

CROWN INVESTMENTS CORPORATION
OF SASKATCHEWAN



ANNUAL REPORT

1992

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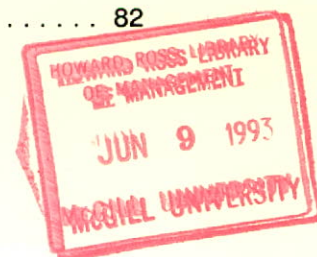
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CROWN INVESTMENTS CORPORATION
OF SASKATCHEWAN
ANNUAL REPORT 1992

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
April 21, 1993

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the fifteenth annual report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 1992 in accordance with **The Crown Corporations Act, 1978**. The consolidated and non-consolidated financial statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,



John Penner
Minister Responsible
Crown Investments Corporation of Saskatchewan



BOARD OF DIRECTORS

Hon. John Penner
Chairperson and Minister Responsible
(after January 8, 1993)

Hon. Ned Shillington

Hon. Janice MacKinnon
Vice-Chairperson
(after January 8, 1993)

Hon. Lorne Calvert
(before March 17, 1993)

Hon. Dwain Lingenfelter

Hon. Doug Anguish
(after March 17, 1993)

Hon. Carol Teichrob

Hon. Ed Tchorzewski
(before January 8, 1993)

Hon. Bernhard Wiens

OFFICERS AND SENIOR MANAGEMENT

Donald R. Ching
Acting President

David Hughes
Vice-President - Projects

Donald Axtell
Vice-President - Corporate Services

Richard Hornowski
Vice-President - Finance

Bill Hyde
Vice-President - Human Resources

Harvey McEwen
Director, Pension and Benefits



MANAGEMENT'S REPORT

The main priorities for CIC in 1992 were the restoration of financial integrity, the continuation of improvements in the accountability of the commercial Crown corporation sector and the provision of assistance to the Province in its economic recovery.

As was described in last year's report, previous losses and privatization initiatives threatened the financial integrity of CIC. As a result, a financial restructuring of CIC was essential. This restructuring was carried out in three phases.

The first of these was the cancellation of \$584 million of equity advances from the Consolidated Fund which eliminated CIC's non-consolidated accumulated deficit at December 31, 1991. This provided CIC, as a legal entity, the opportunity to enter 1992 without an accumulated deficit and provides a clean slate by which the current management team can be assessed.

The second phase was the conversion of \$875 million of CIC's debt to non-interest bearing equity advances. This step will reduce CIC's annual interest cost by approximately \$90 million. The debt in question had been identified as unsupportable because underlying assets no longer existed due to privatization decisions, payment of excessive dividends, or losses realized on investments. The debt conversion will allow CIC to be in a better position to manage its affairs in a fiscally prudent manner.

The third and final phase of CIC's financial restructuring plan was the provision during fiscal 1992-93, of a subsidy from the Consolidated Fund to CIC to fund the 1992 non-consolidated operating loss of CIC. This subsidy was initially estimated at \$39 million in the 1992-93 budget. However, through prudent financial management and with the support of commercial Crown corporations, the subsidy for the Province's 1992-93 fiscal year will be \$4.9 million, a reduction of \$34.1 million from the initial budget.

In addition to the financial restructuring, significant progress has been made in renegotiating the terms of major investments and commitments made so that they better serve the interests of Saskatchewan taxpayers.

CIC renegotiated the terms of the Province's financial obligations arising from the HARO/Crown Life deal. \$355 million in loan guarantees with respect to HARO were replaced by a loan to a maximum principal amount of \$275 million. The on-going intent of the agreement is to have government investment replaced by private investment within the next five years. The effect of the renegotiation was to reduce the Province's potential exposure by \$80 million, while at the same time ensuring that the Crown Life relocation to Saskatchewan proceed as planned.

Negotiations resulted in the early payout of the Weyerhaeuser Canada Ltd. debenture which arose from the sale of PAPCO in 1986. The deal, concluded in January 1993, included a lump sum cash payment from Weyerhaeuser of \$150 million, as well as the elimination of the Province



MANAGEMENT'S REPORT (continued)

of Saskatchewan's loan guarantee of over \$40 million, in exchange for the elimination of Weyerhaeuser's obligations to CIC. In all, this transaction reduced the Province's debt and outstanding loan guarantees by over \$190 million.

Negotiations with Consumer's Co-operative Refineries Limited aimed at redressing the terms and conditions governing the NewGrade Energy Inc. heavy oil upgrader have not met with the same degree of success. An inquiry headed by Mr. Willard Estey was undertaken. At the time of writing of this Annual Report, a report on the results of that inquiry has been received, but has not yet been released to the public.

Three major projects in which CIC is involved commenced commercial operations in 1992.

The pulp mill near Meadow Lake, of which CIC is a 49 per cent partner, commenced production of on-spec pulp in January, one month ahead of schedule and reached commercial operations in November. The final project costs of \$356.3 million were \$5.2 million less than the budgeted amount. The mill is currently surpassing budgeted production figures. It appears to be well positioned for the future as the state of the art, environmentally friendly facility produces chlorine-free pulp.

The Saskferco fertilizer plant near Belle Plaine, of which CIC is also a 49 per cent owner, commenced production in July and reached commercial production levels in October, only eight weeks later than the original target date. The final capital costs to start-up of the project are estimated to be approximately \$439.9 million, \$4.6 million higher than the budgeted amount.

The Bi-Provincial Upgrader near Lloydminster commenced production in July and was fully operational by November. The upgrader facility is currently operating at approximately 80 per cent of design capacity. The project's economic viability is very much dependent on the price of oil and on the differential in the price of light and heavy crude oil. Because of this and significant construction cost overruns, the Province did not contribute its proportionate share of the project's total costs. The Province declined to participate in funding its share of \$190 million of the total of \$365 million of cost overruns, thereby saving the Province \$33.3 million.

The measures implemented by CIC and the commercial Crown corporations during the last 14 months have resulted in a significant turnaround in consolidated financial results. The Annual Report for 1992 shows consolidated net earnings of \$88 million compared to a consolidated net loss of \$379 million in 1991. This represents a turnaround of approximately \$470 million.

On a non-consolidated basis, CIC's financial results also improved significantly. CIC's Non-Consolidated Financial Statements show a loss, before the subsidy from the Consolidated Fund, of \$4.9 million for 1992, compared to a loss of \$615.1 million in 1991. This represents an



MANAGEMENT'S REPORT (continued)

improvement of over \$610 million. Part of that improvement was attributable to the fact that no dividends were received from Crown corporations in 1991, whereas \$178.7 million in dividends were declared in 1992.

In addition to the financial restructuring and rebuilding, CIC has made significant improvements in its management and administrative capabilities.

CIC has provided more consistent and professional services in the Human Resources, Finance and Corporate Services area. It has also enhanced, refined, and documented rigid investment review criteria. The monitoring of all investments has continued to improve. These activities will improve efficiency, assist in the progress towards financial integrity, enhance the professional image of CIC and assist the commercial Crown corporations and the Province.

Two commercial Crown corporations are not yet financially self-sustaining and one other has reported its first profit in several years. CIC is working closely with these corporations to implement business plans that will restore these corporations to financial health. Saskatchewan Transportation Corporation (STC) has improved its operating results significantly as a result of restructuring and efficiency improvements. STC predicts that it will be self-sustaining within the next two years. The Saskatchewan Economic Development Corporation (SEDCO) is in the process of restructuring and has made some progress in recognizing, managing and providing for problem loans and investments in its portfolio. Saskatchewan Forest Products Corporation (SFPC) was profitable in 1992 after a loss of \$3.5 million in 1991. An extensive review of SFPC and its long range plans is underway.

During 1992, CIC has made significant progress in clarifying the way that the Crown corporation sector is accountable to the people of Saskatchewan and their elected representatives.

The cornerstone of this progress was the drafting of a new **Crown Corporations Act** that was introduced in the Legislature on March 31, 1993. This legislation establishes a clear reporting structure for the Crown sector; ensures that the Legislature receives proper and timely information on the activities of Crown corporations; and spells out conflict of interest guidelines and standards of care for directors and officials of Crown corporations.

CIC is continuing to improve on appropriate and complete public disclosure of its activities. In this respect, CIC continued to implement the recommendations of the Financial Management Review Commission. A number of dormant or unnecessary corporations are in the process of being wound down. Apart from improving efficiency, this will also simplify disclosure and reporting.



MANAGEMENT'S REPORT (continued)

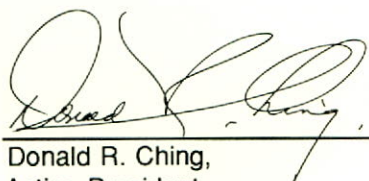
The format of this Annual Report is itself an example of the commitment to full accountability. In addition to the Consolidated Financial Statements and the Non-Consolidated Financial Statements for CIC, the legal entity, that appeared in last year's report, a third set of financial statements has been included which discloses the non-consolidated financial results of CIC's wholly-owned subsidiary, CIC Industrial Interests Inc. (CIC III). CIC III is the subsidiary company through which most of CIC's commercial investments are made. Because of this, it is our opinion that publication of separate financial statements for this corporation is an important additional step in the disclosure of the activities of CIC. 1992 marks the first year in CIC's fifteen year history where such comprehensive financial information is included under one cover.

While much was accomplished in 1992, much remains to be done. Our challenges in the near future will continue to be centred on improving the financial integrity of CIC. We have made improvements in our investment portfolio and further improvements may be possible. Our commercial Crown corporations have taken significant efficiency and cost cutting steps and that process will also continue. We need to examine the nature of our investments to make sure they are serving the Province's needs and we need to continue to administer improvements that have begun. Through these processes we will continue to make CIC a better, more efficient and focused organization and assist the Province in its financial recovery.

1992 was not an easy year. With the steps already taken and with a solid foundation laid, rebuilding will continue. None of the already significant progress would have been possible without the cooperation and hard work of many people and organizations. These include the commercial Crown corporations and their staff, and our Board of Directors and our staff. Our sincere thanks to all of them for a job well done.



John Penner, Chairperson and
Minister Responsible



Donald R. Ching,
Acting President



CORPORATE OBJECTIVES - 1992

There were three major objectives for CIC in 1992. Each of those had many sub-objectives, strategies and targets. The three major corporate objectives and results achieved against them are as follows:

Objective 1

To restore the financial integrity of CIC.

The main priorities within this objective were the review of major investments and the financial restructuring of CIC and relevant Crown corporations.

Results

- *The replacement of \$355 million in Provincial guarantees for Haro/Crown Life with a loan to a maximum of \$275 million.*
- *The payment by Weyerhaeuser of \$150 million and the removal of a provincial guarantee of over \$40 million in early 1993.*
- *Series C financing for NewGrade underwritten by the Province and the Federal Government obviating the need for CIC to provide a cash injection to NewGrade.*
- *A commitment for a \$4 million U.S. equity injection and an \$18 million loan to Promavia were eliminated.*
- *A \$33.3 million call as a result of overruns in the Bi-Provincial Upgrader project was declined.*
- *The elimination of a \$22 million cash flow deficiency guarantee commitment for Canamera.*
- *Extensive negotiations and the launch of an inquiry into the NewGrade project.*
- *CIC's non-consolidated loss for the year was \$4.9 million compared to a budgeted loss of \$39 million, an improvement of \$34.1 million.*

- *Financial restructuring of CIC completed as planned.*
- *Financial restructuring of non-self sustaining Crown corporations completed or well underway.*

Objective 2

Continuation of improvements in the accountability of the commercial Crown corporation sector.

Results

- *Comprehensive annual report on all of the activities of CIC publicly released in one report, on time.*
- *Significant improvement in timing and quality of information provided to all relevant parties.*
- *Comprehensive Business Planning process introduced within CIC. Business Plans of Crown corporations reviewed by CIC Board.*

Objective 3

Provision of assistance to the Province in its economic recovery.

Results

- *Significant progress in the restoration of financial integrity to the Crown corporation sector.*
- *Active involvement by CIC in the preparation of the Provincial Budget.*
- *Better communication and integration of Crown corporation sector with the information requirements of the Province.*
- *Carefully assessed dividend payments from Crown corporations to CIC, balancing the needs of CIC and the Province with the need for financial integrity of the Crown corporations.*



SUBSIDIARIES, MAJOR INVESTMENTS AND COMMITMENTS

Subsidiaries

CIC Industrial Interests Inc.

CIC Mineral Interests Corporation
(including its investment in Potash Corporation of Saskatchewan Inc.)

Saskatchewan Computer Utility Corporation
(inactive)

Saskatchewan Development Fund Corporation

Saskatchewan Economic Development Corporation

Saskatchewan Forest Products Corporation

Saskatchewan Government Insurance

Saskatchewan Mining Development Corporation

Saskatchewan Power Corporation

Saskatchewan Telecommunications

Saskatchewan Transportation Company

Saskatchewan Water Corporation

SaskEnergy Incorporated (formerly Saskatchewan Energy Holdings Ltd.)

Major Investments and Commitments

Bi-Provincial Upgrader Joint Venture

Saskferco Products Inc.

Meadow Lake Pulp Limited Partnership

Haro Financial Corporation

Saskatchewan Oil and Gas Corporation

NewGrade Energy Inc.



1992 OPERATIONS OVERVIEW

Crown Investments Corporation of Saskatchewan (CIC) is a Provincial Crown corporation, without share capital, operating under authority of **The Crown Corporations Act, 1978**. CIC is responsible for certain Provincial investments. These include Crown corporations and financial and operating investments. Crown corporations are designated as being under the purview of CIC by Order-in-Council. As at December 31, 1992, there were twelve corporations so designated.

Each year since 1978, the financial statements of CIC have been consolidated with the aforementioned Crown corporations, as well as with other investments, to provide the Legislature with financial information relating to the aggregate results of these corporations. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets. The diversified nature of the corporations within the consolidated group is such that the operating results can be affected by events and conditions occurring throughout the world. The Consolidated Financial Statements commence on page 26.

Non-Consolidated Financial Statements which report on the operations of CIC as a separate legal entity have also been included in this Annual Report. Prior to 1991, these "legal entity" financial statements were not tabled in the Legislature. CIC's Non-Consolidated Financial Statements commence on page 50. In addition, Non-Consolidated Financial Statements which report on the operations of CIC's wholly-owned share capital subsidiary, CIC Industrial Interests Inc. (CIC III), have been included in this Annual Report. 1992 marks the first year that CIC III's Non-Consolidated Financial Statements have been included in CIC's Annual Report. CIC III's Non-Consolidated Financial Statements commence on page 66.

The following pages of this overview provide narrative and financial information pertaining to CIC's subsidiaries, including commercial Crown corporations, and on major investments and commitments made. Further information relating to the commercial Crown corporations is available in their individual annual reports.

On a consolidated basis, CIC reported net earnings of \$88.5 million on total revenues of \$1.9 billion. This compares to a consolidated net loss of \$378.8 million in 1991 on total revenues of \$1.8 billion. The 1991 loss includes non-recurring losses of \$352.7 million, whereas in 1992 a non-recurring gain of \$24.7 million was realized. These items are described in the Notes to the Consolidated Financial Statements. Total consolidated assets at December 31, 1992 were \$7.2 billion compared to \$7.1 billion in 1991. Summary consolidated financial information is presented on page 25.

Overall, total consolidated long-term debt has decreased by \$870.1 million from \$5.04 billion to \$4.17 billion. The main reason for this decrease was the conversion during 1992 of \$875 million of long-term debt to non-interest bearing equity advances. This conversion of debt to equity was part of the financial reorganization of CIC as more fully described in CIC's Non-Consolidated Financial Statements. The conversion was effective March 31, 1992. As a result of the decrease in long-term debt, interest expense for the year decreased by \$55.1 million.

SUBSIDIARIES

CIC MINERAL INTERESTS CORPORATION (CIC MIC) Including its investment in Potash Corporation of Saskatchewan Inc. (PCS Inc.)

Until late in 1989, CIC MIC, previously the Potash Corporation of Saskatchewan, was an active mining company. On November 9, 1989, most of the assets and liabilities of CIC MIC were transferred to PCS Inc. in exchange for 100 per cent of PCS Inc.'s common shares. CIC MIC immediately sold 37 per cent of these shares in an initial public offering by secondary distribution and placed a further 31.7 per cent in trust to fulfil the exchangeability feature of the Potash Ownership Bonds issued by the Province of Saskatchewan in 1989. A share issue by PCS Inc. in 1990 and a sale of shares by CIC MIC in 1991 have significantly reduced CIC MIC's ownership interest in PCS Inc. as described below.



The Potash Ownership Bonds matured on December 1, 1992. A significant portion of the Bondholders elected to convert their Bonds to PCS Inc. shares. This resulted in the disposition of 10,521,442 of the 11,100,000 PCS Inc. shares initially placed in trust for this purpose. The remaining 578,558 PCS Inc. shares were transferred by the trustee back to CIC MIC.

At December 31, 1992, CIC MIC owned 578,559 unencumbered common shares in addition to 3,630,566 common shares held in trust to satisfy the possible exercise of common share purchase warrants sold in 1991. These shares represent a total ownership interest in PCS Inc. of 10.9 per cent. The full exercise of the common share purchase warrants, which expire September 30, 1994, would reduce CIC MIC's ownership interest to 1.5 per cent.

CIC MIC's administration is conducted under the direction of its Board of Directors through the use of staff and facilities provided by CIC. CIC MIC reported net earnings of \$8.2 million in 1992 compared to \$19.5 million in 1991. CIC MIC declared and paid a dividend of \$27.7 million to CIC in 1992.

PCS Inc., with its corporate office located in Saskatoon, is the world's largest publicly traded supplier of potash. PCS Inc. reported net earnings of \$58.2 million in 1992 compared to \$45.2 million in 1991.

Event Subsequent to Year End

On March 12, 1993, the **Potash Corporation of Saskatchewan Repeal Act** was introduced in the Legislature. This Act, if proclaimed, would wind up the affairs of CIC MIC and transfer all assets and liabilities to CIC.

SASKATCHEWAN COMPUTER UTILITY CORPORATION (SaskCOMP)

SaskCOMP was inactive during 1992 as all of its assets and liabilities were sold in 1988 as part of the transactions that formed ISM Information Systems Management Corporation.

Event Subsequent to Year End

On March 12, 1993, the **Saskatchewan Computer Utility Corporation Repeal Act** was introduced in the Legislature. This Act, if proclaimed, would wind up SaskCOMP into CIC.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION (SDFC)

SDFC was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund, an open-end investment trust. In 1976, SDFC expanded its operations to include an annuity business which offered several different types of annuities to the public. SDFC continues to manage the affairs of the Saskatchewan Development Fund, although it no longer offers annuities to the public. SDFC's administration is conducted under the direction of its Board of Directors through the use of staff and facilities provided by CIC. SDFC reported a net loss in 1992 of \$22 thousand compared to net earnings of \$126 thousand in 1991.

SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION (SEDCO)

SEDCO provides a number of programs to promote and facilitate economic development and diversification in the Province. SEDCO's mandate is to assist viable Saskatchewan businesses to create jobs. SEDCO provides a wide range of financial and property services to businesses in nearly all sectors of the provincial economy, with special emphasis on small business.

During 1992, SEDCO activity helped to create approximately 1,072 new jobs. The wage value of the new jobs was more than \$26 million.

The Small Business Loans Associations Program, initiated in 1989, remained popular in 1992. Small business loans associations are formed by local groups throughout Saskatchewan and, with assistance from SEDCO, lend money for projects



in their areas. Loans made by the associations for local projects are for \$5,000 or less. Since 1989, 291 associations have been formed. Of these, 21 were formed in 1992. By the end of 1992, the associations had approved more than 2,500 loans totalling \$13.6 million. These association loans have assisted in the creation of more than 1,300 new Saskatchewan businesses.

During 1992, SEDCO continued to manage and administer all aspects of the Saskatchewan Government Growth Fund (SGGF), a government-administered venture capital fund under the Federal government's immigrant investor program. SGGF acts as a vehicle for foreign investors to invest in businesses located in Saskatchewan and to facilitate the investor's qualification as a permanent Canadian resident.

SEDCO reported a loss of \$47.3 million during 1992 compared to a loss of \$42.6 million in 1991. The 1992 loss included provision for losses and write-downs of \$25.2 million compared to \$28.2 million in 1991. Eight large loans accounted for most of the 1992 provision. Interest expense of \$28.1 million contributed significantly to the 1992 loss.

During 1992, SEDCO commenced major initiatives to control costs, increase diligence in lending and improve accountability. SEDCO's Board of Directors undertook a review of the corporation's mandate and operations and provided recommendations regarding the future of the corporation. Recommendations for the development of an appropriate organizational structure to meet the economic development needs of the Province remained under consideration at year end.

Event Subsequent to Year End

Pursuant to Order-in-Council 214/93 dated March 19, 1993, SGGF was designated as being under the purview of CIC.

SASKATCHEWAN FOREST PRODUCTS CORPORATION (SFPC)

SFPC produces dimensional lumber and studs at its Carrot River sawmill and plywood sheathing at its plywood plant at Hudson Bay. In total, SFPC employs approximately 330 permanent employees. In an effort to remain competitive and to improve utilization of raw materials, modifications were made to the lathe deck at Hudson Bay which made it possible to process various diameter ranges of timber more efficiently. Several other capital projects considered necessary to maintain plant productivity were carried out at both plants.

SFPC recorded net earnings of \$1.3 million in 1992, compared to a loss of \$3.5 million in 1991. The improvement in results was due largely to significant increases in the sales prices of SFPC's products. The 1991 loss included a \$2.3 million provision for site restoration costs related to an abandoned wood treatment plant site in Prince Albert.

SASKATCHEWAN GOVERNMENT INSURANCE (SGI)

SGI's competitive general insurance business, known as SGI CANADA, offers a comprehensive line of home, tenant, farm, automobile extension, and commercial coverages. SGI CANADA products are distributed through approximately 400 independent brokers throughout the Province. The Saskatchewan Auto Fund, the Province's compulsory automobile insurance program, is administered by SGI on behalf of the Provincial Government.

SGI CANADA enhanced several products in 1992 and continued to provide high quality customer service. In 1992, 91 per cent of SGI CANADA's claimants and 83 per cent of Auto Fund claimants were satisfied with the handling of their claims.



S&I CANADA reported a profit of \$15.3 million in 1992, relatively unchanged from the \$15.5 million reported in 1991. The 1992 profit included an underwriting profit of \$1.0 million, a significant achievement in a year in which many insurance companies suffered considerable losses. During 1992, S&I CANADA declared a dividend to CIC of \$8.4 million.

As part of their long term plans, S&I CANADA intends to expand its operations to other provinces where sound business opportunities exist. Such expansion will occur through S&I Canada Insurance Services Ltd.

SASKATCHEWAN MINING DEVELOPMENT CORPORATION (SMDC) including its investment in Cameco Corporation (Cameco)

SMDC was transformed in 1988 from an active uranium mining and development corporation to an investment holding company whose primary asset is an ownership interest in Cameco.

Cameco was created in 1988 through the merger of SMDC's operations and those of Eldorado Nuclear Limited, a Federal Crown corporation. SMDC initially owned a 61.5 per cent interest in Cameco. However, in July 1991, Cameco issued 10.4 million common shares pursuant to an initial public offering. In September 1991, SMDC sold 5.3 million of its Cameco common shares through a private placement. The remaining shares, representing a 38.9 per cent ownership interest, are owned by SMDC. However, 2.7 million of these remaining shares are held in trust to satisfy the possible exercise of outstanding common share purchase warrants issued in 1991. The full exercise of the common share purchase warrants, which expire October 1, 1994, would reduce SMDC's ownership interest to 33.8 per cent.

SMDC's administration is conducted under the direction of its Board of Directors through the use of staff and facilities provided by CIC. SMDC reported net earnings of \$3.9 million in 1992 compared to a net loss of \$166.3 million in 1991. The 1991 loss was mainly attributable to a loss of \$189 million resulting from the partial privatization of Cameco, as fully described in SMDC's 1991

Annual Report. SMDC declared and paid a dividend of \$3.9 million to CIC in 1992.

Cameco, with its corporate office located in Saskatoon, is one of the world's largest, low-cost, integrated uranium producers. Cameco reported net earnings in 1992 of \$8.0 million, after recording a non-recurring loss of \$59.5 million. This compared to net earnings of \$47.9 million in 1991.

Event Subsequent to Year End

On March 12, 1993, the **Saskatchewan Mining Development Corporation Repeal Act** was introduced in the Legislature. This Act, if proclaimed, would wind up the affairs of SMDC and transfer all assets and liabilities to CIC.

SASKATCHEWAN POWER CORPORATION (SaskPower)

SaskPower's main functions are the generation, purchase, transmission, distribution and sale of electrical energy. SaskPower generates electricity at 14 power stations which use coal, hydro and natural gas. Power is delivered to customers along 145,225 km of power lines.

Capital expenditures of \$245 million for the year were 32.9 per cent lower than 1991 due to completion of Shand and related transmission facilities. The 300 megawatt (MW) Shand Power Station was commissioned in 1992. Located near Estevan, Shand is one of the country's most environmentally advanced coal fired generating stations.

The Rural Underground Distribution Program converted 3,528 rural services from overhead lines to underground cable. The cost of the 1992 program was \$33.2 million. Between 1983 and 1992, service has been converted for 16,814 customers, requiring 22,961 km of underground cable.

Electrical consumption in the Province was 12,434 Gigawatt hours, up 4.8 per cent from 1991. This increase was primarily due to new industrial customers. In the future, SaskPower will work with its customers to reduce energy



consumption in the Province by 90 MW over the next decade. In addition, it will work with interested parties in developing non-utility generation projects.

Revenues of \$720 million were 6.8 per cent higher than in 1991, reflecting growth in sales and an overall average rate increase of 4 per cent implemented in March 1992.

Net income for the year totalled \$106.7 million compared to \$118.1 million in 1991. During 1992, SaskPower declared a dividend to CIC of \$58.7 million. The reduction in net income is attributed mainly to increased costs and higher finance charges arising from the \$226 million of debt transferred from SaskEnergy as part of the process of creating SaskEnergy as a separate corporation. During the year, SaskPower repaid \$226 million of equity advances from CIC representing the excess of sale price over the net book value of assets sold to SaskEnergy in 1988 and 1989. This repayment was funded through the transfer of an equivalent amount of long-term debt from SaskEnergy. Costs and expenses for the year totalled \$469 million as compared to \$437 million in 1991. Over half of the increase is due to cost increases associated with the commissioning of Shand and related transmission facilities.

Finance charges totalled \$144 million compared to \$119 million in 1991. Despite the significant increase in long-term debt, SaskPower's financial condition remains strong with a debt to equity ratio of 69:31.

SASKATCHEWAN TELECOMMUNICATIONS (SaskTel)

SaskTel is responsible for providing local and long distance voice, data, image and text transmission services to the people of Saskatchewan. Through its membership in Stentor, an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and worldwide long distance communications services.

SaskTel also pursues diversification opportunities in worldwide markets through SaskTel Inter-

national. In addition to management consulting and software services, SaskTel International expands its international operations through strategic partnerships, joint ventures and equity investment projects.

In preparation for an increasingly competitive environment, SaskTel undertook to strengthen its financial position in 1992. A combination of events allowed it to reduce its long-term debt by \$107.6 million during the year.

SaskTel's net earnings for 1992 were \$79.9 million compared to \$51.0 million in 1991. During 1992, SaskTel declared a dividend to CIC of \$51.7 million.

Operating revenues for 1992 totalled \$620.9 million, up \$26.2 million from 1991 revenues of \$594.7 million. Long distance revenues continued to decline in 1992. This was the second consecutive year in which long distance revenues declined from their peak in 1990. Revenue from growth in long distance messages was not enough to offset the rate reductions during the year. As part of the restructuring of rates in March 1992, SaskTel offset the reduction of in-province long distance rates through local service rate increases to better reflect the cost of providing service.

Total operating expenses of \$484.1 million increased by \$29.6 million from 1991. This increase included non-recurring expenses that will benefit SaskTel in the future. They included an Early Retirement Program announced in December 1992. Savings in salaries and benefits stemming from the 1991 Enhanced Retirement Program and other reductions in manpower from 3,981 to 3,861 were partially offset by a contract settlement in 1992.

At December 31, 1991, SaskTel owned a 26.2 per cent ownership interest in ISM. Pursuant to an option clause in an ISM Shareholders Agreement, SaskTel sold a substantial portion of its ISM investment effective April 30, 1992. The transaction resulted in a gain of \$27.7 million and reduced SaskTel's investment in ISM to 4.4 per cent.



SASKATCHEWAN TRANSPORTATION COMPANY (STC)

STC operates a scheduled bus transportation system within the province that is linked to neighbouring provincial and national services through agency and interline agreements with other carriers. Comprehensive coverage of the province is accomplished through a network of some 260 agencies providing depot services and through schedule coordination with regional operators.

STC experienced a number of operating and efficiency challenges, together with administrative problems. These problems were recognized and addressed by the new management team. Significant improvement in efficiency and in the management of the corporation have occurred.

In 1992, STC logged 5.3 million miles on its 62 coaches, 5 per cent fewer miles than in 1991. Passenger volume was 522 thousand, down 14 per cent from 1991. In spite of this loss of passengers, and a \$1 million drop in revenues, STC reduced its operating loss from \$6.5 million in 1991 to \$4.9 million in 1992 through \$2.6 million in cost reductions. Cost reductions were attained largely through operational and maintenance efficiencies including closure of satellite express facilities, reduced hours of operation, better deployment of staff and equipment and modest schedule adjustments. Ongoing performance management measures, the most significant of which is responding realistically to the levels of demand for service, are directed towards eliminating losses entirely by 1994.

Event Subsequent to Year End

On March 15, 1993, based on the improved operating results and pursuant to STC's corporate business plan, CIC paid an equity advance to STC of \$21.5 million. STC subsequently applied these funds to reduce its outstanding debt owing to CIC, effectively converting interest bearing debt to non-interest bearing equity advances.

SASKATCHEWAN WATER CORPORATION (Sask Water)

Sask Water's main responsibility and authority is to manage, administer, develop, control and protect the water and related land resources of Saskatchewan. Sask Water has its head office in Moose Jaw.

One of the most significant projects for Sask Water is the Melfort Regional Water Supply project which was announced in 1991. In 1992, the project was expanded to include the communities of Kinistino, Beatty and Weldon and construction was well underway on the water treatment plant and the pumphouse on Codette Reservoir.

Sask Water worked with organized irrigators and water user groups in areas of education, irrigation system design, cropping practices and rehabilitation of existing works to ensure efficient irrigation. To improve Sask Water's ability to manage our water resources, Sask Water assumed operating responsibility for 28 joint federal-provincial hydrometric monitoring stations in 1992. These stations were transferred from the Water Resources Branch of Environment Canada.

Completion of the Rafferty and Alameda projects in southeast Saskatchewan was delayed in 1992 due to legal challenges. At year-end, Sask Water was still in the process of negotiating an out-of-court settlement which would be satisfactory to all parties involved.

In 1992, Sask Water changed its method of recording grant revenue from the Consolidated Fund of the Province. Under this new reporting method, Sask Water recorded operating income of \$929 thousand on revenues of \$16.1 million. Operating income consisted of utility operations earnings of \$1.2 million and a non-utility operations loss of \$284 thousand. This loss was a result of non-utility expenditures exceeding grants and other non-utility revenues. On a comparative basis, in 1991 Sask Water had an overall loss on operations of \$3.3 million.



SASKENERGY INCORPORATED (formerly Saskatchewan Energy Holdings Ltd.)(SaskEnergy)

SaskEnergy underwent several major organizational changes during 1992. In May, Saskatchewan Energy Holdings Ltd. was amalgamated with the distribution company, SaskEnergy Incorporated, and continued under the name of SaskEnergy Incorporated. Its wholly-owned subsidiary, TransGas Limited (TransGas), is the natural gas transmission company. On October 5, 1992, SaskEnergy Incorporated became a Crown corporation with the enactment of **The SaskEnergy Act**. The assets, liabilities and equity which existed in SaskEnergy prior to October 5, 1992 were continued in the Crown corporation.

SaskEnergy's mandate is to promote, transport, store and distribute natural gas.

In these economically challenging times, SaskEnergy is sensitive to the needs of its customers, and continues to provide some of the lowest residential natural gas rates in the country - second only to Alberta. In addition, TransGas is delivering record volumes of natural gas. The transmission system transported close to 306 billion cubic feet of gas in 1992, up 10 per cent from 1991. TransGas also set a new maximum day throughput record of close to 1.4 billion cubic feet on December 28, 1992. These achievements, combined with upgrades to facilities and expanded storage capacity, have made TransGas very competitive in the natural gas industry.

The \$40 million of capital expenditures for 1992 was considerably lower than the \$113 million spent in 1991. The 1991 capital expenditure program included the Rosetown-to-Regina transmission pipeline expansion and the final year of the Gas Distribution Program. The 1992 capital expenditure program concentrated on developing storage facilities, providing access to new reserve areas, connecting new customers and making system improvements. In 1992, SaskEnergy purchased 79 per cent of its natural gas, worth \$67 million, from within Saskatchewan. SaskEnergy continued its

commitment to Saskatchewan industries by spending over \$31 million for Saskatchewan goods and services.

A \$226 million debt transfer, which related to SaskEnergy's 1988 and 1989 purchases of assets from SaskPower, helped reduce SaskEnergy's debt/equity ratio from 89:11 at the end of 1991 to 82:18 by the end of 1992.

SaskEnergy's net earnings in 1992 were \$51.6 million, an increase of almost \$25 million over 1991. Based on SaskEnergy's 1992 performance, SaskEnergy for the first time declared a dividend to CIC. The dividend was \$28.4 million.

CIC INDUSTRIAL INTERESTS INC. (CIC III)

CIC III was incorporated in 1979 under **The Business Corporations Act (Saskatchewan)** as a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to own certain investments of a commercial nature which involved some degree of private ownership. The investments held by CIC III are described below.

CIC III's Non-Consolidated Financial Statements are included in this Annual Report and begin on page 66.

Bi-Provincial Upgrader Joint Venture (Bi-Provincial Upgrader)

The Government of Saskatchewan entered into an agreement with the Government of Canada, the Government of Alberta and Husky Oil Ltd. on September 2, 1988 to finance, build and operate a heavy oil upgrader to be located near Lloydminster, Saskatchewan. CIC III holds the Province's 17.5 per cent ownership interest in the project. The total construction cost of the upgrader (which will produce approximately 16.8 million barrels of upgraded crude oil per year) was originally estimated to be \$1.267 billion. The final cost is now expected to be \$1.632 billion, an increase of \$365 million.

CIC III's current obligations under the agreements are to provide 17.5 per cent of \$1.267 billion, or \$221.7 million, in the form of non-interest bearing



cash equity; 17.5 per cent of the first \$175 million of the total cost overrun, or \$30.6 million, in the form of cash equity bearing interest at commercial bank prime lending rates; plus up to 17.5 per cent of a \$50 million revolving operating line of credit, or \$8.8 million, in the form of non-interest bearing cash advances for a total commitment of \$261.1 million. CIC III declined to participate in the funding of the remaining \$190 million of the total cost overrun. The funding for that overrun was provided by the other three Joint Venturers in the form of a combination of interest and non-interest bearing cash equity. CIC III had invested \$256.2 million to December 31, 1992.

Construction of the project, which began in late 1988, generated approximately 13 million manhours of employment in engineering, construction and project management. Operations of part of the plant commenced in July 1992 with all of the plant fully operational by November 1992, by which time the plant had produced 2.5 million barrels of synthetic crude oil. The original schedule was for the plant to have produced one million barrels of synthetic crude oil by November 1992. Currently the plant is operating at approximately 80 per cent of design capacity. As a fully operational plant, the Bi-Provincial Upgrader will employ approximately 300 full-time positions, 100 contract maintenance positions and an additional 800 positions for a 20 day period every 18 months for plant turnaround.

The long-term economic outlook for the Bi-Provincial Upgrader is bleak when considering today's long-term oil price forecasts. Current economic projections indicate that CIC III's investment will only be recouped after 25 years of operations. Accordingly, CIC III recorded a provision for a decline in the value of the investment of \$63.9 million at December 31, 1991. The short-term economic outlook for the Bi-Provincial Upgrader is also poor due to the relatively low heavy to light crude oil price differential. As a result, it is currently forecasted that the operating shortfalls could reach as high as \$70 million by late 1993 or early 1994, before the plant starts generating positive cash flow. The \$50 million maximum operating line of credit limit to be provided by the Joint Venturers is

expected to be exhausted by June 1993. There is no obligation on the part of any Joint Venturer to contribute more operating funds to the project beyond the \$50 million aggregate limit. CIC III's position is not to contribute any additional funding. If no other Joint Venturer(s) contribute the necessary additional funding the project may have to cease operations.

The Bi-Provincial Upgrader reported an operating loss for 1992, as calculated under the provisions of the Joint Venture agreements, of \$24.5 million. CIC III's share of this loss, adjusted for its share of depreciation on the Upgrader's depreciable assets and its share of the deemed interest on certain of the equities, is \$7.2 million.

Saskferco Products Inc. (Saskferco)

Saskferco is a company incorporated in Saskatchewan with its head office in Regina. Saskferco's manufacturing complex, located near Belle Plaine, has been in operation since October 1992 producing nitrogen based fertilizer. At full production the plant will use 18 billion cubic feet of natural gas feedstock per year. The nitrogen fertilizers produced by Saskferco will be available to primarily service agricultural markets in Canada, the northern United States, as well as off-shore.

The plant is designed for a daily capacity of 1,500 tonnes of anhydrous ammonia, most of which will be upgraded at the plant to produce 2,000 tonnes of granular urea on a daily basis. At full capacity, the plant will be producing 125,000 tonnes of ammonia and 660,000 tonnes of urea annually for sale. Capital costs to start-up were originally estimated to be \$435.3 million. The actual costs to start-up are now estimated to be approximately \$439.9 million, \$4.6 million higher than originally expected. Construction, which began in May 1990, generated 2.8 million manhours of employment. Now that operations have commenced, 122 permanent jobs and 17 contract jobs have been created at the plant, as well as 10 permanent positions at the head office in Regina. Beneficial production (80 per cent design production capacity) was reached on October 13, 1992, only eight weeks later than the original target date of August 15, 1992.



CIC III owns 49 per cent of Saskferco in the form of Class B shares, Cargill Limited (Canada) owns 50 per cent in the form of Class A shares and Citibank Canada owns 1 per cent in the form of Class C shares. The Class A and B shares rank equally in all respects including voting rights and dividends. Class C shares also have voting rights and are entitled to a cumulative preferred dividend.

The initial capital costs of the project of \$435 million were financed with 30 per cent equity capital totalling \$130 million and 70 per cent long-term debt totalling \$305 million. A further \$10 million of equity may be financed by the shareholders on a pro-rata basis to the extent required to fund any construction cost overruns that may occur. Of this amount, only \$4.6 million is expected to be required. CIC III has advanced \$66.7 million of its maximum \$71.3 million equity commitment to December 31, 1992. The maximum equity commitment includes CIC III's share of pre-construction feasibility costs of \$2.5 million.

Of the total long-term debt, \$38 million in the form of a line of credit with a chartered bank, is guaranteed by CIC. The remaining long-term debt plus any outstanding interest, in the form of Medium Term Notes with a principal amount of \$231 million U.S., is guaranteed by the Province. The agreements provide that cash flow will be allocated on a priority basis to the reduction of the guaranteed debt. The Province and CIC receive commercially-based guarantee fees based on the guaranteed debt outstanding.

CIC III may, in certain circumstances, be obligated to provide additional financial support, together with Cargill Limited, of 50 per cent of up to \$5 million of further equity to the extent required to fund any working capital deficiencies that may occur during the first two years of operations and which cannot be financed under Saskferco's unguaranteed operating line of credit.

In addition to guaranteeing the debt noted above, the Province may, in certain circumstances, be obligated to provide additional financial support by way of a loan to Saskferco, in an amount of up to an aggregate maximum of \$30 million. Any

such loan that may be necessary is to be repayable by Saskferco to the Province on a priority basis and will bear interest at a chartered bank's prime rate plus one per cent per annum.

The repayment to the Province of any amounts that may be advanced under the \$305 million guarantee or under any loan of the nature referred to above is secured by a first charge and security interest on the land, personal property and shares of Saskferco.

As is normal during the early start-up phases of such operations, Saskferco has incurred operating losses for the period October 13, 1992 (commencement of commercial operations) to December 31, 1992. Saskferco's year end is May 31.

Meadow Lake Pulp Limited Partnership (Meadow Lake Pulp Mill)

CIC Pulp Ltd., a wholly-owned share capital subsidiary of CIC III, and Millar Western Industries Ltd. (Millar Western), an Alberta-based corporation, formed a partnership in 1990 to construct and operate one of the world's first zero effluent chemi-thermomechanical pulp (CTMP) mills. The mill is located 9.5 kilometres east of Meadow Lake. The unique manufacturing process does not discharge any effluent into rivers and streams nor does it produce dioxins or noxious odours. The amount of water that is necessary to operate the mill is approximately 80 per cent less than normal requirements for a CTMP mill. The mill uses 100 per cent aspen as the fibre source to produce 240 thousand tonnes annually of hydrogen peroxide bleached chemi-thermomechanical wood pulp. The wood pulp produced is sold in Canada, the United States and off-shore.

Construction and start-up costs were estimated at \$361.5 million, with a significant portion of the costs committed to environmental protection. The final project costs were \$356.3 million, or \$5.2 million less than the budgeted amount.

Construction of the facility commenced in March 1990. The mill commenced production of on-spec pulp one month ahead of schedule in



January 1992. The mill is currently surpassing budgeted production figures.

During construction, 1.65 million manhours of employment were provided. Over 180 new permanent jobs were created at the mill itself and an additional 170 jobs were created in the woodlands to supply the timber requirements for the mill. Meadow Lake Pulp Mill and NorSask Forest Products Inc. have formed Mistik Management to manage the forest resource for the benefit of the whole community.

CIC Pulp Ltd., a 49 per cent partner in the Meadow Lake Pulp Mill, contributed \$9.8 million in equity, while Millar Western, owner of the remaining 51 per cent, contributed \$10.2 million in equity. CIC III also provided \$50 million to the Meadow Lake Pulp Mill in the form of a non-repayable infrastructure contribution. This amount was treated as a grant by CIC III in 1991. In addition, CIC III agreed to provide a maximum of \$191.5 million in long-term loans.

CIC III had advanced \$186.3 million of its long-term loan commitment as of December 31, 1992. Further loan advances up to the maximum of \$191.5 million were not required. The long-term loans mature in the year 2014. The payment of interest and repayment of principal on certain of these loans is subject to cash availability as defined in the loan agreements. The long-term loans are secured, through a Participating Debenture, by a second fixed charge and security interest on all assets owned or acquired by Meadow Lake Pulp Mill.

Although the mill commenced production in January 1992, it did not commence commercial operations until November 1, 1992. As is normal during the early start-up phases of such operations, the Meadow Lake Pulp Mill has incurred operating losses for the period November 1, 1992 to December 31, 1992. The Meadow Lake Pulp Mill has an October 31 fiscal year end.

CIC III also owns a 49 per cent interest in Millar Western Pulp (Meadow Lake) Ltd., established to act as manager for Meadow Lake Pulp Mill.

Haro Financial Corporation (HARO)

CIC has been designated by the Province to function as the lead agency to facilitate the HARO/Crown Life Insurance Corporation (Crown Life) transaction.

HARO is a Regina-based company created for the purpose of acquiring a significant ownership interest in Crown Life and arranging for the relocation of the head office operations of Crown Life to Regina.

Crown Life is obligated to relocate its head office to Regina no later than December 31, 1993. Subject to Crown Life meeting certain milestones respecting this relocation, HARO agreed to pay Crown Life \$250 million for \$200 million of Convertible Preferred Shares and \$50 million of Warrants, which are exercisable into Convertible Preferred Shares. HARO has also received, for nominal consideration, a special class of preferred shares which will enable HARO to veto any move of the head office operations of Crown Life to a place outside Saskatchewan until the year 2031.

To initially fund its investment obligations to Crown Life and to fund its ongoing operations, HARO arranged a \$290 million credit facility with a Canadian chartered bank. This facility provided \$75 million and letters of credit in the amount of \$125 million for the purchase of the Crown Life shares. It also provided \$50 million for the purchase of the Warrants. The Province provided a \$305 million guarantee to support the credit facility and a \$50 million guarantee to Crown Life to support the purchase of the Warrants. The credit facility with the bank was to expire on December 31, 1992.

During 1992, CIC renegotiated the terms of the Province's financial obligations with HARO. The credit facility with the bank and the Province's \$355 million in guarantees were replaced by a loan from CIC III which has a maximum principal amount of \$275 million. The loan is for an initial five-year term commencing on December 15, 1992 with a maximum of four five-year renewal terms at the option of HARO. The agreements provide that under certain conditions, the



principal amount of the loan may be increased after the first five-year term if no refinancing has occurred. It is the intent of both parties that the government loan be replaced by private investment within the first five years if market conditions are appropriate.

CIC III advanced \$271 million to HARO on December 15, 1992 which provided completely for the \$200 million in Convertible Preferred Shares, the \$50 million in Warrants, interest accrued under Haro's previous credit facility and for initial operating expenses incurred by HARO. As at December 31, 1992, \$16.4 million of the \$50 million in Warrants (to be paid out based upon agreed moving costs) had been advanced to Crown Life. The remaining \$33.6 million is in an escrow account to be paid out during 1993. If Crown Life does not have 1,000 employees located in Regina by December 31, 1993, HARO has the option of recovering any of the money advanced to Crown Life under the \$50 million in Warrants.

The loan has a floating interest rate during the first five-year term equal to the Royal Bank Banker's Acceptance Rate plus 1 3/8 per cent per annum. Interest for each subsequent five-year renewal term will be established at the beginning of each renewal term and shall equal the effective yield for five-year Province of Saskatchewan bonds plus 1 per cent per annum. Payment of principal and interest is subject to available cash flow as specifically defined in the agreements. It should be noted that HARO's only cash flow will be dividends from Crown Life and interest income (if any) on amounts in escrow. Six per cent of the cash flow will be reserved for the shareholders of HARO, the remaining 94 per cent of the cash flow will go to CIC III. There are no fixed payments of either principal or interest, other than payments from available cash flow. All amounts outstanding are due and payable on December 15, 2017. On that date, the balance of principal and interest outstanding, if any, will be converted into a maximum of 94 per cent of HARO equity shares at that time.

The type of HARO equity shares will be subject to certain regulatory approvals and is not

presently determinable.

CIC III's security consists of all of HARO's assets which are currently comprised of Crown Life shares and warrants. Subject to regulatory compliance, CIC III can exercise its unilateral right to 94 per cent of HARO's assets at any time after conversion of the Crown Life preferred shares to common shares (or a non-voting equivalent) which is to occur no later than June 30, 1996. CIC III's realization options in respect of its security is also limited because of certain contractual provisions and certain regulatory provisions in U.S. and Canadian law.

As at December 31, 1992 Crown Life had 375 employees located in Regina and it is expected that 1,000 employees will be located in Regina by December 31, 1993. Construction of the Crown Life Building was 45 per cent complete as at December 31, 1992, and is expected to be fully completed on August 1, 1993.

Promavia International Corporation (PIC)

On August 21, 1991 a Memorandum of Agreement was signed between CIC III, Promavia S.A. and PIC. Promavia S.A. is a Belgian company that proposed to transfer its headquarters and assets, including its rights, title and interest with respect to the ownership, development, testing, manufacturing and marketing of the Jet Squalus and ATTA jet trainer aircraft, to a newly created company, PIC.

Subsequent agreements were concluded where CIC III would provide equity to PIC of \$4 million U.S. and a long-term loan of \$18 million subject to, among other conditions, PIC raising \$22 million U.S. in private sector equity. In addition, CIC III agreed to provide interim financing to PIC of \$2.3 million, all of which had been advanced by January 1992. The interim funding was to be repaid by PIC from the private sector equity when it was raised.

Subsequently, PIC was unable to raise any of the \$22 million U.S. in private sector equity. Therefore, CIC III formally withdrew its financing commitments to the project and demanded repayment of the \$2.3 million interim financing



and interest thereon.

Event Subsequent to Year End

On March 2, 1993 CIC III filed a Statement of Claim with the Court of Queen's Bench in Saskatoon and began the process of taking title to PIC's building and property in Saskatoon.

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskoil is a Saskatchewan based senior Canadian oil and gas producer. Prior to December 1985, Saskoil was a provincial Crown corporation operating under **The Saskatchewan Oil and Gas Corporation Act**. In December 1985, Saskoil was continued under **The Business Corporations Act (Saskatchewan)** and became a share capital corporation. Saskoil has had several public share issues since December 1985. This, along with the sale of 10 million shares in 1990 by CIC III, has reduced CIC III's interest in Saskoil to 5.8 million shares, representing a 9.4 per cent voting interest at December 31, 1992.

National Pig Development (Canada) Co. Ltd. (NPD)

NPD was incorporated in the early 1980's as a privately-owned pig breeding stock company. The Agricultural Development Corporation of Saskatchewan (Agdevco) became involved with NPD in 1989 and 1990 by acquiring voting common shares, non-voting preferred shares, providing a long-term loan and providing a shareholder loan to NPD for a total investment of \$2.6 million. As part of the winding-up of Agdevco in 1990, the entire investment in NPD was transferred to CIC III. At December 31, 1992, CIC III owned a 49.3 per cent voting interest in NPD.

CIC III also owns warrants as a result of providing the shareholder loan to NPD which, if exercised, would result in CIC III obtaining a controlling interest in NPD. Should a change in control occur, NPD's current franchise agreement with a United Kingdom company may be terminated. The termination of this franchise

agreement would eliminate NPD's business. CIC III and NPD are currently in the process of renegotiating the terms of the franchise agreement which would allow a change in control of NPD.

Saskatchewan Diversification Corporation (SDC)

SDC was incorporated under **The Business Corporations Act (Saskatchewan)** in April 1990 as a wholly-owned subsidiary of CIC III. SDC was amalgamated with CIC III on September 3, 1992. CIC III is managing the investments inherited from SDC to minimize financial exposure and maximize possible return.

Agdevco International Inc. (Ag. Inc.)

Ag. Inc. is a wholly-owned share capital subsidiary of CIC III, transferred to CIC III as part of the winding-up of Agdevco. Ag. Inc. has a 25 per cent interest in the Crescent/Agdevco Joint Venture (the Joint Venture), which is involved in two drainage projects in Pakistan.

Ag. Inc. has issued a performance guarantee with respect to the Joint Venture for \$150,000 U.S. CIC has also issued a performance guarantee for \$341,000 U.S. which was assumed from Agdevco.

Although Ag. Inc. was inactive during 1992, a number of events occurred with respect to the Joint Venture. Various setbacks and complications in Pakistan resulted in the postponement of completion of the two drainage projects. The Pakistan Water Authority has demanded payment for the total cost of the two projects under the terms of the original agreements with the Joint Venture. The total costs are approximately \$18.4 million U.S.

CIC is currently negotiating with the Joint Venture partner to release CIC and Ag. Inc. from any liability with respect to the two projects in exchange for a payment of \$500,000 U.S. The outcome of these negotiations is not determinable at the time of writing this Annual Report.



**CMB Fertilizer Inc. and
586643 Saskatchewan Ltd.**

These corporations, incorporated under **The Business Corporations Act (Saskatchewan)** are wholly-owned by CIC III at December 31, 1992. Both companies were inactive during 1992 and had no assets. Both of these corporations will be dissolved in 1993.

SGI Canada Insurance Ltd. (SGI Canada Ltd.)

SGI Canada Ltd. was incorporated pursuant to **The Business Corporations Act (Saskatchewan)** in 1990 as part of the contemplated privatization of certain operations of SGI CANADA. The decision to privatize SGI CANADA was halted by a Saskatchewan Court of Appeal decision.

SGI CANADA is currently seeking extra-provincial registration to carry on insurance business outside Saskatchewan. SGI CANADA has decided to use SGI Canada Ltd. as the vehicle for extra-provincial expansion. SGI Canada Ltd. is owned 40 per cent by CIC III, 30 per cent by SGI CANADA and 30 per cent by the Saskatchewan Auto Fund. SGI Canada Ltd. is administered by SGI CANADA.

IPSCO Inc.

CIC III owns 100,000 common shares of IPSCO Inc. as an investment. These shares represent less than one per cent of the voting interest. In addition, CIC has unconditionally guaranteed the payment of indebtedness incurred by IPSCO Inc. under the terms of an operating lease which expires in 2007. The liability of CIC under the guarantee is limited to \$65 million. IPSCO has the option to purchase the leased equipment at certain times during the lease term. In the event that IPSCO does not purchase the equipment by the end of the lease term, CIC is obliged to purchase the equipment for \$13 million.

Negotiations are underway with IPSCO to review the conditions of the lease guarantee.

**Weyerhaeuser Canada Ltd. (Weyerhaeuser)
Income Debenture**

In 1986, certain operating assets of Meadow Lake Sawmill Ltd. (amalgamated with CIC III in 1988), including the pulp mill located in Prince Albert, were sold to Weyerhaeuser in exchange for an Income Debenture with a principal amount of \$236.6 million. A subsequent write-down of \$12.6 million and a deferred gain from the original sale transaction of \$81.7 million resulted in a net carrying value of the Income Debenture of \$142.3 million. The agreements provided for the construction of an integrated modern paper mill at the pulp mill site, as well as other diversification and modernization projects.

No principal payments had been recorded on the Income Debenture and no interest payments had been received since 1988. Such payments were subject to complex cash flow and cash availability formulas defined in the Income Debenture.

Event Subsequent to Year End

On January 12, 1993, CIC III entered into various agreements which provided for the extinguishment of the debenture in exchange for a lump sum payment from Weyerhaeuser of \$150 million. The transaction also included the release of the Province of Saskatchewan from a loan guarantee of over \$40 million related to the construction of the paper mill in 1988. A gain of \$7.7 million will be recorded in 1993.

Cornwall Centre Mortgages

CIC III owns two mortgages due from the Cadillac Fairview Corporation Limited with total principal outstanding of \$41.0 million at December 31, 1992. These mortgages, due December 1, 2001, were advanced as part of the development and construction of the Cornwall Centre in downtown Regina.



**Dairy Producers Co-operative Limited (DPCL)
Loan**

During 1990, CIC III provided a loan of \$10 million to DPCL to assist in financing the purchase of certain dairy assets located in Manitoba. DPCL is a dairy farmers co-operative which utilizes milk produced by its members for processing fluid milks and creams and the manufacturing of a full line of dairy products. The loan is secured by a specific charge on certain of DPCL's properties and a fixed and floating debenture on all other of DPCL's assets, subject to first charges by two other lenders. No interest or principal repayments were received on the loan during 1992.

COMMITMENT**NEWGRADE ENERGY INC. (NewGrade)
HEAVY OIL UPGRADER**

NewGrade was established to construct, own and operate a heavy oil upgrader in Regina. NewGrade's outstanding voting shares are owned 50 per cent by the Province of Saskatchewan through CIC and 50 per cent by Consumer's Co-operative Refineries Limited (CCRL).

NewGrade is designed to process 15.75 million barrels per year of heavy crude oil to provide upgraded crude oil (Reconstituted Crude) to CCRL as a feedstock to their refinery for processing into refined products. The Reconstituted Crude meets CCRL's feedstock requirements to produce refined products, including propane, butane, gasoline, diesel fuel and furnace oil, as well as anode-grade quality coke as a by-product. Any excess Reconstituted Crude not required by CCRL to produce refined products is further processed into synthetic crude for sale by NewGrade to other refineries.

The project cost was initially budgeted at \$793.8 million, of which 80 per cent, or \$635 million, was in the form of debt and \$158.8 million was in the form of equity.

An equal number of voting non-participating shares have been issued to each of CIC and CCRL for a nominal subscription price. CIC has contributed \$154 million of equity through the subscription of participating non-voting shares and other securities (collectively the "Securities") in NewGrade. CCRL has been granted an option to purchase certain of these Securities from CIC at cost by utilizing dividends, or other like distributions, from NewGrade on the Securities being purchased. In effect, such an acquisition of these Securities by CCRL would result in any NewGrade profits which may be available for distribution to shareholders being shared equally between CCRL and CIC.

The total term debt of \$635 million is guaranteed 56.693 per cent by the Province to a maximum of \$360 million and 43.307 per cent by the Government of Canada to a maximum of \$275 million.

Construction of the upgrader was substantially completed in 1988 and was essentially on time and on budget. Operation of the plant started in November 1988 and, although it was anticipated that consistent full production capacity would be achieved in 1989, various operational difficulties encountered throughout 1989 and 1990 prevented this goal from being met. The complex has been operating more or less consistently at full production capacity since July 1991.

The start-up problems resulted in material cash deficiencies which were rectified exclusively by CIC through additional financing totalling \$80.3 million. CIC has made total investments in NewGrade of \$234.4 million to December 31, 1992. This includes 100 per cent of the subscription price for the Securities, as well as the incremental \$80.3 million noted above. The continued operating difficulties and cash losses have resulted in CIC having written down its entire investment in NewGrade to nil at December 31, 1992.

In the event of default the Province would be called on its guarantee of \$360 million, plus



interest. The Government of Canada may, in the event of default, make a claim against the Province for a portion of Canada's exposure under its guarantee. The Province's only recourse is to the assets of NewGrade which, for realization, would have to be removed from CCRL's property and sold. As a result, the Province would likely only re-coup a fraction of its guaranteed obligation. The significant losses generated by this investment and the economic viability of the project continue to be of grave concern to CIC and the Province. The Financial Management Review Commission shared this concern and urged active monitoring of this investment.

In this respect, on November 17, 1992, the Province announced plans to hold a public review into the deal that created the NewGrade upgrader. The Province appointed Mr. Willard Estey to carry out the review of the deal itself, make recommendations about changes to it and act as a mediator between CCRL and the Province. A report on the outcome of the inquiry has been prepared but was not available to the public at the time of writing this Annual Report.

Under the current terms and conditions of the contractual relationship between the Federal Government, the Province, CIC and CCRL, combined with the high debt load of the project and the poor outlook for the heavy/light crude oil differentials, the project will continue, for the foreseeable future, to be in a precarious financial situation.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Five Year Consolidated Financial Summary

	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Total Assets (in millions)	\$ 7,223	\$ 7,085	\$ 6,864	\$ 6,824	\$ 7,283
Total Revenues (in millions)	\$ 1,885	\$ 1,785	\$ 1,750	\$ 2,042	\$ 2,145
Net Income (Loss)(in millions)	\$ 88	\$ (379)	\$ 117	\$ (161)	\$ 435
Interest Costs as a per cent of Total Revenues (%)	24.9	29.4	27.0	22.5	22.6
Debt as a per cent of Total Assets (%)	57.7	71.1	62.5	65.5	63.7
Debt to Equity Ratio	2.2:1	5.8:1	3.8:1	3.2:1	2.8:1



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1992

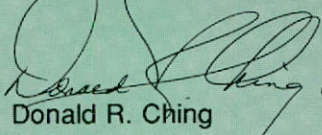
Responsibility for Financial Statements

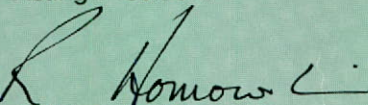
The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The Provincial Auditor of Saskatchewan has audited the Consolidated Financial Statements and conducted a review of internal accounting policies and procedures to the extent required to enable him to express an opinion on the Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Consolidated Financial Statements, appears on the next page.

The Board of Directors has reviewed and approved these Consolidated Financial Statements. The Board meets periodically with management and with the independent auditors to review internal accounting controls, audit results and accounting principles and practices.


Donald R. Ching
Acting President


Richard A. Hornowski
Vice-President Finance



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1992

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan (CIC)** combined with the Crown corporations listed in Note 1(a) as at December 31, 1992 and the consolidated statements of operations and reinvested earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 CIC consolidated with the Crown corporations listed in Note 1(a) as at December 31, 1992 and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Another auditor reported on the financial statements of the previous year.

Regina, Saskatchewan
April 5, 1993



W. K. Strelloff, C.A.,
Provincial Auditor



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1992</u>	<u>1991</u> (Restated)
	(thousands of dollars)	
ASSETS		
Current		
Cash	\$ 62,499	\$ 39,816
Short-term investments	112,365	415,223
Accounts receivable	452,312	292,628
Inventories	22,590	32,794
Prepaid expenses	<u>86,944</u>	<u>85,398</u>
	736,710	865,859
Long-term investments (Note 4)	1,679,404	1,646,833
Property, plant and equipment (Note 5)	4,546,562	4,431,974
Other assets (Note 6)	<u>260,352</u>	<u>140,690</u>
	<u>\$ 7,223,028</u>	<u>\$ 7,085,356</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 428,334	\$ 483,264
Notes payable (Note 7)	351,643	348,857
Deferred revenue	88,870	67,051
Long-term debt due within one year (Note 8)	<u>532,141</u>	<u>486,866</u>
	1,400,988	1,386,038
Deferred revenue and other liabilities (Note 9)	335,096	274,012
Long-term debt (Note 8)	<u>3,634,844</u>	<u>4,550,215</u>
	<u>5,370,928</u>	<u>6,210,265</u>
Province of Saskatchewan's Equity		
Equity advances (Note 10)	1,447,452	1,142,871
Reinvested earnings (deficit)	<u>404,648</u>	<u>(267,780)</u>
	<u>1,852,100</u>	<u>875,091</u>
	<u>\$ 7,223,028</u>	<u>\$ 7,085,356</u>
Commitments and contingencies (Note 11)		

(See accompanying notes)

On behalf of the Board: John Rennie, Director Barrie Teichroth, Director



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS (DEFICIT)

For the Year Ended December 31

	<u>1992</u>	<u>1991</u> (Restated)
	(thousands of dollars)	
REVENUE		
Sales of products and services	\$ 1,789,612	\$ 1,665,893
Investment income	69,222	61,373
Other	<u>26,065</u>	<u>57,231</u>
	<u>1,884,899</u>	<u>1,784,497</u>
EXPENSES		
Operating costs other than those listed below	1,002,425	977,985
Interest (Note 12)	470,008	525,083
Depreciation	267,514	236,012
Saskatchewan taxes and resource payments (Note 13)	<u>73,435</u>	<u>71,521</u>
	<u>1,813,382</u>	<u>1,810,601</u>
Income (loss) before the following	71,517	(26,104)
Non-recurring items (Note 14)	24,669	(352,669)
Public policy expenditures adjustment (Note 15)	<u>(7,705)</u>	<u>-</u>
NET INCOME (LOSS)	<u>88,481</u>	<u>(378,773)</u>
REINVESTED EARNINGS (DEFICIT), BEGINNING OF YEAR		
As previously reported	(279,105)	102,327
Restatement of prior periods (Note 3)	<u>11,325</u>	<u>8,666</u>
Reinvested earnings (deficit), as restated	<u>(267,780)</u>	<u>110,993</u>
	(179,299)	(267,780)
CANCELLATION OF EQUITY ADVANCES (NOTE 10)	<u>583,947</u>	<u>-</u>
REINVESTED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 404,648</u>	<u>\$ (267,780)</u>

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1992</u>	<u>1991</u> (Restated)
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net income (loss)	\$ 88,481	\$ (378,773)
Add (deduct) non-cash items		
Depreciation	267,514	236,012
Sinking fund earnings	(53,167)	(52,422)
(Gain) loss on investments (Note 14)	(24,669)	352,669
Other non-cash items	<u>(10,593)</u>	<u>23,826</u>
	267,566	181,312
Net change in non-cash working capital balances related to operations	<u>240,495</u>	<u>(276,493)</u>
Cash provided by (used in) operating activities	<u>508,061</u>	<u>(95,181)</u>
INVESTING ACTIVITIES		
Investments - purchases	(532,731)	(429,495)
- sales and collections	362,914	463,600
Fixed assets - purchases	(384,281)	(678,345)
- proceeds on sale	10,661	5,050
Increase in other assets	<u>(9,353)</u>	<u>(48,488)</u>
Cash used in investing activities	<u>(552,790)</u>	<u>(687,678)</u>
FINANCING ACTIVITIES		
Increase in notes payable	2,786	151,175
Increase in deferred revenue and other liabilities	73,018	22,696
Long-term debt proceeds		
Consolidated Fund	785,398	1,685,760
Other lenders	4,732	173,225
Long-term debt repayments		
Consolidated Fund	(1,565,574)	(891,224)
Other lenders	(121,476)	(137,024)
Equity advances received	888,528	117,990
Dividends paid to the Saskatchewan Heritage Fund	<u>-</u>	<u>(299,500)</u>
Cash provided by financing activities	<u>67,412</u>	<u>823,098</u>
NET INCREASE IN CASH DURING YEAR	22,683	40,239
CASH POSITION, BEGINNING OF YEAR	<u>39,816</u>	<u>(423)</u>
CASH POSITION, END OF YEAR	\$ 62,499	\$ 39,816

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These consolidated financial statements have been prepared by management within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subject to Part II of **The Crown Corporations Act, 1978** (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to Crown Investments Corporation of Saskatchewan (CIC). A list of the Crown corporations designated as subject to Part II of the Act by Order-in-Council 630/84 (amended by Orders-in-Council 874/84 and 1185/92) is presented below. These Crown corporations do not have share capital. Due to the significance of these Crown corporations and their relationship to CIC, the inclusion of their accounts in the consolidated financial statements of CIC is considered to be the appropriate basis of presentation of the financial position and operations of CIC.

In addition to the Crown corporations listed below, the accounts of CIC Industrial Interests Inc. (CIC III), a wholly-owned share capital subsidiary of CIC, are also consolidated in these financial statements.

Separate financial statements for CIC and for CIC III have been prepared on a non-consolidated basis to show the financial position and results of operations of these corporate entities. In addition, separate financial statements for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated as subject to Part II of the Act:

CIC Mineral Interests Corporation
Saskatchewan Computer Utility Corporation
Saskatchewan Development Fund Corporation
Saskatchewan Economic Development Corporation
Saskatchewan Forest Products Corporation
Saskatchewan Government Insurance
Saskatchewan Mining Development Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation
SaskEnergy Incorporated

Throughout these financial statements the phrase, "the Corporation", is used to collectively describe the consolidated activities of the aforementioned corporations.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Inventories

Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

c) Investments

Short-term investments are valued at cost which approximates their quoted market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence but has less than a controlling interest, the investments are accounted for by the equity method whereby the carrying value of the Corporation's investment is adjusted for the Corporation's share of the investee's earnings and reduced by dividends received from these shares.

Where there is evidence of a permanent decline in the value of a long-term investment, that investment is written down to its net realizable value.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs and renewals or replacements are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant or equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations with three exceptions. Saskatchewan Power Corporation and SaskEnergy Incorporated (formerly Saskatchewan Energy Holdings Ltd.) apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated depreciation. Saskatchewan Telecommunications includes all gains or losses in accumulated depreciation.

e) Depreciation

Depreciation is recorded on machinery and equipment, buildings and improvements, as well as equipment under capital leases, primarily on the straight-line basis over the estimated productive life of each asset.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Deferred charges

Deferred charges include natural gas in storage, financing charges, and unamortized differences arising from translation of long-term debt denominated in foreign currencies to Canadian dollars.

Natural gas in storage is stated at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Unamortized financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

g) Deferred revenue

Non-current deferred revenue includes contributions in aid of construction relating to new service connections. These contributions are amortized over the estimated service life of the related asset.

h) Revenue recognition

Revenue from utility services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

i) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in the Consolidated Statement of Operations in the current year.

Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end. Where the translation of long-term debt results in a difference from the previously recorded amount (i.e. translation gains and losses), the difference is deferred and amortized on a straight-line basis over the remaining term of the debt.

j) Leases

As lessee, where the Corporation has substantially all of the benefits and risks incident to the ownership of property, plant and equipment, the lease is classified as a capital lease. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category. All other leases are classified as operating leases and lease payments are expensed as incurred.

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of the property, plant and equipment to the lessee, the lease is classified as a sales-type lease or direct financing lease. All other leases are classified as operating leases and lease payments are recorded as income.



2. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

The Government Finance Office was established by Order-in-Council 535 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1978**, as Crown Investments Corporation of Saskatchewan. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax.

3. RESTATEMENT OF PRIOR PERIODS

Prior to 1992, grants received from the Consolidated Fund were recognized in revenue by the Corporation only to the extent required to offset certain expenses. The remaining grants were recorded as deferred revenue. During 1992, the Corporation changed its policy to recognize grants in revenue as the grants are received. This change, which has been applied retroactively, reduced earnings in 1992 by \$2.0 million, reduced the loss in 1991 by \$2.7 million, and increased reinvested earnings at the beginning of 1991 by \$8.4 million. In addition, deferred revenue was reduced by \$11.1 million in 1991.

Reinvested earnings at the beginning of 1991 has also been increased by \$0.3 million and the 1991 loss has been increased by \$0.02 million to recognize an arrangement whereby certain expenses will be paid on behalf of the Corporation by the Saskatchewan Property Management Corporation until October 31, 2000. A corresponding asset of \$0.3 million has been recognized at December 31, 1991.

4. LONG-TERM INVESTMENTS

	<u>Voting Percentages</u>	<u>1992</u>	<u>1991</u>
		(thousands of dollars)	
Equity Investments			
Cameco Corporation (a)			
- 17,543,623 (1991 - 17,543,623) common shares	33.8%	\$ 309,664	\$ 315,740
- 2,666,667 (1991 - 2,666,667) common shares held in trust	5.1%	39,333	39,333
Bi-Provincial Upgrader (b)			
- joint venture interest	17.5%	185,089	133,616
Potash Corporation of Saskatchewan Inc. (c)			
- 578,559 (1991 - 0) common shares	1.5%	10,414	-
- 3,630,566 (1991 - 14,726,211) common shares held in trust	9.4%	65,641	265,362
Saskferco Products Inc. (d)			
- 66,692,212 (1991 - 38,075,976) common shares	49.0%	66,692	38,076
Saskatchewan Oil and Gas Corporation (e)			
- 8,148,649 (1991 - 8,148,649) common shares	9.4%	51,791	55,884



4. LONG-TERM INVESTMENTS (continued)

	<u>Voting Percentages</u>	<u>1992</u>	<u>1991</u>
(thousands of dollars)			
Equity Investments (continued)			
Meadow Lake Pulp Limited Partnership - partnership interest	49.0%	9,072	9,800
ISM Information Systems Management Corporation (f) - 891,206 (1991 - 4,413,333) common shares	4.4%	2,180	8,960
NewGrade Energy Inc. (g) - common shares and debentures	50.0%	-	-
Other share investments - cost basis		64,082	58,808
Other share investments - equity basis		<u>14,575</u>	<u>7,524</u>
		<u>818,533</u>	<u>933,103</u>
Bonds and Debentures			
Haro Financial Corporation (h)		271,000	-
Weyerhaeuser Canada Ltd. (i) - income debenture		-	142,291
Meadow Lake Pulp Limited Partnership (j) - participating debenture		186,454	132,392
Other bonds and debentures		<u>94,942</u>	<u>88,109</u>
		<u>552,396</u>	<u>362,792</u>
Loans, Notes and Mortgages Receivable			
Cadillac Fairview Corporation Limited		40,535	40,963
Dairy Producers Co-operative Limited		10,500	10,500
Other loans and notes receivable		<u>152,094</u>	<u>192,739</u>
		<u>203,129</u>	<u>244,202</u>
Property Holdings		<u>87,759</u>	<u>85,352</u>
Leases Receivable		<u>17,587</u>	<u>21,384</u>
		<u>\$ 1,679,404</u>	<u>\$ 1,646,833</u>



4. LONG-TERM INVESTMENTS (continued)

- a) The Corporation owns, as an unencumbered investment, 17,543,623 voting common shares of Cameco Corporation (Cameco) representing a 33.8 per cent interest. The Corporation uses the equity method to account for these shares.

In addition, the Corporation holds 2,666,667 voting common shares of Cameco in trust to satisfy the possible exercise of the Common Share Purchase Warrants (Purchase Warrants) sold by the Corporation in September 1991. The holder of each full Purchase Warrant may purchase one Cameco voting common share from the Corporation for \$14.75 on or before October 1, 1994. The Corporation maintains beneficial ownership of these shares. Any shares remaining in trust after the close of business on October 1, 1994 will be transferred by the trustee to the Corporation. These shares, which represent a 5.1 per cent interest in Cameco, are accounted for using the cost method.

Included in the investment in Cameco is one Class B share which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

- b) The Corporation owns a 17.5 per cent equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture) established to construct and operate a heavy oil upgrader located near Lloydminster, Saskatchewan. The Corporation's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project of \$1,267 million. During 1991 and 1992, cost overruns of \$365 million, representing approximately 30 per cent of the original cost estimates, were identified. The Corporation's proportionate share of these overruns would have been \$63.9 million. However, the Corporation agreed to fund only \$30.6 million of this amount while the remaining \$33.3 million would be funded by the other joint venturers. To December 31, 1992, the Corporation had totally funded its initial commitment of \$221.7 million in addition to the \$30.6 million for the cost overrun. The Corporation has also agreed to fund up to 17.5 per cent of a \$50 million revolving operating line of credit, or \$8.8 million, in the form of non-interest bearing cash advances. To December 31, 1992, \$3.9 million had been advanced under this facility. During 1991, the Corporation wrote down this investment by \$63.9 million. The Joint Venture commenced commercial operations on September 16, 1992.
- c) As at December 31, 1991, the Corporation held 11,095,644 voting common shares of Potash Corporation of Saskatchewan Inc. (PCS Inc.) in trust to fulfil the exchangeability feature of the Potash Ownership Bonds issued by the Province of Saskatchewan in 1989. Any time after December 1, 1990, and prior to the bond's maturity on December 1, 1992, the holder of each ownership bond could exchange the bond for a certain number of PCS Inc. shares. During the year, bonds with a face value of \$189,472,300 were exchanged for 10,517,086 common shares with a book value of \$189,307,548. After maturity of the Potash Ownership Bonds on December 1, 1992, the 578,558 shares remaining in trust were transferred by the trustee to the Corporation. The Corporation owns, as an unencumbered investment, 578,559 PCS Inc. common shares representing a 1.5 per cent interest at December 31, 1992. These shares are accounted for using the cost method.

In addition, the Corporation holds 3,630,566 voting common shares of PCS Inc. in trust to satisfy the possible exercise of the Common Share Purchase Warrants (Purchase Warrants) sold by the Corporation in September 1991. The holder of each full Purchase Warrant may purchase one PCS Inc. voting common share from the Corporation for \$18.75 on or before September 30, 1994. The



4. LONG-TERM INVESTMENTS (continued)

Corporation maintains beneficial ownership of these shares. Any shares remaining in trust after the close of business on September 30, 1994 will be transferred by the trustee to the Corporation. These shares, representing a 9.4 per cent interest, are accounted for using the cost method.

- d) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49 per cent voting interest. The Corporation has fully funded its obligations to provide initial equity to Saskferco of \$66.5 million. The Corporation may, in certain circumstances, be obligated to provide additional financial support for Saskferco. This includes the Corporation's pro rata share (49 per cent) of up to \$10 million of further equity to the extent required to fund any construction cost overruns that may occur and 50 per cent of up to \$5 million of other equity to the extent required to fund any working capital deficiencies that may occur during the first two years of operation. To December 31, 1992, the Corporation had advanced \$0.2 million under the construction cost overrun facility (1991 - \$0). Saskferco commenced commercial operations on October 13, 1992.
- e) The Corporation owns 8,148,649 (1991 - 8,148,649) voting common shares of Saskatchewan Oil and Gas Corporation (Saskoil) representing 13.1 per cent (1991 - 13.1 per cent) of Saskoil's voting common shares outstanding at December 31, 1992. However, 2,305,739 of these common shares are held by a trustee. Pursuant to an agreement, these shares are to be sold by the trustee to corporations or individuals not related to the Corporation. The Corporation does not have the right to direct the trustee to vote these Saskoil shares. As a result, the voting percentage of Saskoil held by the Corporation at December 31, 1992 is 9.4 per cent (1991 - 9.4 per cent). The Saskoil shares are accounted for by the cost method.
- f) The Corporation sold 3,522,127 ISM Information Systems Management Corporation (ISM) shares to IBM Canada Limited effective April 30, 1992 resulting in a gain on sale of \$27.7 million. This sale reduced the Corporation's ownership in ISM from 26.2 per cent to 4.4 per cent. Accordingly, effective May 1, 1992, the Corporation ceased to equity account and commenced to cost account for its investment in ISM. The Corporation's investment includes one special share of ISM that enables it to determine the location of ISM's head office and principal place of business.
- g) The Corporation owns 50 per cent of the outstanding voting non-participating shares, 100 per cent of the non-voting participating shares and 100 per cent of the outstanding subordinated debentures of NewGrade Energy Inc. (NewGrade). The Corporation also holds certain promissory notes due from NewGrade.

The Corporation had initially agreed to provide funding to NewGrade, to a maximum of \$158.8 million for the purpose of assisting NewGrade in the construction and start-up of a heavy oil upgrader located in Regina, Saskatchewan. The Corporation has further agreed to provide additional amounts to NewGrade to fund cash deficiencies experienced as a result of start-up difficulties. The Corporation had made total investments in NewGrade of \$234.4 million to December 31, 1992 (1991 - \$232.0 million).

NewGrade had recorded accumulated losses of \$278.4 million to October 31, 1992. Accordingly, the Corporation has reduced the carrying value of its investment to nil to reflect the decline in value of this investment. In future, any additional funding provided to NewGrade by the Corporation will be written off as the funding is provided.



4. LONG-TERM INVESTMENTS (continued)

The subordinated debentures bear interest at Royal Bank prime plus 2 per cent. The promissory notes bear interest at fixed rates ranging from 6.25 per cent to 9.00 per cent. However, due to the uncertainty of receipt of these amounts, no interest income has been accrued in these financial statements. The total interest owing to the Corporation at December 31, 1992 was \$79.7 million (1991 - \$60.3 million) on the subordinated debentures and \$0.3 million on the promissory notes.

The Corporation has pledged all of the shares and debentures purchased from NewGrade as collateral security for NewGrade's loans. In addition, the Consolidated Fund has guaranteed indebtedness of NewGrade to a maximum of \$360.0 million.

- h) The Corporation entered into various agreements with Haro Financial Corporation (Haro) to provide a loan to Haro up to a maximum of \$275 million. The funds were used by Haro to repay a previous loan facility used to finance the acquisition of an ownership interest in Crown Life Insurance Company (Crown Life). The Corporation had advanced \$271 million to December 31, 1992 (1991 - \$0). The loan is for an initial five-year term commencing on December 15, 1992 with a maximum of four five-year renewal terms at the option of Haro. Provision is made whereby under certain conditions the principal amount of the loan may be increased after the first five-year term if no refinancing has occurred.

Interest during the initial five-year term is calculated at the Royal Bank of Canada's Bankers' Acceptance Rate, determined on a quarterly basis, plus 1 3/8 per cent per annum. Interest for each subsequent five-year renewal term, as established at the beginning of each renewal term, shall be the effective yield rate for five-year Province of Saskatchewan bonds plus 1 per cent per annum.

Payment of principal and interest is subject to available cash flow as specifically defined in the loan agreement. Any accrued interest not paid will be compounded annually and added to the principal balance. There are no fixed payments of either principal or interest other than payments from available cash flow. Due to the uncertainty of the timing of future cash payments, interest income earned will be recorded when payments are received under the cash flow formula.

All amounts outstanding are due and payable on December 15, 2017. On December 15, 2017, the balance of principal and interest outstanding, if any, will be converted into a maximum of 94 per cent of Haro equity shares at the time. The type of Haro equity shares will be subject to certain regulatory approvals and is not presently determinable. In addition, the Corporation can exercise a unilateral right, prior to December 15, 2017, to 94 per cent of Haro's assets (which are held as security for the loan) at any time after Haro's preferred shares in Crown Life are converted into common shares (or a non-voting equivalent). The conversion of Haro's preferred shares is to occur no later than June 30, 1996. The Corporation's unilateral right to 94 per cent of Haro's assets is subject to regulatory compliance.

- i) On January 12, 1993, subsequent to year end, the Corporation entered into various agreements which provided for the extinguishment of the Weyerhaeuser Canada Ltd. income debenture in exchange for the lump sum payment from Weyerhaeuser Canada Ltd. of \$150 million. As a result, the entire carrying amount of the debenture has been classified as a current asset. The transaction, to be recorded in 1993, will result in a gain of \$7.7 million.



4. LONG-TERM INVESTMENTS (continued)

- j) The Corporation has entered into various agreements with Meadow Lake Pulp Limited Partnership (MLPLP) and its agent, Millar Western Pulp (Meadow Lake) Ltd., to provide loans to MLPLP up to a maximum of \$191.5 million. The total loan commitment is comprised of a Participating Debenture with a maximum principal of \$159 million, a Term Loan with a maximum principal of \$20.0 million and a Contingency Loan with a maximum principal of \$12.5 million. To December 31, 1992, the Corporation has advanced \$186.5 million (1991 - \$132.4 million) under these loan facilities. Due to completion of construction, the Corporation is no longer committed to provide the remainder of the funds available.

Interest on the loans is calculated at rates varying from Canadian Imperial Bank of Commerce prime plus 1/4 per cent to a fixed rate of 11.15 per cent. Accrued interest on the Term Loan is paid monthly. Accrued interest on the Participating Debenture and Contingency Loan is paid annually or is compounded if payment is not made. Certain interest and principal payments to be made by MLPLP are subject to MLPLP achieving certain cash flows as specifically defined in the loan agreements. The application of such payments towards outstanding principal or interest is specified in the agreements.

All loans mature in the year 2014. A special cash flow calculation shall be performed on the maturity date and 90 per cent of the result of this calculation will be applied to any loans outstanding. Any unpaid interest outstanding on the Participating Debenture, after application of this payment, will be forgiven. Any other amounts outstanding will bear interest at a rate of prime plus 5 per cent, compounded monthly, until paid.

- k) The market values of the Corporation's publicly traded investments in securities not held in trust at December 31, 1992 were as follows (millions of dollars):

Cameco	\$ 307.0
Saskoil	\$ 28.3
PCS Inc.	\$ 14.9
ISM	\$ 7.8

- l) Other loans and notes receivable include amounts due from Cameco of \$35.8 million (1991 - \$38.0 million) and from ISM of \$1.8 million (1991 - \$1.8 million).
- m) Included in investment income are earnings (losses) from equity investments as follows:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Bi-Provincial Upgrader	\$ (7,237)	\$ -
Cameco	2,694	22,136
NewGrade	(2,333)	(70,099)
ISM	1,812	(11,889)
PCS Inc.	-	10,039
Other	<u>(1,269)</u>	<u>(744)</u>
	<u>\$ (6,333)</u>	<u>\$ (50,557)</u>



4. LONG-TERM INVESTMENTS (continued)

n) Included in other loans and notes receivable are non-performing loans in the amount of \$35.0 million (1991 - \$26.8 million). Loans are identified as non-performing if interest is contractually past due in excess of 180 days. Included in property holdings are non-performing assets in the amount of \$20.9 million (1991 - \$22.8 million). The amounts of non-performing assets are net of loss provisions. Property holdings include interest capitalized during the year of \$0.7 million (1991 - \$1.5 million).

5. PROPERTY, PLANT AND EQUIPMENT

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Machinery and equipment	\$ 5,729,436	\$ 5,084,784
Buildings and improvements	671,720	537,460
Plant under construction	74,675	575,752
Deferred development costs	1,428	1,156
Equipment under capital leases	24,581	31,125
Land	<u>137,330</u>	<u>99,033</u>
	6,639,170	6,329,310
Accumulated depreciation	<u>(2,092,608)</u>	<u>(1,897,336)</u>
	<u>\$ 4,546,562</u>	<u>\$ 4,431,974</u>

6. OTHER ASSETS

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Natural gas in storage	\$ 71,101	\$ 73,369
Deferred financing charges, net of amortization	49,505	61,068
Deferred foreign exchange translation losses, net of amortization	80,941	2,546
Other deferred charges	<u>58,805</u>	<u>3,707</u>
	<u>\$ 260,352</u>	<u>\$ 140,690</u>

7. NOTES PAYABLE

Notes payable are due to the Consolidated Fund. These notes are primarily interest-bearing, having an average annual interest rate of 7.28 per cent (1991 - 7.34 per cent).



8. LONG-TERM DEBT

	1992		1991		
	(thousands of dollars)				
	<u>Principal Outstanding</u>		<u>Average Interest Rate</u>	<u>Principal Outstanding</u>	<u>Average Interest Rate</u>
<u>Years to Maturity</u>	<u>U.S. Dollars</u>	<u>Canadian Dollars</u>			
A. Consolidated Fund					
Canadian Dollar Issues					
1 - 5 years		\$ 734,501	9.10	\$ 1,191,255	8.55
6 - 10 years		1,088,738	10.00	1,612,654	9.87
11 - 15 years		1,051,066	11.28	1,080,010	11.26
16 - 20 years		194,102	9.74	278,732	9.63
26 - 30 years		<u>150,000</u>	9.60	<u>-</u>	
		<u>3,218,407</u>		<u>4,162,651</u>	
United States Dollar Issues					
1 - 5 years	\$ -	-		236,997	14.75
11 - 15 years	239,628	304,543	8.66	143,600	8.70
16 - 20 years	114,965	146,109	9.25	381,683	9.03
26 - 30 years	<u>400,000</u>	<u>508,360</u>	9.08	<u>115,550</u>	9.38
	<u>\$ 754,593</u>	<u>959,012</u>		<u>877,830</u>	
		4,177,419		5,040,481	
Less sinking fund balance		<u>(409,529)</u>		<u>(415,807)</u>	
Total due to Consolidated Fund		<u>3,767,890</u>		<u>4,624,674</u>	
B. Other long-term debt					
Saskatchewan Power Corporation					
Savings Bonds (due 1993 to 1994)		276,440	9.125-12.75	285,975	9.125-12.75
Saskatchewan Telecommunications					
TeleBonds due March 1, 1994		94,715	11.00 & 14.00	95,615	11.00 & 14.00
Capital lease obligations (Note 16)		12,404	Various	18,003	Various
Other (due 1993 to 2013)		<u>15,536</u>	Various	<u>12,814</u>	Various
Total other long-term debt		<u>399,095</u>		<u>412,407</u>	
		4,166,985		5,037,081	
Less due within one year		<u>(532,141)</u>		<u>(486,866)</u>	
TOTAL LONG-TERM DEBT		<u>\$ 3,634,844</u>		<u>\$ 4,550,215</u>	



8. LONG-TERM DEBT (continued)

As part of a plan to financially restructure CIC, the legal entity, \$875 million of CIC's long-term debt obligations to the Consolidated Fund were converted to non-interest bearing equity advances on March 31, 1992, in accordance with Order-in-Council 930/92.

There is a requirement attached to certain interest-bearing issues from the Consolidated Fund to make annual payments to the Consolidated Fund in amounts representing one per cent to three per cent of the original issue. These annual payments are invested by the Consolidated Fund, with the cumulative aggregate being available for the retirement of the issues on their maturity dates and are noted above as sinking fund balance.

Certain issues received from the Consolidated Fund totalling \$545.3 million (1991 - \$826.6 million) require that the issues be subject to redemption on six months notice.

The interest rate on the Saskatchewan Power Corporation Savings Bonds can be increased at the discretion of the Minister of Finance of the Province. The bonds are subject to early redemption semi-annually until maturity at the option of the bondholder.

Saskatchewan Telecommunications issued its initial offering of TeleBonds in 1989. Interest TeleBonds pay interest annually while Credit TeleBonds pay interest monthly by way of credit to the designated customer's telephone account. At December 31, 1992, there were \$62.6 million (1991 - \$62.6 million) of Interest TeleBonds (interest at 11 per cent) outstanding and \$32.1 million (1991 - \$33.0 million) of Credit TeleBonds (interest at 14 per cent). TeleBonds are redeemable in whole or in part at the discretion of the bondholder on March 1 each year prior to maturity.

Sinking fund and debt retirement requirements for the next five years are as follows (thousands of dollars):

1993 - \$	534,531
1994 - \$	423,211
1995 - \$	23,144
1996 - \$	158,648
1997 - \$	70,086

Long-term debt payable in United States dollars (excluding debt subject to cross currency swaps and hedging agreements) has been translated into Canadian dollars at a year-end exchange rate of 1.271 (1991 - 1.155).

9. DEFERRED REVENUE AND OTHER LIABILITIES

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Contributions in aid of construction	\$ 228,157	\$ 173,361
Other liabilities	63,052	59,747
Deferred income	41,593	38,493
Unamortized foreign exchange gains	<u>2,294</u>	<u>2,411</u>
	<u>\$ 335,096</u>	<u>\$ 274,012</u>

Other liabilities include an amount due to Cameco of \$39.0 million (1991 - \$39.0 million).



10. EQUITY ADVANCES

CIC does not have share capital. However, CIC has received advances from the Consolidated Fund. The advances are non-interest bearing and are repayable at the discretion of the Consolidated Fund. The advances are considered to be an equity investment in CIC by the Consolidated Fund and are referred to as equity advances.

To financially restructure CIC, the legal entity, a financial plan was developed whereby the following occurred during the year:

- In accordance with Order-in-Council 842/92, \$583.9 million of equity advances from the Consolidated Fund were cancelled and applied to eliminate CIC's accumulated deficit of \$583.9 million at December 31, 1991.
- In accordance with Order-in-Council 930/92, \$875 million of CIC's long-term debt obligations to the Consolidated Fund were converted to non-interest bearing equity advances.

11. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies existed at December 31, 1992:

- a) The Corporation had forward purchase commitments of \$1,709.0 million for coal and \$928.5 million for natural gas contracted for future minimum deliveries valued at current prices.
- b) The Corporation had capital expenditure commitments amounting to \$463.2 million.
- c) The Corporation has entered into an agreement whereby it has guaranteed the lease payments on certain equipment leased by PCS Inc. The present value of capital lease payments is \$76 million. However, pursuant to the agreement, PCS Inc. has assumed the lease obligations and indemnified the Corporation from further liability.
- d) The Corporation had a contingent liability as endorser of certain promissory notes due in 2003, arising from the sale of a dragline. In addition, there is a contingent liability for lease payments on certain leased mining equipment. The lease expires in 2005. The total amount of these contingencies is \$71 million.
- e) The Corporation has unconditionally guaranteed payment of indebtedness incurred by IPSCO Inc. (IPSCO) under the terms of an operating lease which expires in 2007. The liability of the Corporation under the guarantee is limited to \$65 million. IPSCO has the option to purchase the leased equipment at certain times during the lease term. In the event that IPSCO does not purchase the equipment by the end of the lease term, CIC is obliged to purchase the equipment for \$13 million.
- f) The Corporation has guaranteed Saskferco Products Inc.'s line of credit with a chartered bank to a maximum of \$38.2 million. As at December 31, 1992, the full \$38.2 million was outstanding on this line of credit.
- g) The Corporation is contingently liable for loan guarantees totalling \$11.4 million.
- h) The Corporation has guaranteed the indebtedness of ISM to a chartered bank to a maximum of \$5 million.



11. COMMITMENTS AND CONTINGENCIES (continued)

- i) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

12. INTEREST EXPENSE

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Interest on long-term debt	\$ 519,251	\$ 587,853
Amortization of foreign exchange gains and losses	(1,439)	(6,894)
Amortization of deferred financing costs	<u>16,973</u>	<u>10,462</u>
	<u>534,785</u>	<u>591,421</u>
Less:		
Sinking fund earnings	(53,167)	(52,422)
Interest capitalized	<u>(26,286)</u>	<u>(44,514)</u>
	<u>(79,453)</u>	<u>(96,936)</u>
Long-term debt interest expense	455,332	494,485
Short-term debt interest expense	<u>14,676</u>	<u>30,598</u>
	<u>\$ 470,008</u>	<u>\$ 525,083</u>

13. SASKATCHEWAN TAXES AND RESOURCE PAYMENTS

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Resource royalties and payments		
Oil, gas and coal royalties	\$ 21,676	\$ 23,283
Timber dues	<u>2,099</u>	<u>1,337</u>
	23,775	24,620
Grants in lieu of taxes to municipalities	25,226	25,187
Capital tax	20,405	16,777
Insurance premium tax	4,975	4,856
Other	<u>1,358</u>	<u>256</u>
Total paid or payable	75,739	71,696
Less: amounts inventoried	(605)	(175)
Less: amounts capitalized	<u>(1,699)</u>	<u>-</u>
	<u>\$ 73,435</u>	<u>\$ 71,521</u>

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments.



14. NON-RECURRING ITEMS

Non-recurring items include the following:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Gain on sale of ISM shares (a)	\$ 27,734	\$ -
Write-down of loan receivable from Promavia International Corp. (b)	(2,268)	-
Loss on other share investments - cost basis	(797)	(1,095)
Loss on sales of investment in Cameco	-	(189,210)
Write-down of investment in Bi-Provincial Upgrader	-	(63,875)
Grant to MLPLP	-	(50,000)
Write-down of debenture from Weyerhaeuser Canada Ltd.	-	(47,316)
Loss on investment in PCS Inc.	-	(1,173)
	<u>\$ 24,669</u>	<u>\$ (352,669)</u>

- a) On April 30, 1992, the Corporation sold 3,522,127 ISM shares to IBM Canada Limited for a gain of \$27.7 million.
- b) The Corporation has entered into an agreement with Promavia International Corporation to provide interim loans to a maximum of \$2.3 million. The loans were to mature January 31, 1992. However, the maturity date was extended indefinitely and was payable on demand given five days notice. This notice was given during the year and the Corporation is currently pursuing payment of the entire balance owing plus accrued interest. A write-down has been recorded for the entire principal amount outstanding.

15. PUBLIC POLICY EXPENDITURES ADJUSTMENT

The Corporation incurs expenditures for various physical works for which it retains ownership. A public policy expenditure is recorded when such works do not directly produce sufficient revenue to finance their costs.

Construction costs of the Rafferty and Alameda dams are funded by the Corporation, the Consolidated Fund and the U.S. Government. Amounts received from the Consolidated Fund and the U.S. Government in excess of expenditures incurred are recorded as deferred revenue. Subject to construction delays, these amounts will be spent in the subsequent year.



15. PUBLIC POLICY EXPENDITURES ADJUSTMENT (continued)

The following table summarizes the construction costs and related funding to December 31, incurred primarily on the Rafferty and Alameda dams and major irrigation projects (thousands of dollars):

	<u>1992</u>	<u>1991</u>	<u>Total</u>
Construction costs	<u>\$ 17,122</u>	<u>\$ 233,788</u>	<u>\$ 250,910</u>
Funded by:			
Consolidated Fund	-	197,049	197,049
U. S. Government	24,811	36,739	61,550
Deferred revenue	<u>(15,394)</u>	<u>-</u>	<u>(15,394)</u>
	<u>9,417</u>	<u>233,788</u>	<u>243,205</u>
Public policy expenditure representing amount funded by the Corporation	<u>\$ 7,705</u>	<u>\$ -</u>	<u>\$ 7,705</u>

16. LEASES

- a) The Corporation, as lessee, has entered into capital leases whereby substantially all of the benefits and risks of ownership have been transferred to the Corporation from the lessor. Commitment information related to these leases is as follows:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Future minimum lease payments		
1992	\$ -	\$ 7,691
1993	8,742	8,708
1994	4,714	4,633
1995	349	270
1996	146	74
1997	<u>39</u>	<u>-</u>
Total minimum lease payments	13,990	21,376
Less amount representing interest and executory costs	<u>(1,586)</u>	<u>(3,373)</u>
Balance of obligation	12,404	18,003
Less current portion	<u>(7,580)</u>	<u>(5,823)</u>
	<u>\$ 4,824</u>	<u>\$ 12,180</u>



16. LEASES (continued)

b) All other leases entered into by the Corporation, as lessee, were operating leases with future minimum lease payments as follows (thousands of dollars):

1993	\$ 27,077
1994	26,098
1995	16,172
1996	6,214
1997	6,210
Thereafter	<u>2,387</u>
	<u>\$ 84,158</u>

17. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and non-Part II Crown corporations to which the Corporation is related. Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

During 1992, the Corporation received \$4.6 million (1991 - \$14.8 million) in grants from the Consolidated Fund, and \$0.6 million (1991 - \$1.2 million) in grants from the Agriculture Development Fund.

As at December 31, 1992, \$30.8 million (1991 - \$354.2 million) was invested at interest with the Consolidated Fund and is included in short-term investments.

Included in accounts receivable is a subsidy of \$4.9 million (1991 - \$0) receivable from the Consolidated Fund.

18. PENSIONS

Substantially all employees of the Corporations included in these financial statements are participants in either defined contribution or defined benefit pension plans.

Based on the latest actuarial valuations, the present value of the accrued pension benefits of the defined benefit pension plans is \$885.0 million, which approximates the estimated market value of the pension funds' assets.

19. COMPARATIVE FIGURES

Certain of the 1991 figures have been reclassified to conform with the current year's presentation.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS OVERVIEW

CIC, as a legal entity, makes investments, borrows money, receives dividends and interest income and pays interest and other expenses. The results of these transactions are reflected in the following Non-Consolidated Financial Statements.

CIC is the successor to The Government Finance Office which was established by Order-in-Council 535/47 dated April 2, 1947 and was continued under the provisions of **The Crown Corporations Act, 1978** (the Act). The Act assigns specific financial and other responsibilities to CIC regarding the corporations subject to Part II of the Act. These corporations are listed in Note 2 to the Non-Consolidated Financial Statements.

CIC has made investments in these Crown corporations in the form of non-interest bearing advances. These advances are considered to be long-term equity investments by CIC and are therefore referred to as equity advances. Although the equity advances do not represent legal share capital, the relationship between CIC and the Crown corporations is identical to what it would be if CIC owned shares. Therefore, it is considered appropriate to prepare and publish Consolidated Financial Statements which include the accounts of the designated Crown corporations in addition to CIC's other share investments. Consolidated Financial Statements have been prepared since CIC's inception in 1978 and continue to form a significant part of this Annual Report.

The Financial Management Review Commission, which released its report in February 1992, recognized the value of Consolidated Financial Statements but also recommended that the financial statements of each subsidiary making up these consolidated results be provided to the Legislature. Consequently, CIC's non-consolidated "legal entity" financial statements are publicly released in this Annual Report. In addition, this Annual Report includes Non-Consolidated Financial Statements for CIC's wholly-owned share capital subsidiary, CIC Industrial Interests Inc. (CIC III). 1992 marks the

first year that CIC III's Non-Consolidated Financial Statements have been publicly released as part of CIC's Annual Report.

Readers of the Non-Consolidated Financial Statements are cautioned that the Non-Consolidated Financial Statements have not been prepared for general purposes and should be interpreted in the context of the accounting principles used in their preparation (see Note 1 to the Non-Consolidated Financial Statements for a description of these principles).

1992 Financial Results

During 1992, a major financial restructuring plan was implemented which significantly affects CIC's current and future operating results. The plan was comprised of three major components:

- 1) The cancellation of \$583.9 million of equity advances from the Consolidated Fund which was applied to eliminate CIC's accumulated deficit at December 31, 1991;
- 2) The conversion of \$875 million of CIC's interest bearing debt owing to the Consolidated Fund to non-interest bearing equity advances;
- 3) The provision of a budgetary expenditure in the Consolidated Fund's 1992-93 budget to offset a portion of CIC's interest costs and investment losses.

The debt conversion is expected to reduce CIC's annual interest costs by approximately \$90 million. The debt that was converted had been identified as being unsupportable in that the underlying assets initially acquired with the debt either were no longer in existence or were not capable of providing revenue and cash streams to support interest and principal payments on the debt. \$312 million of this debt was initially used to pay dividends to the Province.

CIC reported a non-consolidated net loss for 1992 before subsidy of \$4.9 million, compared to a net loss in 1991 of \$615.1 million. The 1992



loss has been completely offset by the subsidy from the Consolidated Fund. The \$4.9 million subsidy required to offset CIC's 1992 loss was \$34.1 million less than was initially contained in the Province's 1992-93 budget. The most significant reason for this decrease was the Series C financing for NewGrade backed by the Province and the Federal Government. The financing allowed scheduled principal payments on NewGrade's debt to be rolled over and remain under the existing debt guarantees. This reduced NewGrade's cash deficiency, thereby significantly reducing CIC's cash injection to NewGrade.

During 1992, CIC received dividends from certain Crown corporations under its purview totalling \$178.8 million. No dividends were received in 1991. Note 12 to the Non-Consolidated Financial Statements lists the sources of these dividends. CIC's net interest expense decreased by \$37.8 million in 1992. This decrease is largely attributable to the conversion of debt to equity advances.

The 1992 write-down in value of CIC's investments was \$56.0 million, compared to \$449.6 million in 1991. The 1992 write-down is mainly due to CIC's investment in SEDCO. The write-down represents CIC's estimate of the decline in value of its investment in SEDCO and is determined by SEDCO's operating losses of \$48.9 million for the year. The 1991 write-down included \$166.3 million for SMDC, \$160.6 million for CIC III and \$70.1 million for NewGrade in addition to a \$42.6 million write-down for SEDCO.

In October 1992, SaskEnergy was continued under **The SaskEnergy Act** as a Crown corporation under CIC's purview. As part of a series of transactions during 1992 leading up to this, CIC facilitated the transfer of \$226 million of debt from SaskEnergy to SaskPower. This debt pertained to the sale of natural gas assets by SaskPower to SaskEnergy in 1988 and 1989. In addition, all debt previously owed to the Province by CIC on behalf of SaskEnergy was removed from CIC's accounts. SaskEnergy now owes these amounts directly to the Province. The corresponding loans receivable from SaskEnergy have also been removed from CIC's accounts. In

addition, all debt owed by SEDCO to the Province has been transferred to CIC. CIC has established corresponding loans receivable from SEDCO of an equal amount. The objective of this transfer was to consolidate all of SEDCO's debt within one organization. Previously, SEDCO had debt owing to both the Province and CIC.

The debt transfers and the debt conversion referred to above have reduced CIC's long-term debt by \$1.9 billion, from \$2.9 billion at December 31, 1991 to \$1.0 billion at December 31, 1992.

Events Subsequent to Year End

Subsequent to CIC's year end, a revised **Crown Corporations Act** was tabled in the Legislature. This Act further defines CIC's powers and mandate. The Act will come into effect upon assent. The Act will not have any direct financial impact on CIC.

On March 15, 1993, CIC effectively converted \$21.5 million of STC's interest bearing debt owing to CIC into non-interest bearing equity advances. The conversion of debt to equity is part of a reorganization plan expected to eliminate STC's operating losses by 1994.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1992

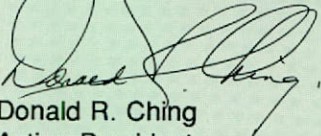
Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.


The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The Provincial Auditor of Saskatchewan has audited the Non-Consolidated Financial Statements and conducted a review of internal accounting policies and procedures to the extent required to enable him to express an opinion on the Non-Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Non-Consolidated Financial Statements, appears on the next page.

The Board of Directors has reviewed and approved these Non-Consolidated Financial Statements. The Board meets periodically with management and with the independent auditors to review internal accounting controls, audit results and accounting principles and practices.



Donald R. Ching
Acting President



Richard A. Hornowski
Vice-President Finance



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1992

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

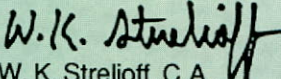
I have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 1992 and the non-consolidated statements of operations and reinvested earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method as explained in Note 1.

Another auditor reported on the financial statements of the previous year.

Regina, Saskatchewan
March 19, 1993


W. K. Strelloff, C.A.,
Provincial Auditor



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
ASSETS		
Cash and short-term investments	\$ 31	\$ 313,729
Subsidy receivable (Note 3)	4,879	-
Interest and accounts receivable	9,405	34,498
Dividends receivable	147,164	60,000
Loans and notes receivable (Note 4)	989,388	1,136,061
Equity advances to Crown corporations (Note 5)	1,482,969	1,755,862
Investments in share capital corporations (Note 6)	214,132	285,663
Other assets (Note 7)	<u>20,644</u>	<u>33,102</u>
	<u>\$ 2,868,612</u>	<u>\$ 3,618,915</u>
LIABILITIES AND PROVINCE'S EQUITY		
Liabilities:		
Interest and accounts payable	\$ 32,065	\$ 99,394
Notes payable to Consolidated Fund	351,643	28,925
Deferred revenue (Note 8)	983	3,683
Long-term debt (Note 9)	<u>1,036,469</u>	<u>2,927,989</u>
	<u>1,421,160</u>	<u>3,059,991</u>
Province of Saskatchewan's Equity:		
Equity advances (Note 10)	1,447,452	1,142,871
Reinvested earnings (deficit)	<u>-</u>	<u>(583,947)</u>
	<u>1,447,452</u>	<u>558,924</u>
	<u>\$ 2,868,612</u>	<u>\$ 3,618,915</u>

Contingencies (Note 11)

(See accompanying notes)

On behalf of the Board: John Rennie, Director Sarae Tschirch, Director



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS (DEFICIT)

For the Year Ended December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
INCOME		
Dividends (Note 12)	\$ 178,767	\$ -
Interest	116,714	121,268
Other	<u>516</u>	<u>311</u>
	<u>295,997</u>	<u>121,579</u>
EXPENSES		
Interest - long-term debt	236,088	278,635
Interest - short-term debt	3,394	3,206
General, administrative and other	5,368	5,194
Depreciation	<u>32</u>	<u>28</u>
	<u>244,882</u>	<u>287,063</u>
Income (loss) before the following	51,115	(165,484)
Write-down of investments (Note 13)	<u>(55,994)</u>	<u>(449,615)</u>
Loss before subsidy from Consolidated Fund	(4,879)	(615,099)
Subsidy from Consolidated Fund	<u>4,879</u>	<u>-</u>
NET INCOME (LOSS)	-	(615,099)
REINVESTED EARNINGS (DEFICIT), BEGINNING OF YEAR	(583,947)	31,152
ELIMINATION OF DEFICIT PURSUANT TO REORGANIZATION (NOTE 10)	<u>583,947</u>	<u>-</u>
REINVESTED EARNINGS (DEFICIT), END OF YEAR	<u>\$ -</u>	<u>\$ (583,947)</u>

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net income (loss)	\$ -	\$ (615,099)
Add non-cash items		
Amortization and depreciation	9,798	5,339
Write-down of investments	<u>55,994</u>	<u>449,615</u>
	65,792	(160,145)
Net change in non-cash working capital balances related to operations (Note 14)	<u>(134,279)</u>	<u>144,637</u>
Cash used in operating activities	<u>(68,487)</u>	<u>(15,508)</u>
INVESTING ACTIVITIES		
Advances to CIC Industrial Interests Inc.	(405,701)	(314,243)
(Increase) decrease in notes receivable	(6,419)	15,124
Loans to Crown corporations	(115,566)	(230,000)
Loan repayments received	644,008	47,074
Equity advances to Crown corporations	(77,000)	(6,000)
Equity advance repayments by Crown corporations	404,424	217,187
Purchase of investments	(2,332)	(2,305)
Capital expenditures	(40)	(12)
Increase in deferred revenue	<u>787</u>	<u>3,199</u>
Cash provided by (used in) investing activities	<u>442,161</u>	<u>(269,976)</u>
FINANCING ACTIVITIES		
Increase in deferred charges	(787)	(32,741)
Dividends paid to the Saskatchewan Heritage Fund	-	(299,500)
Increase (decrease) in notes payable	322,718	(24,024)
Long-term debt proceeds	115,566	1,455,000
Long-term debt repayments	(2,013,397)	(651,560)
Equity advances received	<u>888,528</u>	<u>117,990</u>
Cash provided by (used in) financing activities	<u>(687,372)</u>	<u>565,165</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	(313,698)	279,681
CASH POSITION, BEGINNING OF YEAR	<u>313,729</u>	<u>34,048</u>
CASH POSITION, END OF YEAR	<u>\$ 31</u>	<u>\$ 313,729</u>

Cash position consists of cash and short-term investments.

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as noted in a) and d) below.

a) Basis of presentation

The financial statements have been prepared on a non-consolidated basis to illustrate the financial position and results of operations of the corporate entity only. These non-consolidated financial statements have been prepared for this specific purpose. Therefore, for further information, users should refer to the financial statements of CIC's wholly-owned subsidiary, CIC Industrial Interests Inc. (CIC III) and the Crown Investments Corporation of Saskatchewan (CIC) consolidated financial statements. The consolidated financial statements include the accounts of CIC, the Crown corporations listed in Note 2, and CIC III.

The balance sheet has been presented in an unclassified format because many of CIC's financial assets and liabilities have no repayment terms and cannot readily be categorized as current or long-term.

b) Short-term investments

Short-term investments are carried at cost which approximates their market value.

c) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eleven Crown corporations have received non-interest bearing advances from CIC. These advances are considered to be long-term equity investments by CIC and are therefore referred to as equity advances. The equity advances are initially recorded at cost, but are written down to their estimated realizable value where there is evidence of a permanent decline in value below cost. Dividends from these corporations are recognized as income when receivable.

d) Investments in shares

Investments in shares of corporations are accounted for on the cost method regardless of whether significant influence exists or there is a parent-subsidiary relationship. The investments in shares are written down to their estimated realizable value where there is evidence of a permanent decline in value below cost. Dividends from these share investments are recognized as income when receivable.

e) Notes, loans and debentures receivable

Notes, loans and debentures receivable are initially recorded at cost, but are written down to their estimated realizable value where there is evidence of a permanent decline in value below cost.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Fixed assets

Fixed assets are recorded at cost. When fixed assets are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment and furniture are depreciated over their estimated useful lives using the declining balance method at a rate of 30 per cent.

g) Deferred charges

Issue costs and discounts incurred on the issue of long-term debt are recorded at cost less accumulated amortization. These deferred charges are amortized over the term of the related debt on a straight-line basis.

h) Deferred revenue

Issue costs and discounts charged on the issue of long-term loans to Crown corporations are recorded net of accumulated amortization. Deferred revenue is amortized over the term of the related loans receivable on a straight-line basis.

2. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

The Government Finance Office was established by Order-in-Council 535 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1978** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax.

The Act assigns specific financial and other responsibilities to CIC regarding Provincial Crown corporations whose activities have been designated as subject to Part II of the Act. The following corporations have been designated as subject to the Act by Order-in-Council 630/84 (amended by Orders-in-Council 874/84 and 1185/92):

- CIC Mineral Interests Corporation
- Saskatchewan Computer Utility Corporation
- Saskatchewan Development Fund Corporation
- Saskatchewan Economic Development Corporation
- Saskatchewan Forest Products Corporation
- Saskatchewan Government Insurance
- Saskatchewan Mining Development Corporation
- Saskatchewan Power Corporation
- Saskatchewan Telecommunications
- Saskatchewan Transportation Company
- Saskatchewan Water Corporation
- SaskEnergy Incorporated



3. SUBSIDY RECEIVABLE

The subsidy receivable is due from the Province of Saskatchewan's Consolidated Fund (Consolidated Fund) and is intended to eliminate CIC's 1992 operating loss.

4. LOANS AND NOTES RECEIVABLE

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
SaskEnergy Incorporated - short-term loans	\$ -	\$ 28,925
SaskEnergy Incorporated - long-term loans	-	820,401
Less: continuity of interest adjustment	<u>-</u>	<u>(226,393)</u>
	-	622,933
CIC Industrial Interests Inc.	774,974	369,273
Saskatchewan Economic Development Corporation		
- short-term loans	30,598	-
- long-term loans	260,566	195,000
Saskatchewan Transportation Company - short-term loans	<u>22,000</u>	<u>18,900</u>
	1,088,138	1,206,106
Less: Write-down of investments:		
Saskatchewan Economic Development Corporation	(92,201)	(61,907)
Saskatchewan Transportation Company	(6,549)	(1,827)
Less: Sinking fund liability due to SaskEnergy Incorporated	<u>-</u>	<u>(6,311)</u>
	<u>\$ 989,388</u>	<u>\$ 1,136,061</u>

- a) The long-term loans receivable from SaskEnergy Incorporated (SaskEnergy) (formerly Saskatchewan Energy Holdings Ltd.) arose primarily from the refinancing of SaskEnergy by CIC when it acquired the shares of SaskEnergy on December 31, 1989. CIC borrowed \$774.8 million from the Consolidated Fund and loaned these funds, under the same terms and conditions, to SaskEnergy to enable it to repay Saskatchewan Power Corporation (SaskPower) for the debt assumed when SaskEnergy acquired SaskPower's natural gas operations during 1988 and 1989. This debt to SaskPower exceeded the book value of the assets acquired. This discrepancy gave rise to the continuity of interest adjustment noted above.

In May 1992, CIC entered into a Memorandum of Undertaking with SaskEnergy, SaskPower and the Minister of Finance whereby it was agreed to reorganize the capital structure of both SaskEnergy and SaskPower. Effective July 1, 1992, the excess debt to SaskPower referred to above of \$226.4 million was transferred back to SaskPower from SaskEnergy through a series of transactions. These transactions eliminated the continuity of interest adjustment, reduced loans receivable from SaskEnergy, reduced CIC's long-term debt to the Consolidated Fund and reduced equity advances to SaskPower, all by \$226.4 million.



4. LOANS AND NOTES RECEIVABLE (continued)

On December 31, 1992, in accordance with Order-in-Council 1190/92, CIC was relieved of long-term debt to the Consolidated Fund totalling \$616.3 million. A corresponding amount of loans receivable from SaskEnergy was also removed. SaskEnergy now owes this amount directly to the Consolidated Fund.

- b) On March 31, 1992, in accordance with Order-in-Council 1126/92, CIC assumed long-term debt to the Consolidated Fund totalling \$104.3 million. A corresponding amount of loans receivable from Saskatchewan Economic Development Corporation was also assumed.
- c) Loans receivable are primarily interest-bearing at various rates and mature at various dates from 1993 to 2008. The loan receivable from CIC Industrial Interests Inc. is non-interest bearing with no set repayment terms.
- d) Principal repayments due in the next five years are as follows (thousands of dollars):

1993	\$ 117,598
1994	\$ 77,383
1995	\$ 3,857
1996	\$ 10,000
1997	\$ -

5. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances represent equity investments in Crown corporations and are non-interest bearing and repayable at the discretion of CIC.

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Saskatchewan Power Corporation	\$ 660,000	\$ 826,393
Saskatchewan Mining Development Corporation	350,930	522,941
Saskatchewan Telecommunications	250,000	250,000
CIC Mineral Interests Corporation	76,810	248,130
Saskatchewan Economic Development Corporation	73,000	56,000
SaskEnergy Incorporated	71,531	-
Saskatchewan Government Insurance	55,000	56,000
Saskatchewan Forest Products Corporation	40,200	40,200
Saskatchewan Transportation Company	33,985	33,985
Saskatchewan Development Fund Corporation	1,150	1,150
Saskatchewan Water Corporation	700	700
	<u>1,613,306</u>	<u>2,035,499</u>
Less: Write-down of investments:		
Saskatchewan Economic Development Corporation	(73,000)	(56,000)
Saskatchewan Transportation Company	(33,985)	(33,985)
Saskatchewan Forest Products Corporation	(23,352)	(23,352)
Saskatchewan Mining Development Corporation	-	(166,300)
	<u>\$ 1,482,969</u>	<u>\$ 1,755,862</u>



5. EQUITY ADVANCES (continued)

- a) In accordance with the terms of the Memorandum of Undertaking (see Note 4 (a)), SaskPower repaid \$226.4 million of equity advances during 1992.
- b) During the year, CIC wrote off advances to Saskatchewan Mining Development Corporation (SMDC) of \$166.3 million representing SMDC's accumulated deficit to December 31, 1991.
- c) On October 5, 1992, SaskEnergy was continued under **The SaskEnergy Act**. By virtue of Order-in-Council 1185/92, SaskEnergy became subject to Part II of **The Crown Corporations Act, 1978**. Accordingly, CIC's \$71.5 million investment in the share capital of SaskEnergy (see Note 6) was converted to equity advances.

6. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

<u>Investee</u>	<u>Description of Investment</u>	<u>Voting Percentage</u>	<u>1992</u>	<u>1991</u>
(thousands of dollars)				
CIC Industrial Interests Inc.	34,000,000 common shares	100%	<u>\$ 374,749</u>	<u>\$ 374,749</u>
NewGrade Energy Inc.	1 Class B voting non-participating common share	50%	1	1
	4,932 Class C non-voting participating common shares		4,932	4,932
	81,950 Class D common shares		81,950	81,950
	Subordinated debentures - C		33,577	33,577
	Subordinated debentures - D		33,577	33,577
	Subordinated debentures - E		75,675	75,675
	Promissory notes		4,638	2,305
			<u>234,350</u>	<u>232,017</u>
SaskEnergy Incorporated	10 Class B voting shares	100%	-	71,531
			609,099	678,297
Less:	Write-down of investments:			
	CIC Industrial Interests Inc.		(160,617)	(160,617)
	NewGrade Energy Inc.		(234,350)	(232,017)
			<u>\$ 214,132</u>	<u>\$ 285,663</u>

- a) CIC owns 50 per cent of the outstanding voting non-participating shares, 100 per cent of the non-voting participating shares and 100 per cent of the outstanding subordinated debentures of NewGrade Energy Inc. (NewGrade). CIC also holds certain promissory notes due from NewGrade.



6. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (continued)

CIC had initially agreed to provide funding to NewGrade, to a maximum of \$158.8 million for the purpose of assisting NewGrade in the construction and start-up of a heavy oil upgrader located in Regina, Saskatchewan. CIC has further agreed to provide additional amounts to NewGrade to fund cash deficiencies experienced as a result of start-up difficulties. CIC had made total investments in NewGrade of \$234.4 million to December 31, 1992 (1991 - \$232.0 million).

NewGrade had recorded accumulated losses of \$278.4 million to October 31, 1992. Accordingly, CIC has reduced the carrying value of its investment to nil to reflect the decline in value of this investment. In future, any additional funding provided to NewGrade by CIC will be written off as the funding is provided.

The subordinated debentures bear interest at Royal Bank prime plus two per cent. The promissory notes bear interest at fixed rates ranging from 6.25 per cent to 9.00 per cent. However, due to the uncertainty of receipt of these amounts, no interest income has been accrued in these financial statements. The total interest owing to CIC at December 31, 1992 was \$79.7 million (1991 - \$60.3 million) on the subordinated debentures and \$0.3 million on the promissory notes.

CIC has pledged all of the shares and debentures purchased from NewGrade as collateral security for NewGrade's loans. The Consolidated Fund has also guaranteed indebtedness of NewGrade to a maximum of \$360.0 million.

- b) As more fully described in Note 5(c), CIC's investment in the share capital of SaskEnergy Incorporated was converted to equity advances during the year.
- c) The securities of CIC Industrial Interests Inc. and NewGrade Energy Inc. are not publicly traded and therefore quoted market values are not available.

7. OTHER ASSETS

	<u>Cost</u>	<u>Accumulated Amortization & Depreciation</u>	<u>Net Book Value 1992</u>	<u>Net Book Value 1991</u>
	(thousands of dollars)			
Deferred charges	\$ 32,480	\$ 11,937	\$ 20,543	\$ 33,009
Equipment and furniture	<u>986</u>	<u>885</u>	<u>101</u>	<u>93</u>
	<u>\$ 33,466</u>	<u>\$ 12,822</u>	<u>\$ 20,644</u>	<u>\$ 33,102</u>

8. DEFERRED REVENUE

	<u>Original Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 1992</u>	<u>Net Book Value 1991</u>
	(thousands of dollars)			
Deferred revenue	\$ 1,821	\$ 838	\$ 983	\$ 3,683



9. LONG-TERM DEBT

	1992		1991	
	Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
(thousands of dollars)				
<u>Years to Maturity</u>				
Canadian Dollar Issues				
1 - 5 years	\$ 532,143	9.60%	\$ 1,082,322	8.45%
6 - 10 years	483,407	9.88%	1,186,460	9.91%
11 - 15 years	14,000	9.73%	372,309	10.59%
16 - 20 years	6,919	9.84%	226,649	9.56%
	1,036,469		2,867,740	
United States Dollar Issues				
1 - 5 years	-		66,560	13.58%
Long-term debt	1,036,469		2,934,300	
Less: equity in sinking funds	-		(6,311)	
Total long-term debt	\$ 1,036,469		\$ 2,927,989	

- a) All of the above noted long-term debt is denominated in Canadian dollars and is payable to the Consolidated Fund.
- b) As part of a plan to financially restructure CIC, in accordance with Order-in-Council 930/92, \$875 million of CIC's long-term debt obligations to the Consolidated Fund were converted to non-interest bearing equity advances effective March 31, 1992.
- c) Certain issues received from the Consolidated Fund totalling \$40.6 million (1991 - \$437.2 million) require that the issues be subject to redemption on six months notice.
- d) Principal repayments due in the next five years are as follows:

(thousands of dollars)

1993	\$ 390,903
1994	\$ 102,383
1995	\$ 3,857
1996	\$ 35,000
1997	\$ -



10. EQUITY ADVANCES

CIC does not have share capital. However, CIC has received advances from the Consolidated Fund (Saskatchewan Heritage Fund to March 31, 1992). The advances are non-interest bearing and are repayable at the discretion of the Consolidated Fund. The advances are considered to be an equity investment in CIC by the Consolidated Fund and are referred to as equity advances. Changes in equity advances were as follows:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Balance, beginning of year	\$1,142,871	\$ 1,024,881
Equity advances received	13,528	117,990
Equity advances received on conversion of long-term debt (a)	875,000	-
Equity advances cancelled (b)	<u>(583,947)</u>	<u>-</u>
Balance, end of year	<u>\$1,447,452</u>	<u>\$ 1,142,871</u>

- a) In accordance with Order-in-Council 930/92, \$875 million of CIC's long-term debt obligations to the Consolidated Fund were converted to non-interest bearing equity advances.
- b) In accordance with Order-in-Council 842/92, \$583.9 million of equity advances from the Consolidated Fund were cancelled and applied to eliminate CIC's accumulated deficit of \$583.9 million at December 31, 1991.

11. CONTINGENCIES

- a) CIC has unconditionally guaranteed payment of indebtedness incurred by IPSCO Inc. (IPSCO) under the terms of an operating lease which expires in 2007. The liability of CIC under the guarantee is limited to \$65.0 million. IPSCO has the option to purchase the leased equipment at certain times during the lease term. In the event that IPSCO does not purchase the equipment by the end of the lease term, CIC is obliged to purchase the equipment for \$13 million.
- b) In May, 1991, CIC guaranteed Saskferco Products Inc.'s line of credit with a chartered bank to a maximum amount of \$38.2 million. As at December 31, 1992, the full \$38.2 million was outstanding on the line of credit.



12. DIVIDEND INCOME

Dividends were declared to CIC as follows:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Saskatchewan Power Corporation	\$ 58,697	\$ -
Saskatchewan Telecommunications	51,700	-
SaskEnergy Incorporated	28,375	-
CIC Mineral Interests Corporation	27,658	-
Saskatchewan Government Insurance	8,392	-
Saskatchewan Mining Development Corporation	<u>3,945</u>	<u>-</u>
	<u>\$ 178,767</u>	<u>\$ -</u>

13. WRITE-DOWN OF INVESTMENTS

The write-down of investments represents management's best estimate of the decline in value of the investments in certain corporations.

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Saskatchewan Economic Development Corporation	\$ 48,939	\$ 42,633
Saskatchewan Transportation Company	4,722	6,454
NewGrade Energy Inc.	2,333	70,099
Saskatchewan Mining Development Corporation	-	166,300
CIC Industrial Interests Inc.	-	160,617
Saskatchewan Forest Products Corporation	<u>-</u>	<u>3,512</u>
	<u>\$ 55,994</u>	<u>\$ 449,615</u>

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Increase in subsidy receivable	\$ (4,879)	\$ -
Decrease in interest and accounts receivable	25,093	1,011
(Increase) decrease in dividends receivable	(87,164)	108,268
Increase (decrease) in interest and accounts payable	<u>(67,329)</u>	<u>35,358</u>
	<u>\$ (134,279)</u>	<u>\$ 144,637</u>



15. RELATED PARTY TRANSACTIONS

Included in these non-consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and Crown corporations to which CIC is related.

Account balances resulting from these transactions are included in the non-consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the non-consolidated financial statements and the notes thereto.

16. PENSION PLAN

CIC's employees participate in the Capital Pension Plan Inc., a defined contribution pension plan. CIC's contributions to the pension plan are limited to making regular payments into the plan to match the required amounts contributed by employees for current service.



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS OVERVIEW

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979, as a wholly-owned subsidiary of CIC. As a share capital corporation, CIC III acted as a vehicle, on behalf of CIC, to participate in diversification initiatives of a commercial nature which also involved some degree of private ownership. Over the years, the number of these investments and the dollar investment involved have increased substantially.

The major investments held by CIC III are described beginning on page 16 of this Annual Report. CIC III's results are included in CIC's Consolidated Financial Statements.

In past years, certain investments made through CIC III were not subject to full public disclosure. An example of this was the creation of the Saskatchewan Diversification Corporation (SDC) in 1990. In its report, the Financial Management Review Commission recommended that such practices be stopped and that the Legislative Assembly be properly involved in the creation of new Crown-owned entities. In addition, such entities should be duly accountable to the Legislative Assembly after their creation. This includes the submission of Annual Reports and financial statements. In keeping with CIC's commitment to full disclosure, entities such as SaskEnergy and SDC tabled Annual Reports in 1991.

CIC III's 1991 Non-Consolidated Financial Statements were also tabled in the Legislature early in 1993. However, 1992 marks the first year that CIC III's Non-Consolidated Financial Statements have been included in CIC's Annual Report. Readers of CIC III's Non-Consolidated Financial Statements are cautioned that the Non-Consolidated Financial Statements have not been prepared for general purposes and should be interpreted in the context of the accounting principles used in their preparation (see Note 1 to the CIC III Non-Consolidated Financial Statements for a description of these principles).

1992 Financial Results

CIC III reported a net loss of \$5.5 million in 1992 compared to a loss of \$125.8 million in 1991. The 1992 loss was caused primarily by a loss from equity investments of \$7.1 million. Included in this figure was a loss of \$7.2 million resulting from CIC III's investment in the Bi-Provincial Upgrader. The 1991 loss included a write-down of the investment in the Bi-Provincial Upgrader of \$63.9 million, and \$12.6 million for the Weyerhaeuser debenture, as well as a grant to the Meadow Lake Pulp Mill of \$50.0 million.

CIC III's total assets increased by \$400.3 million from \$584.8 million at December 31, 1991 to \$985.1 million at December 31, 1992. This increase was primarily comprised of a loan provided to Haro of \$271.0 million, further loans to the Meadow Lake Pulp Mill of \$54.3 million, further equity funding to the Bi-Provincial Upgrader of \$54.9 million and to Saskferco of \$28.6 million.

On September 3, 1992, SDC was amalgamated with CIC III. As a result, all of SDC's assets and liabilities have been transferred to CIC III and are reflected in CIC III's Non-Consolidated Financial Statements.



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS 1992

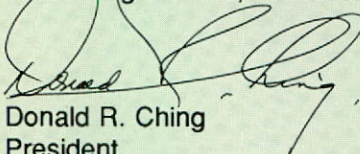
Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of CIC Industrial Interests Inc. to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

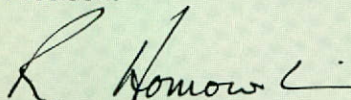
The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The Provincial Auditor of Saskatchewan has audited the Non-Consolidated Financial Statements and conducted a review of internal accounting policies and procedures to the extent required to enable him to express an opinion on the Non-Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Non-Consolidated Financial Statements, appears on the next page.

The Board of Directors has reviewed and approved these Non-Consolidated Financial Statements. The Board meets periodically with management and with the independent auditors to review internal accounting controls, audit results and accounting principles and practices.



Donald R. Ching
President



Richard A. Hornowski
Vice-President Finance



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS 1992

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the non-consolidated statement of financial position of **CIC Industrial Interests Inc.** as at December 31, 1992 and the non-consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis as explained in Note 1.

Another auditor reported on the financial statements of the previous year.

Regina, Saskatchewan
March 19, 1993

W.K. Strelhoff
W. K. Strelhoff, C.A.,
Provincial Auditor



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
ASSETS		
Current		
Cash	\$ 1	\$ 4,265
Interest and accounts receivable	954	504
Debentures and loans receivable due within one year (Note 3)	142,711	2,137
Mortgages receivable due within one year (Note 4)	428	388
Other assets	<u>325</u>	<u>460</u>
	144,419	7,754
Advances due from Bi-Provincial Upgrader (Note 5(a))	3,850	-
Due from CIC Pulp Ltd., without interest	9,954	9,800
Debentures and loans receivable (Note 3)	468,636	286,907
Mortgages receivable (Note 4)	40,535	40,963
Investments - equity basis (Note 5)	251,848	173,601
Investments - cost basis (Note 6)	<u>65,812</u>	<u>65,761</u>
	<u>\$ 985,054</u>	<u>\$ 584,786</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	\$ 76	\$ 12
Due to Crown Investments Corporation of Saskatchewan (CIC), without interest	774,974	369,273
Due to 586643 Saskatchewan Ltd., without interest	<u>1</u>	<u>1</u>
	<u>775,051</u>	<u>369,286</u>
Shareholder's equity		
Share capital (Note 7)	340,000	340,000
Deficit	<u>(129,997)</u>	<u>(124,500)</u>
	<u>210,003</u>	<u>215,500</u>
	<u>\$ 985,054</u>	<u>\$ 584,786</u>
Commitments and contingencies (Note 8)		

(See accompanying notes)

On behalf of the Board: John Rennie, Director

David J. King, Director



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

For the Year Ended December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
INCOME		
Interest and other income	\$ 6,163	\$ 8,481
Dividend income	<u>391</u>	<u>48</u>
	<u>6,554</u>	<u>8,529</u>
EXPENSES		
Administrative	2,640	8,021
Grant to Meadow Lake Pulp Limited Partnership	<u>-</u>	<u>50,000</u>
	<u>2,640</u>	<u>58,021</u>
Income (loss) before the following	<u>3,914</u>	<u>(49,492)</u>
Earnings (loss) from equity investments (Note 5(g))	(7,143)	167
Write-down of investments:		
Loan receivable from Promavia International Corp. (Note 3(d))	(2,268)	-
Weyerhaeuser Canada Ltd. Debenture	-	(12,567)
Bi-Provincial Upgrader Joint Venture	<u>-</u>	<u>(63,875)</u>
	<u>(9,411)</u>	<u>(76,275)</u>
NET LOSS	(5,497)	(125,767)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR (Note 9)	<u>(124,500)</u>	<u>1,267</u>
DEFICIT, END OF YEAR	<u>\$ (129,997)</u>	<u>\$ (124,500)</u>

(See accompanying notes)



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net loss	\$ (5,497)	\$ (125,767)
Dividends received from equity accounted investment	86	-
Add (deduct) non-cash items:		
Write-down of investments	2,268	76,442
Earnings from equity investments	7,143	(167)
Other non-cash items	<u>(177)</u>	<u>-</u>
	3,823	(49,492)
Net change in non-cash working capital balances related to operations	<u>(251)</u>	<u>(742)</u>
Cash provided by (used in) operating activities	<u>3,572</u>	<u>(50,234)</u>
INVESTING ACTIVITIES		
Increase in debentures and loans receivable	(325,632)	(134,913)
Debenture and loan repayments received	1,238	29,260
Mortgage repayments received	388	353
Purchase of investments	(85,527)	(156,613)
Advances to Bi-Provincial Upgrader	(3,850)	-
Net advances to CIC Pulp Ltd.	<u>(154)</u>	<u>-</u>
Cash used in investing activities	<u>(413,537)</u>	<u>(261,913)</u>
FINANCING ACTIVITIES		
Net advances from CIC	405,701	314,243
Net advances from 586643 Saskatchewan Ltd.	<u>-</u>	<u>1</u>
Cash provided by financing activities	<u>405,701</u>	<u>314,244</u>
NET INCREASE (DECREASE) IN CASH	(4,264)	2,097
CASH POSITION, BEGINNING OF YEAR	<u>4,265</u>	<u>2,168</u>
CASH POSITION, END OF YEAR	<u>\$ 1</u>	<u>\$ 4,265</u>

(See accompanying notes)



CIC INDUSTRIAL INTERESTS INC.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1992

1. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with generally accepted accounting principles except as noted in (a) below.

a) Basis of Presentation

CIC Industrial Interests Inc. (the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC) as discussed in Note 2. These financial statements have been prepared on a non-consolidated basis to illustrate the financial position and results of operations of the corporate entity. The financial results of the Corporation are included in CIC's consolidated financial statements. The Corporation's management is of the opinion that non-consolidated financial statements present further financial information in addition to the information presented in CIC's consolidated financial statements. These financial statements are prepared in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis. These non-consolidated financial statements have not been prepared for general purposes. Therefore, some users may require further information.

In addition, these financial statements have been prepared in accordance with the continuity of interests method for the amalgamation on September 3, 1992, of the Corporation and Saskatchewan Diversification Corporation (SDC). Consequently, these financial statements, including the 1991 comparative figures, reflect the combined assets, liabilities, equity, revenues and expenses of the Corporation and SDC. All intercompany balances and transactions have been eliminated (Note 9).

b) Investments - Equity Basis

The Corporation's investments in its subsidiaries, CIC Pulp Ltd., CMB Fertilizer Inc., Agdevco International Inc., and 586643 Saskatchewan Ltd. are accounted for by the equity method. The original cost of the Corporation's investment is adjusted for the Corporation's proportionate share of the subsidiary's net earnings or losses and decreased by dividends received. The Corporation also uses the equity method to account for its investment in the Bi-Provincial Upgrader Joint Venture and in corporations over which it has the ability to exercise significant influence.

Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to its estimated realizable value.

c) Investments - Cost Basis

The Corporation's long-term investments in corporations in which it does not have significant influence are accounted for on the cost method. Dividends from these investments are recorded as income when receivable.

Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to its estimated realizable value.



1. Summary of Significant Accounting Policies - continued:

d) Debentures, Loans and Mortgages Receivable

Debentures, loans and mortgages receivable are initially recorded at cost, but are written down to their estimated realizable value where there is evidence of a permanent decline in value below cost.

e) Interest Income

Interest income on debentures, loans and mortgages receivable is calculated on the accrual basis except when uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when it is received. Any accrued interest receivable is offset by deferred interest income.

2. Status of the Corporation:

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act** (Saskatchewan) on November 14, 1979, as a wholly-owned subsidiary of CIC, a Provincial Crown corporation. The financial results of the Corporation are included in the consolidated financial statements of CIC. The Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership.

During 1992, the Corporation was amalgamated with SDC. SDC was, prior to amalgamation, a wholly-owned subsidiary of the Corporation and was fully funded by operating grants paid by the Corporation. CIC Industrial Interests Inc. is the continuing corporation.

3. Debentures and Loans Receivable:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Loan receivable from Haro Financial Corporation (a)	\$ 271,000	\$ -
Interest receivable	1,070	-
Less: Deferred interest income	<u>(1,070)</u>	<u>-</u>
	<u>271,000</u>	<u>-</u>
Income debenture receivable from Weyerhaeuser Canada Ltd. (b)	236,581	236,581
Interest receivable	38,717	38,717
Less: Deferred interest income	(38,717)	(38,717)
Deferred gain on sale of operating assets	<u>(81,723)</u>	<u>(81,723)</u>
	<u>154,858</u>	<u>154,858</u>
Participating Debenture receivable from Meadow Lake Pulp Limited Partnership (c)	159,000	132,014
Interest Loan receivable	21,453	4,465
Less: Deferred interest income	<u>(21,453)</u>	<u>(4,465)</u>
	<u>159,000</u>	<u>132,014</u>
Term Loan receivable from Meadow Lake Pulp Limited Partnership (c)	<u>20,000</u>	<u>-</u>



3. Debentures and Loans Receivable - continued:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Contingency Loan receivable from Meadow Lake Pulp Limited Partnership (c)	<u>7,454</u>	<u>-</u>
6% debenture receivable from Meadow Lake Pulp Limited Partnership; repayable in quarterly principal instalments of \$50,000 plus accrued interest with the balance due June 17, 1993	<u>378</u>	<u>578</u>
Loan receivable from Dairy Producers Co-operative Limited, with a floating interest rate; interest is payable annually and principal is repayable in five equal annual instalments commencing in 1996	10,000	10,000
Interest receivable	2,385	1,581
Less: Deferred interest income	<u>(1,885)</u>	<u>(1,081)</u>
	<u>10,500</u>	<u>10,500</u>
Loan receivable from Promavia International Corporation, with interest at Royal Bank of Canada's floating prime rate plus 2% (d)	2,268	1,899
Interest receivable	258	33
Less: Deferred interest income	<u>(258)</u>	<u>(33)</u>
	<u>2,268</u>	<u>1,899</u>
12.5% loan receivable from National Pig Development (Canada) Co. Ltd. repayable in quarterly instalments of \$22,264 blended principal and interest with the balance due December 1, 2004	<u>550</u>	<u>569</u>
14% note receivable from Sascable Services Inc. repayable in annual instalments of \$40,000 blended principal and interest with the balance due February 28, 1998	<u>174</u>	<u>193</u>
Loan receivable from SGI Canada Insurance Services Ltd., without interest	<u>-</u>	<u>1,000</u>
	626,182	301,611
Less: Write-down of debentures and loans receivable:		
Weyerhaeuser Canada Ltd. debenture (b)	12,567	12,567
Promavia International Corporation loan receivable (d)	2,268	-
Due within one year	<u>142,711</u>	<u>2,137</u>
	<u>\$ 468,636</u>	<u>\$ 286,907</u>



3. Debentures and Loans Receivable - continued:

- a) The Corporation entered into various agreements with Haro Financial Corporation (Haro) to provide a loan to Haro up to a maximum of \$275 million. The funds were used by Haro to repay a previous loan facility used to finance the acquisition of an ownership interest in Crown Life Insurance Company (Crown Life). The Corporation had advanced \$271 million to December 31, 1992 (1991 - \$0). The loan is for an initial five-year term commencing on December 15, 1992 with a maximum of four five-year renewal terms at the option of Haro. Provision is made whereby under certain conditions the principal amount of the loan may be increased after the first five-year term if no refinancing has occurred.

Interest during the initial five-year term is calculated at the Royal Bank of Canada's Bankers' Acceptance Rate, determined on a quarterly basis, plus 1 3/8% per annum. Interest for each subsequent five-year renewal term, as established at the beginning of each renewal term, shall be the effective yield rate for five-year Province of Saskatchewan bonds plus 1% per annum.

Payment of principal and interest is subject to available cash flow as specifically defined in the loan agreement. Such payments, if any, will be paid to the Corporation on a quarterly basis and will firstly be applied to interest outstanding and secondly to principal. Any accrued interest not paid will be compounded annually and added to the principal balance. There are no fixed payments of either principal or interest other than payments from available cash flow. Due to the uncertainty of the timing of future cash payments, interest income earned will be recorded as deferred interest income. The deferred interest income will be recorded as income when payments are received under the cash flow formula.

All amounts outstanding are due and payable on December 15, 2017. On December 15, 2017, the balance of principal and interest outstanding, if any, will be converted into a maximum of 94% of Haro equity shares at the time. The type of Haro equity shares will be subject to certain regulatory approvals and is not presently determinable. In addition, the Corporation can exercise a unilateral right, prior to December 15, 2017, to 94% of Haro's assets (which are held as security for the loan) at any time after Haro's preferred shares in Crown Life are converted into common shares (or a non-voting equivalent). The conversion of Haro's preferred shares is to occur no later than June 30, 1996. The Corporation's unilateral right to 94% of Haro's assets is subject to regulatory compliance.

- b) Certain Meadow Lake Sawmill Ltd. (MLS) operating assets were sold on September 9, 1986 to Weyerhaeuser Canada Ltd. (Weyerhaeuser) in exchange for an income debenture with a principal amount of \$236.6 million. The terms of the debenture provided for the calculation and payment of interest to be based upon minimum earnings and available cash flows. Principal payments were also subject to cash availability. Interest income earned was recorded concurrently as interest receivable and deferred interest income. A gain of \$81.7 million on the sale of the original operating assets is included in deferred revenue.

On January 12, 1993, subsequent to year end, the Corporation entered into various agreements which provided for the extinguishment of the debenture in exchange for the lump sum payment from Weyerhaeuser of \$150 million. As a result, the entire carrying amount of the debenture has been classified as a current asset. The transaction, to be recorded in 1993, will result in a gain of \$7.7 million.



3. Debentures and Loans Receivable - continued:

- c) The Corporation has entered into various agreements with Meadow Lake Pulp Limited Partnership (MLPLP) and its agent, Millar Western Pulp (Meadow Lake) Ltd., to provide loans to MLPLP up to a maximum of \$191.5 million. The total loan commitment is comprised of three distinct loans.
- The Participating Debenture receivable has a maximum principal amount of \$159 million. This facility was completely advanced at December 31, 1992 (1991 - \$132.0 million). Interest on the Participating Debenture, at 11.15%, is calculated on October 31 of each year.
 - The Term Loan receivable has a maximum principal amount of \$20 million. The maximum amount had been advanced to December 31, 1992 (1991 - \$0). Interest on the Term Loan, currently at the Canadian Imperial Bank of Commerce (CIBC) prime interest rate plus 1/4%, is paid monthly.
 - The Contingency Loan receivable has a maximum principal amount of \$12.5 million. To December 31, 1992, the Corporation had advanced \$7.3 million under this loan (1991 - \$0). Interest on the Contingency Loan, at the CIBC prime interest rate plus 1%, is payable annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance. Interest of \$177,105 has been added to principal at October 31, 1992. Due to completion of construction, the Corporation is no longer committed to provide the remainder of the funds available under the Contingency Loan facility.

Contemporaneously with the interest calculation on the Participating Debenture, the Corporation records an equal amount as a separate loan (Interest Loan) to MLPLP. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is also added to the principal balance outstanding on the loan. Interest income earned and subsequently forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of the timing of future cash payments. The deferred interest income will be recorded as income when payments are received under the cash availability formula. Interest of \$21.5 million has been recorded as the principal portion of the Interest Loan representing interest accrued to October 31, 1992. Interest of \$3.4 million has accrued on the Participating Debenture and the Interest Loan from November 1, 1992 to December 31, 1992. This amount will continue to accumulate until the next compounding date, October 31, 1993, at which time it will form part of the Interest Loan principal.

Any payments to be made respecting the Participating Debenture, the Contingency Loan and the Interest Loan are subject to MLPLP achieving certain cash flows as specifically defined in the loan agreements. Any payments due to the Corporation are applied firstly to repay interest and principal outstanding under the Contingency Loan. After repayment of the Contingency Loan, payments will be applied to repay amounts outstanding under the Participating Debenture and after repayment of the Participating Debenture in full to the Interest Loan. Payments towards principal outstanding on the Term Loan are due in two equal annual payments after MLPLP has fully repaid an external bank loan. All of the loans mature in the year 2014. A special cash flow availability calculation shall be performed on the maturity date and 90% of the result of this calculation shall be applied to any amounts still outstanding firstly under the Contingency Loan, secondly under the Term Loan, thirdly under the Participating Debenture and fourthly under the Interest Loan. Any Interest Loan balance outstanding after application of this repayment will be forgiven. Amounts outstanding under the other three loans shall bear interest at a rate of prime plus 5%, compounded monthly, until paid.



3. Debentures and Loans Receivable - continued:

- d) The Corporation has entered into an agreement with Promavia International Corporation (PIC) to provide interim loans to a maximum of \$2.3 million. To December 31, 1992, the entire amount had been advanced (1991 - \$1.9 million). The loans were to mature January 31, 1992. However, the maturity date was extended indefinitely and was payable on demand given five days notice. This notice was given during the year and the Corporation is currently pursuing payment of the entire balance owing plus accrued interest. A write-down has been recorded for the entire principal amount outstanding.

4. Mortgages Receivable:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
9 5/8% mortgage receivable from Cadillac Fairview Corporation Limited, repayable in monthly instalments of \$289,177 blended principal and interest, compounded semi-annually and not in advance, with the unamortized balance due December 1, 2001	\$ 32,948	\$ 33,291
11 5/8% mortgage receivable from Cadillac Fairview Corporation Limited, repayable in monthly instalments of \$79,866, blended principal and interest, compounded semi-annually and not in advance, with the unamortized balance due December 1, 2001	<u>8,015</u>	<u>8,060</u>
	40,963	41,351
Less: Due within one year	<u>428</u>	<u>388</u>
	<u>\$ 40,535</u>	<u>\$ 40,963</u>

5. Investments - Equity Basis:

	<u>Percentage Ownership</u>	<u>Fiscal Year End</u>	<u>1992</u>	<u>1991</u>
			(thousands of dollars)	
Joint Venture interest in the Bi-Provincial Upgrader: Class A - original cost \$221,725,661 (1991 - \$197,491,069); Class C - original cost \$30,625,000 (1991 - \$0); no quoted market values (a)	17.5%	Dec. 31	\$ 245,114	\$ 197,491
Saskferco Products Inc. (Saskferco): 66,692,212 (1991 - 38,075,976) Class B common shares; no quoted market value; original cost \$66,692,212 (1991 - \$38,075,976) (b)	49.0%	May 31	66,692	38,076



5. Investments - Equity Basis - continued:

	<u>Percentage Ownership</u>	<u>Fiscal Year End</u>	<u>1992</u>	<u>1991</u>
(thousands of dollars)				
National Pig Development (Canada) Co. Ltd. (NPD): 603,253 (1991 - 603,253) Class A common shares; no quoted market value; original cost \$582,063; 662,500 (1991 - 662,500) Class B non-voting preferred shares; no quoted market value; original cost \$1,325,000 (c)	49.3%	Sep. 30	1,943	1,817
SGI Canada Insurance Services Ltd.: 320,100 (1991 - 100) Class A common shares; no quoted market value; original cost \$2,000,100 (1991 - \$100)	40.0%	Dec. 31	1,973	91
586643 Saskatchewan Ltd.: 615 (1991 - 615) common shares; no quoted market value; original cost \$615	100%	Dec. 31	1	1
Millar Western Pulp (Meadow Lake) Ltd.: 49 (1991 - 49) common shares; no quoted market value; original cost \$49	49.0%	Oct. 31	-	-
CIC Pulp Ltd.: 100 (1991 - 100) common shares; no quoted market value; original cost \$100 (d)	100%	Dec. 31	-	-
CMB Fertilizer Inc.: 1 (1991 - 1) common share; no quoted market value; original cost \$1	100%	Dec. 31	-	-
Agdevco International Inc.: 100 (1991 - 100) common shares; no quoted market value; original cost \$1 (e)	100%	Dec. 31	-	-
			315,723	237,476
Less: Write-down of investment in the Bi-Provincial Upgrader			63,875	63,875
			\$ 251,848	\$ 173,601



5. Investments - Equity Basis - continued:

- a) The Corporation owns a 17.5% equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture) established to construct and operate a heavy oil upgrader located near Lloydminster, Saskatchewan. The Corporation's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project of \$1,267 million. This initial investment is represented by Class A equity in the Joint Venture. To December 31, 1992, the Corporation had totally funded its commitment under Class A equity (1991 - \$197.5 million).

During 1991 and 1992, cost overruns of \$365 million, representing approximately 30% of the original cost estimates, were identified. The Corporation's proportionate share of these overruns would have been \$63.9 million. However, the Corporation agreed to fund only \$30.6 million of this amount while the remaining \$33.3 million would be funded by the other joint venturers. The additional \$30.6 million is represented by Class C equity. To December 31, 1992, the Corporation had totally funded its commitment under the Class C equity (1991 - \$0).

In addition, the Corporation has agreed to fund up to 17.5% of a \$50 million revolving operating line of credit, or \$8.8 million, in the form of non-interest bearing cash advances. To December 31, 1992, \$3.9 million had been advanced under this facility (1991 - \$0).

The Joint Venture commenced commercial operations on September 16, 1992.

- b) The Corporation has fully funded its obligations to provide initial equity to Saskferco of \$66.5 million. The Corporation may, in certain circumstances, be obligated to provide additional financial support for Saskferco. This includes the Corporation's pro rata share (49%) of up to \$10 million of further equity to the extent required to fund any construction cost overruns that may occur and 50% of up to \$5 million of other equity to the extent required to fund any working capital deficiencies that may occur during the first two years of operations. To December 31, 1992, the Corporation had advanced \$0.2 million under the construction cost overrun facility (1991 - \$0).

Saskferco commenced commercial operations on October 13, 1992.

- c) The Class B preferred shares in NPD bear a cumulative dividend of 8% per annum payable quarterly. The preferred shares attain voting rights if dividends have been in arrears for two consecutive quarters. Such dividends had been in arrears since June 30, 1990. However, during 1992, all dividends in arrears were paid. As a result, the preferred shares of NPD no longer carry voting rights.

The Corporation also has a shareholder loan outstanding from NPD of \$141,265 with interest at 12%. This amount is included in accounts receivable. The Corporation has the option of converting this loan to common shares in 1993 under certain conditions.

- d) The Corporation owns a 49% interest in MLPLP through its wholly-owned subsidiary, CIC Pulp Ltd. The Corporation has agreed to provide loans to MLPLP as further described in Note 3(c). MLPLP commenced commercial operations on November 1, 1992.
- e) Agdevco International Inc. (Ag. Inc.) has a 25% interest in the Crescent/Agdevco Joint Venture which is involved in two drainage projects in Pakistan. Ag. Inc. has posted a performance guarantee of \$150,000 (U.S.) with respect to the joint venture project.
- f) The Corporation owns one special share of ISM Information Systems Management Corporation (ISM) that enables it to determine the location of ISM's head office and principal place of business.



5. Investments - Equity Basis - continued:

g) Earnings from equity investments are comprised as follows:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Bi-Provincial Upgrader	\$ (7,237)	\$ -
SGL Canada Insurance Services Ltd.	(32)	91
National Pig Development (Canada) Co. Ltd.	<u>126</u>	<u>76</u>
	<u>\$ (7,143)</u>	<u>\$ 167</u>

6. Investments - Cost Basis:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Saskatchewan Oil and Gas Corporation: 5,842,910 (1991 - 5,842,910) common shares; quoted market value \$28,338,114 (1991 - \$38,709,279); original cost \$63,355,000	\$ 63,355	\$ 63,355
IPSCO Inc.: 100,000 (1991 - 100,000) common shares; quoted market value \$2,025,000 (1991 - \$2,262,500); original cost \$1,171,954	1,172	1,172
Other cost basis investments	<u>2,232</u>	<u>2,181</u>
	66,759	66,708
Less: Write-down of other cost basis investments	<u>947</u>	<u>947</u>
	<u>\$ 65,812</u>	<u>\$ 65,761</u>

7. Share Capital:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Authorized - Unlimited number of one class of shares with no par value		
Issued and outstanding - 34,000,000 shares (1991 - 34,000,000 shares)	<u>\$ 340,000</u>	<u>\$ 340,000</u>



8. Commitments and Contingencies:

The Corporation had the following significant commitments and contingencies at December 31, 1992:

(thousands of dollars)

Saskferco (Note 5(b))	\$ 7,147
Bi-Provincial Upgrader (Note 5(a))	4,900
Haro (Note 3(a))	<u>4,000</u>
	<u>\$ 16,047</u>

In addition, the Corporation has assumed commitments previously made by SDC for equity purchases of up to \$2.2 million.

9. Amalgamation:

As a result of amalgamating with SDC, the Corporation, after making the necessary inter-company eliminations, has retroactively included the following accounts of SDC in these financial statements:

	<u>1992</u>	<u>1991</u>
	(thousands of dollars)	
Assets	<u>\$ 1,284</u>	<u>\$ 1,368</u>
Retained earnings, beginning of year	\$ 1,368	\$ 1,267
Expenses	<u>(84)</u>	<u>101</u>
Retained earnings, end of year	<u>\$ 1,284</u>	<u>\$ 1,368</u>

10. Related Party Transactions:

Included in these non-consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and Crown corporations to which the Corporation is related.

Account balances resulting from these transactions are included in the non-consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the non-consolidated financial statements and the notes thereto.



11. Comparative Figures:

Certain of the 1991 comparative figures have been reclassified to conform with the current year's presentation.

12. Subsequent Events:

Subsequent to year end, the Corporation entered into an Unanimous Shareholders Agreement whereby the Corporation has agreed to provide equity funding of \$6.25 million subject to certain conditions being met by October 1, 1993. The success or timing of the conditions stipulated being met is not determinable.

Also subsequent to year end, the Corporation entered into an agreement with the Canadian Western Bank (CWB). The Corporation invested \$2 million in CWB.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CORPORATE DIRECTORY

Crown Investments Corporation of Saskatchewan
2400 College Avenue
Regina, Saskatchewan
S4P 1C8

Inquiry No.: (306) 787-6851
Chairperson: Hon. John Penner
Acting President: D. R. Ching

Subsidiaries

CIC Industrial Interests Inc.
2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. John Penner
President: D. R. Ching

CIC Mineral Interests Corporation
2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. John Penner
President: D. R. Ching

Saskatchewan Computer Utility Corporation
2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. Ned Shillington

Saskatchewan Development Fund Corporation
2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-1645
Chairperson: Hon. Janice MacKinnon
General Manager: D. Axtell

Saskatchewan Economic Development Corporation
1106 Winnipeg Street
Regina, Saskatchewan S4R 1J6
Inquiry: (306) 787-7200
Chairperson: Hon. Dwain Lingenfelter
President: S. Strelloff

SaskEnergy Incorporated
1100 - 1945 Hamilton Street
Regina, Saskatchewan S4P 4B1
Inquiry: (306) 777-9400
Chairperson: Hon. Doug Anguish
Acting President: J. Olenick

Saskatchewan Forest Products Corporation
P.O. Box 40
Hudson Bay, Saskatchewan S0E 0Y0
Inquiry: (306) 865-2201
Chairperson: Hon. Eldon Lautermilch
President: D. Vizina

Saskatchewan Government Insurance
2260 - 11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: (306) 565-1200
Chairperson: Hon. Keith Goulet
President: B. Heidt

Saskatchewan Mining Development Corporation
2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. J. Penner
President: D. R. Ching

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: (306) 566-2121
Chairperson: Hon. Doug Anguish
President: J. Messer



Subsidiaries (Continued)

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: (306) 777-3737
Chairperson: Hon. Ned Shillington
President: F. Van Parys

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 7X9
Inquiry: (306) 694-3900
Chairperson: Hon. Bernhard Wiens
President: B. Kaukinen

Saskatchewan Transportation Company
2041 Hamilton Street
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3353
Chairperson: Hon. Murray Koskie
President: P. Glendinning

Major Investments

Bi-Provincial Heavy Oil Upgrader
c/o Husky Oil Operations Ltd.
Highway 16 East
Lloydminster, Saskatchewan S9V 0Z8
Inquiry: (306) 825-1205
Chairperson: J. Miller

Potash Corporation of Saskatchewan Inc.
500, 122 - 1st Avenue South
Saskatoon, Saskatchewan S7K 7G3
Inquiry: (306) 933-8500
Chairperson: C. Childers
President: C. Childers

Cameco Corporation
2121 - 11th Street West
Saskatoon, Saskatchewan S7M 1J3
Inquiry: (306) 956-6200
Chairperson: W. Gatenby
President: B. Michel

Saskferco Products Inc.
Suite 215, 1874 Scarth Street
Regina, Saskatchewan S4P 4B3
Inquiry: (306) 525-0941
President: M. Chorlton

Meadow Lake Pulp Limited Partnership
Millar Western Pulp (Meadow Lake) Ltd.
P.O. Box 3220
Meadow Lake, Saskatchewan S7M 1J3
Inquiry: (306) 236-4004

Saskatchewan Oil and Gas Corporation
1771 Victoria Avenue
Regina, Saskatchewan S4P 3C4
Inquiry: (306) 781-8200
Chairperson: T. Hanlon
President: T. Renner

NewGrade Energy Inc.
P.O. Box 260
Regina, Saskatchewan S4P 3A1
Inquiry: (306) 721-2547
Co-Chairperson: J. McPhee
Co-Chairperson: H. Empey

ISM Information Systems Management Corporation
1 Research Drive
Regina, Saskatchewan S4S 7H1
Inquiry: (306) 781-5151
Chairperson: D. G. Koyl
President: J. Garrett





