, Saskatchewan Government Insurance, the Canadian Mental Health Association and the Saskatchewan Prevention Institute. Social responsibility forms a part of SLGA's mandate and is an important part of SLGA's strategic direction. During 2005-06, SLGA maintained its existing program funding in collaboration with other agencies and continued work on developing a comprehensive social responsibility strategy.

2005-06 Key Results:

Based on the positive evaluation of the two-year La Loche pilot project that banned the sale of beer in glass containers, develop options for next steps for consideration by decision makers. (2005-06 Planned Result)

- In May 2005, the ban on the sale of beer in glass containers was approved for any community within the Northern Administration District that requests a ban through resolution of council. To date, glass beer bottle bans have been implemented in Buffalo Narrows, La Ronge and Cumberland House, in addition to the continuation of the ban in La Loche. SLGA's final evaluation of the La Loche pilot project in 2004-05 indicated that the bottle ban had the desired effect by significantly reducing broken glass litter in the community and resulting in fewer glass injuries for residents.

Work with and financially support an inter-jurisdictional research project aimed at developing a reliable methodology to study the long-term socio-economic impact of gaming. (2005-06 Planned Result)

- SLGA has provided \$30,000 in funding for this research project and has representation on the inter-jurisdictional oversight committee. In 2005-06, a consultant was selected to conduct an extensive literature review, identify gaps and develop proposals for an appropriate

methodology. An expert panel from a cross section of disciplines has also been selected to review findings and recommendations.

Continue to work with the Western Canada Lottery Corporation (WCLC) and the Saskatchewan Responsible Gaming Association (SRGA) to provide VLT site contractor training which encourages the responsible use of gaming machines and provides training on the signs of problem gambling. (2005-06 Planned Result)

- WCLC provides training to new site contractors when they are approved to operate VLTs in the province. The training consists of explaining the social responsibility features on the new VLT machines and providing educational materials about social responsibility at the site. SLGA is working with the SRGA on the development of a Responsible Gaming Study Guide for site contractors that will allow them to refresh their social responsibility obligations as a site contractor with electronic gaming machines. SLGA is also reviewing its social responsibility training for new managers and owners of licensed establishments with electronic gaming machines.

Work with Saskatchewan Health within the overall provincial program for problem gambling and provide funding for education, prevention and treatment initiatives. (2005-06 Planned Result)

- In 2005-06, SLGA adopted a framework as the basis for its development of an overall social responsibility strategy. SLGA continued to work with Health on problem gambling programming and the provincial Cognitive Disabilities Strategy.

Performance Measurement Results:

Under Development

As SLGA continues to review and assess its role in promoting social responsibility in the liquor and gaming industries, the organization will work toward developing outcome measures that help evaluate how well it is doing in meeting this objective. However, selecting measures that demonstrate the effectiveness of social responsibility initiatives is complex for a variety of reasons. For example, SLGA works in partnership with a broad range of agencies to achieve social

responsibility outcomes, and as such, SLGA shares responsibility for these results with a number of other agencies. As well, methodologically it is difficult to link specific programs or initiatives directly to broad societal outcomes that can also be influenced by many external factors and which also tend to shift slowly on a year-to-year basis. In this context, SLGA will continue to conduct research regarding the measurement of individual social responsibility programs with respect to their ability to affect human behaviour and influence societal outcomes.

Goal 3: Our People

Provide a positive and safe environment for our employees that values the differences in others and encourages continuous learning, mutual respect and self-responsibility.

Objective 1: Employee Health, Safety, and Satisfaction: Create a safe, healthy and positive workplace for our employees.

SLGA is a significant employer in the province, with approximately 910 full-time, part-time and casual staff in 64 communities as of March 31, 2006. As a provider of services, SLGA's staff are critical to ensuring the organization's success in meeting customer expectations and being successful as a business. SLGA is committed to its vision of being an employer of choice and to living up to its guiding principle of mutual respect. This objective reflects SLGA's commitment to ensuring a positive, healthy and safe workplace for its employees. SLGA believes that the work environment is a significant determinant of employee success and productivity.

2005-06 Key Results:

Although originally targeted for development in 2003-04 and then subsequently pushed back to 2004-05 due to fiscal restraints, SLGA will develop and implement a training program for harassment and violence awareness in the workplace for delivery to all SLGA employees. (2005-06 Planned Result)

- The review and updating of SLGA's harassment policy was not completed prior to March 31, 2006 due to resource pressures that delayed the development and delivery of the training. Policy finalization and approval is now anticipated by fall 2006 with training development and implementation to occur during the remainder of 2006-07.

Using the survey instrument developed in 2004-05, implement and oversee the analysis of a corporate employee satisfaction survey. The information obtained will be used to guide future organizational development initiatives. (2005-06 Planned Result)

- The employee satisfaction survey was administered in June 2005. Subsequent to this,

employees were advised of the overall survey results in December 2005. By March 31, 2006, some Divisions had undertaken initiatives to address division-specific information provided by the survey. As well, employees were invited to submit their names to participate in an organization-wide working group to provide recommendations to management to address the corporate-wide concerns raised by the survey.

Support positive labour relations by continuing a cooperative and collaborative approach in working with union representatives to resolve issues. Further negotiations surrounding the renewal of the existing Collective Agreement that expired in March 2004 will be the main focus in the early part of 2005-06. (2005-06 Planned Result)

- The negotiation of a new Collective Agreement, ratified by in-scope staff in August 2005, continued to emphasize a cooperative, interest-based approach to labour relations at SLGA. SGEU has a new Chair of its Bargaining Unit for SLGA and has also assigned a new Agreement Advisor. SLGA continues to build a constructive working relationship with the current union bargaining team as the two parties continue to work on joint policy development and other joint initiatives. Both parties have indicated an interest in initiating collective bargaining prior to the expiration of the current agreement in March 2007.

Due to delays in the full implementation of the in-scope class plan in 2004-05, development of SLGA's out-of-scope class plan is now targeted to begin in 2005-06. (2005-06 Planned Result)

- The development of a new out-of-scope class plan at SLGA was underway as of March 31, 2006, with all out-of-scope employees required to submit a current job description by that date. SLGA has decided to use the out-of-scope class plan recently implemented by executive government and has contracted an external consultant to allocate jobs within this plan. The consultant held information sessions for staff regarding the development of job descriptions and began the process of assessing and allocating the out-of-scope jobs. SLGA has established the effective date of September 1, 2006 for implementation.

Although originally targeted for development in 2004-05, SLGA will begin the development of a comprehensive evaluation process for corporate training initiatives in 2005-06. (2005-06 Planned Result)

- Employees participating in SLGA's corporate training programs are requested to provide feedback regarding their perceptions of the training and its impact. SLGA continues to work to identify effective, objective methods to assess the impact and effect of training that is intended to impact attitude and behaviour.

Performance Measurement Results:

Number of Employees Who Have Taken Harassment and Violence in the Workplace Awareness Training Each Year

This performance measure is intended to reflect the extent to which employees have taken training designed to eliminate harassment and violence in the workplace.

Actual Results:

No employees received this training in 2005-06. Delays in policy finalization in turn delayed the development and implementation of this training for employees. Training will commence in 2006-07. (2005-06 Planned Result)

Objective 2: Employee Performance and Skill Development: Develop the capacity and skills of our employees by offering opportunities for learning and growth.

Developing the capacity of SLGA's employees is an important component of SLGA's renewed approach to performance management and accountability. This objective envisions the development and implementation of a number of initiatives designed to develop employees' skills and performance. These initiatives are important components of ensuring that the organization has the capacity to meet other strategic outcomes, including enhancing customer service and strengthening overall productivity. As well, this objective is tied to ensuring SLGA can address longer-term human resource challenges like retention, career planning and succession planning. In 2005-06, SLGA continued to provide leadership development training opportunities to staff at a variety of levels, continued to implement

a variety of succession planning initiatives and continued to work toward the implementation of a new performance planning system for employees.

2005-06 Key Results:

Continue to develop leadership skills within the organization based on the principals of self-awareness, self-responsibility and mutual respect. Leadership Development Training will be delivered at both introductory and advanced levels, with particular emphasis on developing advanced skills in employees who aspire to leadership positions within SLGA, as well as those employees currently holding leadership positions. (2005-06 Planned Result)

- Advanced Leadership Practicum workshops were developed and delivered to graduates of the Lead Management Program during the first half of 2005-06, focusing on enhanced skill development through theory review, practice and feedback. An Introduction to Leadership Workshop was delivered by internal facilitators in the fall of 2005, bringing the total number of SLGA staff who have been introduced to leadership theory and practice to 675. The fourth Lead Management Development program began in January 2006.

SLGA will continue its focus on succession planning through a number of initiatives that comprise its succession planning strategy. In addition to the action items already identified for this objective, SLGA will continue its work to develop core competencies for all positions, continue efforts to diversify its workforce through implementation of Aboriginal Partnership and Employment Equity initiatives and continue to provide development opportunities through term positions such as the Assistant Regional Manager positions in Retail Operations. (2005-06 Planned Result)

- SLGA continues to implement its succession planning strategy through a series of specific initiatives, including: the development of core competencies for all positions in SLGA; continuing initiatives to diversify the workforce through Employment Equity and Aboriginal Partnership initiatives; and, continuing the delivery of Leadership Development training. In addition, a training program for Customer

Service Representatives is scheduled for development in 2006-07 and SLGA's Assistant Regional Manager development program continues to provide opportunities for employees to prepare for advancement opportunities. SLGA has deferred the redesign of its performance management system until the end of 2006-07, when core competencies are completed and in use for a critical majority of employees at SLGA. A renewed performance management system will incorporate the development and use of learning plans by all employees.

Strengthen the effectiveness of SLGA's performance management system by redeveloping the current processes to incorporate core competency assessment and emphasize planning and ongoing monitoring and feedback as key components of successful performance management.

- The redesign of the performance planning process has been put on hold while SLGA focuses on completing and implementing the use of core competencies for positions held by a critical majority of employees by the end of 2006-07. The redesign of the performance management process will proceed to finalization in late 2006-07, with implementation projected to roll-out in early 2007-08.

Performance Measurement Results:

Under Development

Objective 3: Representative Workforce: Develop a workforce that is representative of the population.

This objective reflects SLGA's commitment to having a workforce that represents the working age population of Saskatchewan at all levels of the organization. The objective is a critical component of SLGA's Performance Plan, and it is also a key outcome envisioned by SLGA's Employment Equity Plan that was approved by the Saskatchewan Human Rights Commission in 2003. SLGA maintained the employment rate for three of the four equity groups in 2005-06, though there was a very slight decline for persons with disabilities. SLGA expects that equity group employment outcomes will improve as other

corporate initiatives identified under this objective are fully implemented.

2005-06 Key Results:

The initial phase of cultural awareness and diversity training within SLGA, focusing on Aboriginal culture and history, will continue with workshops scheduled as required. SLGA will also determine priority areas for further cultural awareness and diversity training initiatives. (2005-06 Planned Result)

- Work towards the fulfillment of this key action was delayed in 2005-06. SLGA will issue an expression of interest in early 2006-07 to determine the need to provide an Aboriginal Cultural Awareness workshop for newly hired employees. SLGA has also begun exploring various options for further diversity awareness training. However, the organization has identified employee education regarding its updated harassment and violence in the workplace policy as a training priority in 2006-07.

Continue to prepare SLGA to recruit and retain employees from the four designated groups through the implementation of initiatives under its Aboriginal Partnership Agreement and its joint union/management Employment Equity Plan. In addition to the education initiative referenced in the other key action for this objective, SLGA will focus upon assessing its human resource policies and practices to identify and reduce any systemic barriers and continue to strengthen its recruitment and hiring strategies and retention strategies to support a diverse workforce. (2005-06 Planned Result)

- Work on specific initiatives under the Employment Equity Plan and the Aboriginal Partnership Agreement continues as follows:
 - Preliminary preparation has occurred for a Human Resources policy review. The content and scope of the review has been agreed upon, and will be completed in two phases over the next two fiscal years;
 - Attending career fairs;
 - Arranging unpaid work placements for Aboriginal people and other equity groups;

- Ongoing review and refinement of both the Aboriginal Partnership Agreement and the Employment Equity Plan; and,
- Completion of a three-year report for Employment Equity for 2003-04, 2004-05 and 2005-06.

Performance Measurement Results:

Equity Group Employment

This measure depicts the employment status of the four equity groups within SLGA. The measure is an important indicator for evaluating progress towards achieving a diverse and representative workforce. SLGA has set the Saskatchewan Human Rights Commission’s equity group employment targets as a long-term goal. These targets are: 45 per cent of employees at all levels are female; 12.5 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 2.8 per cent are visible minorities.

Actual Results:

SLGA’s 2005-06 results for equity group employment are depicted in the table below.

Equity Group Employment	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Aboriginal People	5.0%	5.4%	5.6%	5.2%	5.3%
Women Overall	58.1%	56.8%	57.4%	58.5%	60.0%
Persons with Disabilities	3.7%	3.4%	3.6%	4.0%	3.7%
Visible Minority Persons	2.1%	2.2%	2.6%	2.8%	2.9%

The multi-year data regarding equity group employment shown above depicts relative consistency in employment outcomes for each equity group. Increases in Aboriginal employees, women and visible minorities occurred during the 2005-06 fiscal year, while a small decrease occurred in the category of persons with disabilities. Women continue to be overrepresented in SLGA as a whole, however they are underrepresented in professional occupations and management.

Number of Employees Who Have Taken Aboriginal Cultural Awareness Training

By providing current employees with an awareness and appreciation of Aboriginal culture, SLGA will be better positioned to recruit and retain qualified Aboriginal employees as well as members of other equity groups.

Actual Results:

Aboriginal Cultural Awareness Training sessions did not occur during 2005-06 in large part because a majority of SLGA employees have already received this training (761 SLGA employees have received this training). SLGA will determine the number of workshops that will be offered on an annual basis to provide this training to new employees. In the future, SLGA will report on this program as a “key action” and not as a performance measure.

Objective 4: Communication: Effectively communicate our policies, priorities and results both within our organization and to the public.

This objective reflects the importance of communicating SLGA’s priorities, policies and programs effectively to the public and stakeholders, as well as to SLGA’s own employees. Due to the size of SLGA as an organization, and given the number and diversity of stakeholders, partners and customers in the liquor and gaming sectors in Saskatchewan, effective overall communication is a critical corporate priority. Internal communication with staff is also critical to building a healthy and productive organizational culture that provides employees with consistent messages about SLGA’s strategic priorities and their role in achieving those priorities. In 2005-06, SLGA continued to make improvements to its communications through enhancements to SLGA’s website, in particular the development of new online services and further refining existing online services for liquor licensing and charitable gaming.

2005-06 Key Results:

Continue to update and refine the corporate website (www.slga.gov.sk.ca) by providing more online services and information in the compliance

area, as well as refining existing online services for liquor licensing, charitable gaming licensing and registration activity. SLGA is also committed to ensuring that all key internal corporate policies are also posted on SLGA's internal website. (2005-06 Planned Result)

- In April 2005, SLGA provided commercial liquor permittees with online services. The services allow commercial liquor permittees to apply for new permits, renew permits and update existing information and endorsements online.

Focus on improving the quality of its performance reporting by including more information about corporate risks and by refining its performance measures to focus more on outcomes. (2005-06 Planned Result)

- SLGA continues to tailor its planning and performance reporting to meet the guidelines set out by Saskatchewan Finance and the Provincial Auditor's Office. Minor refinements were proposed and approved for the 2006-07 budget planning cycle. SLGA published its 2006-07 Performance Plan with the provincial

budget in March 2006. In July 2005, SLGA published its 2004-05 Annual Performance Report which aligned results directly with SLGA's published 2004-05 Performance Plan. These documents are available on SLGA's corporate website at www.slga.gov.sk.ca

Performance Measurement Results:

Under Development

SLGA is developing performance measures for this objective that measure the organization's success in communicating both internally and externally. Some of this performance measurement activity will be linked to SLGA's ongoing internal and external satisfaction surveys. Some of the measures SLGA is considering include: the perceived value and use of SLGA's website and employee intranet (using a survey approach); measuring the full extent of SLGA's consultation activity with stakeholders and customers; evaluating the broader public and client understanding of SLGA's policies; and, measuring the effectiveness of our public performance reporting. Implementation of these activities will occur as resources permit.

Goal 4: Internal Operations

Continually improve our business processes through enhanced productivity, improved internal management systems and through the creativity of all employees.

Objective 1: Improved Business Processes and Infrastructure: Streamline our internal business processes and infrastructure to foster continuous improvements, enable our employees, and strengthen our customer service capabilities.

This objective speaks to the importance of ensuring continuous improvement in SLGA's internal operations. The objective seeks to align SLGA's key business processes with the achievement of the other key outcomes identified in SLGA's Performance Plan. Operational improvements are very diverse in scope and can include: aligning information systems and technology with key priorities; refining and improving annual planning and budgeting processes; providing meaningful research and policy analysis to decision-makers on key issues within the liquor and gaming sectors; making strategic operational investments which improve service and revenue growth; and, seeking efficiencies in the delivery of programs and services.

SLGA made significant improvements to its internal operations in 2005-06 by launching online services for both commercial liquor permittee compliance and registration, and for SLGA's Special Occasion Permit (SOP) system. As well, SLGA completed the implementation of new systems for store point-of-sale and a related head office system and made refinements to the existing online system for charitable gaming licensing.

2005-06 Key Results:

Review and refine the Corporate Business Technology Plan with a focus on exploring strategic information technology issues. (2005-06 Planned Result)

- In 2005-06, SLGA developed an information systems strategic planning framework to help it assess, prioritize and select which information

system initiatives to implement from a variety of competing initiatives.

- In 2005-06, SLGA provided online services to commercial liquor permittees, compliance and Special Occasion Permit (SOP) clients. The compliance system includes liquor, charitable gaming and casino inspection and investigation business activities. The SOP system automates the permit process for special occasions at SLGA's liquor stores and at head office.
- As well, SLGA implemented a new point-of-sale system and related back office systems in the spring of 2005.
- SLGA also continued work on its business continuity planning and disaster recovery planning processes.

Complete the implementation of business and information system process improvements related to liquor permits, gaming registration and SLGA's regulatory compliance activities. (2005-06 Planned Result)

- Business and information system process improvements related to liquor permits, gaming registration and SLGA's regulatory compliance activities were implemented during the year. The introduction of online technology is intended to both improve service to clients and stakeholders and streamline internal and external processes. The Gaming Employee Registration system is operating as projected, with full uptake in target areas. Currently, the majority of all proposed gaming employees have initiated the registration process electronically via computer systems located within participating casinos in the province. In addition, technology was also introduced in the compliance area to facilitate improved reporting while in the field. Finally, Special Occasion Permits are now completed electronically through systems located in all of SLGA's retail locations. A pilot process in this regard was completed in February 2006 and the system was fully implemented thereafter. To date, approximately 2,300 Special Occasion Permits have been issued using the new system.

Performance Measurement Results:

Licensing, Regulating and Support Expenditures as a Per Cent of Revenue

This is an efficiency measure that depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue using the least amount of operational resources. The measure also reflects the expenditures that SLGA requires in order to meet its operational and regulatory roles. The measure is intended to evaluate how well SLGA is doing in terms of improving internal business operations and how efficiently it uses public resources.

Actual Result:

SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2006 is 4.0 per cent.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Licensing, regulating and support expenses as a per cent of revenue	4.2%	4.0%	3.8%	3.6%	4.0%

In 2005-06, overall revenues increased; however, the increase in expenses on a percentage basis was greater than the growth in revenues resulting in a slight increase in this ratio. The decline in VLT revenue without a corresponding decrease in expenses was a contributing factor to the overall increase in the result for this measure.

Objective 2: Liquor and Gaming Distribution Productivity: Distribute and manage liquor and gaming products efficiently to ensure customer expectations are being met in a cost effective manner.

This objective speaks to SLGA's operational efficiency in the distribution component of the liquor and gaming sectors in Saskatchewan. An important part of ensuring a high degree of efficiency and productivity in distribution rests with SLGA's information systems capacity. In the last several years, SLGA has undertaken several initiatives designed to: improve its online licensing

and registration systems; improve the supply chain and sales process for liquor distribution; and, improve internal management information systems.

This objective also speaks to the important role SLGA fulfills in overseeing the planning and budgeting operations of the Saskatchewan Indian Gaming Authority (SIGA) and the Western Canada Lottery Corporation (WCLC). The measures presented under this objective provide an assessment of the effectiveness of SLGA's approach to managing these operations. In 2005-06, SLGA continued to work with SIGA and WCLC in approving their plans and budgets. As well, SLGA continued to make progress in developing and implementing its Business Continuity Planning Framework including the development of disaster recovery plans for SLGA's core businesses.

2005-06 Key Results:

Monitor and approve budgets for the Western Canada Lottery Corporation. (2005-06 Planned Result)

- SLGA approved WCLC's 2006-07 budget. The budget includes the VLT, slot and Breakopen Vending Machine (BVM) programs. SLGA contracts with WCLC to provide services such as training, installation, and maintenance of VLTs, maintaining the central operating systems, and providing a toll-free hotline for assistance. SLGA continues to monitor monthly reporting from WCLC to ensure effective delivery of programs and services.

Monitor and approve budgets from SIGA. While the Provincial Auditor has recognized the progress SLGA and SIGA have made regarding financial management and accountability, SLGA's role in monitoring and regulating SIGA casinos will continue. (2005-06 Planned Result)

- SLGA reviewed and approved budget amendments to SIGA's 2005-06 budget. SLGA reviewed and approved SIGA's 2006-07 budget on March 31, 2006. SLGA continues to monitor monthly reporting from SIGA to ensure effective delivery of programs and services.

Develop an annual corporate risk assessment and align it with SLGA's corporate planning. (2005-06 Planned Result)

- SLGA includes a corporate risk assessment as a formal part of its annual performance plan. As well, SLGA's Audit Services Branch continues to use a risk based audit approach in developing its annual audit plan.

Complete the development of a Corporate Business Continuity Planning Framework for SLGA including finalizing detailed continuity plans for SLGA's primary core businesses. (2005-06 Planned Result)

- SLGA continued to advance its overall Business Continuity Plan. In particular, Phase 1 of the Disaster Recovery Plan (a subcomponent of an overall Business Continuity Plan) neared completion in 2005-06. As part of Phase I of the Disaster Recovery Plan, SLGA undertook a formal analysis of: the risks and possible points of failure of information systems by physical location; the business impact for each mission critical process; identified potential recovery strategies to ensure the continuity of critical technology functions; and, evaluated the related costs/benefits of implementing these strategies. As well, at SLGA's request, WCLC developed and implemented an Information Technology Recovery Plan that covers the VLT and slot machine central operating systems. The plan sets out business critical services, including the prioritization of these services, timelines for which services could be inoperable, the necessary steps required to restore the services and the persons responsible for enacting the plan.

Performance Measurement Results:

Store Operating Costs as a Percentage of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources. Given the nature of SLGA store costs in terms of labour, supply, capital and equipment costs, the outcome of this measure reflects a high degree of efficiency in terms of keeping costs down as a percentage of revenues.

Actual Results:

Store operating costs as a percentage of store sales were 13.0 per cent for the year ending March 31, 2006.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Store operating costs as a per cent of store sales	12.6%	12.6%	12.7%	12.3%	13.0%

The retail store system recorded increases in 2005-06 in both sales and operating costs; however, the percentage growth in expenses was greater than the growth in revenue resulting in higher ratio relative to 2004-05. Collective bargaining agreement costs and greater usage of debit/credit cards as a percentage of overall purchases contributed to this increase.

WCLC Costs as a Per Cent of VLT Revenue

This measure depicts SLGA's efforts to maximize the return on investment from contracting with WCLC to administer the computer systems for the province's VLTs.

Actual Results:

WCLC costs as a percentage of VLT revenue for the year ending March 31, 2006 is calculated at 3.7 per cent.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
WCLC costs as a per cent of VLT revenue	4.1%	4.4%	3.4%	3.5%	3.7%

WCLC costs declined for the second year in a row; however, the reduced VLT revenue resulting from the province-wide smoking ban caused an increase in this ratio.

SIGA Slot Costs as a Per Cent of SIGA Slot Revenue

This measure reflects how efficient SIGA is in its slot machine operations. Changes in the results over time can help to determine whether slot machine revenues increase at a faster rate than the costs required to operate the slots.

Actual Results:

In 2005-06 SIGA slot machine costs were 56.1 per cent of SIGA's net slot revenues.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
SIGA slot costs as a per cent of slot revenue	60.8%	59.4%	57.2%	56.2%	56.1%

The historical results for this measure demonstrate that SIGA is making good progress in optimizing slot machine revenue generation based on its use of resources. SIGA has lowered these costs relative to revenues significantly since 2000-01, when the ratio was nearly 68 per cent. In 2005-06 both expenses and revenue increased proportionately in the slot segment resulting in a comparable ratio to 2004-05.

SIGA Net Income as a Percentage of SIGA Revenue

This measure shows the relationship between revenues and net income for SIGA.

Actual Results:

SIGA net income as a per cent of revenue is calculated at 34.7 per cent for the year ending March 31, 2006.

Performance Measure	01-02 Result	02-03 Result	03-04 ³ Result	04-05 Result	05-06 Result
SIGA net income as a per cent of SIGA revenue	32.2%	33.6%	34.6%	33.7%	34.7%

SIGA net income as a percentage of SIGA revenue rose slightly in 2005-06 as net income growth surpassed the growth in revenue indicating greater cost-efficiency.

³ SLGA's 2005-06 Performance Plan, which was published with the Provincial Budget in March 2005, incorrectly stated the 2003-04 result for this measure as 39.6%. This was a typographical error and the correct figure is presented in the historical table above.

Goal 5: Financial

Be fiscally responsible and accountable in support of provincial financial objectives.

Objective 1: Financial Management and Accountability: Manage our resources effectively to ensure fiscal responsibility and accountability.

This objective reflects SLGA's commitment to sound financial management and overall financial accountability. An important part of achieving this objective is aligning SLGA's Performance Plan with SLGA's financial planning and budgeting processes.

SLGA has made steady progress in improving its overall accountability for results. SLGA continues to strengthen the alignment between its strategic plan and the annual budget development process. As well, SLGA has improved management accountability by implementing a formal process requiring Division Heads to reconcile their performance relative to the Division's annual plan.

During the year, SLGA identified financial irregularities at its La Loche liquor store totaling approximately \$227,000 and the Biggar liquor store totaling approximately \$20,000. SLGA requested a review by the Provincial Auditor's Office (PAO) which resulted in a detailed investigation. Following this review, the PAO made several recommendations that would strengthen SLGA's internal controls. SLGA accepted these recommendations and as of March 31, 2006 was in the process of implementing all of the PAO's recommendations.

2005-06 Key Results:

Continue to explore all options to increase net income in a socially responsible manner. (2005-06 Planned Result)

- SLGA's net income was \$351.4 million in 2005-06 down from \$362.1 million in 2004-05. SLGA will continue to explore a variety of policy options designed to increase net income in a socially responsible manner. However, the maturity of the liquor and gaming markets limit the opportunity to realize significant revenue growth without implementing policy changes

designed specifically for revenue generation.

Performance Measurement Results:

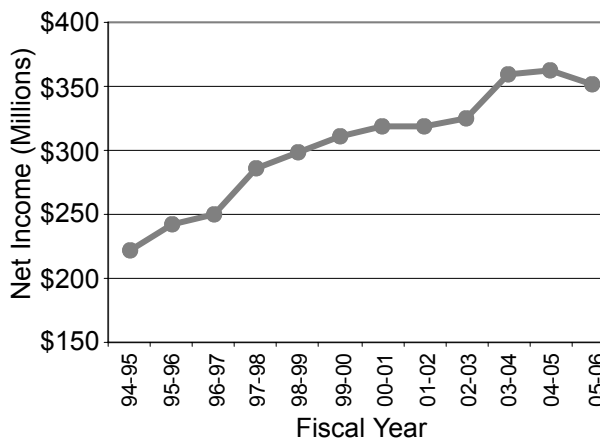
SLGA Net Income

SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs. This is a critical outcome for SLGA and it contributes significantly to meeting the government's revenue needs for the funding of other key programs.

Actual Results:

In 2005-06, net income was \$351.4 million, a decrease from 2004-05. Net income from retail liquor operations increased along with SIGA net income. However, these increases were offset by a decline in VLT sales relative to 2004-05.

SLGA Net Income: 1994-95 to 2005-06



Historically, SLGA has demonstrated a steady increase in its net income over the last 10 years. The exception to the trend of the last several years has been 2005-06. The projected rebound in VLT revenue should restore net income to previous levels within the next few years.

Net Income Percentage Variance from Previous Year

This measure depicts the percentage change in SLGA's net income from the previous year. Notwithstanding factors out of SLGA's control, SLGA is committed to meeting its approved budgets and is committed to ensuring there is a financial return for public funds expended.

Actual Results:

The net income percentage variance from the previous year is -3.0%.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Net income per cent variance from previous year	+1.8%	+2.2%	+10.4%	+1.0%	-3.0%

Marginal Return on Expenses (MRE)

The measure is intended to demonstrate SLGA's overall return on investment for the expenses it makes. The measure expresses a ratio between the change in net income compared to the change in total operating expenses. Any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses

can increase, this growth in expenses often leads to an increase in net income.

Actual Results:

In 2005-06, SLGA's Marginal Return on Expenses value was -0.8.

Performance Measure	01-02 Result	02-03 Result	03-04 Result	04-05 Result	05-06 Result
Marginal Return on Expenses	+1.06	+0.89	+1.51	+ 1.24	- 0.80

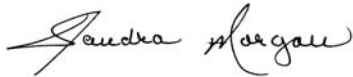
Over the past few years, SLGA has had a positive Marginal Return on Expenses. The decline in 2005-06 relative to 2004-05 reflects the decline in SLGA's net income due to decreases in VLT revenues and the significant fixed operating costs associated with SLGA's for VLT operations.

Management's Report

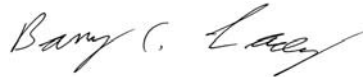
The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

Management of the Authority 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 the Authority, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the Authority'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 the Authority's financial statements in accordance with Canadian generally accepted accounting principles.



Sandra Morgan
President & CEO



Barry Lacey, CMA, CA
Vice-President, Corporate Services



Valerie Banilevic, CMA
Manager, Financial Services

Regina, Saskatchewan
June 2, 2006

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority as at March 31, 2006 and the statements of operations and retained earnings (deficit), and cash flows for the year then ended. The Authority's management is responsible for preparing these financial statements for Treasury Board's approval. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
June 2, 2006

Fred Wendel, CMA, CA
Provincial Auditor

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

	<u>2006</u>	<u>2005</u>
	(000's)	(000's)
ASSETS		
Current assets:		
Cash	\$ 1,419	\$ 1,535
Due from General Revenue Fund (Note 3)	39,996	43,627
Accounts receivable (Note 7)	32,412	23,504
Prepaid expenses	3,405	3,537
Inventories (Note 5)	<u>17,123</u>	<u>16,857</u>
	94,355	89,060
Property, plant and equipment (Note 6)	68,164	78,885
Deferred Goods and Services Tax (Note 8)	<u>2,191</u>	<u>2,962</u>
	<u>\$ 164,710</u>	<u>\$ 170,907</u>
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,749	\$ 12,822
Payable to General Revenue Fund (Note 4)	117,219	128,339
Goods and Services Tax payable (Note 8)	<u>1,614</u>	<u>1,459</u>
	134,582	142,620
Accrued pension liability (Note 9)	<u>30,970</u>	<u>28,832</u>
	165,552	171,452
Retained earnings (deficit) (Statement 2)	<u>(842)</u>	<u>(545)</u>
	<u>\$ 164,710</u>	<u>\$ 170,907</u>
Commitments (Note 11)		
Contingencies (Note 17)		

(See accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2006		2005
	Budget (000's) (Note 14)	Actual (000's) (Note 15)	Actual (000's)
Revenues:			
Liquor sales (Note 12)	\$ 388,371	\$ 400,912	\$ 383,541
VLT	226,832	232,581	257,248
SIGA slot machines (Note 10)	92,578	108,162	96,016
Licence, permit, and other income	3,103	3,493	3,476
	710,884	745,148	740,281
Less SIGA promotion allowances	2,849	3,704	3,287
	708,035	741,444	736,994
Direct expenses:			
Cost of liquor	192,044	202,508	195,062
VLT site commission	34,497	36,435	40,097
	226,541	238,943	235,159
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	89,103	86,825	80,929
SIGA slot machines	59,126	58,985	54,003
SIGA other (Note 10)	2,603	5,315	4,771
	150,832	151,125	139,703
Net income for the year	\$ 330,662	351,376	362,132
Retained earnings (deficit), beginning of year		(545)	(1,632)
Transfer to General Revenue Fund (Note 4)		(351,673)	(361,045)
Retained earnings (deficit), end of year - to Statement 1		\$ (842)	\$ (545)

(See accompanying notes to the financial statements)

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

	2006 (000's)	2005 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLTs, slot machines, and other revenue	\$ 760,045	\$ 769,146
Interest received	297	225
Payments to suppliers, employees and other	(370,195)	(357,008)
Payments of Goods and Services Tax	(20,372)	(25,541)
	369,775	386,822
Cash flows (used in) investing activities:		
Purchase of property, plant and equipment	(10,729)	(7,058)
Cash flows (used in) financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(362,793)	(376,644)
Net (decrease) increase in cash position	(3,747)	3,120
Cash position, beginning of year	45,162	42,042
Cash position, end of year	\$ 41,415	\$ 45,162
Cash position consists of:		
Cash	\$ 1,419	\$ 1,535
Due from General Revenue Fund	39,996	43,627
	\$ 41,415	\$ 45,162

(See accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Description of Business

The Liquor and Gaming Authority operates under the authority of *The Alcohol and Gaming Regulation Act, 1997*. The Authority'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.

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

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies are described below.

(a) Revenue

Liquor Sales

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

Licence Fees

Liquor and gaming licence fees are recorded when the licence is approved. Exhibition casino licence fees are based on the net revenue generated by the exhibition casino. The Authority records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

SIGA Slot Machines

Revenue from casino slot machines are recorded net of prizes paid out and accruals for anticipated amounts to be paid out for progressive jackpots.

(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. The points accumulated are recorded as a liability and a promotional allowance.

(c) VLT Site Commission

Establishments where VLTs are located are entitled to 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 and beer are valued at the lower of average cost and net realizable value.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year which these assets are placed in service 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	2.5 - 5% per annum
Furniture & equipment	15 - 33% per annum
VLT & slot machines	20% per annum
Breakopen vending machines	15 - 33% per annum

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

(f) Pension Expense

The cost of the pension benefits earned by employees, who are members of the Authority's defined benefit plan, is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, the ages at which members will retire and ad hoc increases, based upon the Consumer Price Index, that may be granted by the Lieutenant Governor in Council.

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 (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss), transitional obligation resulting from adoption of new accounting rules in 2001, and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

The Authority also has employees who are members of a defined contribution pension plan. The Authority expenses contributions it is required to make for current service of those employees.

(g) Grants

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

3. Due from General Revenue Fund

Most of the Authority'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 the Authority's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows the Authority to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of the Authority's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of the Authority's retained earnings be transferred to the GRF. The Treasury Board has directed the Authority to transfer \$351,673 (2005 - \$361,045) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	<u>2006</u> (000's)	<u>2005</u> (000's)
Payable to GRF at beginning of year	\$ (128,339)	\$ (143,938)
Deposits during the year	362,793	376,644
Transfer to GRF	<u>(351,673)</u>	<u>(361,045)</u>
Payable to GRF at end of year	<u>\$ (117,219)</u>	<u>\$ (128,339)</u>

5. Inventories

	<u>2006</u> (000's)	<u>2005</u> (000's)
Wines, coolers and spirits in stores	\$ 8,239	\$ 8,129
Wines, coolers and spirits in warehouse	7,185	7,155
Beer in stores	<u>1,699</u>	<u>1,573</u>
	<u>\$ 17,123</u>	<u>\$ 16,857</u>

6. Property, Plant and Equipment

	<u>2006</u>			<u>2005</u>		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	\$ 2,415	\$ ---	\$ 2,415	\$ 2,468	\$ ---	\$ 2,468
Buildings	29,867	14,037	15,830	25,979	12,776	13,203
VLTs	65,311	39,943	25,368	65,795	27,897	37,898
Slot machines	24,834	16,301	8,533	21,068	14,018	7,050
Furniture & equipment	34,123	19,844	14,279	39,863	24,055	15,808
Breakopen vending machines	2,995	2,992	3	2,995	2,977	18
Leasehold improvements	<u>7,572</u>	<u>5,836</u>	<u>1,736</u>	<u>8,086</u>	<u>5,646</u>	<u>2,440</u>
	<u>\$ 167,117</u>	<u>\$ 98,953</u>	<u>\$ 68,164</u>	<u>\$ 166,254</u>	<u>\$ 87,369</u>	<u>\$ 78,885</u>

7. Accounts Receivable

	<u>2006</u> (000's)	<u>2005</u> (000's)
SIGA slot machine receivable	\$ 28,107	\$ 19,418
VLT receivable	3,288	2,608
Other	<u>1,017</u>	<u>1,478</u>
	<u>\$ 32,412</u>	<u>\$ 23,504</u>

8. Goods and Services Tax (GST)

The Authority 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, the Authority calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula requires the Authority to pay 14% on the purchase of taxable goods and services related to gaming programs but only 7% on VLT site contractor commissions.

One-half of the GST paid on property, plant and equipment for gaming is set up as a deferred tax and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

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

9. Pension Plan

The Authority sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, the Authority paid PEPP and expensed a total of \$1,733,673 (2005 - \$1,558,572) in required contributions.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan) for the Authority. 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.

Eckler Partners Ltd. performed the valuation of the Plan as at September 30, 2005 and extrapolated the valuation to December 31, 2005. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, salary increases, inflation and ad hoc indexing. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	<u>2006</u>	<u>2005</u>
Expected long-term rate of return on plan assets	4.75%	6.00%
Discount rate	4.75%	6.00%
Salary increases	3.50%	4.00%
Inflation	2.50%	3.00%
Ad hoc increases to pensions as % of Consumer Price Index	50%	50%
Expected average remaining service life	4.0 years	3.9 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

<u>Assumption</u>	<u>Impact</u> (% of ending accrued benefit obligation)
Interest	11.5
Salary	0.9
Inflation	5.2

The Authority's pension cost is included in salary, wages, and benefits on Schedule 1.

	<u>2006</u> (000's)	<u>2005</u> (000's)
Current service cost - defined benefit plan	\$ 537	\$ 489
Current service cost - defined contribution plan	1,734	1,559
Interest cost	2,215	2,702
Expected return on pension plan assets	(694)	(822)
Amortization of net transitional obligation	535	535
Amortization of actuarial losses	1,648	587
Early retirement benefits	<u>3</u>	<u>11</u>
Net pension cost	<u>\$ 5,978</u>	<u>\$ 5,061</u>

Information about the Authority's defined benefit plan is as follows:

	<u>2006</u> (000's)	<u>2005</u> (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 47,265	\$ 45,724
Current service cost - employer	537	489
Current service cost - employee	186	182
Interest cost	2,215	2,702
Benefits paid	(2,695)	(2,721)
Experience loss (gain)	<u>5,235</u>	<u>889</u>
Accrued benefit obligation, end of year	<u>\$ 52,743</u>	<u>\$ 47,265</u>
Plan assets		
Fair value of plan assets, beginning of year	\$ 14,810	\$ 13,878
Actual return on plan assets	1,687	1,279
Employer contributions	2,111	2,192
Employee contributions	186	182
Benefits paid	<u>(2,695)</u>	<u>(2,721)</u>
Fair value of plan assets, end of year	<u>\$ 16,099</u>	<u>\$ 14,810</u>
Funded status - plan deficit	\$36,644	\$32,455
Unamortized transitional obligation	(1,338)	(1,874)
Unamortized net actuarial losses	<u>(4,336)</u>	<u>(1,749)</u>
Accrued pension liability	<u>\$ 30,970</u>	<u>\$ 28,832</u>

The Plan holds all of its assets in various pooled funds. The Plan's holdings consist of 22.2% (2005 - 27.7%) in a Canadian equity pooled fund, 29.0% (2005 - 24.8%) in foreign equity pooled funds, 43.4% (2005 - 44.7%) in a bond and debenture pooled fund and 5.4% (2005 - 2.8%) in a money market pooled fund.

The forecast of cash outflows which exceed the cash inflows for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of employee contributions received by the defined benefit plan and the total cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6% assumed rate of return on investments.

	<u>Net Cash Outflows</u> (000's)
Next 5 years	\$ 338
Next 10 years	3,000
Next 30 years	12,000

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

On June 11, 2002, the Province and the Federation of Saskatchewan Indian Nations (FSIN) signed the 2002 Framework Agreement replacing the 1995 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*. The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, 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.

On November 10, 2004, the Province and the FSIN signed a 2004 Amending Agreement to the 2002 Framework Agreement relating to the casino at Whitecap Dakota, and on January 13, 2005, they signed a similar Amending Agreement for a proposed casino at Swift Current, increasing the maximum number of SIGA casinos in the province from four to six casinos.

To implement the Framework Agreement, the Authority 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 the Authority. The Slot Machine Management Agreement ensures the Authority recovers at least the cost of slot machines, the related computer system, and interest over five years.

Under the Casino Operating Agreement between SIGA and the Authority, 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 also requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from the Authority.

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

	<u>2006</u> (000's)	<u>2005</u> (000's)
Table games revenues	\$ 4,869	\$ 5,152
Table games expenses	<u>5,771</u>	<u>5,484</u>
Net losses from table games	<u>\$ 902</u>	<u>\$ 332</u>
Ancillary operations revenues	\$ 6,258	\$ 5,167
Ancillary operations expenses	<u>8,850</u>	<u>7,521</u>
Net losses from ancillary operations	<u>\$ 2,592</u>	<u>\$ 2,354</u>
Total losses expensed	\$ 3,494	\$ 2,686
IGR payment	<u>1,821</u>	<u>2,085</u>
	<u>\$ 5,315</u>	<u>\$ 4,771</u>

11. Commitments

Authority Leases

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

Year Ending March 31	<u>2006</u> (000's)	<u>2005</u> (000's)
2007	\$ 3,404	\$ 2,623
2008	2,426	1,662
2009	2,243	1,474
2010	2,059	1,291
2011	1,717	1,074
Subsequent years	<u>4,087</u>	<u>2,433</u>
Total	<u>\$ 15,936</u>	<u>\$ 10,557</u>

Slot Machines

Also, under various amending agreements to the 2002 Framework Agreement, the Authority is committed to supplying the following slot machines to SIGA:

- 550 slot machines for an estimated cost of \$11 million upon the opening of the casino at Whitecap Dakota
- 200 slot machines for an estimated cost of \$4 million upon the opening of the casino in Swift Current
- 125 slot machines for an estimated cost of \$2.5 million upon SIGA achieving compliance with the Operating Policies and Directives the Authority issued on November 15, 2000

Pursuant to the Casino Operating Agreement, the Authority recovers the cost of purchasing the slot machines with interest over five years.

SIGA Leases and Sponsorships

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

Year Ending March 31	<u>Leases</u> (000's)	<u>Sponsorships</u> (000's)
2007	\$ 2,960	\$ 508
2008	1,920	300
2009	1,818	100
2010	1,773	---
2011	<u>1,773</u>	<u>---</u>
Total	<u>\$ 10,244</u>	<u>\$ 908</u>

The Casino Operating Agreement requires SIGA to transfer to the Indigenous Gaming Regulators Inc. (IGR) funds to support IGRs annual operating budget beginning in 2004. For 2007, the budgeted transfers are \$1.7 million (2006 - \$1.8 million).

New Casino Projects

During 2004 and 2005, SIGA entered into three separate agreements with different First Nations for the development and lease of new buildings in which SIGA plans to operate casinos. These agreements also require SIGA to pay certain up-front costs to the developer such as commissioning fees and land development costs. The Authority has approved SIGA's agreements for a new casino at Whitecap Dakota and has given approval in principle for the other two casinos - a new building for the Painted Hand casino in Yorkton and a new casino in Swift Current.

The lease payments for the buildings will be determined based on the developer's direct construction costs, excluding the accumulated up-front costs the developer received from SIGA, multiplied by a set rate of return. The rate of return per year is equal to the long-term Government of Canada bond rate in effect when the lease commences plus 9%. SIGA has agreed to pay at least \$1 million and up to 25% of the total building construction costs for Painted Hand and at least \$2 million of the total building costs for Swift Current.

The agreements require SIGA to pay an annual amount for leasing the land. The agreements require the lease payments commence on the second month after the building shell has been completed. SIGA has also committed to the following:

- for the casino at Whitecap Dakota, SIGA is required to pay \$170,000 annually until June 10, 2027
- for Painted Hand casino, SIGA is required to pay \$104,000 annually increasing gradually to \$136,628 in the 15th year, thereafter increasing by the change in the consumer price index until June 10, 2027
- for Swift Current casino, SIGA is required to pay \$128,800 annually increasing gradually to \$169,209 in the 15th year, thereafter increasing by the change in the consumer price index until June 10, 2027

Saskatoon Prairieland Park Corporation

The Authority has an agreement with the Saskatoon Prairieland Park Corporation (SPPC) regarding the maintenance of a certain level of its income. This agreement expires the date on which SIGA opens the casino at Whitecap Dakota. In 2006 the Authority provided funding of \$1,036,000 (2005 - \$988,000).

During the year SIGA entered into an agreement with SPPC regarding the maintenance of a certain level of its income. SIGA agreed to pay SPPC \$2.6 million annually for 30 years payable in monthly installments of \$216,667. The first monthly installment will be due on the date on which SIGA intends to open the casino at Whitecap Dakota to the public. The Authority will assume the payment obligations if SIGA fails to pay.

12. Liquor Sales

	<u>2006</u> (000's)	<u>2005</u> (000's)
Wines, coolers and spirits		
In stores:		
- To permittees	\$ 39,849	\$ 37,297
- To public	<u>139,186</u>	<u>130,882</u>
	<u>179,035</u>	<u>168,179</u>
To franchisees:		
- To permittees	5,063	5,344
- To public	<u>18,847</u>	<u>18,270</u>
	<u>23,910</u>	<u>23,614</u>
	<u>202,945</u>	<u>191,793</u>
Beer		
- To permittees	121,905	119,587
- In stores	69,673	66,165
- To franchisees	<u>6,389</u>	<u>5,996</u>
	<u>197,967</u>	<u>191,748</u>
Total	<u>\$ 400,912</u>	<u>\$ 383,541</u>

13. Fair Value

Due from General Revenue Fund, accounts receivable, accounts payable, accrued liabilities, payable to General Revenue Fund, and Goods and Services Tax payable are all short-term in nature and as such their fair value approximates carrying value.

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

14. 2006 Budget

These amounts represent the budget approved by Treasury Board.

15. Segmented Information

The Authority 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 slot machines in casinos run by SIGA (see Note 10).

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 program consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of the Authority, tickets for the breakopen vending machine program were distributed during April through August by Western Gaming Systems Inc. and by Pollard Banknote Limited Partnership during September through March. For their services the Authority was charged \$90,548 (2005 - \$149,300) by Western Gaming Systems Inc. and \$73,297 by Pollard Banknote Limited Partnership. The program had revenues net of prizes of \$0.9 million (2005 - \$0.8 million) and expenses (including operating expenses and distributions to charities) of \$0.8 million (2005 - \$1.3 million) for the year. Included in Other Gaming segment is income of \$0.1 million (2005 - \$0.5 million loss) relating to the breakopen vending machine program.

Key amounts by segment as follows:

	SEGMENTS					
	2006 (000's)					2005 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	\$ 400,912	\$ 232,581	\$ 108,162	\$ ---	\$ 741,655	\$ 736,805
Other Income	<u>2,233</u>	<u>365</u>	<u>---</u>	<u>895</u>	<u>3,493</u>	<u>3,476</u>
Total Revenues	<u>403,145</u>	<u>232,946</u>	<u>108,162</u>	<u>895</u>	<u>745,148</u>	<u>740,281</u>
Promotional Allowances	---	---	3,704	---	3,704	3,287
Direct Expenses	202,508	36,435	---	---	238,943	235,159
Operating expenses	<u>53,415</u>	<u>23,043</u>	<u>64,300</u>	<u>10,367</u>	<u>151,125</u>	<u>139,703</u>
Total Expenses	<u>255,923</u>	<u>59,478</u>	<u>68,004</u>	<u>10,367</u>	<u>393,772</u>	<u>378,149</u>
Net income (loss)	147,222	173,468	40,158	(9,472)	351,376	362,132
Retained earnings (deficit), beginning of year	---	---	(545)	---	(545)	(1,632)
Transfer to General Revenue Fund	<u>147,222</u>	<u>173,468</u>	<u>40,455</u>	<u>(9,472)</u>	<u>351,673</u>	<u>361,045</u>
Retained earnings (deficit), end of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (842)</u>	<u>\$ ---</u>	<u>\$ (842)</u>	<u>\$ (545)</u>
Property, plant and equipment purchases	<u>\$ 6,259</u>	<u>\$ 329</u>	<u>\$ 4,141</u>	<u>\$ ---</u>	<u>\$ 10,729</u>	<u>\$ 7,058</u>
Amortization	<u>\$ 4,571</u>	<u>\$ 13,270</u>	<u>\$ 2,908</u>	<u>\$ 428</u>	<u>\$ 21,177</u>	<u>\$ 21,015</u>

16. Related Parties

These financial statements include transactions with related parties. The Authority is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Authority is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

<u>Category</u>	<u>2006</u> (000's)	<u>2005</u> (000's)
Salaries, wages, and fringe benefits	\$ 7,153	\$ 6,217
Rent, utilities, and insurance	3,022	2,921
Customer service programs	655	663
Communications	417	432
Accounts payable and accrued liabilities	1,997	1,866

In addition, the Authority pays Saskatchewan provincial sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Authority collected the following amounts for the Department of Finance:

	<u>2006</u> (000's)	<u>2005</u> (000's)
Container deposits on domestic beer sales	\$ 20,089	\$ 18,719
Liquor Consumption Tax	21,468	19,538
Container deposits on all wine, cooler, spirit and imported beer products	5,173	4,907

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

17. Contingencies

Since SIGA's date of GST registration (March 1, 1999), SIGA and the Authority have determined their respective GST obligations based on rulings from the Canada Revenue Agency (CRA). These rulings classify SIGA as a distributor in accordance with the provisions of the Excise Tax Act (ETA) and indicate that SIGA is providing a casino operating service to the Authority consistent with the *Games of Chance Regulations* under the ETA. SIGA has asked CRA to confirm its prior ruling. SIGA and the Authority cannot predict the outcome of this request. The outcome of this request could result in an additional GST liability ranging from \$0, should CRA confirm its prior ruling, up to \$28 million (2005 - \$23 million), should CRA amend its ruling. The Authority plans to account for the effect of the changes, if any, in the year the CRA ruling is received.

As part of ongoing operations the Authority faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against the Authority, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

18. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of the Authority. 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 the Authority and the breakopen vending machines on behalf of the Authority. For the year ended March 31, 2006, WCLC charged the Authority \$10.9 million (2005 - \$10.8 million) to operate the VLT, slot machine program and the breakopen vending machines for the year.

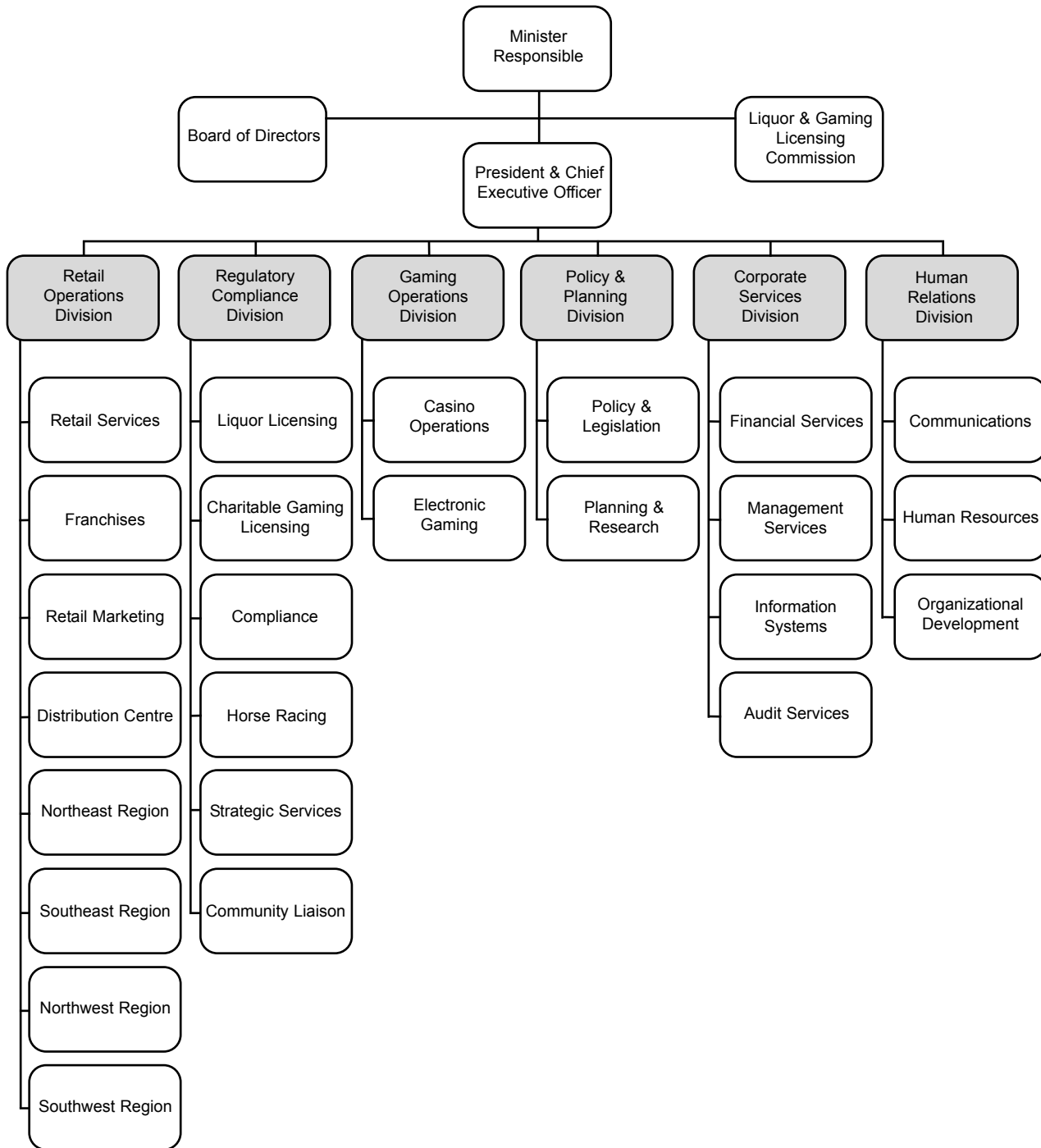
LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	<u>VLТ, Liquor & Other Gaming</u>		<u>Slots in SIGA Casino*</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>
Salaries, wages and benefits	\$ 39,877	\$ 36,018	\$ 28,813	\$ 25,752	\$ 68,690	\$ 61,770
Property, plant and equipment amortization	18,269	18,386	2,908	2,629	21,177	21,015
Rent, utilities and insurance	6,171	5,826	5,232	4,861	11,403	10,687
Professional and contractual services	7,028	5,509	3,499	2,690	10,527	8,199
Operations and maintenance	1,080	1,243	6,847	5,379	7,927	6,622
Advertising, printing, and promotion	75	76	6,568	7,544	6,643	7,620
Goods and Services Tax	3,624	3,962	1,710	2,366	5,334	6,328
Stationery and supplies	1,376	1,281	1,033	798	2,409	2,079
Travel and business	1,373	1,161	804	559	2,177	1,720
Grants	2,154	1,810	---	---	2,154	1,810
Communications	1,265	1,233	581	610	1,846	1,843
Debit/credit charges	1,423	1,321	---	---	1,423	1,321
Information technology	1,271	1,430	---	---	1,271	1,430
Sundry	498	338	447	476	945	814
Customer service programs	811	825	---	---	811	825
Service charges and interest	464	439	192	163	656	602
Honoraria and related expenses	66	71	351	176	417	247
Indigenous Gaming Regulators (Note 10)	---	---	1,821	2,085	1,821	2,085
SIGA table and ancillary operation losses (Note 10)	---	---	3,494	2,686	3,494	2,686
	<u>\$ 86,825</u>	<u>\$ 80,929</u>	<u>\$ 64,300</u>	<u>\$ 58,774</u>	<u>\$ 151,125</u>	<u>\$ 139,703</u>

* Represents operating costs of SIGA Casinos.

Appendix A

SLGA Organizational Chart



Appendix B

Summary of SLGA's Partners and Stakeholders

Brewers of Canada. Represents the breweries as well as several microbreweries. www.brewers.ca

Canadian Restaurant and Foodservices Association (CRFA) (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and well being of Canada's wine sector. www.canadianvintners.com

Charity Associations and Individual Charities. Charity associations and individual charities are the traditional beneficiaries of the gaming industry.

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

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

Horse Racing Saskatchewan (HRS). This interest group is comprised of a number of racing associations and organizations that host horse racing events including Horse Racing Saskatchewan, the Saskatchewan First Nations Racing Association, Saskatchewan Speed Horse Association, Saskatchewan Standardbred Horsemen's Association, Horsemen's Benevolent and Protective Association of Saskatchewan and the Canadian Thoroughbred Horse Society.

Indigenous Gaming Regulators (IGR). IGR is building capacity to perform regulatory and licensing functions for First Nations gaming. www.igr.ca

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

Pollard Banknote Limited. Pollard Banknote is Saskatchewan's sole source for breakopen gaming tickets. www.pollardbanknote.com

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

Saskatchewan Government and General Employees Union (SGEU). Ninety per cent of SLGA employees are unionized. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA (formerly Hotels Association of Saskatchewan). They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's four First Nations casinos on behalf of the FSIN. SIGA has obtained approval to open two additional casinos in Swift Current and at the Whitecap Dakota First Nation. www.siga.sk.ca

Saskatchewan Responsible Gaming Association (SRGA). Founded in 2001, the SRGA is a non-profit, charitable organization whose purpose is to bring together gaming industry stakeholders to promote and advance responsible gaming initiatives. www.saskresponsiblegaming.com

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural and remote communities across the province.

Spirits Canada. Formerly the Association of Canadian Distillers, 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.canadiandistillers.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

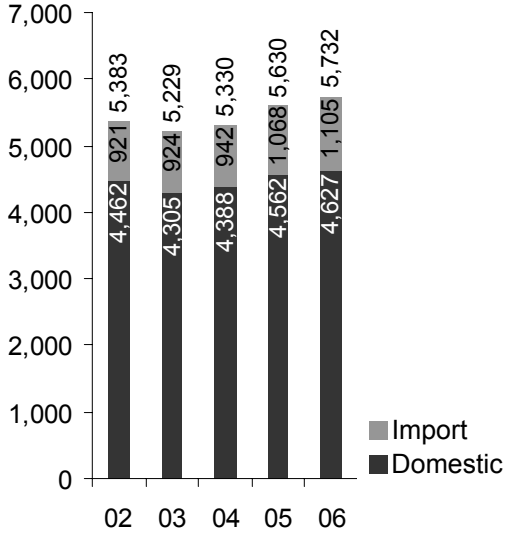
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C

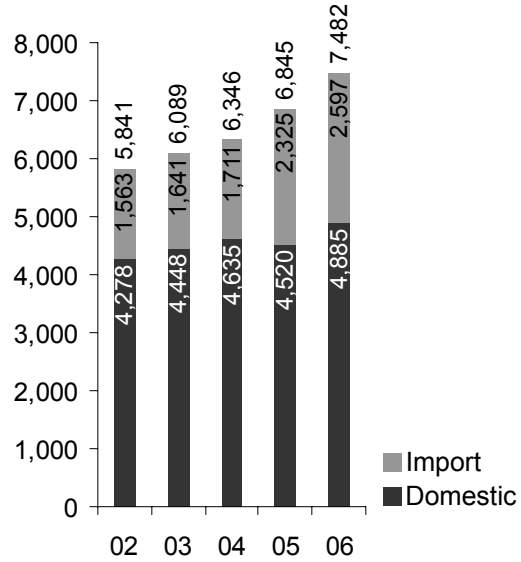
Volume of Sales - Five Year History

Financial years ending March 31

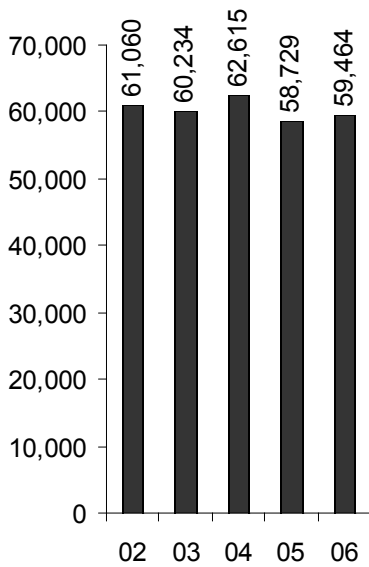
Spirits (000s of litres)



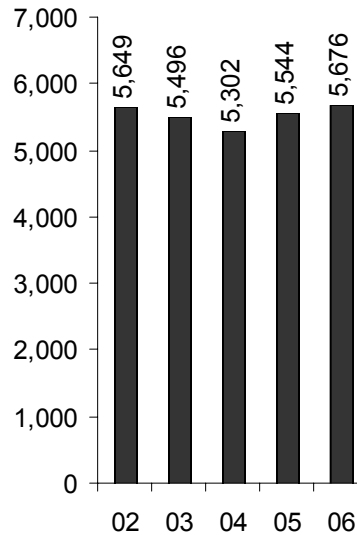
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

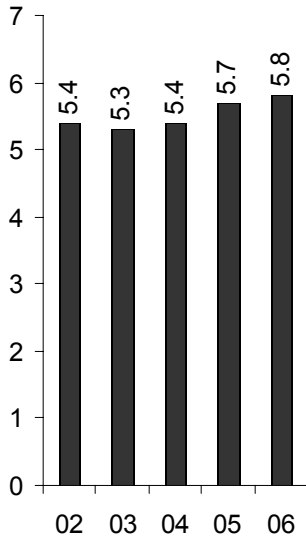


Appendix D

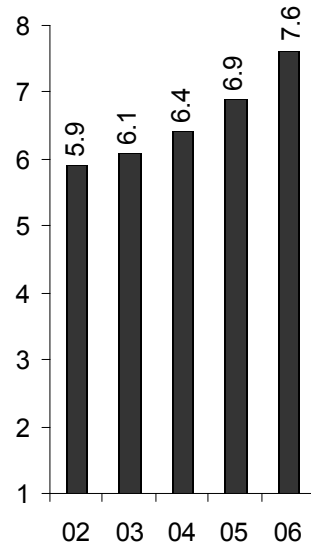
Per Capita Sales - Five Year History

Financial years ending March 31

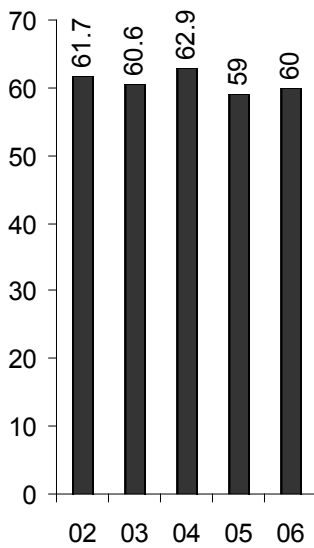
Spirits (litres)



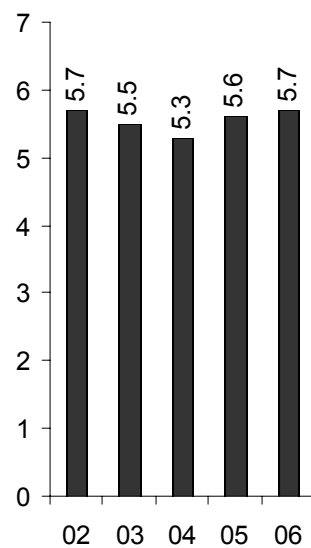
Wine and coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



Appendix E

Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission is an independent body that reviews decisions of SLGA with respect to licensing, registration, cancellation and suspension issues. The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensing party who disagrees with a decision of SLGA has the right to apply to the Commission for an appeal. Except in unusual circumstances, the Commission stays the SLGA's decision.

During 2005-06, the Commission scheduled 33 hearings to address the same number of requests for review of various decisions made by SLGA, and to hear objections by the public. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Ten hearings were held in Regina and 23 hearings were held in Saskatoon.

The applications have included reviews of SLGA's decisions to grant and to refuse liquor permits and gaming licences to various establishments, organizations and the horse racing industry. As well, the Commission hears registration, cancellation and suspension issues, in addition to 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 33 hearings held during the past fiscal year, 12 were liquor related, comprised of eight objection hearings by the public, two hearings for assessments of penalties and suspensions, and two hearings which required removal as officers/directors or shareholders. Twenty hearings were gaming related, comprised of denials, suspensions and cancellations of 10 gaming employee registration certificates, nine bingo/breakopen/raffle licences, and one budget

review. There was one hearing held with respect to horse racing, involving violations of the horse racing rules, which resulted in a disqualification.

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.

In the fiscal year 2005-06, the Commission's jurisdiction was expanded by way of amendment to *The Saskatchewan Alcohol and Gaming Regulation Act, 1997*, in order to enable the Commission to review a casino operator's decision to deny casino access to certain individuals. It allows the individual denied such access to request the review. These cases are commonly referred to as "casino ban cases." Late in 2005-06, the Commission was developing its process to conduct such reviews. The hearing of the casino ban cases is scheduled to begin after proclamation on June 1, 2006.

The Commission members as of March 31, 2006:

Colleen L. Wilson, LL.B., Chairperson, Saskatoon
Allan Oliver, Vice-Chairperson, Aneroid
Elaine Driver, Member, Fillmore
Gilbert Pelletier, Member, Yorkton
William Nelson, Member, Regina
Darcia G. Schirr, Q.C., Member, Regina

The Commission also has a full-time Executive Secretary/Registrar.

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

Appendix F

SLGA Fact Sheet: 2005-06 Results at a Glance

Financial	
SLGA net income	\$351.4 million
SIGA net income	\$40.2 million
Net liquor income	\$147.2 million
VLT net income	\$173.4 million
VLT site commission	\$36.4 million
Total gross liquor sales	\$400.9 million
Franchise commission	\$4.9 million
Off-sale permittee beer discount	\$8.3 million
Structure and Organization	
Number of SLGA employees	910
Number of retail liquor stores	80
Number of communities with SLGA stores	64
Number of off-sale outlets	465
Number of franchises	189
Total number of liquor outlets	734
Number of liquor products listed by SLGA	2,193
Number of casinos	7
Number of slot machines in SIGA casinos	995
Number of slot machines in SGC casinos	995
Number of VLTs	3,978
Number of communities with VLTs	318
Number of VLT sites	678
Compliance and Licensing	
Number of commercial liquor permittees	1,698
Number of special occasion permits issued	17,104
Number of investigations	2,454
Number of inspections	4,695
Number of sanctions (liquor, gaming and horse racing)	196
Number of registered gaming employees	2,604
Number of registered gaming suppliers	92
Charitable Gaming and Horse Racing	
Total gross bingo sales (before prizes awarded)	\$75.1 million
Total gross raffle sales (before prizes awarded)	\$27.3 million
Total gross breakopen sales (before prizes)	\$19.2 million
Total charity share of bingo, raffle and breakopen sales	\$26.6 million
Number of bingo halls	21
Total number of bingo, raffle and breakopen licences	3,523
Total provincial handle (all wagers)	\$11.4 million
Total grants paid to the horse racing industry	\$1.5 million
Tracks receiving grant support from the province	2

All data as of March 31, 2006

Where To Obtain Additional 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:

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