

CROWN INVESTMENTS CORPORATION
OF SASKATCHEWAN



ANNUAL REPORT

1994

MANDATE

*The Government Finance Office was established by Order-in-Council 535/47 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1978**, as Crown Investments Corporation of Saskatchewan (CIC). **The Crown Corporations Act, 1993** (the Act), which repeals **The Crown Corporations Act, 1978**, was proclaimed and came into force on January 1, 1994 pursuant to Order-in-Council 914/93 dated December 21, 1993. The new Act further defines CIC's powers and mandate. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan.*

The Act assigns specific financial and other responsibilities to CIC regarding financial and operating investments and Provincial Crown corporations designated as subsidiary Crown corporations of CIC. These investments and Crown corporations are listed on page 15 of this Annual Report.

CIC's corporate mandate is divided into three areas:

1. Supervision of Subsidiary Crown Corporations

To continue to monitor performance and coordinate direction of subsidiary Crown corporations.

2. Asset Management

To continue to prudently manage new and existing investments.

3. Economic Development and Diversification

To continue to enhance the long-term economic prosperity of the Province by pursuing economic development and diversification opportunities.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN



ANNUAL REPORT 1994

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 30, 1995

To His Honour
The Honourable J. E. N. Wiebe
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the seventeenth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 1994 in accordance with **The Crown Corporations Act, 1993**. 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, Sir,

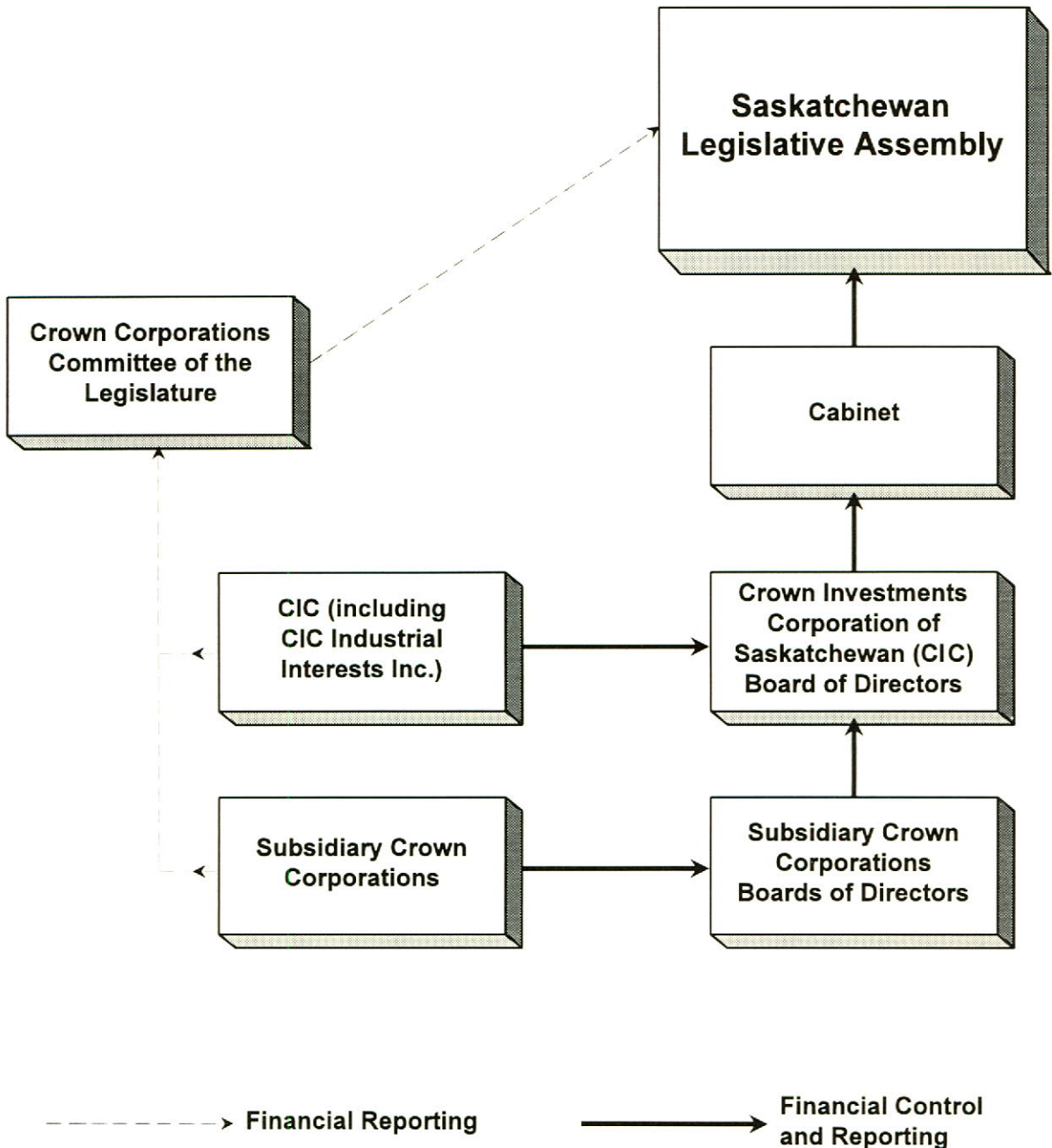
Your obedient servant,



Ed Tchorzewski
Minister Responsible
Crown Investments Corporation of Saskatchewan



REPORTING STRUCTURE OF THE COMMERCIAL CROWN CORPORATIONS



BOARD OF DIRECTORS

Hon. Ed Tchorzewski
Chairperson and Minister Responsible
(After February 20, 1995)

Hon. Dwain Lingenfelter

Hon. Ned Shillington
Chairperson and Minister Responsible
(February 3, 1995 - February 20, 1995)

Hon. Bernhard Wiens

Hon. John Penner
Chairperson and Minister Responsible
(Before February 3, 1995)

Hon. Doug Anguish

Hon. Janice MacKinnon
Vice-Chairperson

Hon. Keith Goulet

SENIOR MANAGEMENT

Donald R. Ching
President

David G. Hughes
Vice-President, Projects

Donald F. Axtell
Vice-President, Corporate Services

Richard A. Hornowski
Vice-President, Finance

William P. Hyde
Vice-President, Human Resources/Administration

Harvey E. McEwen
Director, Capital Pension Plan

Arleen N. Hynd
Vice-President, Research



MANAGEMENT'S REPORT

In the fall of 1991, Crown Investments Corporation of Saskatchewan (CIC) set a new course.

Management conducted a comprehensive review of Saskatchewan's commercial Crown corporation sector. This review revealed both strengths and weaknesses.

In 1991, the major strength in CIC's portfolio was the major utility Crown corporations including SaskEnergy Incorporated (SaskEnergy), Saskatchewan Power Corporation (SaskPower), Saskatchewan Telecommunications (SaskTel) and Saskatchewan Government Insurance (SGI). These companies were competitive in their industries, and were in reasonably good financial health.

This basic strength was offset by a number of serious weaknesses. A series of asset sales and privatization initiatives had resulted in a loss of cash flow while leaving CIC with the underlying debt and a number of loan guarantees. Investments had been made in several major joint venture projects on terms and conditions that had resulted in CIC bearing a disproportionate share of obligations and financial exposure. Some of these investments were in projects that were not economically viable as they were initially structured. A handful of commercial Crown corporations had been allowed to function without a clear mandate or proper management and accountability structures. The result was financial losses in Saskatchewan Transportation Company (STC), Saskatchewan Forest Products Corporation (SFPC) and Saskatchewan Economic Development Corporation (SEDCO). Finally, many small holdings had been acquired that had little strategic focus or commercial viability.

In 1992, a strategic plan was implemented to address these problems. This plan contained the following elements:

1. Keep strong performers strong. The income from profitable Crown corporations and investments was necessary to provide the resources to resolve the problems in other areas of CIC's investment portfolio.
2. Stem the losses of money losing Crown corporations.
3. Restructure CIC's non-profitable investments to eliminate ongoing losses and create positive returns.
4. Provide a strategic focus to CIC's activities.
5. Restructure CIC's financial position.



MANAGEMENT'S REPORT *(continued)*

The ultimate goal was to place every part of CIC's portfolio on a viable and self-sustaining basis.

The basic restructuring needed to achieve this goal is now essentially complete.

In 1992, CIC underwent a capital restructuring. This entailed the cancellation of \$584 million in equity advances from the General Revenue Fund in order to eliminate CIC's accumulated deficit, and the conversion of \$875 million of CIC debt to equity. CIC renegotiated the terms of the Province's financial obligations arising from the HARO Financial Corporation/Crown Life Insurance Company deal to replace \$355 million in loan guarantees with a direct loan of \$271 million. Additional financing was negotiated for the NewGrade Energy Inc. heavy oil upgrader (NewGrade) in order to provide time for a comprehensive restructuring of this troubled project. SFPC returned to profitability after several years of losses.

In 1993, an agreement in principle was reached with Consumers' Co-operative Refineries Limited for the financial restructuring of the NewGrade heavy oil upgrader. Negotiations with Weyerhaeuser Canada Ltd. resulted in a lump sum cash payment of \$150 million and the elimination of provincial loan guarantees of \$40 million. Gains were realized on the sale of CIC's remaining interests in IPSCO Inc. and the Potash Corporation of Saskatchewan Inc.

In 1994, the financial restructuring of the NewGrade heavy oil upgrader was completed. An agreement in principle was reached to increase CIC's ownership share in the Bi-Provincial heavy oil upgrader from 17.5 per cent to 50 per cent. An agreement was reached with Millar Western to remove the interest forgiveness and the right of buy-out provisions contained in the original agreements governing the Meadow Lake Pulp Mill. SEDCO stopped issuing new loans and launched a wind-up process.

To date, **in 1995**, the ownership restructuring of the Bi-Provincial upgrader has been completed. In January and February, the upgrader enjoyed positive earnings from operations. An agreement in principle has been reached to strengthen Crown Life Insurance Company by way of an interest bearing loan to HARO Financial Corporation. SEDCO will be dissolved on March 31, 1995.

Losses are still being sustained in some parts of CIC's portfolio. However, terms and conditions have now been renegotiated to provide the basis for positive performance in the future. Positive results in problematic investments will be achieved through the passage of time, the maturation of normal operational cycles, and improvements in basic commodity prices.



MANAGEMENT'S REPORT *(continued)*

The benefits of restructuring CIC's holdings can be seen from CIC's Consolidated Financial Statements. These statements report the results for the commercial Crown corporation sector as a whole. In 1994:

- The total long-term debt of Saskatchewan's commercial Crown corporation sector dropped by \$336.4 million.
- The debt to equity ratio dropped from 67.5 per cent to 64.4 per cent.
- Interest costs as a percentage of total revenue dropped from 23.6 per cent to 20.6 per cent.
- Capital expenditures increased to \$463.2 million in 1994, up from \$393.0 million in 1993.

The results are even more impressive if the three year period from 1992 through 1994 is examined. During this time:

- The total long-term debt of Saskatchewan's commercial Crown corporation sector dropped by \$1.4 billion.
- The debt to equity ratio dropped from 85.2 per cent on December 31, 1991 to 64.4 per cent on December 31, 1994.
- Interest costs as a percentage of total revenue dropped from 29.4 per cent in 1991 to 20.6 per cent in 1994.

These improvements in the capital structure of the Crown corporation sector were made even though \$1.2 billion was spent in capital expenditures during the three year period.

A similar pattern of improvement is shown by CIC on a non-consolidated basis. The Non-Consolidated Financial Statements show the financial performance of CIC itself.

In 1994, CIC's own long-term debt declined by \$102.4 million to \$697.3 million. Since 1991, CIC's long-term debt has declined by 76.2 per cent. As a result, CIC's net interest charges have dropped to \$75.8 million in 1994 compared with \$160.6 million in 1991.

In 1991, CIC reported a loss of \$615.1 million. In 1994, CIC sustained a loss of \$13.9 million.



MANAGEMENT'S REPORT *(continued)*

The \$13.9 million loss in 1994 follows a profit of \$35.4 million in 1993. The primary reason for this drop in performance is the one time effect of the financial restructuring of the NewGrade heavy oil upgrader. In order to obtain a \$125 million injection from the federal government and a \$75 million injection from Consumers' Co-operative Refineries Limited, in 1994 CIC provided NewGrade with a \$5 million grant, and invested an additional \$50 million into the project. Because of continuing low differentials between the price of heavy and light crude oil, and because of the effect of the approximately \$400 million in third party debt that remains in NewGrade even after the financial restructuring, CIC has decided to write-off these additional cash injections. This raises the total write-down of money invested in NewGrade by CIC to \$289 million. However, the financial restructuring and resulting debt paydown will reduce this project's financial drain on Saskatchewan in the future.

Benefits of Improved Financial Performance

During the past three years, the financial position of Saskatchewan's commercial Crown corporation sector has improved dramatically. This brings a number of benefits to the citizens of Saskatchewan.

The first benefit is that Saskatchewan citizens can be assured of continued high quality utility services at competitive prices. The improved financial position of the Crown corporation sector ensures that the utility Crown corporations will be able to make necessary capital investments without excessive borrowing and on a self-sustaining basis.

The improvement in the capital structure of the Crown corporation sector will mean that upward pressure on utility rates can be eased. Within each Crown corporation, the financing of a portion of capital expenditures through retained earnings lowers interest costs. CIC's renegotiation of project investments also permits much greater flexibility in the level of dividends required from subsidiary Crown corporations. In 1994, each utility Crown corporation paid a dividend of 55 per cent of net earnings, down from 60 to 66 per cent in 1993.

The improving financial strength of the Crown corporation sector allows for these corporations to contribute to economic growth within the Province. For example, SaskEnergy's large capital expenditure program allows for the prompt connection of new natural gas wells to the transmission system. This has contributed to the increased drilling activity in the Province.

The financial recovery of the Crown corporation sector enables these corporations to be "good corporate citizens" within Saskatchewan. This manifests itself in a number of ways.



MANAGEMENT'S REPORT *(continued)*

All Crown corporations have actively developed employment equity plans to ensure that Indian and Metis people, women, visible minorities, and the disabled can have equal access to employment opportunities.

Crown corporations are also developing innovative management structures including such initiatives as employee representation on Boards of Directors.

Crown corporations are also working to protect Saskatchewan's environment. In 1994, for example, SFPC spent \$1.8 million to clean up a contaminated site in Prince Albert. SaskPower continued specific cleanup initiatives. One example of an ongoing SaskPower project is the collection and disposal of harmful PCB materials. In 1994, \$3.7 million was spent on this project.

Finally, the financial recovery of the Crown corporation sector ensures that publicly owned enterprises can contribute to Saskatchewan's financial recovery rather than being a burden to it. Prudent dividends from Crown corporations form an essential part of the Province's plans to ensure that the budget remains balanced, that debt is paid down, that government services are maintained and that taxes are gradually reduced. Prudent dividend payments provide a return to the Province on the investment it has made in its Crown corporations.

Challenges for the Future

During the past three years, a sound foundation has been constructed for Saskatchewan's Crown corporation sector. The establishment of this foundation was essential in preparing the Crown corporation sector to deal with two major challenges facing it.

The utility Crown corporations such as SaskPower, SaskTel, and SaskEnergy all see their traditional monopolies disappearing. If these companies are to respond to this competitive challenge, they must become even more efficient, dynamic, and flexible.

The second major challenge facing the Crown corporation sector, particularly for CIC's large-scale project investments, is the cyclical nature of commodity prices. At the present time, SFPC, the Saskferco Products Inc. fertilizer plant and the Meadow Lake Pulp Mill all enjoy the benefits of strong or improving prices in the commodities they produce. However, both the Bi-Provincial and NewGrade heavy oil upgraders are struggling to cope with the effects of an extremely low differential between the price of heavy and light crude oil. All of these enterprises must remain low cost producers in order to survive the low points in the business cycle, and be positioned to profit during periods of strong markets and prices.

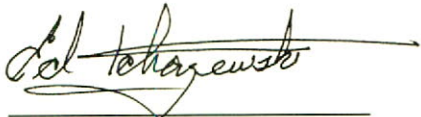


MANAGEMENT'S REPORT *(continued)*


As they deal with these challenges, while at the same time continuing to build the confidence of elected officials and the citizens of Saskatchewan, commercial Crown corporations will have to continue the task of becoming more open and accountable.

During the past three years, disclosure about the activities and performance of the commercial Crown corporation sector has increased dramatically. **The Crown Corporations Act, 1993** established clear lines of reporting and control for Crown corporations. Comprehensive and timely annual reports are now publicly filed in the Legislature. The Crown Corporations Committee of the Legislative Assembly has initiated the practice of comprehensive and detailed reviews of the performance of both CIC and its subsidiary Crown corporations. Saskatchewan's commercial Crown corporations will continue to build on these initiatives in order to ensure that commercial activity is combined with public accountability.

We would like to express our sincere appreciation for the dedication and cooperation of the many individuals who have contributed to the successes of CIC and its subsidiary Crown corporations.



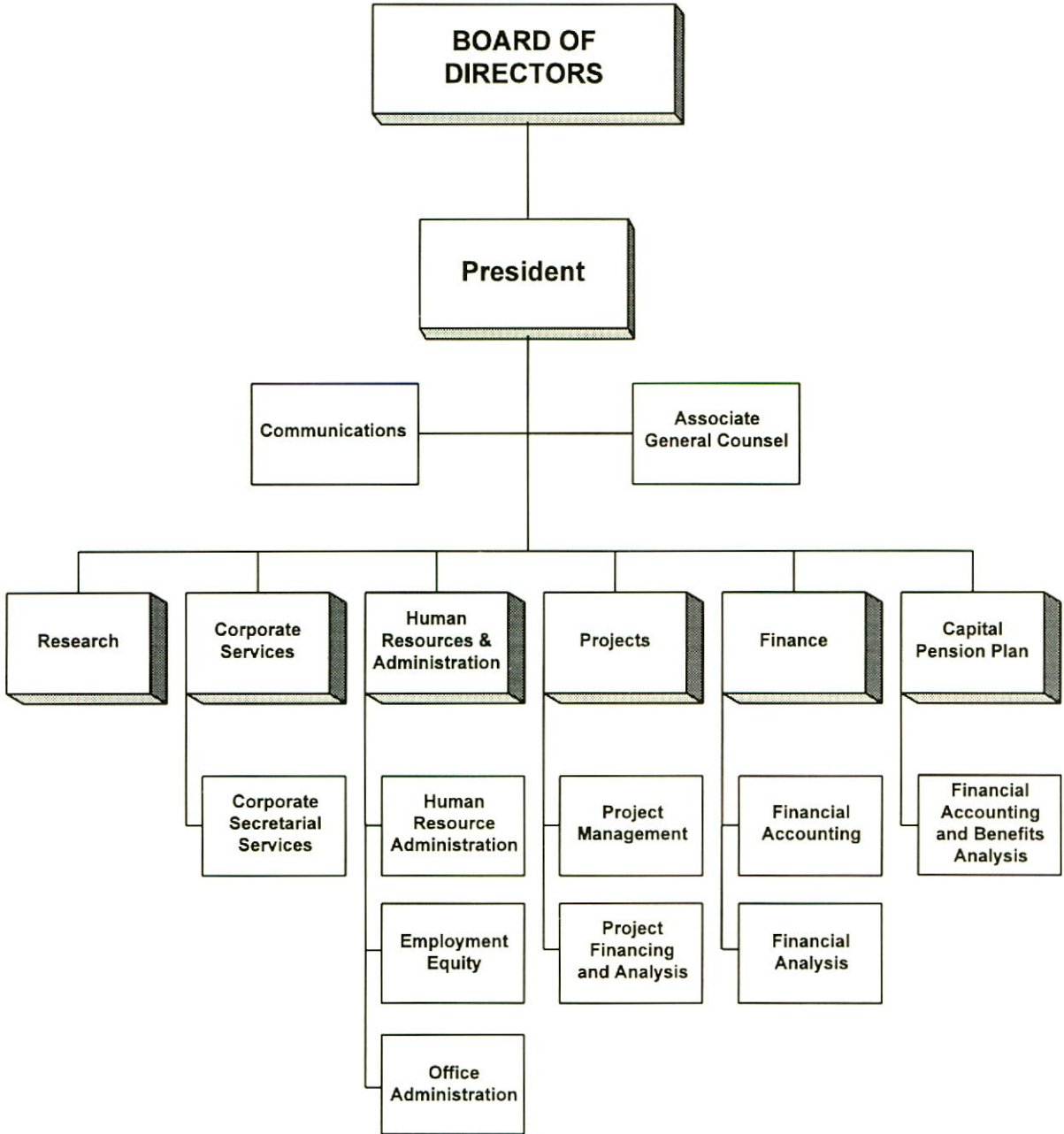
Ed Tchorzewski, Chairperson
and Minister Responsible



Donald R. Ching
President



ORGANIZATIONAL CHART



CORPORATE OBJECTIVES - 1994

OBJECTIVE 1

To continue the process of restoring the financial integrity of CIC.

RESULTS

- The financial restructuring of SEDCO, whereby \$118 million of loans to CIC were converted to equity advances and \$191 million of equity advances were cancelled, was completed during 1994. The wind-down and dissolution of SEDCO was accelerated and will be completed by March 31, 1995.
- The financial restructuring of NewGrade Energy Inc. was completed on October 21, 1994.
- An agreement in principle was reached in July 1994 between Husky Oil Operations Ltd. (Husky) and the governments of Canada, Alberta and Saskatchewan (represented by CIC III) for the restructuring of the ownership of the Bi-Provincial Upgrader in Lloydminster. This restructuring involved Husky and CIC III purchasing Canada's and Alberta's interests in the upgrader. The restructuring was completed on February 7, 1995, resulting in CIC III and Husky each owning 50 per cent of the upgrader.
- A gain of \$11.7 million was realized from the sale of two million Cameco shares.

OBJECTIVE 2

To continue improvements in the accountability of the commercial Crown corporation sector.

RESULTS

- CIC and each of its subsidiary Crown corporations provided greatly expanded presentations to the Crown Corporations Committee of the Legislature during 1994.
- CIC worked with the Crown Corporations Committee to develop guidelines which outline the nature of significant transactions which the Committee is to be notified of within 90 days of the transaction occurring.
- Comprehensive Annual Reports for CIC and each of its subsidiary Crown corporations were presented to the Legislative Assembly on a timely basis.



CORPORATE OBJECTIVES - 1994 *(continued)*

OBJECTIVE 3

To provide assistance to the Province in its financial recovery.

RESULTS

- CIC played a central role in negotiating the release of approximately \$28.5 million of loan guarantees of the Potash Corporation of Saskatchewan Inc. during 1994, and an additional \$3.5 million in early 1995.
- CIC repaid \$102.4 million of long-term debt during 1994. On a consolidated basis, the Crown corporations repaid \$336.4 million of long-term debt during the year.
- CIC continued to monitor the financial stability of its subsidiary Crown corporations, thereby ensuring returns to the Province on its investment in the Crown corporation sector.

OBJECTIVE 4

To assist with economic development and the creation of jobs in Saskatchewan.

RESULTS

- By ensuring the stability and competitiveness of Crown corporations, an environment has been maintained which promotes long-term economic development and job creation.
- CIC invested \$1.25 million in National Pig Development (Canada) Co. Ltd. (NPD) to fund a capital expansion of NPD's operations and increase its capacity to service its market in Canada.
- During 1994, CIC invested a further \$0.2 million in BIOSTAR Inc., a Saskatoon based company which uses biotechnology to develop and produce biological products for the animal health sector. CIC has also committed to invest additional amounts in BIOSTAR Inc. in the future.
- Significant, on-going capital expenditures (\$463.2 million in 1994) were made by the Crown corporation sector. Crown corporations maintain a preference for the acquisition of Saskatchewan goods and services.

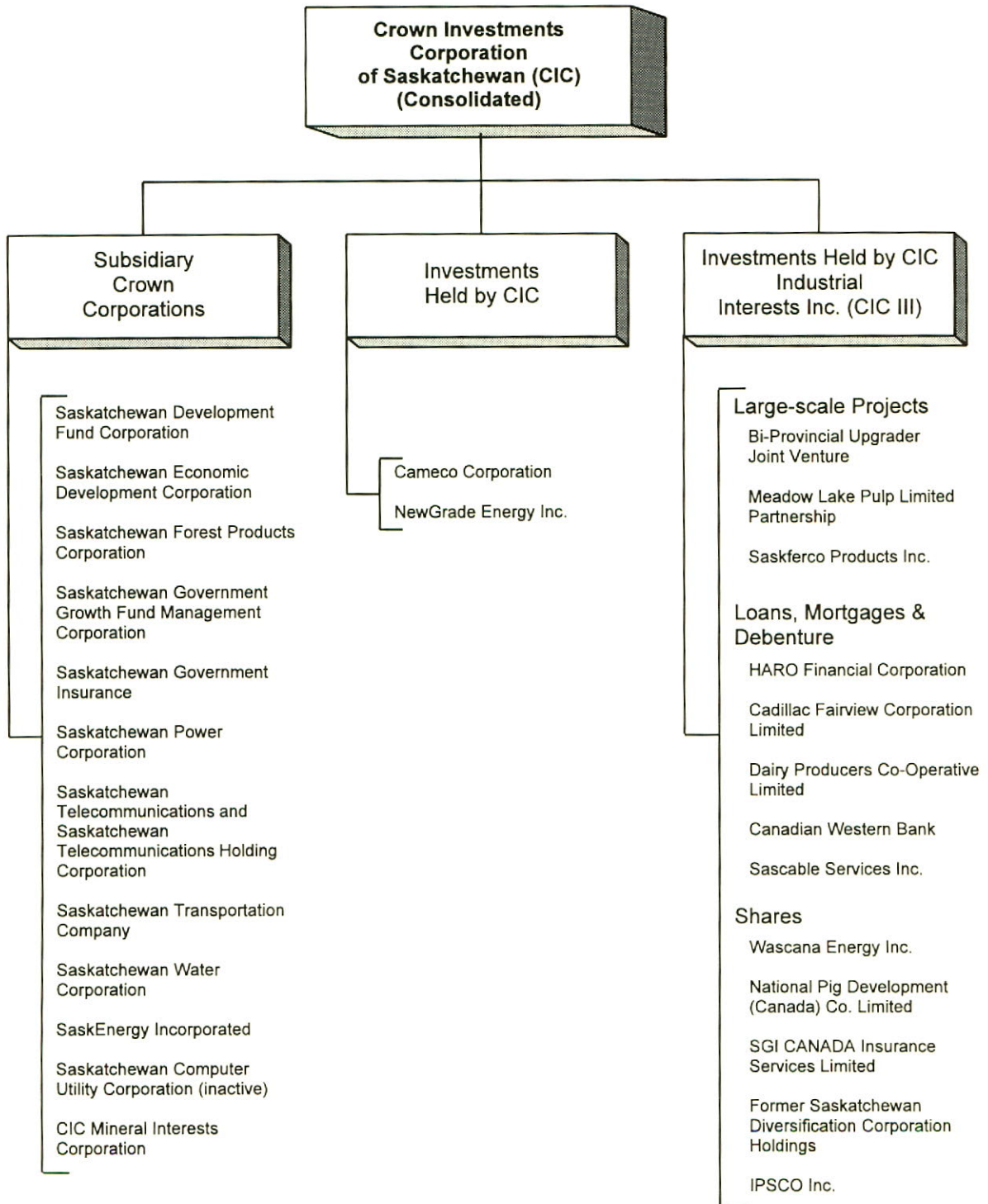


CORPORATE OBJECTIVES - 1994 *(continued)*

- CIC, with the assistance and cooperation of the Crown corporations, undertook to negotiate an umbrella agreement governing the construction tendering policies of Crown corporations, with the objectives of creating a level playing field for contractors, providing fair treatment for workers, and maximizing the use of Saskatchewan tradespeople on Crown corporation construction projects.



SUBSIDIARIES AND INVESTMENTS



1994 OPERATIONS OVERVIEW

Crown Investments Corporation of Saskatchewan (CIC) is a Provincial Crown corporation, without share capital, operating under authority of **The Crown Corporations Act, 1993**. CIC is responsible for certain Provincial investments. These include Crown corporations and financial and operating investments. As at December 31, 1994, there were 13 Crown corporations designated as subsidiary Crown corporations of CIC.

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 Legislative Assembly 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 38.

Since 1991, Non-Consolidated Financial Statements, which report on the operations of CIC as a separate legal entity, have also been included in this Annual Report. CIC's Non-Consolidated Financial Statements commence on page 63. In addition, since 1992, 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. These statements commence on page 80.

The following pages of this overview provide narrative and financial information pertaining to CIC's subsidiaries and investments. Further information relating to the subsidiary Crown corporations is available in their individual annual reports. Further historical background on CIC's investments can be obtained from CIC's 1992 and 1993 Annual Reports.

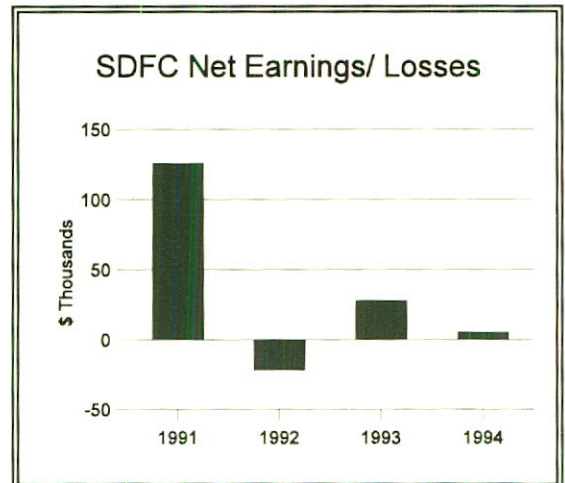
On a consolidated basis, CIC reported 1994 net earnings of \$96.3 million on total revenues

of \$2.0 billion. This compares to consolidated net earnings of \$116.0 million in 1993 on total revenues of \$2.0 billion. Total consolidated assets at December 31, 1994 remain relatively unchanged from 1993 at \$7.0 billion. Capital expenditures increased \$70.2 million from \$393.0 million in 1993 to \$463.2 million in 1994. Capital expenditures of the Crown corporations and summary consolidated financial information are presented in this Annual Report on pages 25 and 37 respectively.

Overall, total consolidated long-term debt has decreased by \$336.4 million from \$4.0 billion at December 31, 1993 to \$3.7 billion at December 31, 1994. Correspondingly, interest expense decreased by \$44.1 million from 1993 levels.

SUBSIDIARIES

SASKATCHEWAN DEVELOPMENT FUND CORPORATION (SDFC)

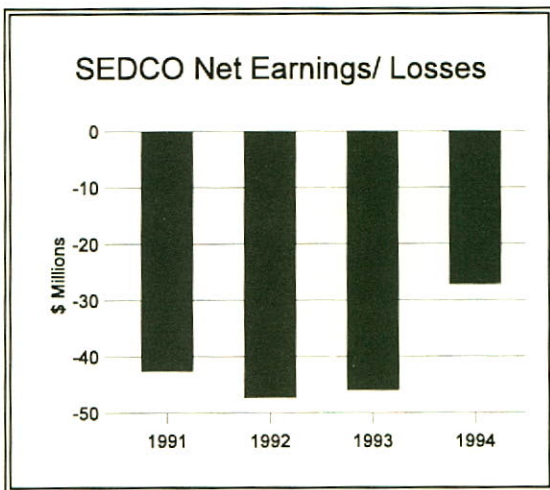


SDFC was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund, an open-end investment trust. In 1976, SDFC expanded its operations to include an annuity business which offered several different 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 net earnings in 1994 of \$5.2 thousand compared to net earnings of \$27.6 thousand in 1993. The decline in 1994 net earnings is primarily due to reduced earnings on investments.

SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION (SEDCO)



SEDCO was established in 1963, pursuant to **The Industrial Development Act**, as an agent of the Crown to conduct lending and other programs which promote and facilitate economic development in Saskatchewan.

In December 1993, after a public consultation and review process, the government announced its decision to wind down SEDCO and establish a new economic development agency with a different mandate. The corporation has initiated wind down activities.

Existing non-commercial loans were restructured and commercialized as SEDCO worked with clients to establish repayment programs and facilitate financing by external institutions.

A property divestiture strategy, involving the disposition of rental assets, non-performing properties and community and industrial parks

continued throughout 1994. The number of properties decreased from 64 to 41 during the year, and of the original 11 community-owned industrial parks, only one remained at year end 1994.

The Small Business Loans Association Program remained active in 1994, with six new associations being formed. In the future, this program will be administered through the Department of Economic Development.

Innovation Place, the SEDCO-owned research park in Saskatoon, increased its tenant population by nine during the year, to a total of 79 by year end 1994. A review of Innovation Place continued during the year to ensure that proper administration and provisions for long-term needs are in place.

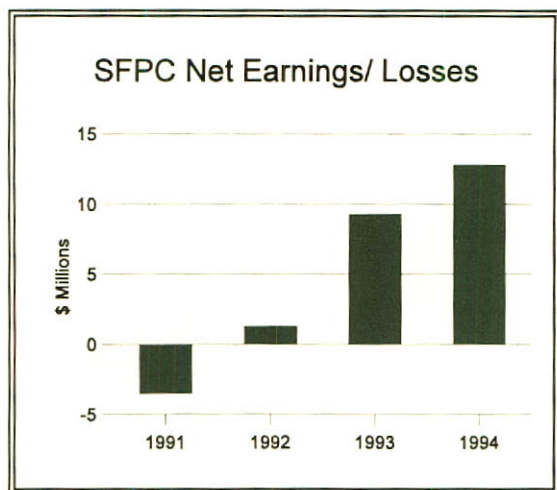
Effective October 3, SEDCO ceased lending operations and only negotiations with existing clients or projects begun prior to that date were continued. During 1994, SEDCO approved nine loans, a decrease from 21 in 1993.

SEDCO reported a loss of \$27.2 million during 1994, compared to a loss of \$46.0 million in 1993. The 1994 loss included provisions for losses and write-downs of \$14.8 million, compared to \$23.4 million in 1993.

Subsequent to year end, actions were initiated to transfer all of SEDCO's operations, assets and liabilities at book values to CIC III. SEDCO will be dissolved on March 31, 1995.



SASKATCHEWAN FOREST PRODUCTS CORPORATION (SFPC)



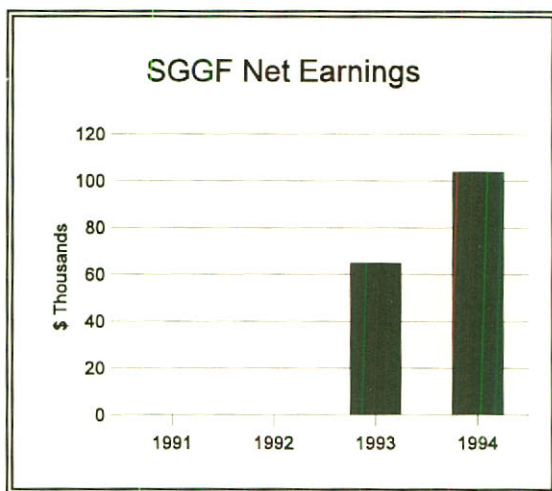
SFPC produces dimensional lumber and studs at its Carrot River sawmill and plywood sheathing at its plywood plant in Hudson Bay. SFPC directly employs approximately 300 permanent employees and another 450 seasonal workers indirectly through forest harvestation contractors.

During 1994, modernization of the plywood plant was completed and the Carrot River sawmill was rebuilt and converted to a high speed stud mill. Late in the year, SFPC's administration offices were consolidated into a new 6,800 square foot office building in Hudson Bay. During the year, SFPC built a bio-reactor soil remediation treatment facility near the city of Prince Albert. In 1994, all capital projects were funded by SFPC with no outside borrowing requirements.

Lumber sales volumes were down marginally from 51 million board feet in 1993 to 46 million board feet in 1994. The decline was caused by the Carrot River plant being closed from September through December for rebuilding. During the year, selling prices for lumber increased by 26 per cent. Plywood sales volumes were up 7.5 million square feet over 1993 levels to 88.1 million square feet. Plywood selling prices increased by 12 per cent over 1993 levels.

Increased selling prices, growth in sales volume and improved operating efficiencies resulted in SFPC recording net earnings of \$12.8 million in 1994 compared to \$9.3 million in 1993. 1994 net earnings were the highest recorded since the corporation was established in 1949. For the first time since 1977, SFPC is no longer in an accumulated deficit position.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION (SGGF)



During 1993, SGGF was designated as a Crown corporation under CIC's purview. The mission of SGGF is to participate in the Federal Government's Immigrant Investor Program. Through participation in the program, relatively low cost capital is acquired for investment in the Saskatchewan economy on commercial terms. SGGF is responsible for the management and administration of its five subsidiaries, Saskatchewan Government Growth Fund I Ltd. through Saskatchewan Government Growth Fund V Ltd. (collectively the Funds).

SGGF continued to evolve in 1994, and now balances the functions of raising and placing new capital, with an increasingly important role of monitoring the health and performance of the existing investment portfolio. With the assistance of its investment managers, SGGF implemented a comprehensive monitoring



process. SGGF also undertook a number of efforts to enhance communications with Fund investors. Annual meetings were held in Kaohsiung, Taipei, Hong Kong, Vancouver and Toronto. Newsletters and annual reports are translated into Chinese.

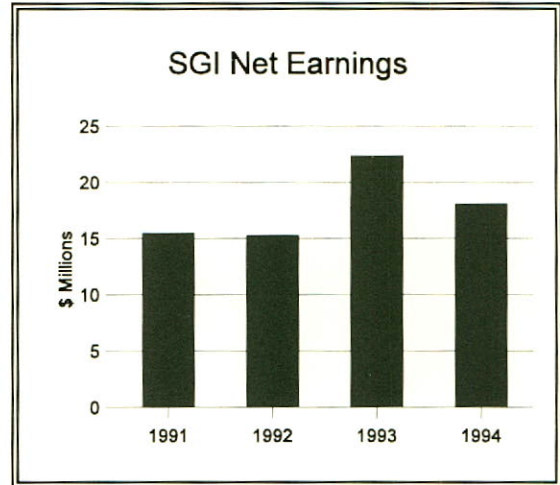
SGGF I, which closed in December 1992 after raising close to \$98 million, became fully invested in 1994 in accordance with Immigrant Investor Program Regulations. SGGF II is expected to close by May 28, 1995 at \$35 million, and as of December 31, 1994 it had raised \$23 million.

In 1994, SGGF III received approval from the Federal government to market additional securities worth \$35 million, with marketing planned to commence in May, 1995. As well, two additional funds, SGGF IV and SGGF V were incorporated in 1994, and are currently being reviewed for approval by the Federal government.

Over \$36 million in new investments were approved in 1994, bringing total approved investments to \$79 million in 30 value-added Saskatchewan businesses. Employment created in Saskatchewan from approved investments to date is expected to be 2,414 over the next five years.

SGGF reported net earnings of \$103.9 thousand in 1994 compared to \$65.0 thousand in 1993. The Funds neither pay a dividend nor are a liability to CIC.

SASKATCHEWAN GOVERNMENT INSURANCE (SGI)



SGI CANADA conducts a competitive general insurance business and also acts as an administrator of the Auto Fund, the Province's compulsory automobile insurance program. Through approximately 360 independent brokers throughout the Province, SGI CANADA offers a comprehensive line of home, tenant, farm, automobile extension and commercial coverages. SGI has more than 1,200 employees in its Regina head office, 19 claims centres and five salvage operations throughout the Province.

The expansion of SGI's general insurance business into new markets continued successfully in 1994. By year end, 20 insurance brokers were offering products in Manitoba on behalf of SGI's expansion company, SGI CANADA Insurance Services Ltd. (SCISL). SCISL earned a modest profit of \$4.5 thousand in 1994, a decline from a profit of \$70.9 thousand in 1993. Near year end, SCISL was granted a license to do business in Ontario.

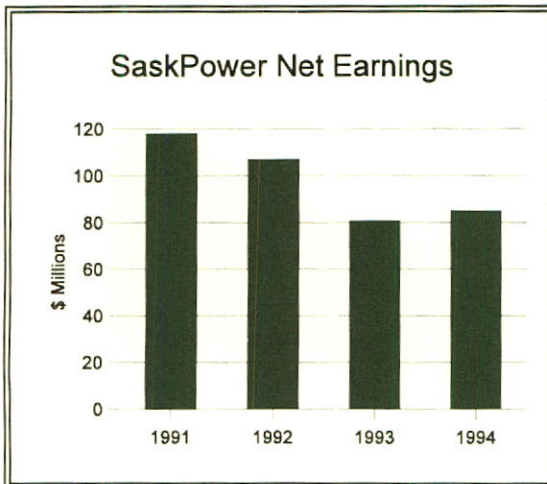
Premiums written by SGI CANADA reached record levels in 1994, achieving a new high of \$130.1 million, surpassing the previous record of \$125.7 million recorded in 1993. An underwriting profit (premiums written in excess of claims costs and expenses) of \$404.0 thousand was achieved in 1994. This underwriting profit was a decline from the



1993 underwriting profit of \$1.7 million. This decline, coupled with lower investment earnings, resulted in SGI CANADA reporting net earnings of \$18.1 million in 1994, down from \$22.4 million in 1993. SGI CANADA declared a dividend to CIC of \$10.0 million for 1994.

The Auto Fund is a self-contained fund administered by SGI. The Auto Fund is not under the purview of CIC. Consequently, it neither pays a dividend nor is a liability to CIC. The Auto Fund reported a loss of \$93.8 million in 1994 and has an accumulated deficit of \$108.9 million at December 31, 1994. To help stabilize the Auto Fund, the Personal Injury Protection plan (PIP) was designed and introduced in 1994 for implementation on January 1, 1995. Until PIP, most of SGI's claims dollars were paid for pain and suffering, followed by loss of income and, lastly, rehabilitation. With PIP, rehabilitation will become the primary focus.

SASKATCHEWAN POWER CORPORATION (SaskPower)



SaskPower's main functions are the generation, purchase, transmission, distribution, and sale of electrical energy. SaskPower generates its electricity from 14 power stations which use coal, hydro, and natural gas. Power is delivered to some 415,000 customers along 147,219 kilometres of power lines.

Capital expenditures of \$201.3 million for the year were down slightly from the \$229.3 million spent in 1993. The reduction was due to the completion of the Shand Power Station, and a significant reduction in the purchase of gas properties. Expenditures on the Rural Underground Distribution (RUD) program increased by \$2.1 million to \$42.9 million in 1994.

Revenues increased from \$790.4 million in 1993 to \$836.8 million in 1994 as a result of a 4.0 per cent increase in electrical consumption, an overall 3.8 per cent increase in rates effective April 1, 1994, and a full year's impact of Channel Lake Petroleum Inc.'s (Channel Lake) operations. Channel Lake is a subsidiary of SaskPower created in 1993 to manage SaskPower's gas supply. These revenue increases were partially offset by a \$7.1 million decrease in short-term export sales.

SaskPower's net earnings were \$85.1 million in 1994, an increase of \$4.4 million over 1993. Factors that contributed to this increase were reduced operating, maintenance and administration expenses, reduced finance charges and higher sales from Channel Lake's operations. Offsetting factors were increased fuel and purchased power costs, increased royalties expense, lower water levels, expenses from Channel Lake's operations and the absence of the gain on sale of Wascana Energy Inc. shares recorded in 1993. Depreciation expenses also increased marginally because of continuing improvements to the aging distribution system and the RUD system.

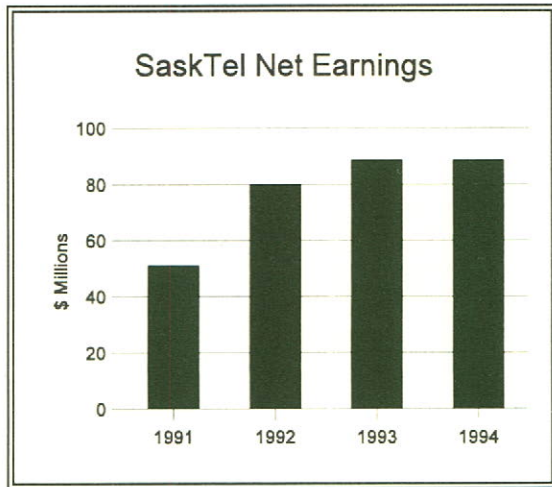
SaskPower's balance sheet remains the strongest of any provincially-owned electrical utility. Its debt to equity ratio improved from 68.9 per cent in 1993 to 67.7 per cent in 1994. SaskPower declared a \$46.8 million dividend to CIC for 1994.

The financial success of SaskPower in recent years is threatened by the continued trend toward a more competitive environment that is



affecting all utilities. In response, SaskPower has begun a comprehensive review of how the corporation can be restructured to prepare for these changes.

SASKATCHEWAN TELECOMMUNICATIONS AND SASKATCHEWAN TELECOMMUNICATIONS HOLDING CORPORATION (collectively SaskTel)



SaskTel provides local and long distance voice, data, image and text services throughout Saskatchewan. SaskTel develops and delivers advanced telecommunications products and services to some 450,000 residential and business customers, has assets that exceed \$1.1 billion, and employs 3,700 people in more than 60 communities across Saskatchewan.

As a member of Stentor, an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and international long distance communications services. Through SaskTel Mobility, SaskTel provides not only the most extensive cellular and paging coverage in Saskatchewan, but also a technologically advanced trunked mobile system called FleetNet 800 which is designed for commercial utilities and emergency uses.

As part of its diversification activities, SaskTel pursues investment opportunities that have a solid potential to make favourable long-term

contributions. The company has an equity investment in Regional Cable TV (Western) Inc., one of North America's largest rural cable TV operators. In addition, SaskTel is the major shareholder in LCL Cable Communications Ltd., which is building a multi-media network to provide both cable TV and telecommunications services to the communities of Leicester and Loughborough in the United Kingdom.

The corporation also utilizes its technical and management expertise in the pursuit of diversification opportunities in world markets through its wholly-owned subsidiary, SaskTel International. Besides providing a wide range of management consulting and software services, SaskTel International expands its international operations through strategic partnerships. SaskTel International's largest major contracts include multi-million dollar undertakings in the Philippines, Tanzania and the United States.

During 1994, SaskTel continued its long-term, capital intensive modernization program to upgrade switching and transmission networks to digital operation. This program is expected to be completed in 1995, and will make SaskTel one of the first telecommunications companies in Canada to have an all-digital network.

Operating revenues totalled \$626.4 million in 1994, up by \$6.7 million from 1993. The increase in total revenues was realized in spite of a reduction of \$14.4 million in long distance revenues. Long distance revenues, which account for 50.8 per cent of total 1994 revenues, have been impacted by increased competition, long distance rate reductions and the introduction of SaskTel's REAL Savings Plan. As a result of SaskTel's diversification strategy, 18 per cent of its revenues are now derived from non-traditional sources.

Operating expenses increased by \$16.2 million to \$482.9 million in 1994. The increase was due mainly to operating expenses associated with the growth in diversified operations, and increases in depreciation expense on property, plant and equipment. Interest and related

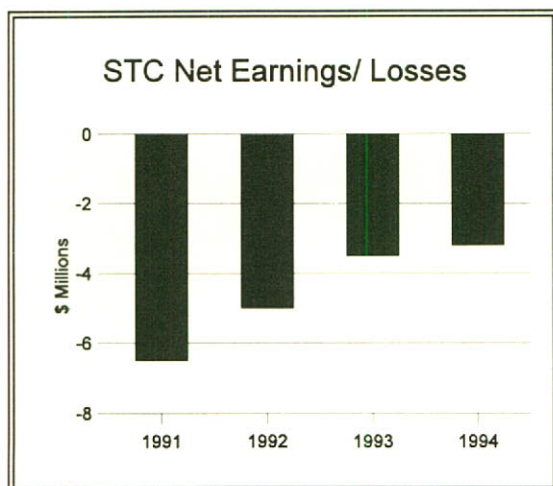


costs of \$61.1 million were down by \$12.7 million from 1993 as SaskTel continued efforts to pay down long-term debt, be self-financing and improve its debt to equity ratio. This ratio improved from 60.6 per cent in 1993 to 56.6 per cent in 1994.

Capital expenditures totalled \$141.3 million in 1994, an increase of \$47.3 million over 1993. The increased capital expenditures are primarily due to the Digital Network Modernization Program, the North Saskatchewan Modernization Program and expenditures by LCL Cable Communications Ltd.

Net earnings totalled \$88.5 million in 1994, essentially unchanged from 1993. During 1994, SaskTel declared a dividend to CIC of \$48.7 million.

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 230 agencies providing depot services and schedule coordination with regional operators.

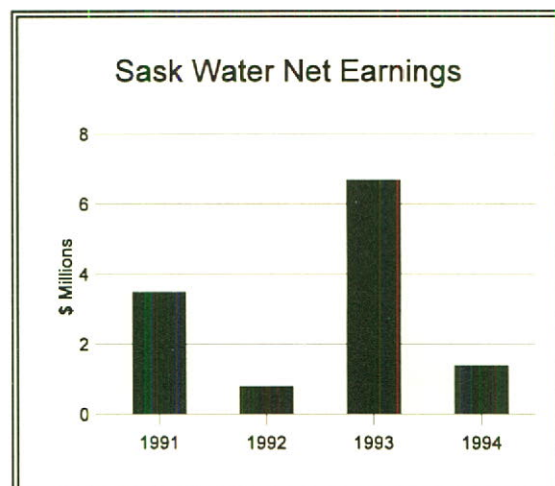
Capital expenditures during the year totalled

\$2.3 million and included four new full-size coaches, a new depot facility in Prince Albert, and planning for a proposed new depot in Moose Jaw.

In 1994, STC undertook extensive preparatory activities to capitalize on its area of potential growth, express operations. These activities included staff development, obtaining Highway Traffic Board licensing, designing separate passenger and express networks, equipment evaluation, and planning for automation.

In 1994, STC logged 3.8 million miles on its fleet of 43 coaches, representing an 18 per cent decline from 1993. Fare passenger volume was down 15.5 per cent to 386 thousand. In spite of this loss of passenger traffic and a \$1.1 million drop in revenues, operating losses were reduced to \$3.2 million in 1994, from \$3.5 million in 1993. This was due mainly to \$1.3 million in cost savings from mileage reductions.

SASKATCHEWAN WATER CORPORATION (Sask Water)



Sask Water, headquartered in Moose Jaw, has a mandate to manage, administer, develop, control and protect the water and related land resources of Saskatchewan.

In 1994, Sask Water underwent a corporate reorganization to better focus on three major areas: water management and



protection; water supply and services; and water based economic development.

Construction of the Rafferty/Alameda project was largely completed in 1994, and Sask Water assumed full operating responsibility for the South Saskatchewan River project (Gardiner and Qu'Appelle dams) from the Government of Canada.

The Bethune Regional Water Supply System and the Melfort Regional Treated Water Supply System were completed and operational in 1994. Negotiations were completed with municipal and industrial customers on the proposed Nipawin Regional Sewage Treatment Facility, planned for construction in 1995. This will be the first wastewater treatment facility owned and operated by Sask Water.

As part of its mandate for water based economic development, Sask Water assisted in marketing efforts for seed potato growers in the Lucky Lake and Riverhurst areas. Results for 1994 were encouraging, with seed potato export sales being realized in the U.S. and Mexico.

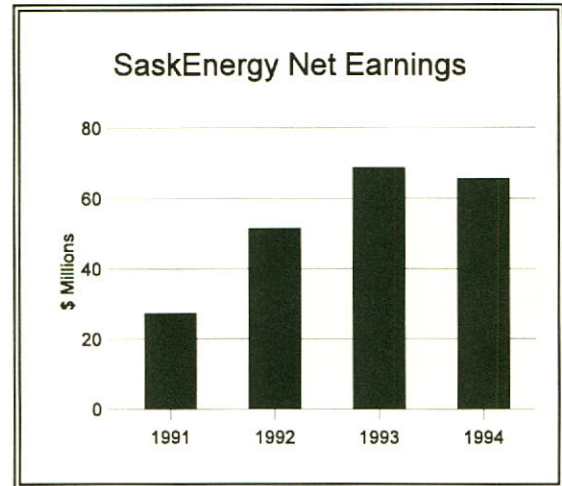
Negotiations on a five year \$7 million agreement with irrigators to rehabilitate water supply works within the South Saskatchewan Irrigation District #1 took place in 1994. The agreement, which will be funded 50 per cent by the District and 50 per cent by Sask Water, calls for the phase out of provincial operating subsidies to the District, replacement of outdated canals with pipeline systems and other improvements.

Favourable financial results were maintained in 1994, with earnings from operations totalling \$2.4 million on revenues of \$18.0 million. This compares to earnings from operations of \$3.8 million in 1993 on revenues of \$19.0 million. The decline in 1994 earnings is primarily due to reduced Water Power Act revenues received from SaskPower.

After accounting for grants received from the General Revenue Fund of the Province and grants paid to clients, Sask Water recorded

net earnings of \$1.4 million in 1994 compared to \$6.7 million in 1993. Grants paid to clients exceeded grants received in 1994, a reverse of the experience in 1993.

SASKENERGY INCORPORATED (SaskEnergy)



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

Volatility in natural gas prices in mid to late 1993 led to a significant increase in SaskEnergy's 1994 natural gas costs. However, SaskEnergy maintained the second lowest provincial natural gas residential rates and one of the lowest transmission rates in the country, despite a 9.5 per cent rate increase for distribution customers and a 3.0 per cent average rate increase for transmission customers. SaskEnergy was able to minimize the impact of the gas cost increase by a combination of gas price hedging, innovative gas marketing and on-going risk management initiatives.

Higher natural gas prices also encouraged increased development of Saskatchewan's natural gas reserves. SaskEnergy's transmission subsidiary, TransGas, responded to the increased demand and expanded its north pipeline system by approximately 300 kilometres. TransGas transported record volumes on its pipeline system in 1994, recording a 5 per cent gain over 1993



figures to 341 billion cubic feet (bcf). Natural gas storage was expanded by 4.1 bcf to a total of 40 bcf at 11 facilities throughout Saskatchewan.

During 1994, SaskEnergy added 2,200 new customers to its gas distribution system, adding previously unserved communities and six Indian reserves. SaskEnergy purchased 71 per cent or \$63 million of goods and services in 1994 from Saskatchewan suppliers, and 74 per cent, or \$82 million of its natural gas supplies were Saskatchewan sourced.

SaskEnergy's capital expenditures in 1994 were \$95.0 million, compared to \$51.9 million in 1993. Of the \$43.1 million increase, \$41.2 million more was spent in 1994 on transmission system expansion and improvements.

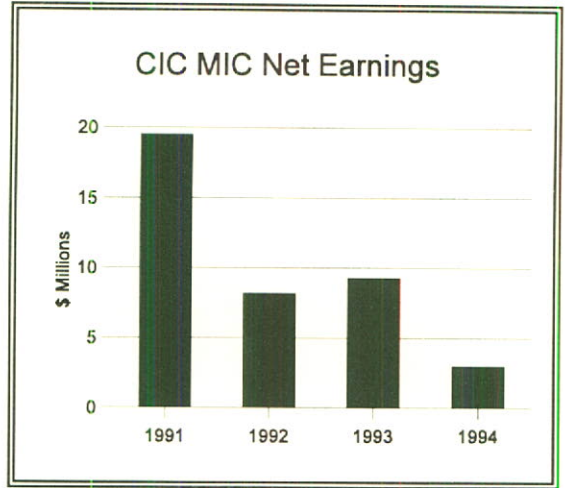
SaskEnergy recorded net earnings in 1994 of \$65.5 million, compared to \$68.7 in 1993 and reduced its debt to equity ratio from 79.1 per cent in 1993 to 76.6 per cent at the end of 1994. SaskEnergy declared a dividend of \$36.0 million to CIC in 1994.

SASKATCHEWAN COMPUTER UTILITY CORPORATION (SaskCOMP)

SaskCOMP was inactive during 1994 as all of its assets and liabilities were sold in 1988 as part of the transactions that formed ISM Information Systems Management Corporation.

On May 4, 1993, the **Saskatchewan Computer Utility Corporation Repeal Act** was passed in the Legislature. This Act, if proclaimed, will wind up SaskCOMP into CIC.

CIC MINERAL INTERESTS CORPORATION (CIC MIC)



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. Since that time, CIC MIC has reduced its holdings in PCS Inc. through various sale transactions.

PCS Inc., with its corporate head office located in Saskatoon, is the world's largest publicly traded supplier of potash.

At December 31, 1993, CIC MIC owned one unencumbered share of PCS Inc. in addition to 3.6 million common shares held in trust to satisfy the possible exercise of common share purchase warrants sold by CIC MIC in 1991. The common share purchase warrants, which entitled the holder to purchase one PCS Inc. common share from CIC MIC for \$18.75, expired September 30, 1994. All warrants were exercised on or before that date, resulting in one PCS Inc. share remaining in trust. CIC MIC now owns two unencumbered shares of PCS Inc. as at December 31, 1994.

CIC MIC has guaranteed lease payments on certain equipment leased by PCS Inc. At the beginning of 1994, the outstanding guarantees amounted to \$32.0 million. During 1994, CIC

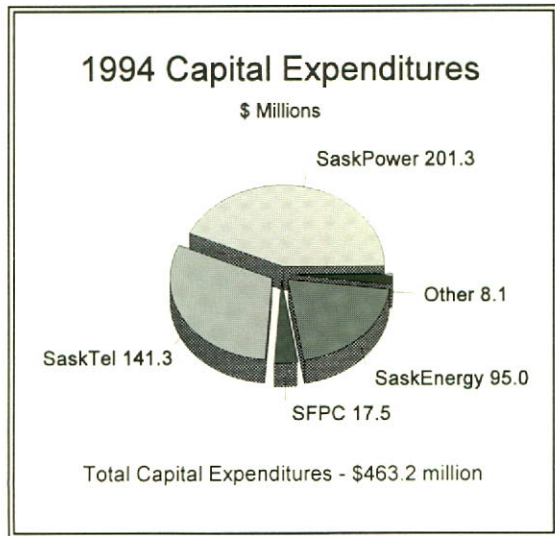


successfully negotiated the release of CIC MIC from \$28.5 million of these obligations. The balance of \$3.5 million was released in early January 1995. CIC MIC has also guaranteed the lease payments on PCS Inc.'s office premises. This guarantee, which expires in 2005, remains outstanding.

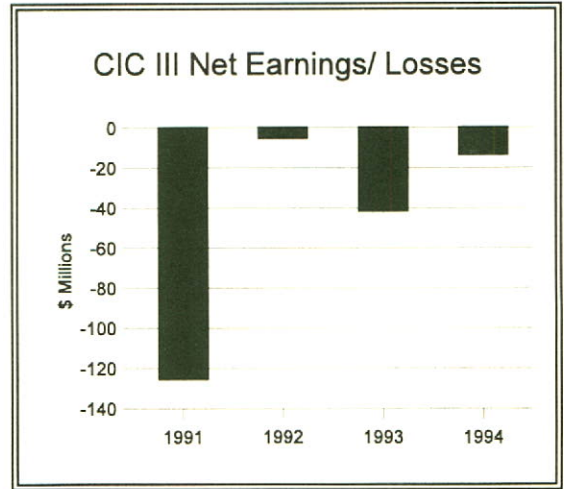
CIC MIC's administration is conducted under the direction of its Board of Directors through the use of staff and facilities provided by CIC. CIC MIC reported net earnings of \$3.0 million in 1994 compared to \$9.3 million in 1993. CIC MIC declared a dividend of \$3.0 million to CIC in 1994. The affairs of CIC MIC are expected to be wound up during 1995.

CROWN CORPORATION CAPITAL EXPENDITURES

The following chart portrays the 1994 capital expenditures of CIC's subsidiary Crown corporations.



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. Page 15 of this Annual Report provides a listing of the investments held by CIC III.

CIC III's Non-Consolidated Financial Statements are included in this Annual Report and begin on page 80. The investments held by CIC III are described on the following pages.



CIC III INVESTMENTS

BI-PROVINCIAL UPGRADER JOINT VENTURE (Bi-Provincial Upgrader)

The Government of Saskatchewan entered into a joint venture agreement with the Government of Canada (Canada), the Government of Alberta (Alberta) and Husky Oil Operations Ltd. (Husky) 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 was designed to produce approximately 16.8 million barrels of upgraded crude oil per year) was originally estimated to be \$1.267 billion. The final cost was \$1.632 billion, an increase of \$365 million.

Currently, the plant is operating in excess of design capacity. As a fully operational plant, the Bi-Provincial upgrader employs approximately 290 full-time positions, 70 contract positions and an additional 800 positions for a 20 day period every 18 months for plant turnaround.

During 1994, significant progress was made on negotiations to restructure the arrangements surrounding the financial and operating structure of the Bi-Provincial Upgrader. In June 1994, Husky indicated that it would be interested in buying out its joint venture partners (CIC III, Alberta, and Canada). While Canada and Alberta indicated a willingness to sell, CIC III took the position that it would be interested in buying a larger stake in the project, rather than selling its 17.5 per cent interest.

An agreement in principle was reached on July 29, 1994 whereby CIC III and Husky would each purchase a share of Alberta's and Canada's interests in the project, with the outcome being a 50-50 joint venture between CIC III and Husky. In exchange for selling their interests to CIC III and Husky for a combined purchase price of \$74 million, the agreement in principle calls for Canada and Alberta to retain

an "upside interest" in the project by way of a potential future royalty, payable only to 2014, based on crude oil price differentials exceeding a certain minimum base. As a result of the agreement in principle, CIC III agreed to fund its 17.5 per cent proportionate share of ongoing operating shortfalls with Husky funding the remaining 82.5 per cent until the final agreements were signed. Once final agreements were signed, CIC III would contribute 50 per cent of ongoing operating shortfalls as well as reimburse Husky for the 32.5 per cent of operating shortfalls they had contributed for CIC III during the interim period. These additional operating shortfalls bear interest at the Canadian Imperial Bank of Commerce prime rate plus 1 per cent. As of December 31, 1994, a final agreement had not been signed and CIC III had financed \$5.7 million (17.5 per cent) of the additional operating shortfalls. This increased CIC III's total funding of the project to \$266.8 million at December 31, 1994.

The Bi-Provincial Upgrader reported a loss from operations for 1992 and 1993, as calculated under the provisions of the joint venture agreements. In 1993, CIC recorded a provision for decline in the value of its investment in CIC III of \$26.9 million. This write-down is equivalent to CIC III's share of the non-recoverable operating losses of the Bi-Provincial Upgrader in 1992 and 1993.

The Bi-Provincial upgrader reported a further loss from operations in 1994, as calculated under the provisions of the joint venture agreements.

Event Subsequent to Year End

Effective February 7, 1995, CIC III purchased 58.2 per cent of the joint venture interests of Canada and Alberta in the Bi-Provincial upgrader for \$43.1 million. As a result of this purchase, CIC III holds a 50 per cent ownership interest in the joint venture. In addition, CIC III paid \$11.1 million to Husky representing its pro-rata commitment of the additional operating shortfalls including accrued interest of \$0.4 million. As described



previously, this commitment had been funded by Husky during the negotiations to purchase the joint venture interests of Canada and Alberta.

In January and February of 1995, the Bi-Provincial upgrader reached the milestones of positive earnings from operations. This was attained largely as a result of reduced operating costs. Despite this, the Bi-Provincial upgrader still suffers from differentials that are at historic lows. The reduced operating costs and the financial restructuring place the Bi-Provincial upgrader in a strong position to benefit from the forecast increase in heavy to light crude oil differentials. Consequently, the economic outlook for the upgrader has improved significantly.

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 chemithermomechanical pulp (CTMP) mills. 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 was designed to use 100 per cent aspen as the fibre source to produce 240,000 tonnes per annum of hydrogen peroxide bleached CTMP. In 1994, the mill completed a \$4.5 million capital expansion increasing its capacity to 280,000 tonnes per annum. The wood pulp is sold in Canada, the United States and off-shore.

Construction of the facility commenced in March 1990. 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. The mill provides over 190 permanent jobs and an additional 170

jobs in the woodlands to supply timber requirements for the mill. Meadow Lake Pulp Mill and NorSask Forest Products Inc. have formed Mistik Management Ltd. to manage the forest resources 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 by December 31, 1992. Further loan advances up to the maximum of \$191.5 million were not required. 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 mature in the year 2014 with the exception of the Interest Loan, if any, which will continue to be repaid based on cash availability. 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 the pulp mill.

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

Although the mill commenced production in January 1992, it did not commence commercial operations until November 1, 1992. The pulp mill incurred operating losses during its first year of operations which ended on October 31, 1993. Although losses in the first year of operations are normal, the losses were compounded by record low pulp prices.

In 1993, due to low pulp prices, the pulp mill experienced cash flow deficiencies. As a result, the pulp mill's Water Treatment Facility



(WTF) was sold to Millar Western effective October 29, 1993 which provided the pulp mill with the funds required to cover its operations until the end of January 1994. The WTF was sold to Millar Western for \$70 million and Millar Western will operate it until such time as the pulp mill has cash to repurchase it. Millar Western made a down payment of \$4.0 million in December 1993 with the remainder owing in the form of a note receivable. During 1994, the pulp mill financed \$1.0 million in capital improvements to the WTF thereby increasing the note receivable from Millar Western by an equal amount. As of December 31, 1994, Millar Western had made payments of \$3.3 million in addition to the original down payment.

In February 1994, the Meadow Lake Pulp Mill experienced cash flow deficiencies which exceeded its bank line of credit. A chartered bank agreed to fund a further \$14.5 million to the Meadow Lake Pulp Mill. The funds were used to finance \$4.5 million in capital improvements as well as to cover operating cash flow deficiencies. Of the \$14.5 million, only \$10.2 million has been utilized to December 31.

CIC III and Millar Western further agreed, if required, to provide financing after the chartered bank's financing is entirely utilized. CIC III has committed to finance \$9.0 million in cash flow deficiencies and Millar Western \$1.0 million, on a pro-rata basis with CIC III.

As a pre-condition to CIC III agreeing to commit further financing to the project, Millar Western agreed to modify certain of the original contract provisions, including: removal of the clause relating to the forgiveness (by CIC III) of the outstanding Interest Loan in the year 2014; and removal of Millar Western's unilateral right to buy out CIC III at fair market value following full repayment to CIC III of all loans.

During the year, the Meadow Lake Pulp Mill changed its fiscal year end to December 31 from October 31. In spite of higher sales volumes and lower costs, continued weak pulp prices in 1994 led to a year end loss at December 31. Pulp prices began to rebound

sharply as a result of an improved supply and demand situation during 1994, and are forecast to continue rising in 1995 thereby significantly improving the financial outlook for the Meadow Lake Pulp Mill in 1995.

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, produces nitrogen based fertilizer. It has been in operation since October 1992. The plant was designed for a daily capacity of 1,500 tonnes of anhydrous ammonia, most of which would be upgraded at the plant to produce 2,000 tonnes of granular urea on a daily basis. This, in turn, results in the production of 125,000 tonnes of ammonia and 660,000 tonnes of urea annually for sale. At design capacity, the plant uses approximately 18 billion cubic feet of natural gas feedstock per year. The nitrogen fertilizers produced by Saskferco service the agricultural markets in Canada and the northern United States, as well as off-shore. The plant is currently operating above design capacity.

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 one 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.

Capital costs to start-up were originally estimated to be \$435.3 million. The actual capital costs to start-up were \$439.4 million, \$4.1 million higher than originally expected. The plant currently provides 120 permanent jobs, 35 contract jobs and 12 permanent positions at the head office in Regina.

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. In addition, the shareholders agreed to finance a



further \$10.0 million of equity on a pro-rata basis to the extent required to fund any construction cost overruns that occurred. Of this amount, only \$4.1 million was required. CIC III had advanced its \$68.4 million equity commitment by December 31, 1993. The equity commitment includes CIC III's share of pre-construction feasibility costs of \$2.5 million.

In May 1993, CIC III and Cargill Limited each provided additional equity financing of \$2.5 million in the form of Class D shares to fund working capital deficiencies which could not be financed under Saskferco's unguaranteed \$20.0 million operating line of credit. This equity was repaid to CIC III and Cargill Limited from available cash flow during 1994.

Of the total long-term debt, a \$38.2 million loan facility with a chartered bank was guaranteed by CIC. At December 31, 1994, \$17.9 million was outstanding on this facility. 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 guaranteed debt. The Province and CIC receive commercially-based guarantee fees on outstanding guaranteed debt.

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 \$30.0 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. CIC does not currently expect that this additional financing will be required.

The repayment to the Province of any amounts that may be advanced under the 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.

Saskferco recorded positive net earnings for 1994. Saskferco's year end is May 31.

HARO FINANCIAL CORPORATION (HARO)

HARO is a Regina based company created for the purpose of acquiring a significant ownership interest in Crown Life Insurance Company (Crown Life) and arranging for the relocation of the head office operations of Crown Life to Regina. CIC was designated by the Province to act as the lead agency to facilitate the HARO/Crown Life transaction.

Subject to Crown Life meeting certain milestones respecting its 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 also received, for nominal consideration, a special class of preferred shares which enables HARO to veto any move of the head office operations of Crown Life to a place outside Saskatchewan until the year 2031. CIC III advanced \$271 million, out of a maximum \$275 million loan facility, to HARO on December 15, 1992.

CIC III's 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.

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. All amounts outstanding are due and payable on December 15, 2017. On that



date, the balance of the 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. As at December 31, 1994, the amount outstanding on the loan to HARO was \$309.8 million, including capitalized interest of \$38.8 million.

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. CIC III's realization options in respect of its security are limited because of certain contractual provisions and certain regulatory provisions in U.S. and Canadian law.

Crown Life commenced the relocation of its head office from Toronto to Regina in October of 1993. Consistent with this agreement, Crown Life now employs over 1,000 employees located in Regina, marking the successful completion of one of the largest corporate relocations in Canadian history.

Events Subsequent to Year End

On February 10, 1995, Crown Life announced approved amendments to the share capital provisions of the company. Among other things, these amendments provide for HARO to convert all of its Crown Life Preferred Shares and Warrants into common shares. HARO now holds 64.48 per cent of the common shares of Crown Life, Extencicare Inc. (formerly Crownx Inc.) holds 32.24 per cent, and 3.28 per cent of the common shares are widely held.

Also subsequent to year end, CIC III signed a Memorandum of Understanding with HARO to advance up to \$150.0 million to HARO in the form of a debenture. HARO will use these funds to further invest in Crown Life.

CADILLAC FAIRVIEW CORPORATION LIMITED

CIC III owns two mortgages due from Cadillac Fairview Corporation Limited. These mortgages, due December 1, 2001, had a total outstanding principal of \$40.1 million at December 31, 1994. The mortgages were advanced in two phases as part of the development and construction of the Cornwall Centre shopping mall complex in downtown Regina. To December 31, 1994, all scheduled interest and principal payments have been made.

DAIRY PRODUCERS CO-OPERATIVE LIMITED (DPCL)

DPCL is a dairy farmers' co-operative which uses milk produced by its members for processing fluid milks and creams and the manufacturing of a full line of dairy products.

In July 1990, CIC III provided a loan of \$10.0 million to DPCL to help in financing the purchase of certain dairy assets in Manitoba. 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 one other lender. Interest and principal payments to January 1, 1995 are subject to certain, complex, cash availability and cash flow formulas as defined in the loan agreement and are also subject to complying with certain financial ratios. Any deficiencies with respect to interest payments are to be compounded into the principal balance. In 1994, two payments were received and applied primarily against outstanding loan interest, with a small portion applied against the principal balance.

The principal sum, including capitalized interest, is to be paid in five equal annual instalments, commencing on June 30, 1996. Interest payments after January 1, 1995 are not subject to the cash flow formulas or the financial ratios and are due on April 15 of each year commencing April 15, 1996. On January 1,



2000, all principal and interest outstanding is due and payable. As at December 31, 1994, the outstanding balance (including interest capitalized and accrued interest) on the loan was \$12.2 million.

CANADIAN WESTERN BANK

Formed in 1988, the Canadian Western Bank, (the Bank) with its head office in Edmonton, is a full service, western based bank. The Bank's concentration is on small to medium sized businesses in Western Canada. On October 15, 1991, CIC committed to the purchase of a \$2 million convertible debenture. The investment was subject to the Bank assuming the former Saskatchewan Trust's office premises in Saskatoon, offering employment to certain Saskatchewan Trust personnel and committing to open another office in Regina within 20 months. CIC III purchased the \$2 million convertible subordinated debenture on February 17, 1993.

The Bank opened a full service branch in Regina on June 14, 1993 and is required to maintain a significant business presence in Saskatchewan, including a full service branch, for as long as any amount remains outstanding on the debenture.

The debenture matures on March 1, 2003. Principal cannot be repaid to CIC III prior to February 17, 1998, except in the event of the insolvency or winding up of the Bank. CIC III has the option, at any time prior to maturity, to convert all (but not less than all) of the debenture into common shares of the Bank. The debenture ranks subordinate to all deposit liabilities of the Bank and equally with all other unsecured liabilities and debentures, except for sinking fund provisions, if any, applicable to such debentures.

On October 12, 1994, the Bank entered into an agreement which provides for the acquisition of North West Trust Company and the amalgamation of the company into a new Canadian Western Bank. The transaction is expected to add significantly to the financial strength and earning powers of the Bank.

SASCABLE SERVICES INC. (Sascable)

Sascable is an association of Saskatchewan Pay T.V. operators. CIC III has a \$129 thousand note receivable from Sascable. The note bears interest at a rate of 14 per cent, is repayable in annual instalments of \$40 thousand blended principal and interest, and matures on February 28, 1998. The note was issued in 1983 when Sascable purchased all of the physical assets of Cablecom Corporation, a former subsidiary of CIC III which was amalgamated with CIC III in 1988. Until 1983, Cablecom Corporation acted as a distributor of feature length films and other entertainment to affiliated Teletheatre companies in Regina, Saskatoon and Moose Jaw.

WASCANA ENERGY INC.

Wascana Energy Inc. is a Saskatchewan based senior Canadian oil and gas producer. Prior to December 1985, Wascana Energy Inc., then Saskatchewan Oil and Gas Corporation, was a provincial Crown corporation. Wascana Energy Inc. has had several public share issues since December 1985. These, along with the sale of 10 million Wascana Energy Inc. shares in 1990 by CIC III, has reduced CIC III's interest in Wascana Energy Inc. to 5.8 million shares, representing a 7.4 per cent voting interest at December 31, 1994. Wascana Energy Inc. did not pay dividends on its shares in 1994.

NATIONAL PIG DEVELOPMENT (CANADA) CO. LTD. (NPD)

NPD was incorporated in the early 1980s as a privately owned pig breeding stock company. As a result of the wind-up of Agdevco in 1990, CIC III holds the investment initially made by that corporation in NPD. CIC III's investment at December 31, 1993 included voting common shares, non-voting preferred shares and long-term debt. During 1994, the long-term debt was repaid.

CIC III also held warrants which were granted by NPD for providing a shareholder loan in 1990. These warrants were exercised in



September 1993 and, as a result, CIC III obtained a controlling interest in NPD with 60 per cent of the voting common shares.

On December 22, 1993, CIC III entered into an agreement with NPD to provide up to \$4.0 million in additional common and preferred equity funding to facilitate an expansion.

During 1994, CIC III invested \$1.25 million of the \$4.0 million to fund the first phase of the expansion, bringing its share ownership to 71.9 per cent of the voting common shares and 78.6 per cent of the preferred shares.

NPD recorded positive net earnings for both 1993 and 1994.

SGI CANADA INSURANCE SERVICES LTD. (SCISL)

SCISL was incorporated pursuant to **The Business Corporations Act** (Saskatchewan) in 1990. SCISL acts as the corporate vehicle for SGI CANADA to pursue its expansion interests and to attain a broader geographic spread of risk.

SCISL is owned 40 per cent by CIC III, 30 per cent by SGI CANADA and 30 per cent by the Saskatchewan Auto Fund. SCISL is administered by SGI CANADA.

Further information on the operating results of SCISL can be found on page 19 of this Annual Report.

FORMER SASKATCHEWAN DIVERSIFICATION CORPORATION (SDC) HOLDINGS

CIC III is managing the investments inherited from the former SDC to minimize financial exposure and maximize possible returns. SDC was a wholly-owned subsidiary of CIC III which was amalgamated with CIC III on September 3, 1992.

SDC had invested or committed to invest in 21 projects. Of the 21 projects, eight have either gone into receivership or are near

bankruptcy, and two commitments did not require disbursement of funds and have ceased to be potential liabilities. In addition, CIC III sold its interests in two of the 21 projects. A total of \$2.1 million is invested in the remaining nine projects which have various levels of profitability. The investments are concentrated in two main sectors including the ag/biotech sector (BIOSTAR Inc., Bioriginal Food & Science Corporation, Philom Bios Inc.) and the manufacturing sector (Brandt Road Rail Corporation, Sci-Tec Instruments Inc., Excel Fibreglas Manufacturing Inc., Rotary Air Force Management Inc., Precision Metal Fabricating Inc.).

During 1994, \$234.0 thousand was invested based on prior commitments. Another \$751.0 thousand has been committed to one project subject to the company meeting certain milestones.

IPSCO INC.

CIC III owns 10 common shares of IPSCO Inc. at December 31, 1994. These shares remain after 99,990 shares were sold by CIC III in 1993.

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 and as of December 31, 1994, the actual outstanding obligation was \$58.5 million. IPSCO Inc. has the option to purchase the leased equipment at certain times during the term. In the event that IPSCO Inc. does not purchase the equipment by the end of the lease term, CIC is obligated to purchase the equipment for \$13 million.

CIC receives no guarantee fee and continues to review these lease guarantees with the objective of improving the Province's position.



OTHER INVESTMENTS

CAMECO CORPORATION (Cameco)

Cameco, with its corporate head office in Saskatoon, is one of the world's largest low-cost uranium producers. It was created in 1988 through the merger of the former Saskatchewan Mining Development Corporation's (SMDC) operations with those of Eldorado Nuclear Limited, a federal Crown corporation.

SMDC initially owned a 61.5 per cent interest in Cameco. Through various sale transactions by Cameco and SMDC, SMDC's interest in Cameco was reduced to 38.8 per cent consisting of 17.5 million unencumbered common shares in addition to 2.7 million common shares held in trust at December 31, 1993. Shares were placed in trust to satisfy the possible exercise of common share purchase warrants sold by SMDC in 1991. SMDC's affairs were wound up on December 31, 1993. The investment in Cameco was thereby transferred to CIC.

The common share purchase warrants, which entitled the holder to purchase one Cameco common share for \$14.75, expired on October 1, 1994. All of the 2.7 million shares in trust were sold upon exercise of the warrants.

On September 15, 1994, CIC sold two million Cameco shares for a gain of \$11.7 million. This reduced CIC's ownership to 15.5 million unencumbered Cameco voting common shares, representing a 29.7 per cent voting interest at December 31, 1994.

In addition to the shares held directly by CIC, CIC III owns 2,556 voting common shares of Cameco.

Cameco reported net earnings of \$81.1 million in 1994, compared to \$73.0 million in 1993. Cameco paid dividends of \$0.50 per share in 1994.

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 Consumers' Co-operative Refineries Limited (CCRL).

NewGrade was 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 and sulphur as by-products. 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 \$635.0 million, was in the form of debt and \$158.8 million was in the form of equity.

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 in excess of full design production capacity since July 1991.

The start-up problems in 1989 and 1990 resulted in material cash deficiencies which were rectified exclusively by CIC through additional financing totalling \$75.7 million. As well, an additional \$9.4 million in financing has been provided by CIC (\$2.3 million in 1991, \$2.3 million in 1992, \$2.4 million in 1993 and \$2.4 million in 1994) to cover year end cash



deficiencies.

An equal number of voting non-participating shares had been issued to each of CIC and CCRL for a nominal subscription price. CIC had contributed \$154.0 million of equity through the subscription to participating non-voting shares and other securities (collectively the "Securities") in NewGrade. CCRL had been granted an option to purchase certain of these Securities from CIC at cost by utilizing dividends, or other like distributions, from NewGrade. In effect, such an acquisition of these Securities by CCRL would have resulted in any NewGrade profits which may be available for distribution to shareholders being shared equally between CCRL and CIC.

Prior to the financial restructuring on October 21, 1994 as described below, CIC had made total investments in NewGrade of \$239.1 million. This includes 100 per cent of the subscription price for the Securities as well as the incremental \$85.1 million noted above. The operating difficulties and cash losses resulted in CIC having written down its entire investment in NewGrade to nil at December 31, 1993.

NewGrade's total term debt of \$635.0 million was guaranteed 56.693 per cent by the Province to a maximum of \$360.0 million, and 43.307 per cent by the Government of Canada (Canada) to a maximum of \$275.0 million. CIC had guaranteed the exchange risk that exists in the event of default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the Province.

In the event of default, the Province would have been called on to honour its guarantee of \$360.0 million. Canada could, in the event of default, have made a claim against the Province for a portion of Canada's exposure under its guarantee. The Province's only recourse was 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 have recouped only a fraction of its guaranteed

obligation. The significant losses generated by this investment and the economic viability of the project continued to be of grave concern to CIC and the Province.

On November 17, 1992, the Province announced plans to hold a public review into the deal that created NewGrade. The Province appointed Mr. Willard Estey to carry out the review of the deal, make recommendations about changes to it and act as a mediator between CCRL and the Province. Mr. Estey concluded his report in March 1993.

Mr. Estey's recommendations formed the basis of a proposal from the Province to CCRL with respect to the financial restructuring and governance provisions of NewGrade. Subsequent negotiations did not result in a resolution and, as a result, the Saskatchewan Legislature passed (but did not proclaim) Bill 90 - "An Act to Protect the Financial Viability of NewGrade Energy Inc." in June 1993. Negotiations between the Province and CCRL continued through July and August and resulted in a "Statement of Settlement Principles" on August 18, 1993 (the Statement). Under the Statement, the Province and CCRL would each contribute \$75 million through a combination of equity subscriptions, grants, asset purchases and interest free loans. The funds would be used to reduce NewGrade's long-term debt. The consent of Canada was required to implement the Statement. The Statement also contemplated a significant financial contribution by Canada.

A negotiated settlement was eventually arrived at. A Memorandum of Understanding was signed in June, 1994 and the final agreements were signed on October 21, 1994. The settlement included the injection of \$125.0 million by Canada in exchange for CIC indemnifying Canada for its loan guarantees; the provision of \$75.0 million to the project by each of CIC and CCRL; a formula to share any future cash deficiencies; and an arrangement to improve management relations. At the same time as the agreements were finalized, an Order-in-Council was passed to rescind Bill 90,



the NewGrade Protection Act, and a commitment was made to introduce legislation in the 1995 session of the Saskatchewan Legislature to formally repeal Bill 90.

More specifically, CIC's investment was restructured as follows:

- (i) CIC exchanged its one Class B voting non-participating common share with a stated value of \$1 thousand for 50 Class Y voting participating common shares. In addition, CIC purchased 50 Class Y voting participating common shares for \$50.0 million.
- (ii) Class C and D shares held by CIC with a stated value of \$86.9 million were cancelled by NewGrade.
- (iii) CIC forgave its Class C, D, and E subordinated debentures with a stated value of \$142.8 million as well as certain promissory notes due from NewGrade in the amount of \$4.6 million.
- (iv) CIC provided NewGrade with a \$5.0 million grant to reduce its operating line of credit. CIC has committed to providing NewGrade with a further \$20.0 million in grants to reduce NewGrade's guaranteed debt. These grants are to be paid in 1995 (\$10.0 million) and 1996 (\$10.0 million).
- (v) CIC indemnified Canada for its loan guarantees, to a maximum of \$275.0 million, in exchange for a cash contribution by Canada to NewGrade of \$125.0 million.
- (vi) In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after CCRL has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls,

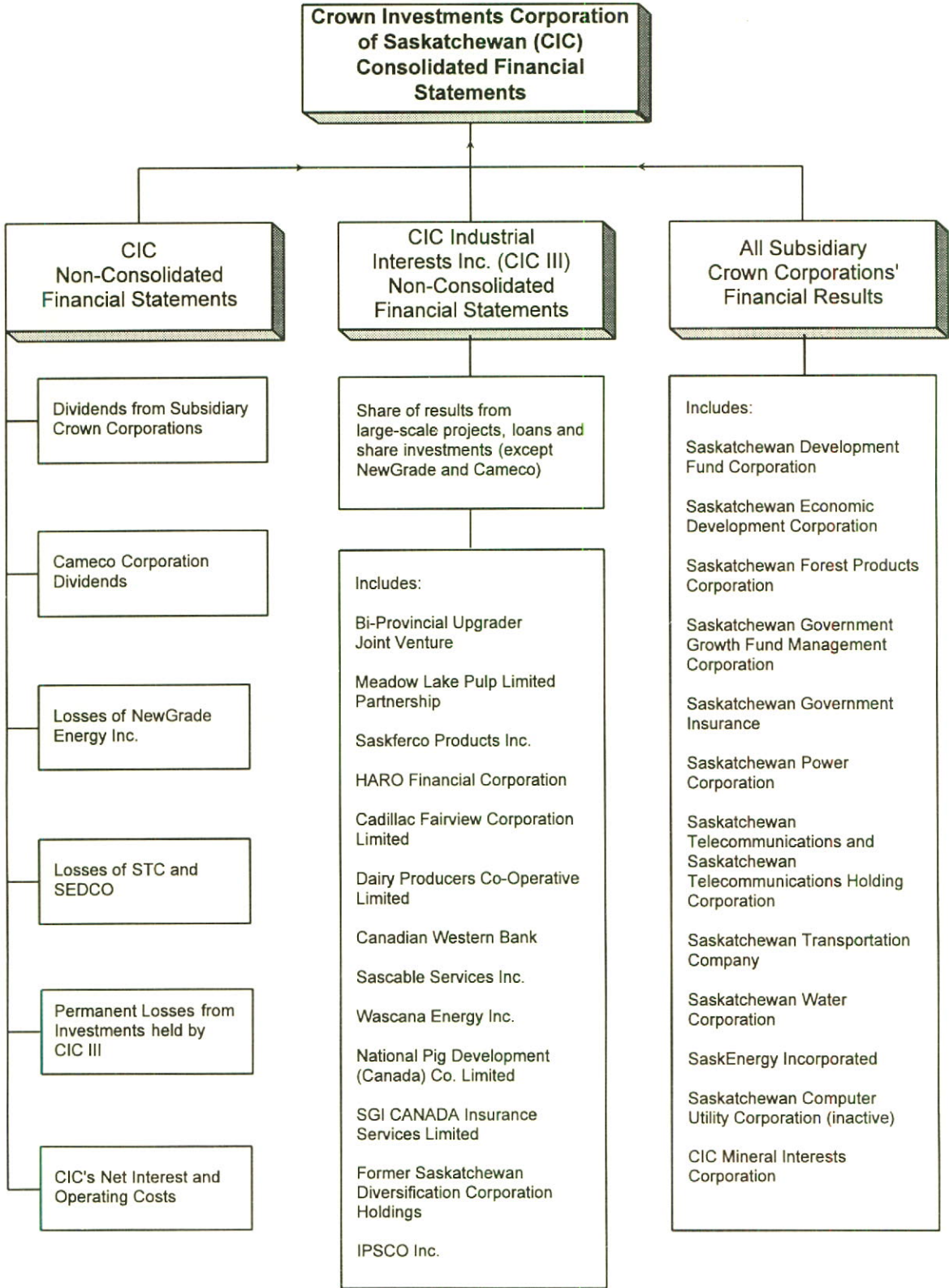
then CIC will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro-rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing.

As of December 31, 1994, CIC owns 50 per cent of the outstanding voting participating shares of NewGrade. CIC also holds \$4.8 million in promissory notes due from NewGrade.

Current projections indicate the full recovery of CIC's investment over the life of the project. Nevertheless, due to continued low differentials between the price of heavy and light crude oil, CIC recorded a write-down on its NewGrade investment of \$52.4 million in 1994. This amount represents the cash injection provided to NewGrade upon restructuring in addition to the promissory notes provided in 1994 of \$2.4 million. CIC's investment in NewGrade is carried at a balance of nil at December 31, 1994.

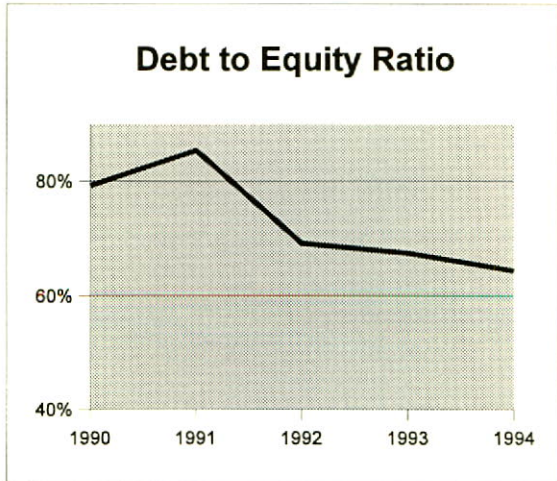
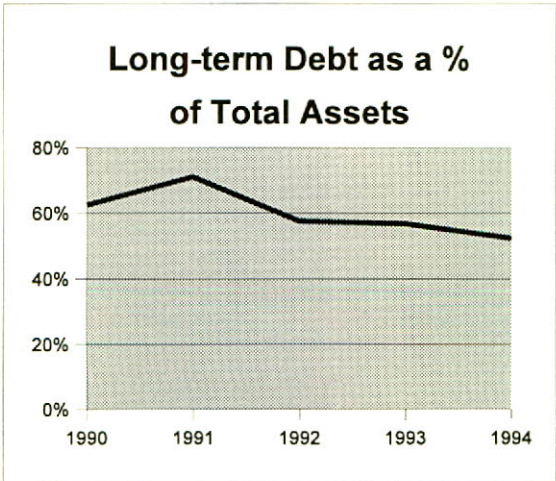
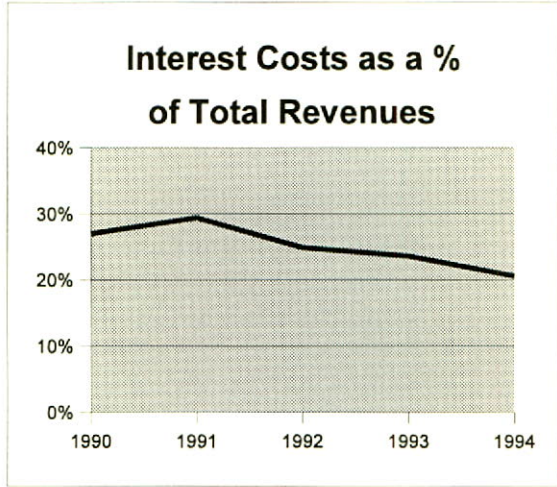
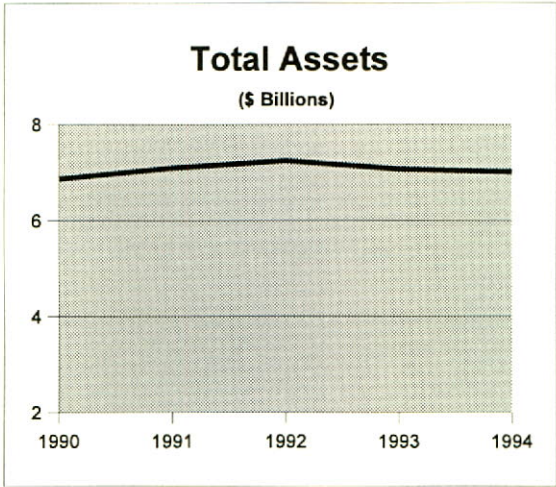
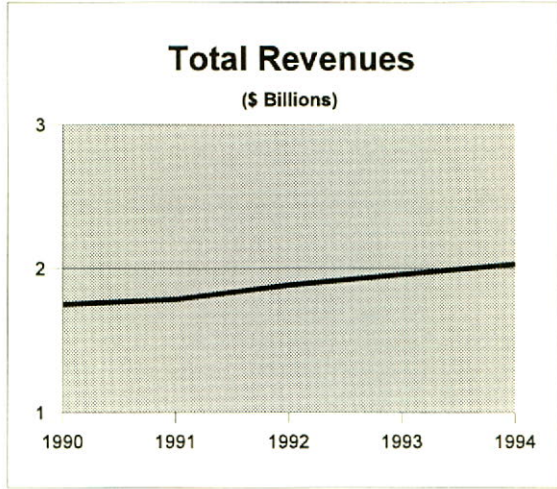
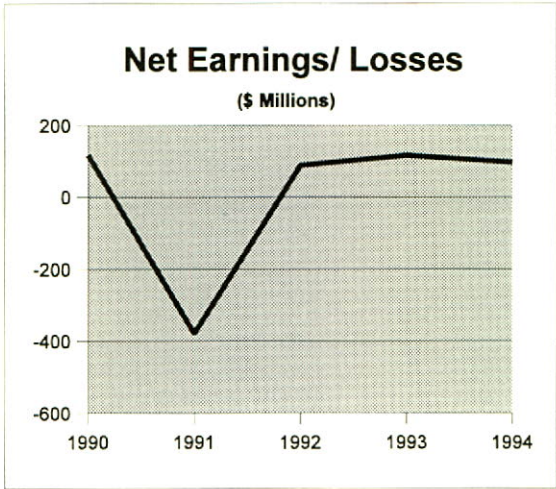


CIC FINANCIAL STATEMENT REPORTING STRUCTURE



CIC CONSOLIDATED FINANCIAL STATEMENTS

CIC CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1994

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 Provincial Auditor of Saskatchewan to review internal accounting controls, audit results and accounting principles and practices.



Donald R. Ching
President



Richard A. Hornowski
Vice-President Finance

March 10, 1995



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1994

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** as at December 31, 1994 and the consolidated statements of operations and reinvested earnings 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 consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1994 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.

Wayne Strelieff

Regina, Saskatchewan
March 10, 1995

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



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

1994 1993

(thousands of dollars)

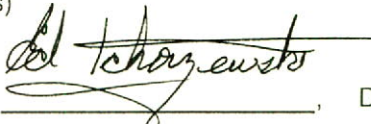

ASSETS

Current		
Cash	\$ 2,017	\$ 70,399
Short-term investments	75,268	159,092
Accounts receivable	329,472	313,942
Inventories	25,381	22,071
Prepaid expenses	<u>111,726</u>	<u>94,884</u>
	543,864	660,388
Long-term investments (Note 3)	1,414,460	1,604,042
Capital assets (Note 4)	4,714,916	4,534,333
Other assets (Note 5)	<u>332,735</u>	<u>264,122</u>
	<u>\$ 7,005,975</u>	<u>\$ 7,062,885</u>

LIABILITIES AND PROVINCE'S EQUITY

Current		
Bank indebtedness	\$ 24,709	\$ -
Accounts payable and accrued liabilities	457,532	440,359
Notes payable (Note 6)	511,558	351,354
Dividend payable	-	35,434
Deferred revenue	84,095	82,417
Long-term debt due within one year (Note 7)	<u>30,003</u>	<u>450,480</u>
	1,107,897	1,360,044
Long-term debt (Note 7)	3,642,275	3,558,204
Deferred revenue and other liabilities (Note 8)	<u>226,872</u>	<u>211,964</u>
	<u>4,977,044</u>	<u>5,130,212</u>
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,447,452	1,447,452
Reinvested earnings	<u>581,479</u>	<u>485,221</u>
	<u>2,028,931</u>	<u>1,932,673</u>
	<u>\$ 7,005,975</u>	<u>\$ 7,062,885</u>

Commitments and contingencies (Note 10)
(See accompanying notes)

On behalf of the Board: , Director , Director



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

For the Year Ended December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
REVENUE		
Sales of products and services	\$ 2,001,124	\$ 1,902,205
Investment	-	25,907
Other	<u>28,104</u>	<u>31,235</u>
	<u>2,029,228</u>	<u>1,959,347</u>
EXPENSES		
Operating costs other than those listed below	1,122,610	1,046,773
Interest (Note 11)	417,445	461,557
Amortization of capital assets	303,826	281,605
Saskatchewan taxes and resource payments (Note 12)	89,109	80,687
Investment loss	<u>11,540</u>	<u>-</u>
	<u>1,944,530</u>	<u>1,870,622</u>
Earnings before the following	84,698	88,725
Non-recurring items (Note 13)	14,118	34,887
Public policy expenditures adjustment (Note 14)	<u>(2,558)</u>	<u>(7,605)</u>
NET EARNINGS	96,258	116,007
REINVESTED EARNINGS, BEGINNING OF YEAR	<u>485,221</u>	<u>404,648</u>
	581,479	520,655
DIVIDEND TO GENERAL REVENUE FUND	<u>-</u>	<u>(35,434)</u>
REINVESTED EARNINGS, END OF YEAR	<u>\$ 581,479</u>	<u>\$ 485,221</u>

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net earnings	\$ 96,258	\$ 116,007
Items not affecting cash from operations (Note 15)	<u>346,389</u>	<u>290,363</u>
	442,647	406,370
Net change in non-cash working capital balances related to operations	<u>68,372</u>	<u>(62,574)</u>
Cash provided by operating activities	<u>511,019</u>	<u>343,796</u>
INVESTING ACTIVITIES		
Purchase of investments	(334,858)	(143,150)
Proceeds from sales and collections of investments	443,515	338,739
Purchase of capital assets	(463,239)	(392,998)
Proceeds from sale of capital assets	8,325	2,343
(Increase) decrease in other assets	<u>(21,439)</u>	<u>1,122</u>
Cash used in investing activities	<u>(367,696)</u>	<u>(193,944)</u>
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	160,204	(289)
Increase in deferred revenue and other liabilities	3,952	14,204
Long-term debt proceeds from General Revenue Fund	-	682,916
Long-term debt proceeds from other lenders	44,383	9,528
Long-term debt repayments to General Revenue Fund	(314,067)	(678,106)
Long-term debt repayments to other lenders	(95,452)	(170,205)
Dividends paid to General Revenue Fund	<u>(35,434)</u>	<u>-</u>
Cash used in financing activities	<u>(236,414)</u>	<u>(141,952)</u>
NET (DECREASE) INCREASE IN CASH DURING YEAR	(93,091)	7,900
CASH POSITION, BEGINNING OF YEAR	<u>70,399</u>	<u>62,499</u>
CASH POSITION, END OF YEAR	<u>\$ (22,692)</u>	<u>\$ 70,399</u>
Cash position consists of:		
Cash	\$ 2,017	\$ 70,399
Bank indebtedness	<u>(24,709)</u>	<u>-</u>
	<u>\$ (22,692)</u>	<u>\$ 70,399</u>

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. 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 subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to 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 audited 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 subsidiary Crown corporations of CIC:

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

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



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 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 in which the Corporation does not exercise significant influence 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 net earnings or losses and reduced by dividends received from these shares.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its net realizable value.

d) Capital assets

Capital assets 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, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization 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 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 amortization. Saskatchewan Telecommunications includes all gains or losses in accumulated amortization.

e) Amortization of capital assets

Amortization 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, deferred 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.

The Corporation's foreign subsidiary is considered self-sustaining and its financial statements are translated in accordance with the current rate method. Assets and liabilities are reflected at their Canadian dollar equivalent at the exchange rate prevailing at the balance sheet date. Income items are reflected at their Canadian dollar equivalent at the average exchange rate for the year.

j) Leases

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of a capital asset 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 535/47 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1978**, as Crown Investments Corporation of Saskatchewan. **The Crown Corporations Act, 1993**, which repeals **The Crown Corporations Act, 1978** came into force on January 1, 1994. 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. LONG-TERM INVESTMENTS

	<u>Voting Percentages</u>	<u>1994</u>	<u>1993</u>
		(thousands of dollars)	
Equity Investments			
Cameco Corporation (a)			
15,543,623 (1993 - 17,543,623) common shares;	29.7%	\$ 303,543	\$ 325,506
Nil (1993 - 2,657,367) common shares held in trust	-	-	39,196
Bi-Provincial Upgrader Joint Venture (b)	17.5%	157,302	170,368
Potash Corporation of Saskatchewan Inc. (c)			
2 (1993 - 1) common shares;	-	-	-
Nil (1993 - 3,630,566) common shares held in trust	-	-	65,641
Saskferco Products Inc. (d)			
68,449,080 (1993 - 68,449,080) Class B common shares;			
Nil (1993 - 2,500,000) Class D shares	49.0%	72,188	63,740
Wascana Energy Inc. (e)			
5,842,910 (1993 - 5,842,910) common shares	7.4%	47,044	47,044



3. LONG-TERM INVESTMENTS (continued)

	<u>Voting Percentages</u>	<u>1994</u>	<u>1993</u>
(thousands of dollars)			
Equity Investments (continued)			
ISM Information Systems Management Corporation (ISM) 891,206 (1993 - 891,206) common shares	4.4%	2,180	2,180
Meadow Lake Pulp Limited Partnership partnership interest	49.0%	(36,003)	(21,435)
NewGrade Energy Inc. (f) common shares and debentures	50.0%	(22,069)	-
Other share investments - cost basis		60,657	62,421
Other share investments - equity basis		<u>11,200</u>	<u>8,120</u>
		<u>596,042</u>	<u>762,781</u>
Bonds and Debentures			
HARO Financial Corporation (g)		271,000	271,000
Meadow Lake Pulp Limited Partnership (h)		187,607	187,009
Other bonds and debentures		<u>105,140</u>	<u>106,926</u>
		<u>563,747</u>	<u>564,935</u>
Loans, Notes and Mortgages Receivable			
Cadillac Fairview Corporation Limited		39,545	40,064
Dairy Producers Co-Operative Limited		10,500	10,500
Other loans and notes receivable		<u>123,209</u>	<u>123,839</u>
		<u>173,254</u>	<u>174,403</u>
Property Holdings		<u>61,497</u>	<u>82,096</u>
Leases Receivable		<u>19,920</u>	<u>19,827</u>
		<u>\$ 1,414,460</u>	<u>\$ 1,604,042</u>



3. LONG-TERM INVESTMENTS (continued)

- a) On December 31, 1993, the Corporation owned 17,543,623 unencumbered common shares of Cameco Corporation (Cameco). On September 15, 1994, the Corporation sold 2,000,000 common shares for net proceeds of \$48.8 million resulting in a gain on sale of \$11.7 million.

On December 31, 1993, the investment in Cameco also consisted of 2,657,367 voting common shares, with a carrying value of \$39.2 million, which were held in trust to satisfy the exercise of Common Share Purchase Warrants (Purchase Warrants) sold in 1991. The holder of each full Purchase Warrant was allowed to purchase one Cameco voting common share from the Corporation for \$14.75 on or before October 1, 1994. On October 1, 1994, all Purchase Warrants had been exercised.

At December 31, 1994, the Corporation owns 15,543,623 voting common shares of Cameco representing a 29.7% interest which are accounted for using the equity 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% equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture). The Corporation's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project.

During 1991 and 1992, cost overruns of \$365.0 million were identified. The Corporation's proportionate share of these overruns would have been \$63.9 million and a write-down of \$63.9 million was recorded in 1991 to reflect these overruns. The Corporation agreed to fund only \$30.6 million of this amount.

The Corporation has funded its proportionate share of a revolving operating line of credit of \$14.5 million (1993 - \$8.8 million), \$5.7 million of which bears a return allowance of CIBC prime plus 1%.

Subsequent to year end, the Corporation increased its ownership in the Joint Venture as discussed in Note 19.

- c) The Corporation placed 3,650,566 voting common shares of Potash Corporation of Saskatchewan Inc. in trust in September 1991 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 had the right to purchase one PCS Inc. voting common share from the Corporation for \$18.75 on or before September 30, 1994. All Purchase Warrants were exercised on or before September 30, 1994. Due to rounding on the initial share offering, one unencumbered common share was returned to the Corporation.

At December 31, 1994, the Corporation owns two unencumbered common shares.

- d) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49% voting interest. The Corporation has fully funded its obligations to provide initial equity to Saskferco of \$66.4 million. In addition, the Corporation has advanced \$2.0 million (1993 - \$2.0 million) in the form of Class B shares to fund construction cost overruns. During 1994, \$2.5 million of Class D shares purchased in 1993 to fund working capital deficiencies were redeemed for \$2.5 million.



3. LONG-TERM INVESTMENTS (continued)

- e) The Corporation owns 5,842,910 voting common shares of Wascana Energy Inc. representing a 7.4% voting interest. These shares are accounted for using the cost method.
- f) On October 21, 1994, the Corporation, Consumers' Co-Operative Refineries Limited (CCRL) and the Government of Canada (Canada) completed a financial restructuring of NewGrade Energy Inc. (NewGrade). The Corporation's investment was restructured as follows:
 - (i) The Corporation exchanged its one Class B voting non-participating common share with a stated value of \$1.0 thousand for 50 Class Y voting participating common shares. In addition, the Corporation purchased 50 Class Y voting participating common shares for \$50.0 million.
 - (ii) Class C and D shares held by the Corporation were cancelled by NewGrade.
 - (iii) The Corporation forgave its Class C, D, and E subordinated debentures with a stated value of \$142.8 million.
 - (iv) The Corporation provided NewGrade with a \$5.0 million grant to reduce its operating line of credit. The Corporation has committed to providing NewGrade with a further \$20.0 million in grants to reduce NewGrade's guaranteed debt. These grants are to be paid in 1995 (\$10.0 million) and 1996 (\$10.0 million).
 - (v) The Corporation indemnified Canada for its loan guarantees, to a maximum of \$275.0 million, in exchange for a cash contribution by Canada to NewGrade of \$125.0 million.
 - (vi) In addition, should there be any operating shortfall at the end of any year, the Corporation will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after CCRL has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then the Corporation will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro-rata basis with CCRL. If this facility is exhausted, the Corporation will loan NewGrade the remainder to cover any other operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing.

As of December 31, 1994, the Corporation owns 50% of the outstanding voting participating shares of NewGrade and also holds certain promissory notes due from NewGrade.

- g) The Corporation entered into various agreements with HARO Financial Corporation (HARO) to provide a loan to HARO up to a maximum initial principal amount of \$275.0 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 has advanced \$271.0 million to December 31, 1994 (1993 - \$271.0 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. Provision is made whereby, under certain conditions, the initial principal amount of the loan may be increased after the first five-year term if no refinancing has occurred.



3. LONG-TERM INVESTMENTS (continued)

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. Any accrued interest not paid will be compounded annually and added to the principal balance. 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. There were no payments made during the year. Total interest owing to the Corporation at December 31, 1994 is \$38.8 million (1993 - \$19.6 million).

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). The Corporation's unilateral right to 94% of HARO's assets is subject to regulatory compliance.

On February 10, 1995, Crown Life announced amendments to the share capital provisions of the company. As a result of the amendments, HARO converted all of its 1,250,000 Crown Life third preferred shares for 2,227,381 Crown Life common shares representing a 64.5% ownership of Crown Life.

Also, subsequent to year end the Corporation agreed to further funding of HARO as described in Note 19.

- h) The Corporation has entered into various agreements with Meadow Lake Pulp Limited Partnership (MLPLP) and its agent, Millar Western Pulp (Meadow Lake) Ltd., to assist in the construction of a chemi-thermomechanical pulp mill located near Meadow Lake, Saskatchewan. The total loan commitment is comprised of three distinct loans.
- The Participating Debenture bearing interest at 11.15% calculated on October 31 of each year.
 - The Term Loan bearing interest at the Canadian Imperial Bank of Commerce (CIBC) prime rate plus 1/4%, which is paid monthly.
 - The Contingency Loan has an original principal balance of \$7.3 million and bears interest at the CIBC prime interest rate plus 1%, calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation has agreed, subject to the exhaustion of all other credit facilities, to provide additional loans to MLPLP, to a maximum of \$9.0 million, to fund future cash deficiencies.



3. LONG-TERM INVESTMENTS (continued)

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 added to the principal balance outstanding on the loan. Interest income earned and subsequently forming part of the Interest Loan is recorded as deferred 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.

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 then to amounts outstanding under the Participating Debenture and then to the Interest Loan. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan. The Contingency Loan, Participating Debenture and Term Loan mature in the year 2014. Any Interest Loan balance outstanding on October 31, 2014 shall bear interest at the rate equal to the cost of borrowing for the Province of Saskatchewan on that date until paid in full.

- i) The market values of the Corporation's publicly traded investments at December 31, 1994 are as follows (millions of dollars):

Cameco	\$	483.7
Wascana Energy Inc.	\$	58.4
ISM	\$	12.7

- j) Other loans and notes receivable include amounts due from Cameco of \$29.3 million (1993 - \$32.8 million) and from ISM of Nil (1993 - \$1.8 million).

- k) Included in investment (loss) income are earnings (losses) from equity investments as follows:

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Cameco	\$ 24,100	\$ 24,612
Saskferco	10,948	(7,209)
Bi-Provincial Upgrader Joint Venture	(18,841)	(19,620)
MLPLP	(13,923)	(30,013)
NewGrade	(72,071)	(2,376)
Other	<u>1,017</u>	<u>609</u>
	<u>\$ (68,770)</u>	<u>\$ (33,997)</u>

- l) Included in other loans and notes receivable, net of accumulated provision, are non-performing loans in the amount of \$7.4 million (1993 - \$23.1 million). Loans are identified as non-performing if interest is past due in excess of 90 days.



4. CAPITAL ASSETS

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Machinery and equipment	\$ 6,187,253	\$ 5,865,259
Buildings and improvements	903,466	691,607
Plant under construction	90,592	72,640
Equipment under capital leases	3,024	24,874
Deferred development costs	1,260	561
Land	<u>158,645</u>	<u>154,052</u>
	7,344,240	6,808,993
Accumulated amortization	<u>(2,629,324)</u>	<u>(2,274,660)</u>
	<u>\$ 4,714,916</u>	<u>\$ 4,534,333</u>

5. OTHER ASSETS

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Natural gas in storage	\$ 89,198	\$ 74,586
Deferred financing charges, net of amortization	30,784	36,030
Deferred foreign exchange translation losses, net of amortization	157,183	103,787
Other deferred charges	<u>55,570</u>	<u>49,719</u>
	<u>\$ 332,735</u>	<u>\$ 264,122</u>

6. NOTES PAYABLE

Notes payable are primarily due to the General Revenue Fund. These notes are generally interest-bearing, having an average annual interest rate of 6.83% (1993 - 3.93%).



7. LONG-TERM DEBT

Years to Maturity	1994		1993		
	(thousands of dollars)				
	Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate	
	U.S. Dollars	Canadian Dollars			
A. General Revenue Fund					
Canadian Dollar Issues					
1 - 5 years		\$ 575,149	10.21	\$ 665,316	9.37
6 - 10 years		1,454,876	11.39	1,364,571	10.91
11 - 15 years		523,772	10.12	691,719	10.66
16 - 20 years		-	-	42,359	9.53
21 - 25 years		15,000	9.60	15,000	9.60
26 - 30 years		<u>250,000</u>	9.60	<u>250,000</u>	9.60
		<u>2,818,797</u>		<u>3,028,965</u>	
United States Dollar Issues					
6 - 10 years	\$ 50,000	70,090	6.63	66,085	6.63
11 - 15 years	250,000	350,450	7.13	330,425	7.13
16 - 20 years	75,000	105,135	7.38	99,128	7.38
21 - 30 years	<u>400,000</u>	<u>560,720</u>	9.16	<u>528,680</u>	9.08
	<u>\$ 775,000</u>	<u>1,086,395</u>		<u>1,024,318</u>	
		3,905,192		4,053,283	
Less sinking fund balance		<u>(313,194)</u>		<u>(338,004)</u>	
Total due to General Revenue Fund		<u>3,591,998</u>		<u>3,715,279</u>	
B. Other long-term debt					
Saskatchewan Power Corporation					
Savings Bonds (due July 6, 1994)		5,752	-	166,094	9.125
Saskatchewan Telecommunications					
TeleBonds (due March 1, 1999)		34,978	6.50	93,859	11.00
Capital lease obligations (Note 16)		10,459	Various	10,562	Various
Other (due 1995 to 2013)		<u>29,091</u>	Various	<u>22,890</u>	Various
Total other long-term debt		<u>80,280</u>		<u>293,405</u>	
		3,672,278		4,008,684	
Less due within one year		<u>(30,003)</u>		<u>(450,480)</u>	
TOTAL LONG-TERM DEBT		<u>\$ 3,642,275</u>		<u>\$ 3,558,204</u>	



7. LONG-TERM DEBT (continued)

There is a requirement attached to certain interest-bearing issues from the General Revenue Fund to make annual payments into sinking funds administered by the Department of Finance in amounts representing 1% to 3% of the original issue. These annual payments are invested with the cumulative aggregate being available for the retirement of the issues on their maturity dates.

Certain issues received from the General Revenue Fund totalling \$529.3 million (1993 - \$536.7 million) are subject to redemption on six months notice.

The Corporation issued its second offering of Saskatchewan Telecommunications TeleBonds (TeleBonds) in 1994. TeleBonds pay interest monthly by way of credit to the designated customer's telephone account.

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

1995 - \$	32,508
1996 - \$	179,117
1997 - \$	73,668
1998 - \$	329,867
1999 - \$	130,826

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 1.4018 (1993 - 1.3217).

8. DEFERRED REVENUE AND OTHER LIABILITIES

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Contributions in aid of construction	\$ 46,417	\$ 70,286
Other liabilities	151,763	102,634
Deferred income	27,164	37,133
Unamortized foreign exchange gains	<u>1,528</u>	<u>1,911</u>
	<u>\$ 226,872</u>	<u>\$ 211,964</u>

Other liabilities include an amount due to Cameco of \$39.0 million (1993 - \$39.0 million).



9. EQUITY ADVANCES

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

As part of a financial restructuring of the Corporation (the legal entity) in 1992, \$875.0 million of the Corporation's long-term debt obligations to the General Revenue Fund were converted to non-interest bearing equity advances. In addition, \$583.9 million of equity advances from the General Revenue Fund were cancelled and an identical amount applied to eliminate the Corporation's accumulated deficit at December 31, 1991.

10. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 1994:

- a) The Corporation has forward purchase commitments of \$1,869.0 million for coal and \$773.0 million for natural gas contracted for future minimum deliveries valued at current prices.
- b) The Corporation has capital expenditure commitments amounting to \$386.8 million.
- c) The Corporation has guaranteed the lease payments and other specified payments on certain equipment leased by PCS Inc. During the year, the Corporation obtained a release from certain of the individual guarantees. The present value of the remaining capital lease payments is \$3.5 million. However, pursuant to the agreement, PCS Inc. has assumed the lease obligations and indemnified the Corporation from further liability.
- d) The Corporation has 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 \$108.0 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 \$65.0 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, the Corporation is obligated to purchase the equipment for \$13.0 million.
- f) The Corporation has guaranteed a Saskferco Products Inc. loan facility with a chartered bank to a maximum of \$38.2 million. As at December 31, 1994, \$17.9 million is outstanding on the loan facility.



10. COMMITMENTS AND CONTINGENCIES (continued)

- g) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade's long-term debt, to a maximum of \$275.0 million. At December 31, 1994, the Corporation's guarantee is \$180.5 million.
- h) The Corporation has committed to \$20.0 million in funding to NewGrade to reduce its long-term debt. This funding will be in the form of two \$5.0 million grants in 1995 and two \$5.0 million grants in 1996.
- i) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the General Revenue Fund. At December 31, 1994, the guaranteed amount does not exceed \$360.0 million.
- j) 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.

11. INTEREST EXPENSE

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Interest on long-term debt	\$ 410,316	\$ 464,126
Amortization of foreign exchange gains and losses	8,622	20,121
Amortization of deferred financing costs	<u>6,345</u>	<u>8,814</u>
	<u>425,283</u>	<u>493,061</u>
Less:		
Sinking fund earnings	(33,347)	(42,037)
Interest capitalized	<u>(4,214)</u>	<u>(4,655)</u>
	<u>(37,561)</u>	<u>(46,692)</u>
Long-term debt interest expense	387,722	446,369
Short-term debt interest expense	<u>29,723</u>	<u>15,188</u>
	<u>\$ 417,445</u>	<u>\$ 461,557</u>



12. SASKATCHEWAN TAXES AND RESOURCE PAYMENTS

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Oil, gas and coal royalties	\$ 29,090	\$ 23,208
Timber dues	<u>3,090</u>	<u>2,230</u>
	32,180	25,438
Grants in lieu of taxes to municipalities	27,958	26,795
Saskatchewan capital tax	22,121	21,702
Insurance premium tax	5,418	5,210
Other	<u>1,454</u>	<u>1,660</u>
	89,131	80,805
Less:		
Amounts inventoried	<u>(22)</u>	<u>(118)</u>
	<u>\$ 89,109</u>	<u>\$ 80,687</u>

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

13. NON-RECURRING ITEMS

Non-recurring items include the following:

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Gain on sale of Cameco Corporation shares (Note 3(a))	\$ 11,685	\$ -
Gain on sale of PCS Inc. shares (Note 3(c))	2,433	6,441
Gain on sale of Wascana Energy Inc. shares	-	12,973
Gain on sale of assets to Wascana Energy Inc.	-	6,436
Gain on extinguishment of Weyerhaeuser debenture	-	7,709
Gain on sale of IPSCO Inc. shares	<u>-</u>	<u>1,328</u>
	<u>\$ 14,118</u>	<u>\$ 34,887</u>



14. 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 General Revenue Fund and the U.S. Government. Amounts received from the General Revenue Fund and the U.S. Government in excess of expenditures incurred are recorded as deferred revenue.

The following table summarizes the construction costs and related funding incurred primarily on the Rafferty and Alameda dams and major irrigation projects:

	<u>1994</u>	1986 to <u>1993</u>	<u>Total</u>
		(thousands of dollars)	
Construction costs	<u>\$ 5,685</u>	<u>\$ 267,744</u>	<u>\$ 273,429</u>
Funded by:			
General Revenue Fund	(1,800)	197,049	195,249
U. S. Government	(27)	62,249	62,222
Deferred revenue	<u>4,954</u>	<u>(6,864)</u>	<u>(1,910)</u>
	<u>3,127</u>	<u>252,434</u>	<u>255,561</u>
Public policy expenditure representing amount funded by the Corporation	<u>\$ 2,558</u>	<u>\$ 15,310</u>	<u>\$ 17,868</u>

15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

	<u>1994</u>	<u>1993</u>
		(thousands of dollars)
Amortization of capital assets	<u>\$ 303,826</u>	<u>\$ 281,605</u>
Sinking fund earnings	(33,347)	(42,037)
Gain on sale of investments	(14,118)	(34,887)
Other non-cash items	<u>90,028</u>	<u>85,682</u>
	<u>\$ 346,389</u>	<u>\$ 290,363</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>1994</u>	<u>1993</u>
	(thousands of dollars)	
Future minimum lease payments		
1994	\$ -	\$ 6,930
1995	304	431
1996	663	3,636
1997	1,943	108
1998	2,767	-
1999	<u>4,857</u>	<u>-</u>
Total minimum lease payments	10,534	11,105
Less amount representing interest and executory costs	<u>(75)</u>	<u>(543)</u>
Balance of obligation	10,459	10,562
Less current portion	<u>(258)</u>	<u>(6,738)</u>
	<u>\$ 10,201</u>	<u>\$ 3,824</u>

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

1995	\$ 26,252
1996	25,238
1997	24,631
1998	23,949
1999	23,191
Thereafter	<u>3,566</u>
	<u>\$ 126,827</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-CIC 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.



17. RELATED PARTY TRANSACTIONS (continued)

During 1994, the Corporation received \$4.1 million (1993 - \$7.5 million) in grants from the General Revenue Fund.

As at December 31, 1994, \$1.0 million (1993 - \$73.3 million) is invested with the General Revenue Fund and is included in short-term investments.

18. PENSIONS

Substantially all employees of the Corporation are participants in either defined contribution or defined benefit pension plans.

Based on the latest actuarial valuations, the estimated market value of the pension funds' assets are \$998.2 million which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of \$958.5 million by \$39.7 million.

19. SUBSEQUENT EVENTS

On February 1, 1995, by virtue of Order-in-Council 87/95, Saskatchewan Opportunities Corporation was designated a subsidiary Crown corporation of CIC under **The Crown Corporations Act, 1993**. The incorporation of Saskatchewan Opportunities Corporation will have no financial effect on the consolidated entity.

The Corporation has formalized plans to wind-up the operations of SEDCO. On February 28, 1995, the assets, liabilities and operations of SEDCO were transferred to CIC Industrial Interests Inc., and will be administered by CIC through this subsidiary. SEDCO will be formally dissolved on March 31, 1995.

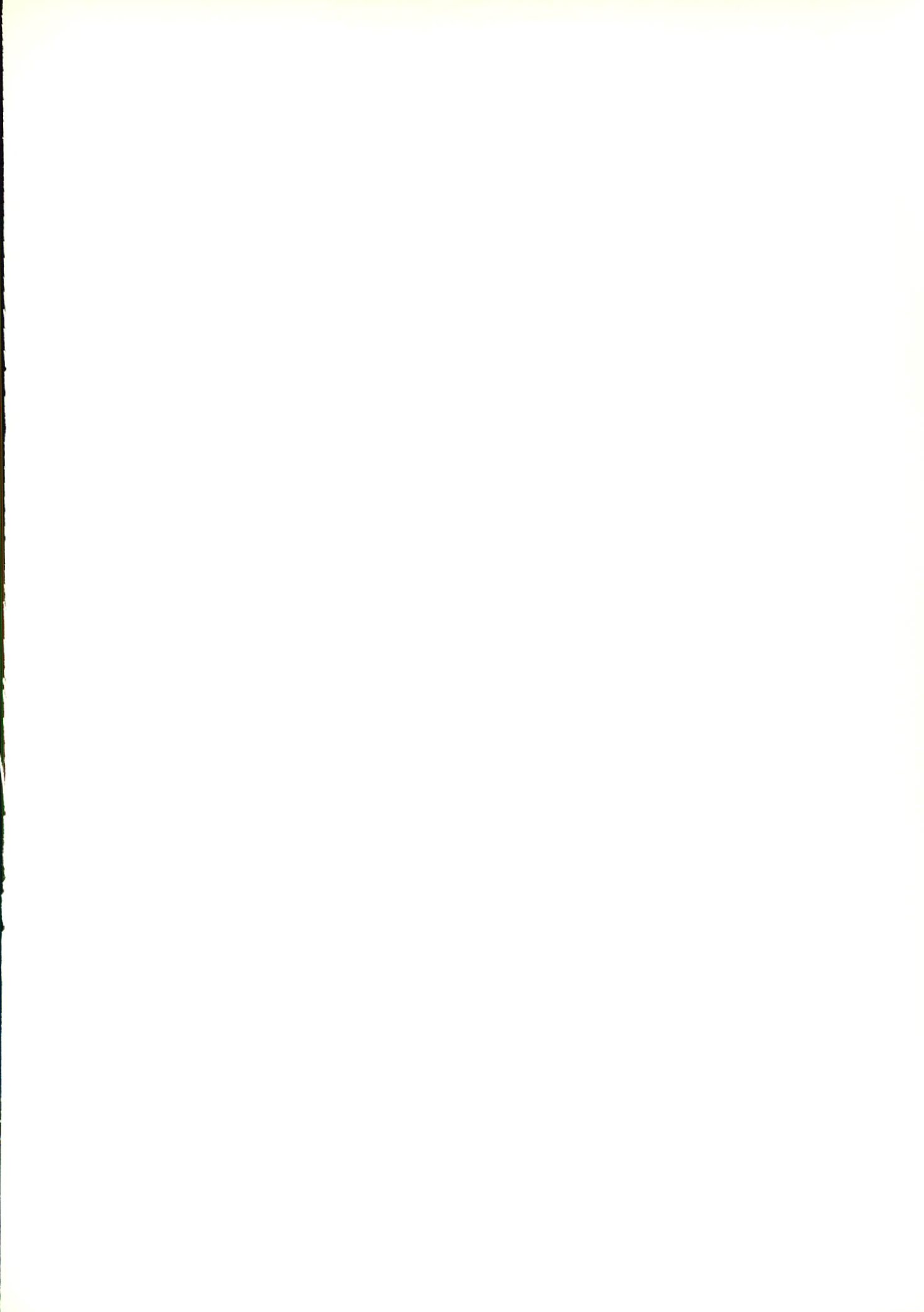
Effective February 7, 1995, the Corporation purchased 58% of the joint venture interests of the Governments of Canada and Alberta in the Bi-Provincial Upgrader for \$43.1 million. As a result of this purchase, the Corporation holds a 50% equity interest in the joint venture. In addition, the Corporation paid \$11.1 million to Husky Oil Operations Ltd. (Husky) representing its pro-rata commitment under the Interim Operating Shortfall Agreement plus accrued interest of \$0.4 million. This commitment had been funded by Husky during the negotiations to purchase the joint venture interests of Canada and Alberta.

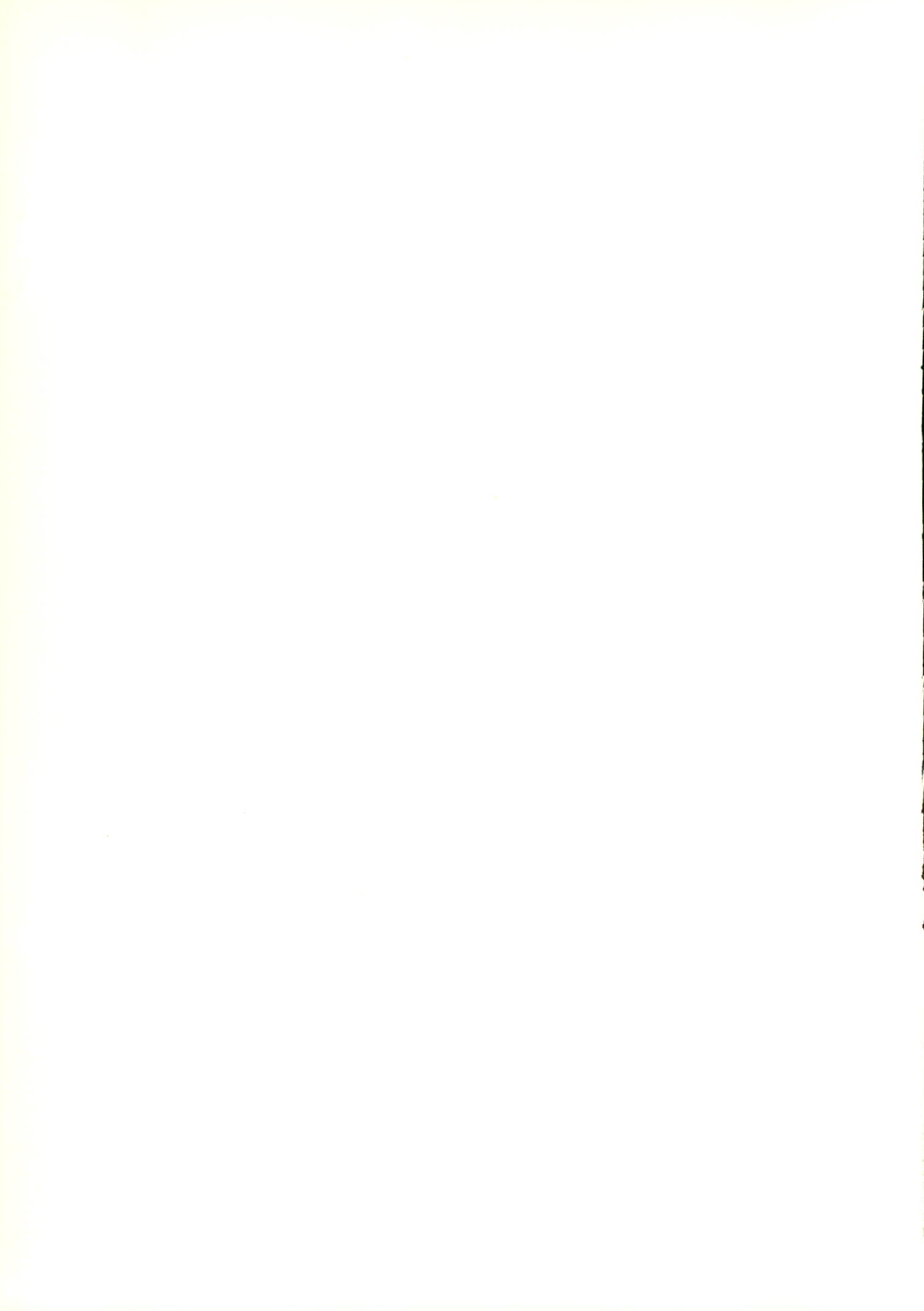
Subsequent to year end, the Corporation agreed to advance HARO up to \$150.0 million in the form of a debenture. These funds will be used to further fund HARO's interest in Crown Life.

20. COMPARATIVE FIGURES

Certain of the 1993 comparative figures have been reclassified to conform with the current year's presentation.







CIC NON-CONSOLIDATED FINANCIAL STATEMENTS

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.

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).

1994 Financial Results

CIC reported a non-consolidated net loss of \$13.9 million in 1994 compared to 1993 net earnings of \$35.4 million. Earnings before write-downs were \$80.2 million in 1994 compared to \$115.2 million in 1993.

During 1994, CIC received dividends from certain Crown corporations under its purview totalling \$144.5 million compared to \$201.9 million in 1993. CIC also received \$8.9 million in dividends from Cameco Corporation in 1994. Note 12 to the financial statements provides detail on these dividends. CIC's net interest expense decreased by \$6.2 million in 1994. Net interest expense in 1993 was \$82.0 million compared to \$75.8 million in 1994. This decrease is largely attributable to CIC's decrease in long-term debt. Since 1991, net interest expense has decreased by \$84.8 million or 52.8 per cent.

The 1994 write-down in value of CIC's investments was \$94.2 million compared to a write-down of \$79.7 million in 1993. The write-downs are due to CIC's investments in SEDCO, Saskatchewan Transportation Company (STC) and NewGrade Energy Inc. For STC, the write-down is equivalent to STC's 1994 operating loss. The write-down for SEDCO is equivalent to SEDCO's 1994

operating loss of \$27.2 million and certain retroactive valuation adjustments made by SEDCO during the year. The write-off for NewGrade is equivalent to the amounts invested by CIC in NewGrade in 1994. Write-downs are listed in Note 13 to the Non-Consolidated Financial Statements.

CIC's long-term debt decreased in 1994 by \$102.4 million to \$697.3 million. This decrease is mainly due to proceeds received on the disposal of two million Cameco Corporation shares, proceeds received on the exercise of outstanding common share purchase warrants and dividends received from Crown corporations during 1994.

Events Subsequent to Year End

Subsequent to CIC's year end, CIC formalized plans to wind up SEDCO. The remaining assets, liabilities and operations of SEDCO will be administered by CIC through its wholly-owned subsidiary, CIC Industrial Interests Inc.

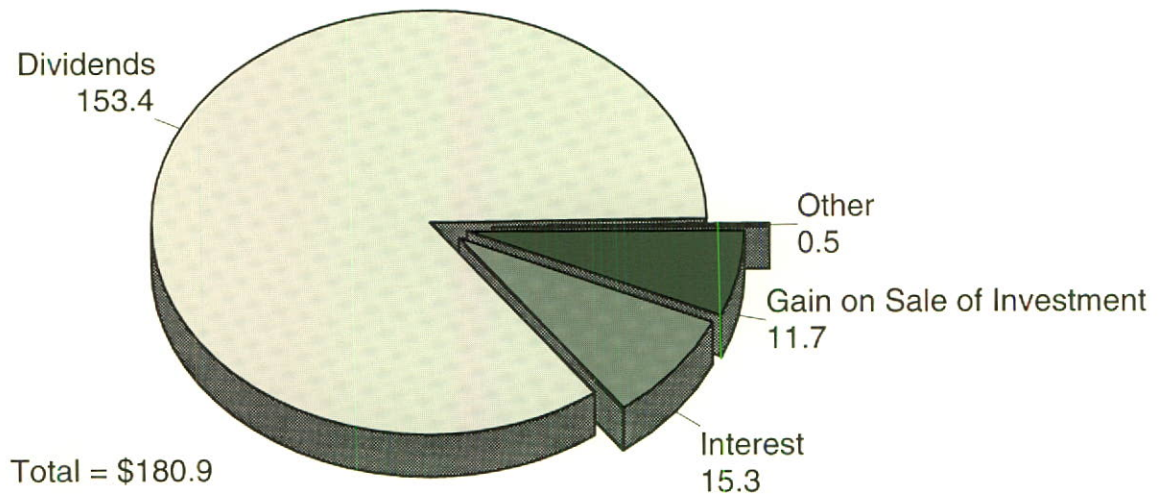
Also subsequent to year end, Saskatchewan Opportunities Corporation was designated as a subsidiary Crown corporation of CIC under **The Crown Corporations Act, 1993**.



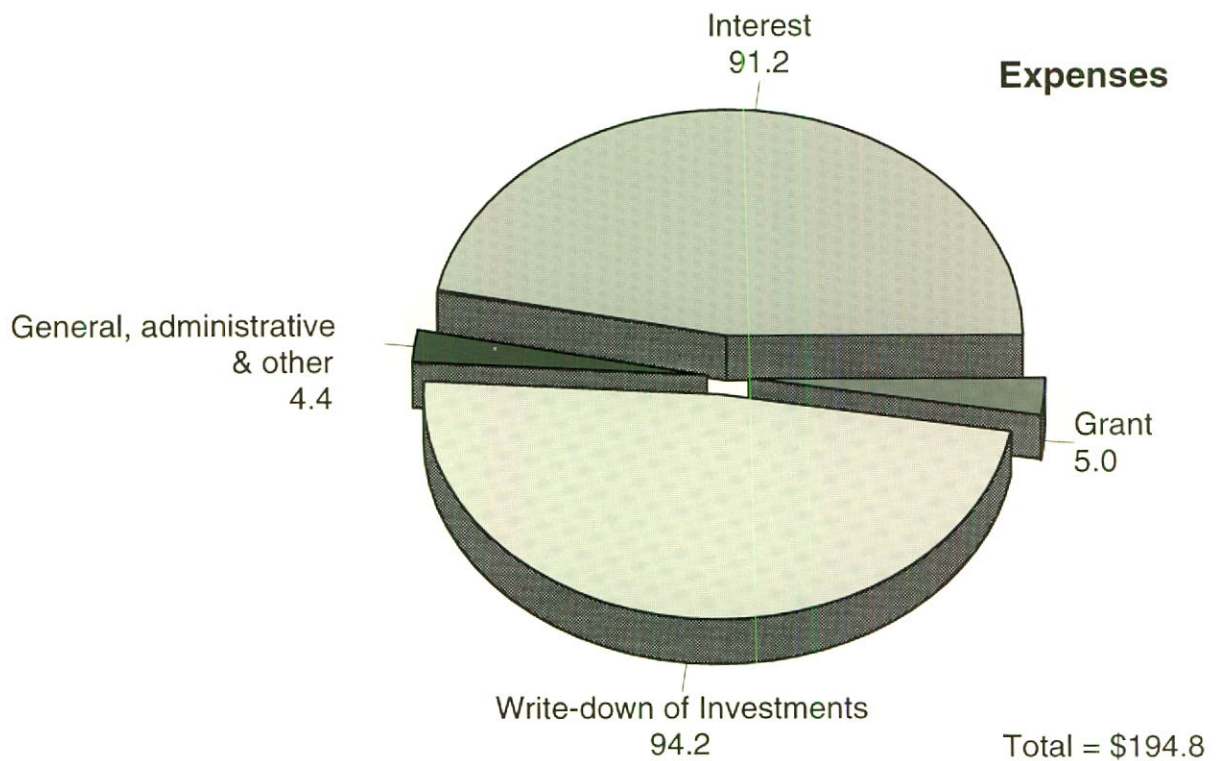
CIC NON-CONSOLIDATED 1994 SOURCES OF REVENUES AND EXPENSES

Millions of Dollars

Revenues



Expenses



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1994

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 Provincial Auditor of Saskatchewan to review internal accounting controls, audit results and accounting principles and practices.



Donald R. Ching
President



Richard A. Hornowski
Vice-President Finance

March 10, 1995



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1994

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, 1994 and the non-consolidated statements of operations and (deficit) reinvested earnings 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, 1994 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.

Wayne Strelloff

Regina, Saskatchewan
March 10, 1995

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



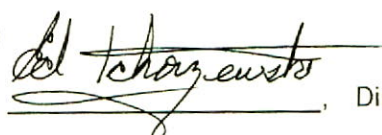
***CROWN INVESTMENTS CORPORATION
OF SASKATCHEWAN***
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
ASSETS		
Current		
Cash	\$ 92	\$ 40
Interest and accounts receivable	422	7,505
Dividends receivable	143,409	156,258
Loans and notes receivable due within one year (Note 3)	<u>207,500</u>	<u>188,955</u>
	351,423	352,758
Loans and notes receivable (Note 3)	565,011	607,157
Equity advances to Crown corporations (Note 4)	1,063,534	1,143,536
Investments in share capital corporations (Note 5)	475,660	551,976
Other assets (Note 6)	<u>14,797</u>	<u>17,446</u>
	<u>\$ 2,470,425</u>	<u>\$ 2,672,873</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Interest and accounts payable	\$ 25,389	\$ 38,395
Dividend payable to General Revenue Fund	-	35,434
Notes payable to General Revenue Fund (Note 7)	314,225	351,203
Long-term debt due within one year (Note 8)	<u>3,857</u>	<u>102,383</u>
	343,471	527,415
Long-term debt (Note 8)	693,434	697,291
Deferred revenue (Note 9)	<u>-</u>	<u>715</u>
	<u>1,036,905</u>	<u>1,225,421</u>
Province of Saskatchewan's Equity		
Equity advances (Note 10)	1,447,452	1,447,452
(Deficit) reinvested earnings	<u>(13,932)</u>	<u>-</u>
	<u>1,433,520</u>	<u>1,447,452</u>
	<u>\$ 2,470,425</u>	<u>\$ 2,672,873</u>
Contingencies (Note 11)		

(See accompanying notes)

On behalf of the Board:


 Director


 Director



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

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

For the Year Ended December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
REVENUE		
Dividends (Note 12)	\$ 153,407	\$ 201,903
Interest	15,340	26,538
Gain on sale of investment (Note 5(b))	11,685	-
Other	<u>449</u>	<u>550</u>
	<u>180,881</u>	<u>228,991</u>
EXPENSES		
Interest - long-term debt	74,557	97,336
Interest - short-term debt	16,611	11,182
General, administrative and other	4,384	5,283
Grant to NewGrade Energy Inc. (Note 5(a))	5,000	-
Amortization of capital assets	<u>92</u>	<u>35</u>
	<u>100,644</u>	<u>113,836</u>
Earnings before the following	80,237	115,155
Write-down of investments (Note 13)	<u>(94,169)</u>	<u>(79,721)</u>
NET (LOSS) EARNINGS	(13,932)	35,434
REINVESTED EARNINGS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
	(13,932)	35,434
DIVIDEND TO GENERAL REVENUE FUND	<u>-</u>	<u>35,434</u>
(DEFICIT) REINVESTED EARNINGS, END OF YEAR	\$ <u>(13,932)</u>	\$ <u>-</u>

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

1994 1993

(thousands of dollars)

OPERATING ACTIVITIES

Net (loss) earnings	\$ (13,932)	\$ 35,434
Add (deduct) non-cash items:		
Amortization of capital assets	92	35
Write-down of investments	94,169	79,721
Gain on sale of investment	(11,685)	-
Other non-cash items	<u>2,147</u>	<u>2,938</u>
	70,791	118,128
Net change in non-cash working capital balances related to operations (Note 14)	<u>6,926</u>	<u>4,015</u>
Cash provided by operating activities	<u>77,717</u>	<u>122,143</u>

INVESTING ACTIVITIES

Decrease in due from CIC Industrial Interests Inc.	3,547	146,766
Increase in notes receivable	(95,928)	(58,974)
Loan repayments by Crown corporations	77,383	65,000
Equity advances to Crown corporations	-	(21,501)
Equity advance repayments by Crown corporations	76,810	350,930
Purchase of investments in share capital corporations	(52,378)	(367,077)
Purchase of capital assets	<u>(305)</u>	<u>(43)</u>
Cash provided by investing activities	<u>9,129</u>	<u>115,101</u>

FINANCING ACTIVITIES

Proceeds on exercised Purchase Warrants (Note 5(b))	39,196	-
Net proceeds on sale of investment	48,805	-
Decrease in notes payable	(36,978)	(440)
Long-term debt proceeds	-	154,108
Long-term debt repayments	(102,383)	(390,903)
Dividends paid to General Revenue Fund	<u>(35,434)</u>	<u>-</u>
Cash used in financing activities	<u>(86,794)</u>	<u>(237,235)</u>

NET INCREASE IN CASH DURING YEAR 52 9

CASH POSITION, BEGINNING OF YEAR 40 31

CASH POSITION, END OF YEAR \$ 92 \$ 40

(See accompanying notes)



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of presentation

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

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, nine 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 where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when receivable.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether significant influence exists or there is a parent-subsidary relationship. When there has been a decline in the value of an investment that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when receivable.

d) Loans and notes receivable

Loans and notes receivable are initially recorded at cost, but where there has been a decline in the value of the loan or note that is not considered temporary, the investment is written down to its estimated net realizable value.

e) Capital assets

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

Capital assets are amortized over their estimated useful lives using the declining balance method at rates of 20 to 30% per year.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

g) 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 535/47 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1978**, as Crown Investments Corporation of Saskatchewan (CIC). **The Crown Corporations Act, 1993**, (the Act), which repeals **The Crown Corporations Act, 1978**, came into force on January 1, 1994. 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 designated as subsidiary Crown corporations of CIC. The following corporations have been designated by Order-in-Council:

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



3. LOANS AND NOTES RECEIVABLE

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Due from CIC Industrial Interests Inc.	\$ 624,661	\$ 628,208
Saskatchewan Economic Development Corporation (a)		
short-term notes	203,000	110,572
long-term loans	-	195,566
Saskatchewan Transportation Company - short-term notes	<u>4,500</u>	<u>1,000</u>
	832,161	935,346
Less: Write-down of investment:		
Saskatchewan Economic Development Corporation	(59,650)	(139,234)
Less: Due within one year	<u>(207,500)</u>	<u>(188,955)</u>
	<u>\$ 565,011</u>	<u>\$ 607,157</u>

- a) On March 1, 1994, by virtue of Order-in-Council 528/94, CIC converted \$118.0 million of Saskatchewan Economic Development Corporation's (SEDCO) long-term debt to equity advances (Note 4(a)).
- b) Short-term notes receivable are interest bearing. The amount due from CIC Industrial Interests Inc. is non-interest bearing with no set repayment terms.



4. EQUITY ADVANCES TO CROWN CORPORATIONS

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

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications	250,000	250,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Transportation Company	55,485	55,485
Saskatchewan Government Insurance	55,000	55,000
Saskatchewan Forest Products Corporation	40,200	40,200
Saskatchewan Development Fund Corporation	1,150	1,150
Saskatchewan Water Corporation	700	700
Saskatchewan Government Growth Fund Management Corporation	1	1
CIC Mineral Interests Corporation	-	76,810
Saskatchewan Economic Development Corporation (a)	<u>-</u>	<u>73,000</u>
	1,134,067	1,283,877
Less: Write-down of investments:		
Saskatchewan Transportation Company	(47,181)	(43,989)
Saskatchewan Forest Products Corporation	(23,352)	(23,352)
Saskatchewan Economic Development Corporation	<u>-</u>	<u>(73,000)</u>
	<u>\$ 1,063,534</u>	<u>\$ 1,143,536</u>

- (a) On March 1, 1994, by virtue of Order-in-Council 528/94, CIC completed a financial restructuring of SEDCO whereby \$118.0 million of SEDCO's long-term debt owing to CIC was converted to equity advances. In addition, CIC cancelled \$191.0 million of equity advances to SEDCO, which were applied to reduce SEDCO's accumulated deficit.



5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

<u>Investee</u>	<u>Description of Investment</u>	<u>Voting Percentage</u>	<u>1994</u>	<u>1993</u>
			(thousands of dollars)	
CIC Industrial Interests Inc.	34,000,000 common shares	100%	<u>\$ 340,000</u>	<u>\$ 340,000</u>
NewGrade Energy Inc.	100 (1993 - Nil) Class Y voting participating common shares	50%	<u>50,001</u>	-
	Nil (1993 - 1) Class B voting non-participating common share		-	1
	Nil (1993 - 4,932) Class C non-voting participating common shares		-	4,932
	Nil (1993 - 81,950) Class D non-voting participating common shares		-	81,950
	Subordinated debentures - C		-	33,577
	Subordinated debentures - D		-	33,577
	Subordinated debentures - E		-	75,675
	Promissory notes		<u>4,754</u>	<u>7,014</u>
			<u>54,755</u>	<u>236,726</u>
Cameco Corporation	15,541,067 (1993 - 20,198,434) common shares	29.7%	<u>288,385</u>	<u>364,701</u>
			<u>683,140</u>	<u>941,427</u>
Less:	Write-down of investments:			
	CIC Industrial Interests Inc.		<u>(152,725)</u>	<u>(152,725)</u>
	NewGrade Energy Inc.		<u>(54,755)</u>	<u>(236,726)</u>
			<u>\$ 475,660</u>	<u>\$ 551,976</u>

a) On October 21, 1994, CIC, Consumers' Co-Operative Refineries Limited (CCRL) and the Government of Canada (Canada) completed a financial restructuring of NewGrade Energy Inc. (NewGrade). CIC's investment was restructured as follows:

- (i) CIC exchanged its one Class B voting non-participating common share with a stated value of \$1 thousand for 50 Class Y voting participating common shares. In addition, CIC purchased 50 Class Y voting participating common shares for \$50.0 million.
- (ii) Class C and D shares held by CIC were cancelled by NewGrade.



5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (continued)

- (iii) CIC forgave its Class C, D, and E subordinated debentures with a stated value of \$142.8 million.
- (iv) CIC provided NewGrade with a \$5.0 million grant to reduce its operating line of credit. CIC has committed to providing NewGrade with a further \$20.0 million in grants to reduce NewGrade's guaranteed debt. These grants are to be paid in 1995 (\$10.0 million) and 1996 (\$10.0 million).
- (v) CIC indemnified Canada for its loan guarantees, to a maximum of \$275.0 million, in exchange for a cash contribution by Canada to NewGrade of \$125.0 million.
- (vi) In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after CCRL has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then CIC will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing.

As of December 31, 1994, CIC owns 50% of the outstanding voting participating shares of NewGrade. CIC also holds certain promissory notes due from NewGrade.

- b) On December 31, 1993, CIC owned 17,541,067 unencumbered common shares of Cameco. On September 15, 1994, CIC sold 2,000,000 common shares for net proceeds of \$48.8 million resulting in a gain on sale of \$11.7 million.

On December 31, 1993, the investment in Cameco also consisted of 2,657,367 voting common shares, with a carrying value of \$39.2 million, which were held in trust to satisfy the exercise of Common Share Purchase Warrants (Purchase Warrants) sold in 1991. The holder of each full Purchase Warrant was allowed to purchase one Cameco voting common share from CIC for \$14.75 on or before October 1, 1994. On October 1, 1994, all Purchase Warrants had been exercised.

The investment in Cameco at December 31, 1994 includes 15,541,067 unencumbered voting common shares with a carrying value of \$288.4 million, representing a 29.7% interest in Cameco. The quoted market value of these shares at December 31, 1994 is \$483.7 million.

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

- c) The securities of CIC Industrial Interests Inc. and NewGrade Energy Inc. are not publicly traded and therefore have no quoted market values.



6. OTHER ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 1994</u>	<u>Net Book Value 1993</u>
	(thousands of dollars)			
Deferred charges	\$ 27,477	\$ 13,002	\$ 14,475	\$ 17,337
Capital assets	<u>1,333</u>	<u>1,011</u>	<u>322</u>	<u>109</u>
	<u>\$ 28,810</u>	<u>\$ 14,013</u>	<u>\$ 14,797</u>	<u>\$ 17,446</u>

7. NOTES PAYABLE TO GENERAL REVENUE FUND

Notes payable to the General Revenue Fund are unsecured, bear an effective interest rate of 7.1% and mature March 31, 1995.

8. LONG-TERM DEBT

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>1994</u>	<u>1993</u>
	(per cent)	(thousands of dollars)	
April 15, 1994	10.500	\$ -	\$ 50,000
June 3, 1994	8.460	-	7,383
June 10, 1994	10.000	-	25,000
November 21, 1994	10.000	-	20,000
October 1, 1995	9.340	3,857	3,857
April 16, 1996	9.750	35,000	35,000
June 1, 1998	9.410	8,407	8,407
July 3, 1998	10.125	250,000	250,000
July 6, 1999	9.875	25,000	25,000
July 12, 2000	11.250	25,000	25,000
January 9, 2001	11.000	25,000	25,000
June 1, 2001	8.750	150,000	150,000
February 12, 2003	9.055	154,108	154,108
June 2, 2006	9.620	10,000	10,000
July 10, 2007	9.830	4,000	4,000
March 3, 2008	9.620	3,000	3,000
August 10, 2008	10.060	<u>3,919</u>	<u>3,919</u>
		697,291	799,674
Less: Due within one year		<u>3,857</u>	<u>102,383</u>
		<u>\$ 693,434</u>	<u>\$ 697,291</u>



8. LONG-TERM DEBT (continued)

- a) All of the above noted long-term debt is payable to the General Revenue Fund.
- b) Certain issues totalling \$33.2 million (1993 - \$40.6 million) are subject to redemption on six months notice.
- c) Principal repayments due in each of the next five years are as follows:

(thousands of dollars)

1995	\$	3,857
1996	\$	35,000
1997	\$	-
1998	\$	258,407
1999	\$	25,000

9. DEFERRED REVENUE

	<u>Original Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 1994</u>	<u>Net Book Value 1993</u>
	(thousands of dollars)			
Deferred revenue	<u>\$ 1,455</u>	<u>\$ 1,455</u>	<u>\$ -</u>	<u>\$ 715</u>

10. EQUITY ADVANCES

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

As part of CIC's financial restructuring in 1992, \$875.0 million of CIC's long-term debt obligations to the General Revenue Fund were converted to non-interest bearing equity advances. In addition, \$583.9 million of equity advances from the General Revenue Fund were cancelled and an identical amount applied to eliminate CIC's accumulated deficit 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 obligated to purchase the equipment for \$13.0 million.
- b) CIC has guaranteed a Saskferco Products Inc. loan facility with a chartered bank to a maximum amount of \$38.2 million. At December 31, 1994, \$17.9 million is outstanding on the loan facility.
- c) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the \$360.0 million guaranteed by the General Revenue Fund. At December 31, 1994, the General Revenue Fund's guarantee does not exceed \$360.0 million.
- d) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of \$275.0 million. At December 31, 1994, CIC's guarantee is \$180.5 million.
- e) CIC has committed to \$20.0 million in funding to NewGrade to reduce its long-term debt. This funding will be in the form of two \$5.0 million grants in 1995 and two \$5.0 million grants in 1996.

12. DIVIDEND REVENUE

Dividend revenue consists of the following:

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Saskatchewan Telecommunications Holding Corporation	\$ 48,700	\$ 58,400
Saskatchewan Power Corporation	46,800	53,637
SaskEnergy Incorporated	36,000	41,221
Saskatchewan Government Insurance	9,967	13,448
Cameco Corporation	8,942	-
CIC Mineral Interests Corporation	2,998	9,333
Saskatchewan Mining Development Corporation	-	25,864
	<u>\$ 153,407</u>	<u>\$ 201,903</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>1994</u>	<u>1993</u>
	(thousands of dollars)	
NewGrade Energy Inc.	\$ 52,378	\$ 2,376
Saskatchewan Economic Development Corporation	38,599	47,033
Saskatchewan Transportation Company	3,192	3,455
CIC Industrial Interests Inc.	<u>-</u>	<u>26,857</u>
	<u>\$ 94,169</u>	<u>\$ 79,721</u>

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

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Decrease in subsidy receivable	\$ -	\$ 4,879
Decrease in interest and accounts receivable	7,083	1,900
Decrease (increase) in dividends receivable	12,849	(9,094)
(Decrease) increase in interest and accounts payable	<u>(13,006)</u>	<u>6,330</u>
	<u>\$ 6,926</u>	<u>\$ 4,015</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.

CIC provides management services to CIC Industrial Interests Inc. without charge. 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 (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 1994 exceed the actuarially determined net present value of retirement annuities payable.

17. COMPARATIVE FIGURES

Certain of the 1993 comparative figures have been reclassified to conform with the current year's presentation.

18. SUBSEQUENT EVENTS

On February 1, 1995, by virtue of Order-in-Council 87/95, Saskatchewan Opportunities Corporation was designated a subsidiary Crown corporation of CIC under **The Crown Corporations Act, 1993**.

CIC has formalized plans to wind-up the operations of SEDCO. On February 28, 1995, the assets, liabilities and operations of SEDCO were transferred to CIC Industrial Interests Inc. at their net carrying value, and will be administered by CIC through this subsidiary. SEDCO will be formally dissolved on March 31, 1995.



CIC INDUSTRIAL INTERESTS INC. NON-CONSOLIDATED FINANCIAL STATEMENTS

CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS OVERVIEW

CIC III 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 acts as a vehicle for economic development and diversification initiatives of a commercial nature which also involve some degree of private ownership. Over the years, the number of these investments and the dollar investment involved have increased substantially.

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).

1994 Financial Results

CIC III reported a net loss of \$14.0 million in 1994 compared to a net loss of \$42.0 million in 1993. The improvement in CIC III's results is mainly due to reduced losses from equity investments.

CIC III's equity investment losses improved from losses of \$57.5 million in 1993 to losses of \$21.4 million in 1994. This improvement is mainly attributable to Saskferco Products Inc. and CIC Pulp Ltd. Saskferco Products Inc. provided equity earnings of \$10.9 million to CIC III in 1994, compared to equity losses of \$7.2 million in 1993. A reduction of \$16.7 million in the losses of CIC Pulp Ltd. was made possible by improved market conditions for the Meadow Lake Pulp Mill. Losses from equity investments are listed in Note 5 to the Non-Consolidated Financial Statements.

Investing activities were nominal in 1994. Investments during the year were limited to \$5.8 million in advances to the Bi-Provincial Upgrader, further equity funding to National Pig Development (Canada) Co. Ltd. of \$1.3 million and an additional equity investment of \$0.2 million in BIOSTAR Inc.

Events Subsequent to Year End

Subsequent to CIC III's year end, CIC III purchased 58 per cent of the joint venture interests of the Governments of Canada and Alberta in the Bi-Provincial Upgrader for a total cost of \$43.1 million. As a result, CIC III now holds 50 per cent of the equity interests in the joint venture.

Also subsequent to year end, CIC III agreed to advance HARO Financial Corporation up to \$150.0 million for the purpose of a further investment in Crown Life Insurance Company.

On March 31, 1995, SEDCO will be dissolved. All of its operations, assets and liabilities have been transferred to CIC III at book values.



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS 1994

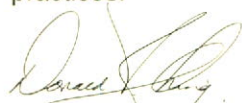
Responsibility for Financial Statements

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 Provincial Auditor of Saskatchewan to review internal accounting controls, audit results and accounting principles and practices.



Donald R. Ching
President



Richard A. Hornowski
Vice-President Finance

March 10, 1995



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS 1994

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, 1994 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, 1994 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.

Wayne Strelloff

Regina, Saskatchewan
March 10, 1995

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



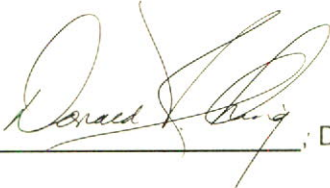
CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
ASSETS		
Current		
Cash	\$ 3	\$ 3
Interest and accounts receivable	1,017	1,155
Debentures and loans receivable due within one year (Note 3)	27	48
Mortgages receivable due within one year (Note 4)	519	471
Other assets	<u>325</u>	<u>325</u>
	1,891	2,002
Debentures and loans receivable (Note 3)	471,209	471,143
Mortgages receivable (Note 4)	39,545	40,064
Advances due from Bi-Provincial Upgrader (Note 5(a))	14,525	8,750
Due from CIC Pulp Ltd., without interest	10,373	10,425
Investments - equity basis (Note 5)	175,829	198,622
Investments - cost basis (Note 6)	<u>65,341</u>	<u>65,206</u>
	<u>\$ 778,713</u>	<u>\$ 796,212</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	<u>\$ 22</u>	<u>\$ 20</u>
Due to Crown Investments Corporation of Saskatchewan (CIC), without interest	<u>624,661</u>	<u>628,208</u>
Shareholder's Equity		
Share capital (Note 7)	340,000	340,000
Deficit	<u>(185,970)</u>	<u>(172,016)</u>
	<u>154,030</u>	<u>167,984</u>
	<u>\$ 778,713</u>	<u>\$ 796,212</u>
Commitments (Note 8)		

(See accompanying notes)

On behalf of the Board: , Director

, Director



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

For the Year Ended December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
REVENUE		
Interest	\$ 7,447	\$ 6,716
Dividends	-	48
Gain on sale of investments (Note 9)	20	1,376
Gain on extinguishment of debenture	-	7,709
	<u>7,467</u>	<u>15,849</u>
EXPENSES		
Administrative	25	351
Loss from equity investments (Note 5(e))	<u>21,396</u>	<u>57,517</u>
	<u>21,421</u>	<u>57,868</u>
NET LOSS	13,954	42,019
DEFICIT, BEGINNING OF YEAR	<u>172,016</u>	<u>129,997</u>
DEFICIT, END OF YEAR	<u>\$ 185,970</u>	<u>\$ 172,016</u>

(See accompanying notes)



CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net loss	\$ (13,954)	\$ (42,019)
Dividends received from equity accounted investment	147	106
Add (deduct) non-cash items:		
Gain on sale of investments	(20)	(1,376)
Loss from equity investments	21,396	57,517
Gain on extinguishment of debenture	-	(7,709)
Other non-cash items	<u>-</u>	<u>(555)</u>
	7,569	5,964
Net change in non-cash working capital balances related to operations	<u>140</u>	<u>(257)</u>
Cash provided by operating activities	<u>7,709</u>	<u>5,707</u>
INVESTING ACTIVITIES		
Increase in debentures and loans receivable	(598)	(2,000)
Debenture and loan repayments received	553	150,420
Mortgage repayments received	471	428
Purchase of investments	(1,485)	(5,614)
Proceeds from sale of investments	2,620	3,198
Advances to Bi-Provincial Upgrader	(5,775)	(4,900)
Decrease (increase) in advances to CIC Pulp Ltd.	<u>52</u>	<u>(471)</u>
Cash (used in) provided by investing activities	<u>(4,162)</u>	<u>141,061</u>
FINANCING ACTIVITIES		
Decrease in due to CIC	<u>(3,547)</u>	<u>(146,766)</u>
NET INCREASE IN CASH	-	2
CASH POSITION, BEGINNING OF YEAR	<u>3</u>	<u>1</u>
CASH POSITION, END OF YEAR	<u><u>\$ 3</u></u>	<u><u>\$ 3</u></u>

(See accompanying notes)



CIC INDUSTRIAL INTERESTS INC.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

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 for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. Therefore, for further information, readers should refer to the CIC consolidated financial statements that includes the financial results of the Corporation and its subsidiaries.

b) Advances, Debentures, Loans and Mortgages Receivable

Advances, debentures, loans and mortgages receivable are recorded at the lower of cost and net realizable value.

c) Investments - Equity Basis

The Corporation's investments in its subsidiaries, CIC Pulp Ltd. and National Pig Development (Canada) Co. 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 subsidiaries' 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 net realizable value.

d) Investments - Cost Basis

The Corporation's long-term investments in corporations not subject to significant influence are recorded at the lower of cost and net realizable value. Dividends from these investments are recorded as income when receivable.

e) Interest Revenue

Interest earned on debentures, loans and mortgages receivable is recognized on the accrual basis except where uncertainty exists as to ultimate collection.

In cases where 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 Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership. The financial results of the Corporation are included in the consolidated financial statements of CIC.

3. DEBENTURES AND LOANS RECEIVABLE

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
HARO Financial Corporation:		
Loan receivable (a)	\$ 308,665	\$ 289,955
Interest receivable	1,125	691
Less: Deferred interest	<u>(38,790)</u>	<u>(19,646)</u>
	<u>271,000</u>	<u>271,000</u>
Meadow Lake Pulp Limited Partnership:		
Loans receivable: (b)		
Participating Debenture	159,000	159,000
Interest Loan	63,927	41,564
Term Loan	20,000	20,000
Contingency Loan	8,607	8,009
Accrued interest on Participating Debenture and Interest Loan	4,154	3,737
Less: Deferred interest	<u>(68,081)</u>	<u>(45,301)</u>
	<u>187,607</u>	<u>187,009</u>
Dairy Producers Co-Operative Limited:		
Floating rate loan receivable; interest is payable annually and principal is repayable in five equal annual instalments commencing in 1996 (c)	11,803	11,631
Interest receivable	-	837
Less: Deferred interest	<u>(1,303)</u>	<u>(1,968)</u>
	<u>10,500</u>	<u>10,500</u>
Canadian Western Bank:		
Variable rate convertible debenture receivable due March 1, 2003; interest is payable semi-annually (d)	<u>2,000</u>	<u>2,000</u>
Sascable Services Inc.:		
14% note receivable repayable in annual instalments of \$40,000 blended principal and interest with the balance due February 28, 1998	<u>129</u>	<u>153</u>
National Pig Development (Canada) Co. Ltd.:		
12.5% loan receivable	<u>-</u>	<u>529</u>



3. DEBENTURES AND LOANS RECEIVABLE (continued)

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Promavia International Corporation:		
Floating rate loan receivable (e)	2,268	2,268
Interest receivable	717	470
Less: Deferred interest	(717)	(470)
Write-down of loan receivable	<u>(2,268)</u>	<u>(2,268)</u>
	<u>-</u>	<u>-</u>
	471,236	471,191
Less: Due within one year	<u>27</u>	<u>48</u>
	<u>\$ 471,209</u>	<u>\$ 471,143</u>

- a) On December 15, 1992, the Corporation entered into various agreements with HARO Financial Corporation (HARO) to provide a loan to HARO up to a maximum initial principal amount of \$275 million. The Corporation has advanced \$271.0 million of its initial \$275.0 million commitment. 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 initial 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. Due to the uncertainty of the timing of future cash payments, interest earned is recorded as deferred interest. The deferred interest will be recorded as income when payments are received under the cash flow formula. There were no payments made during the year under this agreement.

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). The Corporation's unilateral right to 94% of HARO's assets is subject to regulatory compliance.

On February 10, 1995, Crown Life announced amendments to the share capital provisions of the company. As a result of the amendments, HARO converted all of its 1,250,000 Crown Life third preferred shares for 2,227,381 Crown Life common shares representing a 64.5% ownership of Crown Life.



3. DEBENTURES AND LOANS RECEIVABLE (continued)

Also, subsequent to year end the Corporation agreed to further funding of HARO as described in Note 11.

- b) The Corporation has entered into various agreements with Meadow Lake Pulp Limited Partnership (MLPLP) and its agent, Millar Western Pulp (Meadow Lake) Ltd., to assist in the construction of a chemi-thermomechanical pulp mill located near Meadow Lake, Saskatchewan. The total loan commitment is comprised of three distinct loans.
- The Participating Debenture bearing interest at 11.15% calculated on October 31 each year.
 - The Term Loan bearing interest at the Canadian Imperial Bank of Commerce (CIBC) prime interest rate plus 1/4% and is paid monthly.
 - The Contingency Loan has an original principal balance of \$7.3 million and bears interest at the CIBC prime interest rate plus 1% calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Corporation has agreed, subject to the exhaustion of all other credit facilities, to provide additional loans to MLPLP, to a maximum of \$9.0 million, to fund future cash deficiencies.

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 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.

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 then to amounts outstanding under the Participating Debenture and then to the Interest Loan. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan. The Contingency Loan, Participating Debenture and Term Loan mature in the year 2014. Any Interest Loan balance outstanding on October 31, 2014 shall bear interest at the rate equal to the cost of borrowing for the Province of Saskatchewan on that date until paid in full.

- c) The loan to Dairy Producers Co-Operative Limited had an initial principal balance of \$10.0 million. During 1990, interest was accrued and recorded as revenue by the Corporation and subsequently added to the principal balance. From 1991 to 1993, interest was deferred and will be recognized as revenue when cash is received. In 1994, interest has been recognized as revenue as payments are being received as scheduled.
- d) In 1993 the Corporation entered into an agreement to purchase a \$2.0 million debenture from the Canadian Western Bank. Principal on the debenture cannot be repaid until February 17, 1998. The debenture matures on March 1, 2003. Interest is payable semi-annually. The interest rate is based on a formula whereby the rate cannot fall below 5% or exceed 15% per annum. At the discretion of the Corporation, the debenture can be converted into common shares of the Canadian Western Bank.



3. DEBENTURES AND LOANS RECEIVABLE (continued)

e) The loans to Promavia International Corporation have matured and demand for payment on the full principal plus accrued interest was made by the Corporation in 1992.

4. MORTGAGES RECEIVABLE

1994 1993

(thousands of dollars)

Cadillac Fairview Corporation Limited:

9 5/8% mortgage receivable 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

\$ 32,157 \$ 32,571

11 5/8% mortgage receivable 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

7,907 7,964

40,064 40,535

Less: Due within one year

519 471

\$ 39,545 \$ 40,064

5. INVESTMENTS - EQUITY BASIS

Percentage Fiscal
Ownership Year End 1994 1993

(thousands of dollars)

Bi-Provincial Upgrader

Joint Venture Interest:

Class A - cost \$221,725,570 (1993 - \$221,725,570); Class C - cost \$30,625,000 (1993 - \$30,625,000); no quoted market values (a)

17.5% Dec. 31 \$ 142,777 \$ 161,618

Saskferco Products Inc. (Saskferco):

68,449,080 (1993 - 68,449,080)
Class B common shares - cost \$68,449,080 (1993 - \$68,449,080); Nil (1993 -2,500,000) Class D common shares - cost Nil, (1993 - \$2,500,000); no quoted market values (b)

49.0% May 31 72,188 63,740



5. INVESTMENTS - EQUITY BASIS (continued)

	<u>Percentage Ownership</u>	<u>Fiscal Year End</u>	<u>1994</u>	<u>1993</u>
(thousands of dollars)				
National Pig Development (Canada) Co. Ltd. (NPD):				
1,510,783 (1993 - 885,783) Class A common shares - cost \$1,348,328 (1993 - \$723,328);				
975,000 (1993 - 662,500) Class B non-voting preferred shares - cost \$1,950,000 (1993 - \$1,325,000);				
no quoted market values (c)	71.9%	Sep. 30	4,609	2,493
SGI Canada Insurance Services Ltd.:				
320,100 (1993 - 320,100) Class A common shares - cost \$2,000,100 (1993 - \$2,000,100); no quoted market values				
	40.0%	Dec. 31	2,004	2,002
Millar Western Pulp (Meadow Lake) Ltd.:				
49 (1993 - 49) common shares - cost \$49 (1993 - \$49); no quoted market values				
	49.0%	Dec. 31	-	-
CIC Pulp Ltd.:				
100 (1993 - 100) common shares - cost \$100 (1993 - \$100);				
no quoted market values (d)	100.0%	Dec. 31	<u>(45,749)</u>	<u>(31,231)</u>
			<u>\$ 175,829</u>	<u>\$ 198,622</u>

- a) The Corporation owns a 17.5% equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture). The Corporation's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project. This initial investment is represented by Class A equity in the Joint Venture.

During 1991 and 1992, cost overruns of \$365.0 million were identified. The Corporation's proportionate share of these overruns would have been \$63.9 million and a write-down of \$63.9 million was recorded in 1991 to reflect these overruns. The Corporation agreed to fund only \$30.6 million of this amount represented by Class C equity.

The Corporation has funded its proportionate share of a revolving operating line of credit of \$14.5 million (1993 - \$8.8 million) \$5.7 million of which bears a return allowance of CIBC prime plus 1%.

Subsequent to year end, the Corporation increased its ownership in the Joint Venture as discussed in Note 11.



5. INVESTMENTS - EQUITY BASIS (continued)

- b) The Corporation has fully funded its obligations to provide initial equity to Saskferco of \$66.4 million. In addition, the Corporation has advanced \$2.0 million (1993 - \$2.0 million) in the form of Class B shares to fund the construction cost overruns. During 1994, \$2.5 million of Class D shares purchased in 1993 to fund working capital deficiencies were redeemed for \$2.5 million.
- c) In 1993, the Corporation entered into agreements to fund expansion of NPD. The funding, in the form of equity, will be to a maximum of \$4.0 million. To December 31, 1994, \$1,250 thousand has been advanced to NPD under these agreements; \$625 thousand to purchase 625,000 Class A common shares and \$625 thousand to purchase 312,500 Class B Preferred Shares.

The Class B preferred shares in NPD bear a cumulative dividend of 8% per annum payable quarterly.

- d) The Corporation owns a 49% interest in MLPLP through its wholly-owned subsidiary, CIC Pulp Ltd. The Corporation has provided loans to MLPLP as further described in Note 3(b).
- e) Earnings (losses) from equity investments are comprised as follows:

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
SGI Canada Insurance Services Ltd.	\$ 2	\$ 29
National Pig Development (Canada) Co. Ltd.	1,013	514
Saskferco Products Inc.	10,948	(7,209)
CIC Pulp Ltd.	(14,518)	(31,231)
Bi-Provincial Upgrader	<u>(18,841)</u>	<u>(19,620)</u>
	<u>\$ (21,396)</u>	<u>\$ (57,517)</u>

6. INVESTMENTS - COST BASIS

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Wascana Energy Inc.:		
5,842,910 (1993 - 5,842,910) common shares - cost \$63,355,000 (1993 - \$63,355,000); quoted market value \$58,429,100 (1993 - \$48,204,008)	\$ 63,355	\$ 63,355
Other cost basis investments	<u>1,986</u>	<u>1,851</u>
	<u>\$ 65,341</u>	<u>\$ 65,206</u>



7. SHARE CAPITAL

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Authorized - Unlimited number of one class of shares with no par value		
Issued and outstanding - 34,000,000 shares (1993 - 34,000,000 shares)	<u>\$ 340,000</u>	<u>\$ 340,000</u>

8. COMMITMENTS

The following commitments exist at December 31, 1994:

	(thousands of dollars)	
Bi-Provincial Upgrader	\$ 14,225	
HARO (Note 3(a))	4,000	
MLPLP (Note 3(b))	9,000	
NPD (Note 5(c))	<u>2,750</u>	
	<u>\$ 29,975</u>	

9. GAIN ON SALE OF INVESTMENTS

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Gain on sale of investments includes the following:		
IPSCO Inc. shares	\$ -	\$ 1,328
Other cost accounted shares	<u>20</u>	<u>48</u>
	<u>\$ 20</u>	<u>\$ 1,376</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. CIC provides management services to the Corporation without charge. 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. SUBSEQUENT EVENTS

Effective February 7, 1995, the Corporation purchased 58% of the joint venture interests of the Governments of Canada and Alberta in the Bi-Provincial Upgrader for \$43.1 million. As a result of this purchase, the Corporation holds a 50% equity interest in the joint venture. In addition, the Corporation paid \$11.1 million to Husky Oil Operations Ltd. (Husky) representing its pro-rata commitment under the Interim Operating Shortfall Agreement plus accrued interest of \$0.4 million. This commitment had been funded by Husky during the negotiations to purchase the joint venture interests of Canada and Alberta.

On February 28, 1995 certain assets and liabilities of SEDCO were transferred to the Corporation, as a result of the wind-up of SEDCO's operations. At December 31, 1994 the assets transferred had a net book value of \$145.2 million and the liabilities had a net book value of \$204.8 million.

Subsequent to year end, the Corporation agreed to advance HARO up to \$150.0 million in the form of a debenture. These funds will be used to further fund HARO's interest in Crown Life.



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CORPORATE DIRECTORY

Crown Investments Corporation of Saskatchewan
400 - 2400 College Avenue
Regina, Saskatchewan
S4P 1C8

Inquiry: (306) 787-6851
Chairperson: Hon. Ed Tchorzewski
President: Donald R. Ching

Subsidiaries

CIC Industrial Interests Inc.
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Saskatchewan Computer Utility Corporation
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Saskatchewan Development Fund Corporation
300 - 2400 College Avenue
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Chairperson: Hon. Janice MacKinnon
General Manager: D. Axtell

Saskatchewan Economic Development Corporation
1106 Winnipeg Street
Regina, Saskatchewan S4P 3W2
Inquiry: (306) 787-7200
Chairperson: Hon. Dwain Lingenfelter
President: M. Fix

Saskatchewan Forest Products Corporation
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Hudson Bay, Saskatchewan S0E 0Y0
Inquiry: (306) 865-2201
Chairperson: Hon. Fred Thompson
President: F. Mattus

Saskatchewan Government Growth Fund
Management Corporation
201 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-2994
Chairperson: Hon. Dwain Lingenfelter
President: G. Benson

Saskatchewan Government Insurance
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Regina, Saskatchewan S4P 0J9
Inquiry: (306) 775-6900
Chairperson: Hon. Ed Tchorzewski
Acting President: L. Fogg

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

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



Subsidiaries (continued)

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2041 Hamilton Street
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-8600
Chairperson: Hon. Doug Anguish
President: P. Glendinning

SaskEnergy Incorporated
1100 - 1945 Hamilton Street
Regina, Saskatchewan S4P 2C7
Inquiry: (306) 777-9225
Chairperson: Hon. Eldon Lautermilch
President: R. Clark

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 7X9
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Chairperson: Hon. Eldon Lautermilch
President: B. Kaukinen



