LGS Holdings Incorporated

Financial Statements
For the year ended March 31, 2024

Deloitte LLP
2103 – 11th Ave
9th Floor
Bank of Montreal Building
Regina SK S4P 3Z8

Tel: 306-525-5200
Fax: 306-757-4753
www.deloitte.ca

Independent Auditor's Report

To the Members of the
Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of LGS Holdings Incorporated (formerly SLGA Holding Inc.) (the "Company"), which comprise the statement of financial position as at March 31, 2024, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 10 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2023 has been restated. The financial statements for the year ended March 31, 2023 (prior to the adjustments that were applied to restate certain comparative information explained in Note 10) were audited by another auditor who expressed an unmodified opinion on those financial statements on May 29, 2023. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Regina, Saskatchewan
May 28, 2024

LGS Holdings Incorporated
Statement of Financial Position
As at March 31

(Thousands of Dollars)	Note	2024	2023
ASSETS			
Current assets:			
Cash		$ 3,208	$ -
Due from General Revenue Fund		-	6,612
Goods and Services Tax (GST) receivable		-	197
Current portion of leases receivable	4	27,834	24,532
		31,042	31,341
Long-term leases receivable	4	65,170	62,781
		$ 96,212	$ 94,122
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		$ 209	$ 7,092
Due to SLGA		-	84,479
Due to LGS	6	10,802	-
		11,011	91,571
Retained earnings		85,201	2,551
		$ 96,212	$ 94,122
Description of business	1		

(See accompanying notes)

On behalf of the Board:

Director:___________________________ Director:___________________________

LGS Holdings Incorporated
Statement of Comprehensive Income
For Year Ended March 31

(Thousands of Dollars)	2024	2023 (restated - Note 10)
Revenue	$ 77	$ 332
Expenses	112	-
	112	-
Operating (loss) income	(35)	332
Gain on disposal of non-current assets	296	269
Comprehensive income	$ 261	$ 601

(See accompanying notes)

LGS Holdings Incorporated
Statement of Changes in Equity
For Year Ended March 31

(Thousands of Dollars)	Note	2024			2023		
		Contributed Surplus	Retained Earnings	Total	Contributed Surplus	Retained Earnings	Total
Beginning of year		$ -	$ 2,551	$ 2,551	$ -	$ 1,950	$ 1,950
Comprehensive income		-	261	261	-	601	601
Dividend		-	(2,566)	(2,566)	-	-	-
SLGA contribution	1	84,955	-	84,955	-	-	-
Transfer of contributed surplus		(84,955)	84,955	-	-	-	-
End of year		$ -	$ 85,201	$ 85,201	$ -	$ 2,551	$ 2,551

(See accompanying notes)

LGS Holdings Incorporated
Statement of Cash Flows
For Year Ended March 31

(Thousands of Dollars)	2024	2023
Operating activities:		
Comprehensive Income	$ 261	$ 601
Adjustments for:		
(Decrease) increase in due to SLGA	(84,479)	126
Increase in due to LGS	10,802	-
(Decrease) increase in trade and other payables	(6,883)	5,948
Increase in long-term leases receivable	(2,389)	(2,789)
Increase in current portion of leases receivable	(3,302)	(3,354)
Decrease in trade and other receivables	-	2
Decrease in GST receivable	197	580
Net cash from operating activities	(85,793)	1,114
Financing activities:		
Dividends paid	(2,566)	-
SLGA contribution	84,955	-
Net cash from operating activities	82,389	-
Change in cash	(3,404)	1,114
Cash, beginning of year	6,612	5,498
Cash, end of year	$ 3,208	$ 6,612
Cash position consists of:		
Cash	3,208	-
Due from General Revenue Fund	-	6,612
	$ 3,208	$ 6,612

(See accompanying notes)

LGS Holdings Incorporated
Notes to the Financial Statements
For the Year Ended March 31

1. Description of Business

LGS Holdings Inc. (the Corporation) is a corporation domiciled in Canada. The address of LGS Holdings Inc.'s registered office and principal place of business is 2055 Albert Street, Regina, SK, S4P 2T8. LGS Holdings Inc. was incorporated on June 26, 2018, under *The Business Corporations Act, 2021 (Saskatchewan)* and began operating as a wholly owned subsidiary under the direction of the Saskatchewan Liquor and Gaming Authority (SLGA) on September 30, 2018.

On June 1, 2023, Lotteries and Gaming Saskatchewan Corporation (LGS) purchased SLGA Holding Inc. and the Corporation was renamed to LGS Holdings Inc.

As a wholly owned subsidiary of LGS, LGS Holdings Inc. is not subject to federal or provincial income or capital taxes. LGS Holdings Inc. is responsible for the purchase of property and equipment for leases to LGS for the video lottery terminal (VLT) program and Saskatchewan Indian Gaming Authority (SIGA) slots.

2. Basis of Preparation

a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on May 28, 2024.

b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value (Note 7).

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses.

These estimates and assumptions are based on several factors, including historical experience, current events, and actions that LGS Holdings Inc. may undertake in the future, and other assumptions that LGS Holdings Inc. believes are reasonable under the circumstances. Actual results may differ from these estimates.

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

Significant items subject to estimates include the carrying amount of leases receivable (Note 4).

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

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by LGS Holdings Inc.

a) Financing Leases Receivable

LGS Holdings Inc. purchases property and equipment for the purpose of entering into a direct financing lease agreement with LGS. LGS Holdings Inc. records the cost of the leased assets as leases receivable from LGS and LGS records the equivalent amount as property and equipment. LGS Holdings Inc. initially recognizes financing leases receivable at fair value on the date that they originate. Subsequent to initial recognition, financing leases receivable are measured at amortized cost using the effective interest model, less any provision for impairment losses. LGS Holdings Inc. derecognizes the leases receivable when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the leases receivable in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by LGS Holdings Inc. is recognized as a separate asset or liability.

b) Revenue Recognition

LGS Holdings Inc. evaluates all contractual arrangements it enters into and evaluates the nature of the promises it makes, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are concluded to be distinct from each other, the consideration LGS Holdings Inc. expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices.

Revenue includes finance income. Finance income comprises interest income on bank balances. Interest income is recognized as it accrues in income, using the effective interest method.

c) Foreign currency

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

d) Financial instruments

(i) Non-derivative financial assets and liabilities

LGS Holdings Inc. classifies its financial instruments into one of the following categories: fair value through profit or loss and amortized cost. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

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

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

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

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

e) Impairment

i) Financial assets

LGS Holdings Inc. recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. LGS Holdings Inc. measures loss allowances for leases receivable at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

ii) Non-financial assets

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

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

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

f) Adoption of IAS 1 amendments

The Corporation has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

g) New standards and interpretations not yet adopted

LGS Holdings Inc. has assessed the impact of new standards, interpretations and amendments to existing standards that were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting years beginning after April 1, 2024.

LGS Holdings Inc. does not expect any material impacts to the financial statements.

4. Leases Receivable

LGS Holdings Inc. entered into a direct financing lease agreement with LGS for property and equipment. LGS Holdings Inc. records the cost of the leased assets as leases receivable from LGS and LGS records the equivalent amount as property and equipment. The leases receivable is non-interest bearing and has minimum repayments as follows:

(Thousands of Dollars)

2025-26	$	**20,372**
2026-27		**16,210**
2027-28		**13,581**
2028-29		**9,820**
2029-30 and subsequent		**5,187**
Total minimum payments receivable		**65,170**
Current portion		**27,834**
Total	$	**93,004**

5. Agreement with LGS

On June 1, 2023, LGS Holdings Inc. entered into an agreement with LGS which is ongoing until given sixty (60) days notice in writing, given by one party to another, for the provision of services by LGS to LGS Holdings Inc. on a cost recovery basis. The services include employees, the use of LGS assets and reimbursement of costs incurred by LGS on behalf of LGS Holdings Inc. This agreement replaces the agreement previously in place with SLGA dated September 30, 2018.

6. Due to LGS

Amounts due to LGS are non-interest bearing and payable on demand. These amounts represent payments made by LGS on behalf of LGS Holdings Inc. which have not yet been reimbursed. The amount owing as at March 31, 2024 is $10.8 million.

7. Financial Risk Management

LGS Holdings Inc. has exposure to the following risks from its use of financial instruments: market risk, foreign currency risk, credit risk and liquidity risk.

a) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of LGS Holdings Inc.’s risk management framework and is responsible for developing and monitoring LGS Holdings Inc.’s risk management policies.

LGS Holdings Inc.’s risk management policies are established to identify and analyze the risks faced by LGS Holdings Inc., to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LGS Holdings Inc.’s activities.

LGS Holdings Inc.’s Board of Directors oversees how management monitors compliance with LGS Holdings Inc.’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by LGS Holdings Inc. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

b) Fair value

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

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

The following table presents the carrying amount and fair value of LGS Holdings Inc.’s financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

(Thousands of Dollars)			2024		2023	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 3,208	$ 3,208	$ -	$ -
Due from GRF	FVTPL	Level One	-	-	6,612	6,612
GST receivables	AC	N/A	-	-	197	197
Trade and other payables	AC	N/A	209	209	7,092	7,092
Due to SLGA	AC	N/A	-	-	84,479	84,479
Due to LGS	AC	N/A	10,802	10,802	-	-

Classification[1]
FVTPL - Fair value through profit or loss
AC - Amortized cost

LGS Holdings Inc. is exposed to a low number of financial risks in the normal course of operations.

c) Credit and Interest Rate Risk

LGS Holdings Inc. is exposed to minimal credit risk from the potential non-payment of leases receivable as the majority of receivables are due from related parties.

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

(Thousands of Dollars)

	2024	2023
Cash	$ 3,208	$ -
Due from the GRF	-	6,612
Leases receivable	93,004	87,313
	$ 96,212	$ 93,925

As of March 31, 2024, there was no impairment required on any of the financial assets of LGS Holdings Inc. Interest rate risk is the risk of financial loss resulting from changes in market interest rates. LGS Holdings Inc. has evaluated the interest rate risk as low and has done nothing to mitigate the risk.

d) Foreign exchange risk

LGS Holdings Inc. faces exposure to the U.S./Canadian dollar exchange rate through the purchase of goods and services payable in U.S. dollars. LGS Holdings Inc. may utilize financial instruments to manage this risk. As at March 31, 2024, LGS Holdings Inc. had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on LGS Holdings Inc.’s financial instruments is not considered significant to the Corporation. Therefore, a sensitivity analysis of the impact on profit or loss has not been provided.

e) Liquidity risk

Liquidity risk is the risk that LGS Holdings Inc. is unable to meet its financial commitments as they become due or can only do so at excessive cost. LGS Holdings Inc. manages its cash resources based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities of LGS Holdings Inc.'s financial liabilities:

(Thousands of Dollars)			2024				
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Trade and other payables	$ 209	$ 209	$ 209	$ -	$ -	$ -	$ -
Due to LGS	10,802	10,802	10,802	-	-	-	-
	$ 11,011	$ 11,011	$ 11,011	$ -	$ -	$ -	$ -

(Thousands of Dollars)			2023				
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Trade and other payables	$ 7,092	$ 7,092	$ 7,092	$ -	$ -	$ -	$ -
Due to SLGA	84,479	84,479	84,479	-	-	-	-
	$ 91,571	$ 91,571	$ 91,571	$ -	$ -	$ -	$ -

8. Share Capital and Capital Management

As a wholly-owned subsidiary of LGS, the Corporation's share capital currently consists of funds invested by LGS in the amount of $Nil (2023 - $Nil). LGS holds 1 common share with no par value.

LGS Holdings Inc.'s objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of LGS Holdings Inc., and to ensure adequate returns to LGS.

LGS Holdings Inc. funds its capital requirements through internal operating activities and amounts due to LGS.

9. Related Party Transactions

LGS Holdings Inc. is controlled by the Government of Saskatchewan through its ownership of LGS Holdings Inc.'s parent, LGS. Included in these financial statements are transactions with LGS. LGS Holdings Inc. has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

10. Comparative information

During the year, LGS Holdings Inc. reassessed and concluded that the presentation of revenue and expenses related to the lease receivable for the year ended March 31, 2023 be adjusted. As a result, total revenue for the year ended March 31, 2023 was adjusted from $21.8 million to $0.3 million and total expenses were adjusted from $21.5 million to $Nil with no change to comprehensive income. There were no impacts to the statement of financial position or cash flows from operating or financing activities.

Certain additional comparative information was adjusted to conform to the current year presentation.