Crown Investments Corporation

of Saskatchewan

ANNUAL REPORT

1995

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. 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 1995

CONTENTS

LETTER OF TRANSMITTAL

Regina, Saskatchewan
April 25, 1996

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

Sir:

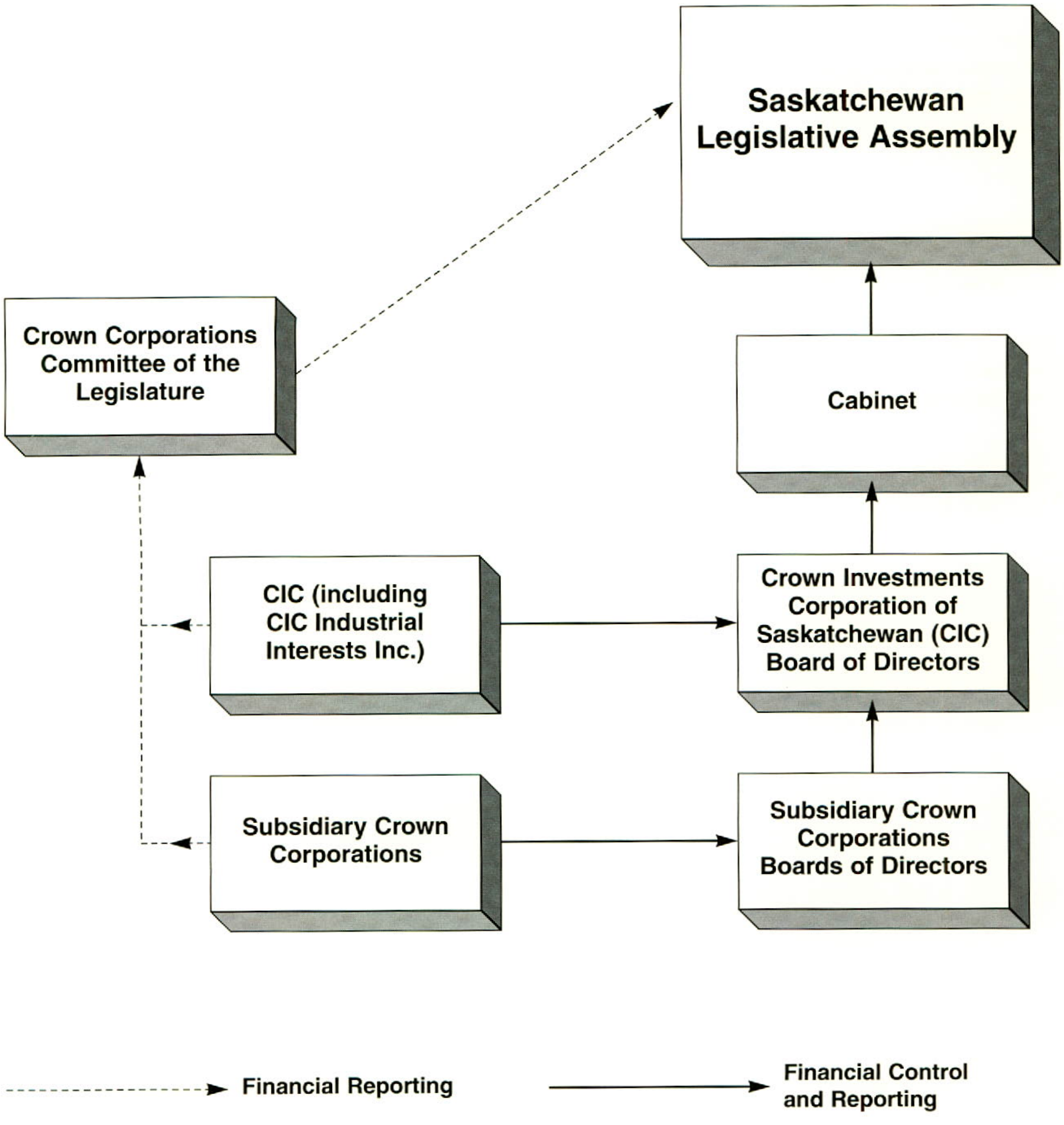
I have the honour to submit herewith the eighteenth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 1995 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are 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,

Bernhard H. Wiens
Minister of
Crown Investments Corporation of Saskatchewan

REPORTING STRUCTURE OF THE COMMERCIAL CROWN CORPORATIONS



BOARD OF DIRECTORS

Hon. Bernhard Wiens
Chairperson
(after November 22, 1995)

Hon. Janice MacKinnon
Director
Vice-Chairperson
(to November 22, 1995)

Hon. Dwain Lingenfelter
Director

Hon. Eldon Lautermilch
Director
(after February 3, 1995)

Hon. Carol Teichrob
Director
(after November 22, 1995)

Hon. Clay Serby
Director
(after November 22, 1995)

Hon. Ned Shillington
Vice-Chairperson
(after November 22, 1995)
Chairperson
(April 6, 1995 - November 22, 1995)
(February 3, 1995 - February 20, 1995)

Hon. John Penner
Chairperson
(before February 3, 1995)

Hon. Ed Tchorzewski
Chairperson
(February 21, 1995 - April 5, 1995)
Director
(to November 22, 1995)

Hon. Doug Anguish
Director
(to February 3, 1995)

Hon. Keith Goulet
Director
(to November 22, 1995)

SENIOR MANAGEMENT

David S. Dombowsky
President

Donald F. Axtell
Vice-President, Corporate Services

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

Arleen N. Hynd
Vice-President, Research

W. Michael Fix
Vice-President, Asset Management Division

David G. Hughes
Vice-President, Projects

Patti A. Beatch
Vice-President, Finance

Harvey E. McEwen
Director, Capital Pension Plan

D. Scott Banda
General Counsel

MANAGEMENT'S REPORT

From the inception of the Province, Crown corporations have played an important role in the development of Saskatchewan. Public investment has grown significantly in this Province over that time period, but not without challenges.

By the close of the 1980s, high debt levels and a high risk portfolio exposed Crown Investments Corporation of Saskatchewan (CIC) and the Province to unacceptable risk. In 1991, the new administration undertook to restructure CIC in order to improve accountability in the Crown corporation sector, and to maximize and hold safe the investments of its shareholders, the citizens of Saskatchewan.

In 1992, CIC developed a strategic plan to bring about the revamping of the public's investments. This plan, which continues to be strengthened and fulfilled, contains the following principles:

- Keep strong performers strong. The income from profitable Crown corporations and investments is necessary to provide the resources to resolve the problems in other areas of CIC's investment portfolio.
- Restructure CIC's non-profitable investments to eliminate ongoing losses and create ongoing returns.
- Improve accountability and transparency, such that the people of Saskatchewan are given a greater level of comfort that they have factual information about all of the operations of CIC.
- Provide a strategic focus to CIC's activities.
- Restructure CIC's financial position.

By the end of 1994, a great deal had been accomplished in this regard, and as 1995 drew to a close, CIC had embarked on a new course to position Saskatchewan's Crown corporations for the next century.

In this report, we will examine how far we have come, where we are now, and where we will be going in the future.

How far we have come

Keep strong performers strong. The income from profitable Crown corporations and investments is necessary to provide the resources to resolve the problems in other areas of CIC's investment portfolio.

As the last decade drew to a close, the Crown corporations including SaskPower, SaskTel, SaskEnergy and Saskatchewan Transportation Company (STC), found themselves carrying very high debt levels. To a large degree, this was the result of government policy which demanded very large transfers from the Crown corporations to the General Revenue Fund (GRF) in the form of dividends. In some years, Crown corporations were required to pay dividends which were equal to as much as two or even three times their net earnings for the year.

To meet these dividend targets, Crown corporations were forced to borrow money — in essence, taking on debt in the Crown corporation sector to finance programs in other areas of the public sector.

This clearly was not a sustainable approach. CIC has since changed the dividend policy so that Crown corporations now provide returns to CIC in the form of dividends which are fiscally sustainable. The success here is illustrated by the following changes in the financial situation in the commercial Crown corporation sector from 1991 to 1995:

- Total long-term debt dropped by $0.9 billion;
- The debt to equity ratio dropped to 64.9 per cent by the end of 1995, as compared to 85.2 per cent at the end of 1991; and
- Interest costs as a percentage of total revenue dropped to 17.0 per cent from 29.4 per cent.

The Crown corporations have become stronger and more able to sustain regular dividends to CIC. In addition, a stronger debt to equity ratio will enable them to undertake the changes necessary to face the new realities of competition and a changing global economy.

While CIC and its subsidiary Crown corporations were stabilizing their debt levels, dividends from CIC to the GRF were declared as follows:

1991 - $0;

1992 - $0;

1993 - $35.4 million;

1994 - $0;

1995 - $50.0 million.

CIC appreciates it is desirable to have stable and predictable dividend policies for CIC, its subsidiary Crown corporations and the GRF.

Restructure CIC's non-profitable investments to eliminate ongoing losses and create ongoing returns.

With the co-operation of our private sector partners, CIC has been able to restructure elements of its liabilities and the terms and conditions of a number of its investments, such as the Weyerhaeuser debenture, NewGrade Energy Inc. heavy oil upgrader, Meadow Lake Pulp Limited Partnership pulp mill, and Dairy Producers Co-Operative Limited loan. CIC was able to realize substantial savings, loan repayments, and decrease its liabilities.

However, not all of our problems were amenable to simple solutions. Losses are still being incurred in some parts of CIC's portfolio. As noted above, terms and conditions have now been renegotiated on a number of investments 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. CIC's share capital subsidiary, CIC Industrial Interests Inc. (CIC III), which holds most of CIC's investment portfolio, had a year-end accumulated deficit of $128.4 million, as compared to $186.0 million in 1994.

Improve accountability and transparency, such that the people of Saskatchewan are given a greater level of comfort that they have factual information about all of the operations of CIC.

In 1992, CIC appointed the Provincial Auditor as its auditor and continues to work co-operatively with his office to ensure improved accountability in the Crown corporation sector.

Starting in 1992, CIC began disclosing the financial statements of CIC III, which had not previously been done.

The Crown Corporations Act, 1993 established clear guidelines for Crown corporations to report to the public through the Legislature.

CIC and its subsidiary Crown corporations file timely and comprehensive annual reports publicly, through the Legislature.

CIC and its subsidiary Crown corporations have worked vigorously with the Standing Committee on Crown Corporations to ensure a more comprehensive review of spending and operations.

Provide a strategic focus to CIC's activities.

This has been, and continues to be, an evolving process. By setting corporate goals and measuring success against them, there is direction to CIC's activities. As well, internal review and restructuring has helped to strengthen CIC and define its role.

Issues of governance of Crown corporations, public accountability and financial aims and objectives continue to be addressed. This process moved forward considerably at the end of 1995, when CIC instituted a comprehensive review of both its Crown corporation and investment holdings.

Restructure CIC's financial position.

In 1992, CIC underwent a capital restructuring. This entailed the cancellation of $584 million in equity advances from the GRF in order to eliminate CIC's accumulated deficit, and the conversion of $875 million of CIC's debt to equity.

This was a major step in strengthening CIC's financial position. However, additional restructuring and executive action is still required.

Where we are today

1995 was an active year for CIC in advancing its goals.

CIC's financial results improved substantially.

Both CIC and CIC III returned to profitable positions during the year. Through a combination of prudent management, debt paydown, restructuring and a responsible policy of dividends from the Crown corporations, CIC recorded a profit of $65.5 million this year. CIC III recorded a profit of $57.6 million.

This allowed CIC to declare a dividend of $50.0 million to the GRF in 1995, eliminate the 1994 deficit of $13.9 million and still be left with reinvested earnings in CIC of $1.6 million at year-end.

While CIC III was profitable in 1995, and its accumulated deficit was reduced, its deficit remains at $128.4 million.

Strong performers continue to be strong and further restructuring of certain investments has generated positive results.

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

CIC III and Husky Oil increased their respective ownership interests in the Bi-Provincial Upgrader to 50 per cent each by buying out the ownership interests of the Government of Canada and the Government of Alberta.

In the last quarter of 1995, and into the first quarter of 1996, the Bi-Provincial Upgrader experienced positive results because of a favourable differential between the cost of heavy and light crude oil. During this period, the investment provided its first ever cash return to CIC III.

Saskferco Products Inc. (Saskferco)

Saskferco had an excellent year and was able to pay its first dividend to CIC III of $7.2 million during the year.

Subsequent to year-end, Saskferco announced a $37.0 million expansion of its nitrogen fertilizer plant. The expansion, scheduled for start-up in September of 1997, will be funded entirely through Saskferco's earnings and will require no monetary commitments by the shareholders.

Saskatchewan Forest Products Corporation (SFPC)

In accordance with a sale agreement, SFPC transferred substantially all of its assets and liabilities to CIC in exchange for a settlement of equity advances from CIC. CIC, through CIC Forest Products Ltd. (CICFPL), a wholly owned share capital subsidiary of CIC III, subsequently contributed the assets to Saskfor MacMillan Limited Partnership (SMLP) for a 50 per cent interest in the partnership. SMLP is an equal partnership between CICFPL and MacMillan Bloedel Limited, formed to operate the existing mills contributed by each of the partners and to design, construct and operate a new Oriented Strand Board (OSB) mill at Hudson Bay, to fully utilize the area's fibre resources. The new OSB plant is expected to be operational near the end of 1998.

LCL Cable Communications Ltd. (LCL)

SaskTel sold its British cable television subsidiary, LCL, for $137.3 million, which represented a profit of $114.4 million on its investment. Of the proceeds, $102.8 million was retained by SaskTel to pay down its debt, and $34.5 million was transferred to CIC in the form of a dividend. This significant retention of proceeds by SaskTel has enabled that corporation to reduce its debt to target levels, further preparing the corporation for competition in the Saskatchewan market.

HARO Financial Corporation (HARO)

In the spring of 1995, CIC III entered into an agreement with HARO whereby it would advance the Regina company a loan of $149.5 million. The loan was advanced in July of 1995. HARO, in turn, used the funds to purchase convertible debentures issued by Crown Life Insurance Company (Crown Life).

These funds permitted Crown Life to strengthen the company's capital base and provide for future growth. Crown Life's capital ratio is now among the highest of Canadian life insurers. In 1995, Crown Life's earnings were $46.9 million, the second-highest in its history.

To protect its investment from pending United States lawsuits, CIC III exercised its option to convert $68.0 million of its loan to non-voting, participating shares in HARO, giving CIC III ownership of 94 per cent of the outstanding equity of HARO.

Accountability and transparency continue to be enhanced.

There has been, for some time, a perceived need for increased transparency in the setting of utility rates for the monopoly utilities. To address this, CIC developed a policy which applies to all changes in monopoly utility rates for SaskTel, SaskPower, SaskEnergy and the Saskatchewan Auto Fund.

A Crown corporation requiring a rate adjustment must take the proposed adjustment to the CIC Board of Directors, along with a plan for a 45-day public review period.

During that period, the Crown corporation is to inform the public of the proposed rate adjustment and the reasons for it. The 45-day review period is also intended to invite public feedback. This process must include public meetings.

At the end of the 45-day review period, the Crown corporation must take to Cabinet its rate adjustment proposal, along with the results of the 45-day review, and Cabinet will take the review into account when deciding whether or not to grant the adjustment, or to modify it.

So far, the process has been used twice — once for a rate increase proposed by SaskPower, which Cabinet modified as a result of the review, and once for a rate decrease for SaskEnergy, which Cabinet allowed.

CIC continues to monitor this process to ensure that it meets the accountability requirements of its shareholders, the citizens of Saskatchewan.

In a further move to increase accountability of Crown corporations, CIC instituted a new policy whereby SaskTel, SaskPower, SaskEnergy and SGI must hold at least four regional public meetings each year to discuss their annual reports with the general public.

Where we are going in the future

CIC has committed itself to two main corporate goals for the future. The first is to restructure CIC to ensure that it is in a position to pay consistent dividends to the GRF, as well as to create the financial flexibility to address any unexpected downturns in the financial results of its investments.

An essential step in this process was taken with the sale of a large portion of CIC's Cameco Corporation (Cameco) shares. In addition, CIC continues to review its other industrial assets to ensure maximum returns.

The second major goal set for the future is that of positioning the subsidiary Crown corporations to be prepared to adapt to their new environments. Competition, globalization and changes to interprovincial and international trade have altered the environments in which our corporations operate. It is CIC's intention to develop a road map which the Government can use to set the course of our Crown corporations into the next century.

This is being accomplished through a comprehensive Crown corporation review, which is currently underway. This review will be done in three phases.

The first phase is a situational analysis, which will look at five major Crown corporations, SaskTel, SaskPower, SaskEnergy, SGI, and STC, as well as the major investments held directly by CIC and CIC III. This analysis will include the current and future viability of the corporation or investment, the problems and/or opportunities it will face in the future, a list of options for dealing with those problems, its governance, human resources, and other issues of fiscal integrity.

The second phase is an econometric modelling, which will put the whole question of public enterprise into context with the Province's overall economy. This will include such things as direct and indirect employment, the effect on economic development, and the effect on the government's budgeting and taxation policies.

The third is a public input phase, where the people of Saskatchewan will be asked to discuss their expectations of Crown corporations, and whether these expectations are being met.

All three elements will come together in a report to be presented to Cabinet and made public in the fall.

Events subsequent to year-end

In February, CIC announced its intention to sell 9.5 million of its shares in Cameco, and provide an option for the sale of a further one million shares. This represented about two-thirds of CIC's holdings in the uranium company.

When 1995 opened, Cameco was trading on the market at $30.50 per share. Prices rose throughout the year and CIC was able to realize a selling price in March 1996 of $75.50 per share. The initial sale of 9.5 million shares was over-subscribed. The gain on this sale, realized by CIC, is expected to be in excess of $500.0 million.

Proceeds from the sale will be used to pay down debt. CIC will pay one-half of the net proceeds from the sale to the GRF as a special dividend.

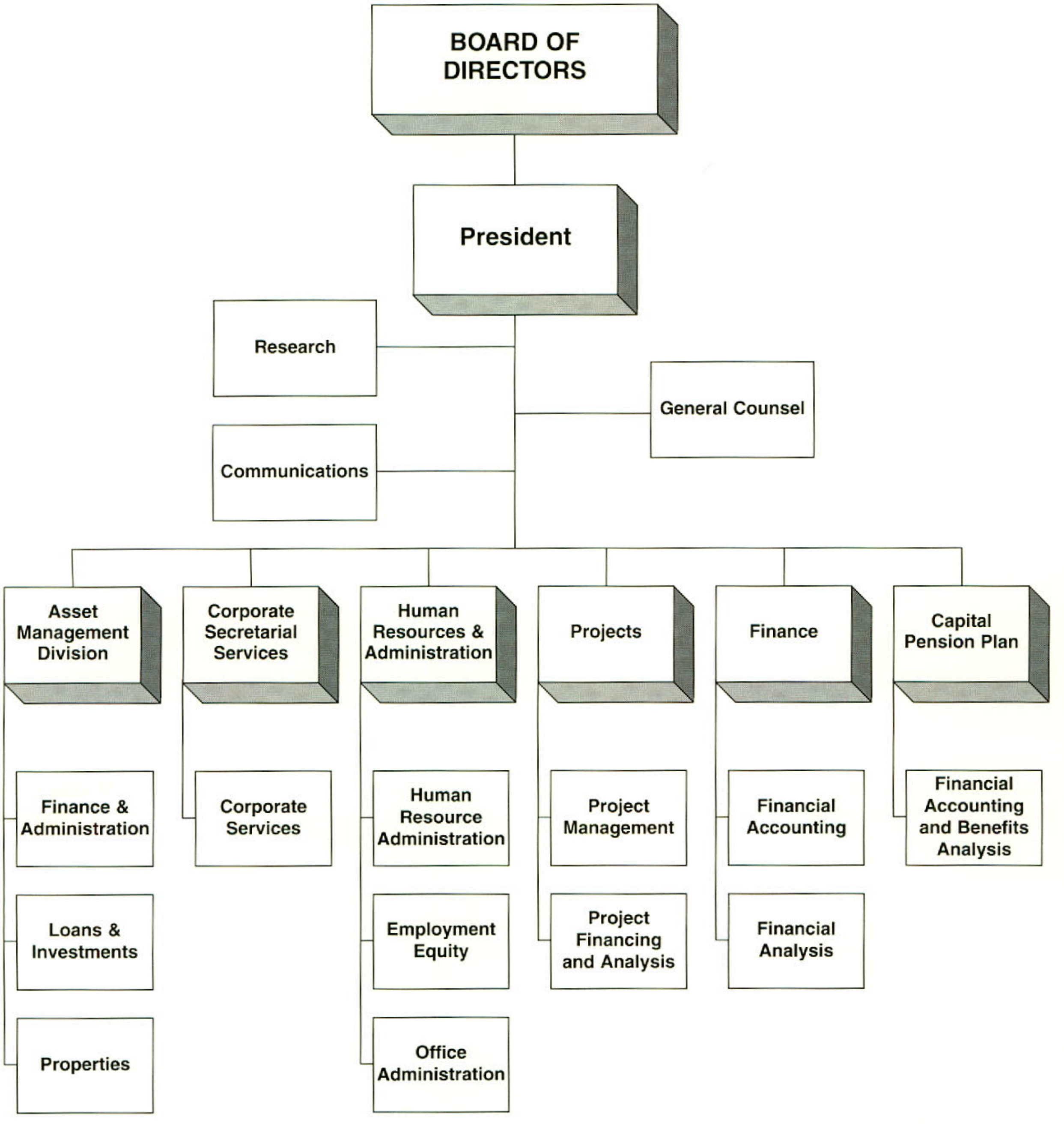
The Cameco sale and the resulting debt reduction will contribute significantly to CIC's corporate goal of financial flexibility and the provision of consistent returns to the Province on its investment in CIC.

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

Bernhard H. Wiens
Chairperson and Minister of CIC

David Dombowsky
President

ORGANIZATIONAL CHART



CORPORATE OBJECTIVES - 1995

OBJECTIVE ONE:

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

RESULTS:

1. The restructuring of the Bi-Provincial Upgrader was completed on February 7, 1995.

2. The Asset Management Division of CIC was set up to manage the former investments of SEDCO, and to negotiate the restructuring and/or liquidation of the investments, where possible.

3. The decision was made to sell a substantial portion of CIC's Cameco shares to raise money to pay down debt and improve CIC's financial flexibility. The sale occurred in the first quarter of 1996.

4. CIC III advanced $149.5 million to HARO, which used the funds to purchase convertible debentures issued by Crown Life. This strengthened the capital base of Crown Life and provides room for future growth. Steps were also taken to protect CIC III's investment in HARO/Crown Life which faced litigation in the United States.

OBJECTIVE TWO:

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

RESULTS:

1. CIC developed a 45-day rate review process, which is mandatory for SaskTel, SaskPower, SaskEnergy and the Saskatchewan Auto Fund, when seeking to adjust their monopoly rates.

2. CIC instituted a policy whereby SaskTel, SaskPower, SaskEnergy and SGI must hold at least four regional public meetings each year to discuss their annual reports.

3. CIC developed the parameters for a full review of the operations of the major Crown corporations under its authority.

4. Comprehensive annual reports of CIC and its subsidiary Crown corporations were presented to the Legislature in a timely fashion.

OBJECTIVE THREE:

To provide assistance to the Province in its financial recovery.

RESULTS:

1. CIC's total debt increased by only $104.0 million during the year despite an increase in total assets of $171.9 million. On a consolidated basis, total debt increased by only $61.3 million while assets grew by $372.6 million.

2. CIC declared a dividend of $50.0 million to the GRF, and will strive to maintain regular dividends over the next four years.

3. CIC obtained a release from its remaining guarantee on Potash Corporation of Saskatchewan Inc. equipment leases of $3.5 million in early 1995. As well, CIC's guarantee on a maximum $38.2 million loan facility of Saskferco was released in 1995, as Saskferco repaid the entire facility.

4. 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 FOUR:

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

RESULTS:

1. By ensuring the continued viability of the subsidiary Crown corporations, CIC helped to ensure the continuation of thousands of jobs in the Crown corporation sector.

2. A partnership with MacMillan Bloedel Limited was formed with the view to design, construct, and operate a new $150 million Oriented Strand Board (OSB) mill south of Hudson Bay. At full capacity, the new mill is expected to provide, in addition to the estimated

400,000 person hours spent on construction, 141 new direct jobs and another 300 woodlands jobs.

3. CIC moved to protect its investment, through HARO, in Crown Life, and the approximately 1,000 jobs it provides in Regina.

4. Significant capital expenditures of $635.1 million were made in 1995 by the Crown corporation sector, an increase of $144.7 million over 1994 levels.

5. CIC's employment equity plan was approved by the Human Rights Commission. CIC continued to work with its subsidiary Crown corporations to develop and implement employment equity measures throughout the year.

OBJECTIVE FIVE:

To position the Crown corporations for changes in the global environment in which they operate.

RESULTS:

1. A 45-day review process for rate adjustments of SaskTel, SaskPower, SaskEnergy, and the Saskatchewan Auto Fund was established, which allows the Crown corporations to explain to the public the economic factors which go into any decision to change monopoly rates.

2. Preliminary work was done on a comprehensive review of the role of Crown corporations and their options for the future. This review will encompass the current financial status of the Crown corporations, their projections for future viability, the challenges and opportunities ahead of them, their governance structure, and the expectations Saskatchewan people have for the Crown corporations.

SUBSIDIARIES AND INVESTMENTS

Crown Investments Corporation of Saskatchewan (CIC) (Consolidated)

Subsidiary Crown Corporations

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

Investments Held by CIC

- Cameco Corporation
- NewGrade Energy Inc.

Investments Held by CIC Industrial Interests Inc. (CIC III)

Large-scale Projects

- Bi-Provincial Upgrader Joint Venture
- Meadow Lake Pulp Limited Partnership
- Saskferco Products Inc.
- Saskfor MacMillan Limited Partnership

Loans, Mortgages, Properties & Debenture

- HARO Financial Corporation
- Former Saskatchewan Economic Development Corporation Holdings
- Cadillac Fairview Corporation Limited
- Dairy Producers Co-Operative Limited
- Canadian Western Bank
- Sascable Services Inc.

Shares

- Wascana Energy Inc.
- National Pig Development (Canada) Co. Ltd.
- SGI CANADA Insurance Services Limited
- Former Saskatchewan Diversification Corporation Holdings
- IPSCO Inc.

1995 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, 1995, there were 14 Crown corporations designated or created 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 controlled or jointly controlled 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 42.

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 67. 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 84.

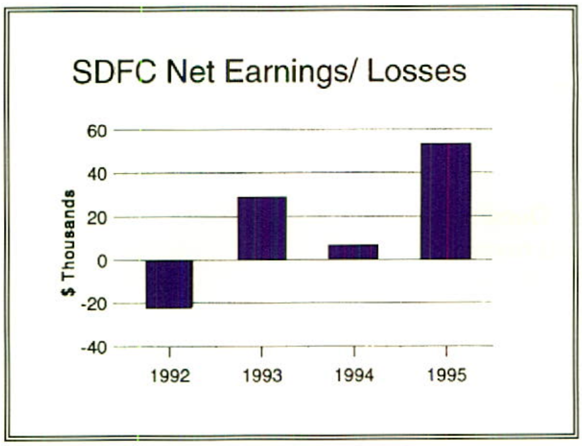
The following pages of this overview provide narrative and financial information pertaining to CIC's subsidiaries and investments. Further information relating to the subsidiary Crown corporations is available in their individual annual reports.

On a consolidated basis, CIC reported 1995 net earnings of $240.8 million on total revenues of $2.8 billion. This compares to net earnings of $96.3 million in 1994 on total revenues of $2.4 billion. Earnings for 1995 include non-recurring gains of $84.9 million compared to $14.1 million in 1994. Total consolidated assets at December 31, 1995 were $7.7 billion, an increase of $0.4 billion over the 1994 balance of $7.3 billion. Capital expenditures increased $144.7 million from $490.4 million in 1994 to $635.1 million in 1995.

Overall, total consolidated long-term debt has increased $161.2 million to $4.1 billion in 1995 from $3.9 billion in 1994. Correspondingly, interest expense increased by $15.2 million from 1994 levels.

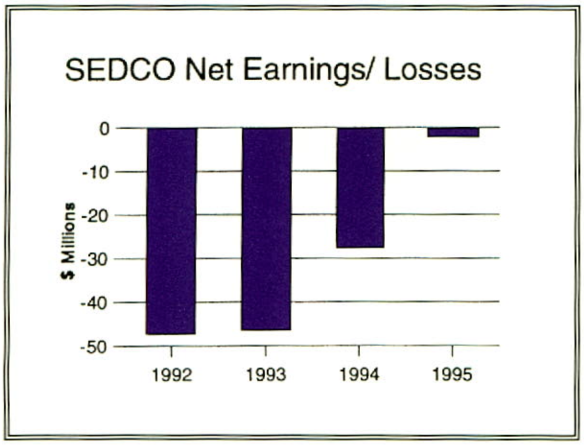
SUBSIDIARIES

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 of the Saskatchewan Development Fund, an open-ended investment trust. In 1976, SDFC expanded its operations to include an annuity business which offered several different types of annuities to the public. In 1983, SDFC discontinued the sale of investments to the public. However, SDFC continues to administer the remaining portfolio investments. 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 1995 of $53.3 thousand compared to net earnings of $5.2 thousand in 1994. The increase was attributable to better returns on investments.

SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION (SEDCO)



SEDCO was established in 1963 as an agent of the Crown to conduct lending, investment and property development activities which promote and facilitate economic development in Saskatchewan.

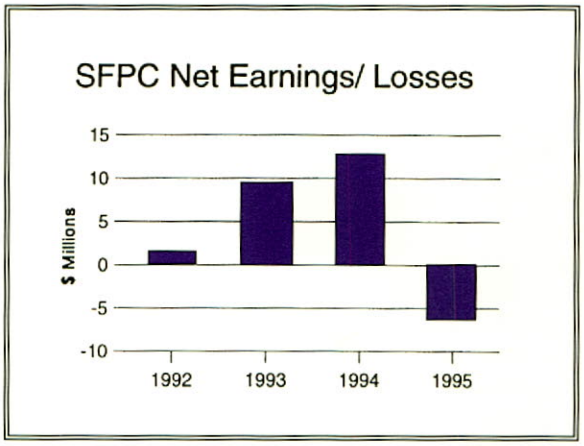
In December 1993, after a public consultation and review process, the government announced its decision to wind down SEDCO and establish a new economic development agency with a different mandate.

Effective October 3, 1994, SEDCO ceased lending operations. Only negotiations with existing clients or projects begun prior to that date were continued. Existing non-commercial investments were restructured and commercialized as SEDCO worked with clients to establish repayment schedules and facilitate financing by external institutions.

On February 28, 1995, substantially all of the investment assets, property holdings, undertakings, liabilities and business of SEDCO were transferred to CIC. SEDCO was subsequently dissolved on March 31, 1995.

At dissolution, SEDCO reported a loss of $2.1 million. This 1995 loss included provisions for credit losses and write-downs of $0.8 million. Information on the results of the former SEDCO holdings can be found on page 33 of this Annual Report.

SASKATCHEWAN FOREST PRODUCTS CORPORATION (SFPC)



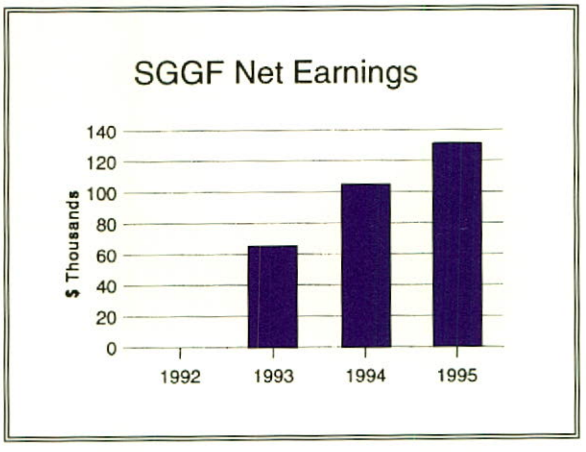
SFPC owned a 10 foot, high speed sawmill at Carrot River and a plywood plant at Hudson Bay. In the first four months of 1995, SFPC recorded total sales of $10.7 million with a total net operating loss of $249.0 thousand. The Hudson Bay Plywood Plant contributed $7.9 million in total sales in that same period for an operating profit of $1.6 million. The Carrot River Sawmill however, experienced a prolonged start-up period from the completion of its modernization, and for the first four months recorded total sales of only $2.8 million, producing an operating loss of $1.2 million. Net selling, general and administrative costs of $579.0 thousand also contributed to the total net operating loss.

In accordance with a sale agreement dated April 28, 1995, and effective April 30, 1995, SFPC transferred substantially all of its assets and liabilities to CIC in exchange for a settlement of $40.2 million in equity advances from CIC. CIC, through CIC Forest Products Ltd. (CICFPL), a wholly owned share capital subsidiary of CIC III, subsequently contributed the assets to Saskfor MacMillan Limited Partnership, effective April 30, 1995, for a 50 per cent interest in the partnership. SFPC ceased to have active business operations after the execution of the sale agreement. Subsequent to the transfer of the assets, CIC forgave $5.2 million of advances due to CIC by SFPC and agreed to provide SFPC with an additional $974.0 thousand to effect the cessation of operations of SFPC.

SFPC continues to own certain land in Prince Albert and a bioreactor located north of Prince Albert. Remediation of SFPC's property in Prince Albert has been completed. SFPC is currently waiting for a letter of clearance from Saskatchewan Environment and Resource Management. Contaminated soil from this property is being treated at SFPC's bioreactor. SFPC estimates the total cost to complete the soil treatment to be $1.1 million.

As a result of the four months of operations, the subsequent loss on cessation of operations and the continuing bioreactor costs, SFPC posted a total loss for 1995 of $6.2 million.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION (SGGF)



The mission of SGGF is participation in the Federal Government's Immigrant Investor Program to acquire lower cost capital for investment in Saskatchewan on commercial terms. This means providing small and medium sized businesses with the required capital to grow and prosper, creating jobs, generating sales revenue, and providing long-term economic benefits for Saskatchewan. SGGF was designated as a Crown corporation under CIC's purview in 1993.

For 1995, companies SGGF invested in recorded annual sales of $92.6 million, capital expenditures of $40.2 million and employed 967 people throughout Saskatchewan.

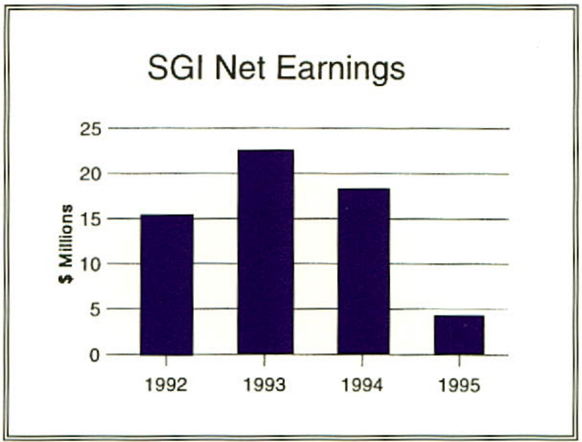
Through its subsidiaries, SGGF is responsible for Canada's largest government-administered venture capital fund, having raised more than $134 million in investment capital. This achievement is made with no investment of taxpayer dollars or any liability by the Government of Saskatchewan.

Since its inception, SGGF has met all investor redemption obligations, earning a reputation for making prudent investment decisions while safeguarding the interests of its investors. As SGGF continues to grow and evolve, it balances the functions of raising and placing new capital with the role of monitoring the health and performance of the existing investment portfolio.

More than $24.5 million in new investments were approved in 1995, bringing total approved investments to $103.5 million in 36 value-added Saskatchewan businesses.

SGGF reported net earnings of $131.7 thousand in 1995 compared to $103.9 thousand in 1994.

SASKATCHEWAN GOVERNMENT INSURANCE (SGI)



SGI, under the trade name SGI CANADA, conducts a competitive general insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverages. SGI acts as the administrator of the Saskatchewan Auto Fund, the Province's compulsory automobile insurance program. In 1995, SGI celebrated its 50th year of providing Saskatchewan people with quality, affordable insurance products.

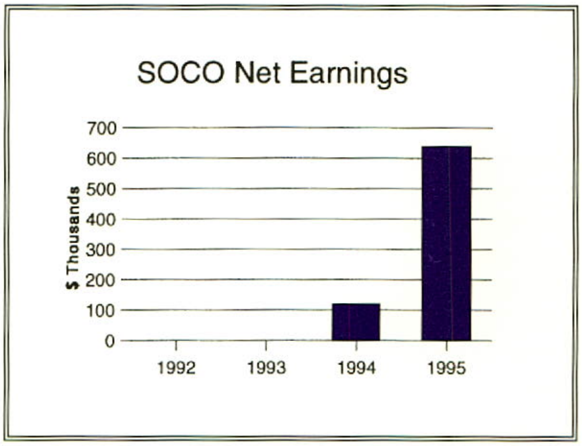
SGI continued its expansion into new markets in 1995 through SGI CANADA Insurance Services Limited (SCISL). By year-end, SCISL had 22 Manitoba brokers, nine Saskatchewan brokers and one Ontario broker. A new office opened in Winnipeg and more staff was hired to work out of head office in Regina to help improve customer service. SCISL wrote more than $2 million in premiums, recording a $154.0 thousand profit.

The Saskatchewan Auto Fund recorded a $3.5 million profit, a significant increase from 1994's $93.8 million loss. The Auto Fund is a self-contained fund and is not under the purview of CIC. Consequently, it neither pays a dividend nor is a liability to CIC.

The Saskatchewan Auto Fund's Personal Injury Program improves injury and rehabilitation benefits to all Saskatchewan residents injured in automobile collisions, regardless of the fault. It effectively manages injury claims costs, which dropped from $224.7 million in 1994 to $116.7 million in 1995, a difference of $108.0 million.

Close to 10,000 storm claims at a cost of $22 million cut into SGI CANADA's profit for 1995. SGI CANADA still recorded a $4.4 million profit, the tenth consecutive year of profitability, and declared a dividend to CIC for 1995 of $2.5 million. In 1994, SGI CANADA recorded net earnings of $18.1 million.

SASKATCHEWAN OPPORTUNITIES CORPORATION (SOCO)



SOCO's mandate is to facilitate economic growth in Saskatchewan through investment in viable businesses and infrastructure which supports the development of business.

In assessing potential projects, SOCO targets those sectors which are areas of economic strength for Saskatchewan and offer opportunities for expansion as identified in the Province's economic development strategy, Partnership for Growth. The investment and development focus is on projects that provide value added manufacturing and processing, particularly those that are export or import-replacement oriented.

Since its inception in August 1994, SOCO has committed to 15 new projects with a total investment of $11.4 million. These projects have an estimated overall value of $37.8 million including the total commitment of private, public or commercial investors.

The projects SOCO has invested in or committed to invest in will result in 168 new jobs and 96 temporary jobs by the end of 1996. In addition, 156 jobs will be maintained through expansion or increased operating capabilities.

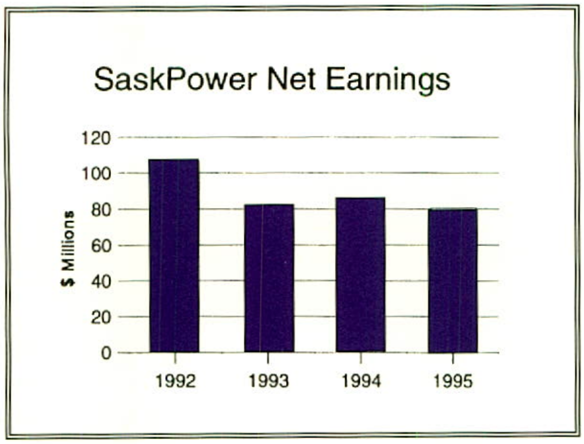
SOCO was instrumental in facilitating financial arrangements for numerous other projects where it was not necessary for SOCO to invest.

In August 1995, SOCO purchased from CIC III the assets of Innovation Place, a Saskatoon-based research and development park, for its carrying value of $39.8 million. During 1995, Innovation Place completed the construction of a 15,000 square foot office, laboratory and warehouse building and initiated an expansion to the Atrium building to house a pilot scale biofermentation facility.

SOCO approved an expansion to the L.F. Kristjanson Biotechnology Greenhouse and the development of a new 34,000 square foot office and laboratory building at Innovation Place. Construction on these projects will commence in 1996.

SOCO recorded net earnings for its first full year of operations of $638.1 thousand in 1995. This compares to net earnings in five months of operation in 1994 of $113.8 thousand.

SASKATCHEWAN POWER CORPORATION (SaskPower)



SaskPower provides electrical energy and related services including the generation, purchase, transmission, distribution and sale of electricity and related products. SaskPower operates 14 generation sites with a capacity of 2,980 megawatts and 148,704 circuit kilometers of transmission and distribution lines.

During 1995, SaskPower completed a major restructuring initiative and its internal corporate structure now consists of four business units and two corporate groups. This new structure is intended to control costs, maintain reliability, increase accountability and performance, and encourage a more focused response to specific customer needs.

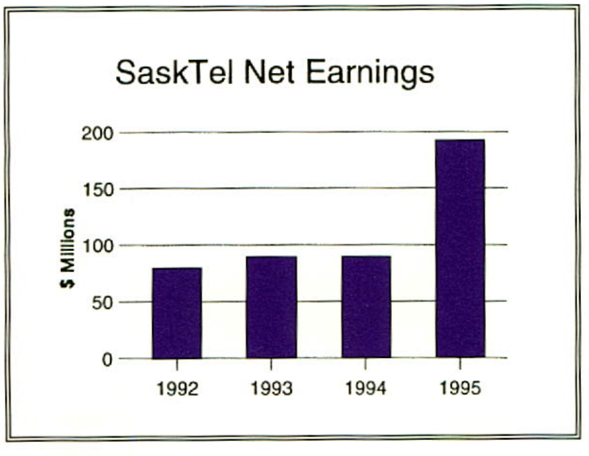
SaskPower remains dependent on a few very large customers. These customers subsidize residential and farm customers through rates that are higher than the related cost of service. Late in 1995, the government approved a rate adjustment package, effective January 1,1996, to reduce the level of cross-subsidy among customer groups. Rates have been frozen until at least January 1, 2000. Also approved, effective January 1, 1996, was a Capital Reconstruction Charge to be used solely for rebuilding and upgrading the transmission and distribution system.

SaskPower has taken steps to improve its cash flow position to be able to internally finance required funds. During 1995, SaskPower took strides toward reaching key financial targets by decreasing the amount of debt in the capital structure to 66.3 per cent from 67.7 per cent in 1994 and fully funding capital expenditures internally as compared to internally funding 78.1 per cent in 1994.

A dividend of $54.1 million was declared to CIC in 1995. SaskPower's net income for 1995 was $80.5 million which is $4.6 million or 5.4 per cent less than in 1994. Although SaskPower benefited from a 3.7 per cent increase in revenue from energy sales and the availability of low cost hydro generation, these were more than offset by one-time restructuring costs and increases in finance charges, depreciation and provisions for future asset removal and site restoration.

The outlook for SaskPower remains cautiously optimistic. Currently, SaskPower's overall financial condition is stable, but the threat of competition must be taken seriously given SaskPower's relatively high cost of service, the existence of the large customer self-generation options and the prospect of low load growth in the future. SaskPower continues to prepare for the new world of competition through its new operating structure, power marketing, further planned operating cost reductions and a reasonable capital expenditure program.

SASKATCHEWAN TELECOMMUNICATIONS AND SASKATCHEWAN TELECOMMUNICATIONS HOLDING CORPORATION (collectively SaskTel)



SaskTel provides local and long distance voice, data, image and text services to more than 450,000 residential and business customers across Saskatchewan. SaskTel manages diversified assets of approximately $1.2 billion and employs a workforce of almost 3,800 people in 60 Saskatchewan communities.

In 1995, SaskTel completed a $256 million program to expand digital service throughout the serving area, making its network one of the first on the continent to go all-digital. Over the next six years SaskTel will spend almost $200 million upgrading digital equipment and expanding the network capacity in the Province to meet the ever increasing demands for new technology.

SaskTel International, a subsidiary of SaskTel, markets management and technological expertise around the world. The $84 million contract in the Philippines is an example of how SaskTel International has become a primary source of new revenue for SaskTel. In 1995, SaskTel was awarded two further contracts in the Philippines as well as continuing contracts in Tanzania and Washington. With NS Telecom of Vancouver, SaskTel International formed a construction company, NST Network Services Inc. (NST). NST won a multi-year contract to build a fiber and cable network in Chicago and Columbus.

Among SaskTel's diversification strategies, one of the most successful has been to bring call centres to Saskatchewan, including the Canadian Imperial Bank of Commerce call centre, scheduled to open in early summer of 1996 in Regina.

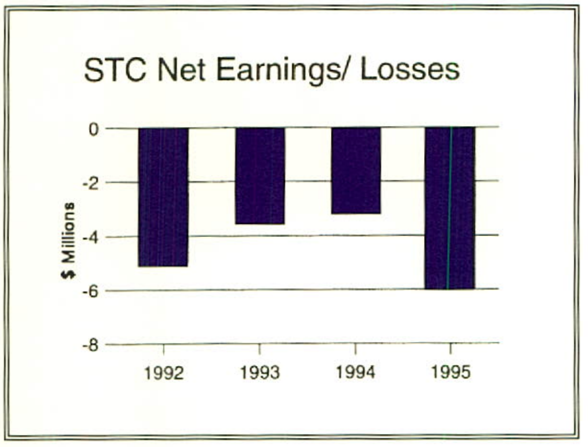
Operating revenues of $646.9 million increased by $20.5 million over the 1994 level of $626.4 million. Long distance revenues were $297.9 million ($316.8 million in 1994). These revenues have now dropped from 50.6 per cent of total revenues in 1994 to 46.1 per cent of total revenues in 1995. As a result of SaskTel's diversification strategy, 24 per cent of its revenues are now derived from non-traditional sources, up from 18 per cent in 1994. The continued increase in diversified revenues has helped to reduce the negative effect of declining traditional long distance revenues.

SaskTel's operating expenses in 1995 were $517.1 million, an increase of $34.2 million over 1994 expenses of $482.9 million. Operating expenses of the diversified businesses have increased $32.4 million in conjunction with their growth, while SaskTel's operating expenses for its traditional business have remained essentially flat.

Net earnings for 1995 were $191.8 million ($88.5 million in 1994). However, the one-time, non-recurring gains on the sale of LCL Cable Communications Ltd. ($114.4 million) and ISM Information Systems Management Corporation shares ($10.5 million) contributed $124.9 million

(65 per cent) to the total. During 1995, SaskTel declared a dividend to CIC of $73.5 million.

SASKATCHEWAN TRANSPORTATION COMPANY (STC)



STC is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates terminals in Prince Albert, Regina and Saskatoon. Independent business owners are contracted to be the STC agents in 230 communities throughout the Province.

New facilities were opened during 1995 in Prince Albert and Moose Jaw. STC's coach fleet remained constant at 43 coaches. STC began a one-year trial of a 21-seat passenger coach and plans to purchase four medium-sized (35-seat passenger) coaches late in 1996.

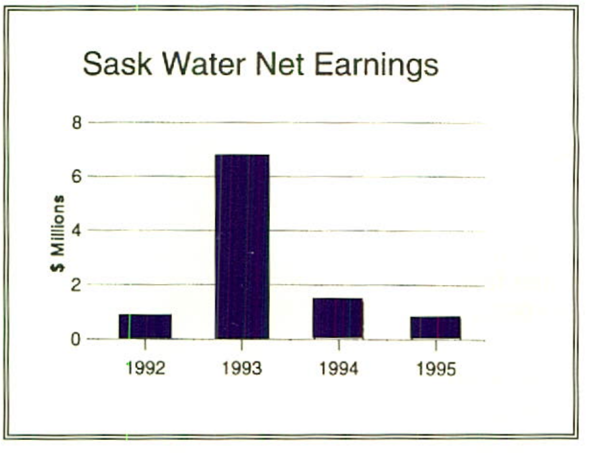
STC launched a fleet of eight one-ton and three five-ton trucks to provide overnight service for the courier network in August, further implementing its plan to aggressively compete in the courier express industry.

Route reductions made in 1995 will result in 300,000 fewer bus miles travelled annually in the future. For the most part, this mileage was previously operated to serve the express market and not the passenger market. As a result, little service impact will be felt by passenger customers. No community lost service, though frequency of stops in centres may have been reduced.

Miles operated remained almost unchanged from the previous year at 3.8 million because the route reductions were implemented in the final two months of the year. Fare passengers at 380,000 were down less than 1,000 reflecting a moderation in the significant declines of recent years.

During 1995, STC changed its year-end from October 31 to December 31. STC recorded a net loss of $6.0 million with revenues of $16.6 million and expenditures of $22.6 million for the 14 months ended December 31, 1995. STC recorded a net loss of $3.2 million for the 12 months ended October 31, 1994. This reversal of recent years' earnings improvement is considered temporary as additional expenditures arose while STC positioned itself to be more competitive in the long run.

SASKATCHEWAN WATER CORPORATION (SASK WATER)



Sask Water, with its head office in Moose Jaw, was formed in 1984 to manage, administer, develop and protect the water and related land resources in Saskatchewan.

One of Sask Water's major initiatives during 1995 was the adoption of new regional boundaries. These new boundaries are based on natural watershed drainage areas, allowing for more effective management of the Province's surface water resources.

As part of Sask Water's ongoing commitment to its clients, the focus in the Outlook office was changed from general water management to irrigation and agricultural services. A water resource office opened in Yorkton to better serve clients in Sask Water's east-central region. Other water resource offices remain in Weyburn, Swift Current, Nipawin, and North Battleford.

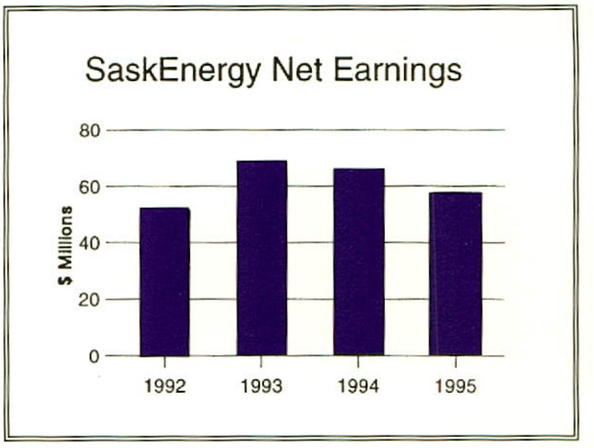
Fierce rains in the Alberta Foothills caused serious flooding in Alberta, especially Medicine Hat. Sask Water regulated the flow with controlled spillway releases at Gardiner Dam preventing serious flooding down stream in southwestern Saskatchewan.

Water is key in helping stabilize and diversify our economy and helping businesses grow and expand. Water-based economic development and diversification of the Province's agricultural economy were Sask Water's priorities during 1995, and will continue to be so. The Saskatoon East Raw Water Supply System, delivering water to the Cargill oilseed crushing plant near Clavet, will be operational in 1996.

The Nipawin Regional Sewage Treatment Project was completed in 1995, and work continued on a new water pipeline which will supply good quality drinking water to residents in the Wakaw/Humboldt area. Assisting communities, industries and others through the development and operation of water and waste water facilities was another focus for Sask Water in 1995.

Sask Water's 1995 net earnings were $773.0 thousand, a drop of $651.0 thousand from 1994. Although revenues increased under **The Water Power Act** and utility sales increases were realized in 1995, this was more than offset by increased costs in two areas. Water management costs increased by $1.1 million, reflecting Sask Water's increased responsibilities as Saskatchewan's water manager. Amortization and interest charges rose by about $2.0 million as a result of recent utility development projects.

SASKENERGY INCORPORATED (SaskEnergy)



SaskEnergy's mandate is to promote, transport, store and distribute natural gas. SaskEnergy serves more than 90 per cent of Saskatchewan communities through residential, farm, commercial and industrial customers.

Soft natural gas prices in 1995 resulted in gas cost savings to the utility that were passed on to customers through an average 6.5 per cent rate decrease in January 1995. SaskEnergy continues to provide Saskatchewan residents with the second-lowest natural gas rates of any province in Canada.

The Goodsoil-to-Rosetown Pipeline System expansion by SaskEnergy's subsidiary, TransGas Limited (TransGas), extended the north pipeline system by approximately 325 kilometers. The $114 million project had positive economic impacts throughout the Province, creating more than 700 person years of direct and indirect employment.

Benchmarking studies conducted by SaskEnergy place both SaskEnergy and TransGas in the top percentiles of comparative North American gas companies for cost efficiencies, competitive rates, and customer service. Opportunities have been identified through the studies in both the distribution and transmission businesses to enhance SaskEnergy's performance in the future.

TransGas set a record for volumes of gas transported on its 13,500 kilometer pipeline system with 356 billion cubic feet (Bcf), up 4.5 per cent from 341 Bcf in 1994. Expansion of the north pipeline system added 189 million cubic feet per day of capacity to the system. Natural gas storage capacity was also expanded by 2.1 Bcf to a total of 42 Bcf at 11 facilities throughout Saskatchewan.

A significant number of SaskEnergy's 2,800 new customers in 1995 were in communities not previously served with natural gas, including six Indian reserves and five resorts.

SaskEnergy's Saskatchewan Supplier Development Program continued to stimulate the Province's economic growth by using Saskatchewan suppliers. SaskEnergy purchased approximately 89 per cent or $116 million of all of its goods and services from Saskatchewan suppliers. In addition, 75 per cent of SaskEnergy's natural gas supply, worth approximately $78 million, was Saskatchewan sourced.

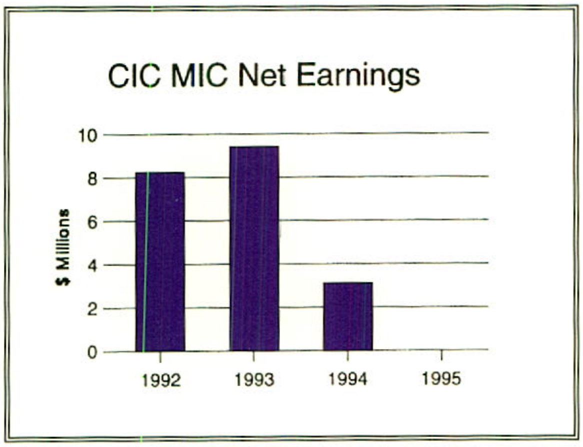
SaskEnergy's debt to equity ratio remained at 77/23 due to increased borrowing to pay for 1995's large capital expenditure program. Net earnings in 1995 were $57.8 million compared to $65.5 million in 1994. The decline in 1995 net earnings is largely related to a decline in transportation and storage revenues and increases in depreciation and interest costs. SaskEnergy declared a dividend of $31.7 million to CIC in 1995.

SASKATCHEWAN COMPUTER UTILITY CORPORATION (SASKCOMP)

SaskCOMP was inactive during 1995 as all of its assets and liabilities were sold in 1988 as part of the transactions that formed ISM Information Systems Management Corporation.

On January 1, 1996, SaskCOMP was dissolved.

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 the Potash Corporation of Saskatchewan Inc. (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. CIC MIC is now inactive and holds no assets other than two common shares of PCS Inc. at December 31, 1995.

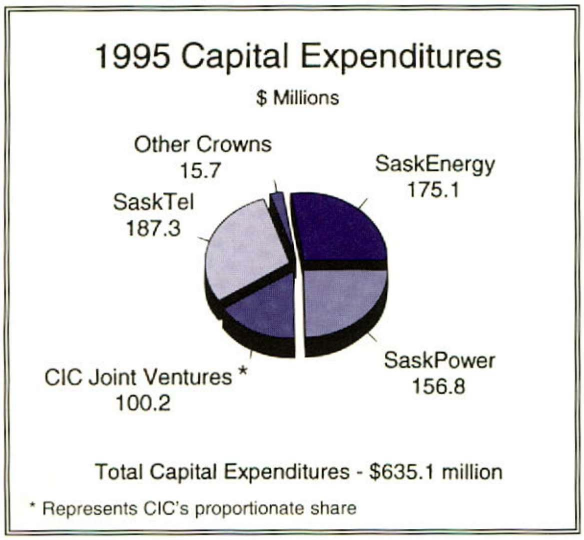
PCS Inc., with its corporate head office located in Saskatoon, is the world's largest publicly traded supplier of potash.

CIC MIC had guaranteed lease payments on certain equipment leased by PCS Inc. At the beginning of 1994, the outstanding guarantees on equipment leased 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.

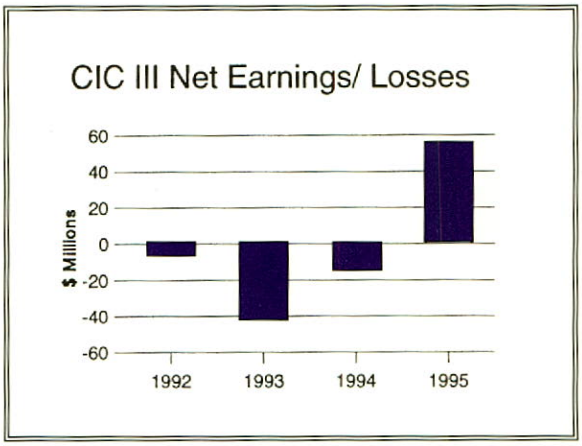
CIC MIC's administration is conducted under the direction of its Board of Directors through the use of staff and facilities provided by CIC. CIC MIC had essentially no earnings in 1995 compared to net earnings of $3.0 million in 1994 which were declared as a dividend to CIC that year.

CROWN CORPORATION CAPITAL EXPENDITURES

The following chart portrays the 1995 capital expenditures of the CIC Crown corporation sector.



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 84. The investments held by CIC III are described on the following pages.

CIC III INVESTMENTS

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

The Bi-Provincial Upgrader is a heavy oil upgrading plant located near Lloydminster, Saskatchewan and is a joint venture held 50 per cent each by Husky Oil Operations Ltd. (Husky) and CIC III.

The Government of Saskatchewan entered into a joint venture agreement with the Government of Canada (Canada), the Government of Alberta (Alberta) and Husky on September 2, 1988, to finance, build and operate the Bi-Provincial Upgrader. CIC III holds the Province's ownership interest in the project, which was originally 17.5 per cent. The construction cost of the upgrader was originally estimated to be $1,267 million. Two cost overruns in 1991 and 1992 resulted in a final construction cost of $1,632 million, an increase of $365 million.

The Bi-Provincial Upgrader currently has the capacity to produce approximately 21.3 million barrels of synthetic crude oil and 4.3 million barrels of diluent annually. As a fully operational plant, the Bi-Provincial Upgrader employed approximately 253 full-time and 52 contract positions at year-end. It is estimated that an additional 800 temporary positions will be required for a 20-day period every 18 months for plant turnaround.

CIC III's original obligations under the joint venture agreement were to provide its 17.5 per cent of the forecast construction costs and initial operating cash shortfall support. By the time construction was completed in late 1992, CIC III had provided $252.4 million, or 15.5 per cent, of the total cost of $1,632 million, having declined to participate fully in the two construction cost overruns. By December 1993, CIC III had also contributed $8.8 million in operating cash shortfall support.

In June, 1994, Husky indicated that, depending upon price, it would be interested in buying out the three governmental joint venturers. Canada and Alberta indicated a willingness to sell. CIC III took the position that at the prices being discussed, it would be interested in buying a larger stake in the project rather than selling its then 17.5 per cent interest.

An agreement in principle was reached on July 29, 1994 whereby CIC III would purchase 58.2 per cent of Canada's and Alberta's ownership interests for approximately $43.1 million ($14.8 million in equity plus $28.3 million in operating cash shortfall loans then outstanding to Canada and Alberta), with Husky purchasing the remaining 41.8 per cent for approximately $30.9 million. These purchases would bring CIC III's and Husky's ownership of the Bi-Provincial Upgrader to 50 per cent each.

In exchange for selling their interests, Canada and Alberta retained 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 share of operating cash shortfall support 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 future operating cash shortfall support as well as reimburse Husky for the 32.5 per cent of operating cash shortfall support it had contributed for CIC III during the interim period. CIC III provided $5.7 million as its 17.5 per cent of additional cash shortfall contributions up until February, 1995. The interim period reimbursement to Husky on February 7, 1995 was a further $11.1 million, including $0.4 million in interest.

Approaching the finalization of these purchase discussions, CIC III and Husky began separate discussions aimed at resolving several issues that had arisen between them so as to smooth the process of restructuring the joint venture. Key to a smooth transition and a good new working relationship was a simplification of the ownership and governance structure. Other elements of the negotiations led to improved protection for CIC III's ownership interest in case of future economic difficulties, enhanced governance and audit rights, improved dispute arbitration provisions, reasonable efforts to maximize Saskatchewan content, and several improvements in ancillary agreements.

The ownership restructuring and simplification were completed on February 7, 1995. At the completion of the transactions, CIC III had contributed total project capital of $320.8 million for a 50 per cent ownership of the joint venture.

As at December 31, 1995, CIC III's total cash investment in the Bi-Provincial Upgrader was $332.8 million ($267.2 million in equity plus $65.6 million in operating cash shortfall support loans). At December 31, 1995, CIC III's carrying value of the Bi-Provincial Upgrader investment was $138.8 million plus $65.6 million in advances receivable.

The technological and productivity improvements undertaken at the Bi-Provincial Upgrader over the past two years have met with success. The complex as a whole is running quite smoothly operationally and the relationship between the two joint venturers is very good.

Light/heavy crude oil price differentials were quite depressed during most of 1995, although they improved dramatically in the final months of the year. Between February 7 and December 31, 1995, CIC III contributed a further $12.5 million in operating cash shortfall support although the marked improvement in price differentials towards year-end allowed a repayment of $3.0 million to be made to each joint venturer in December, of which $0.4 million was principal and the rest interest. Notwithstanding the improved price differentials in the final months of the year, the Bi-Provincial Upgrader posted a loss in its fiscal year ended December 31, 1995, a result of the depressed differentials in the earlier months of the year. No "Upside Interest" was payable to either Canada or Alberta in 1995.

Although the high year-end level of differentials will likely not continue for all of 1996, positive earnings from operations, before depreciation, are projected for 1996. No operating cash flow support is anticipated to be required from the joint venturers in 1996 and in fact a further $5.0 million repayment of operating cash shortfall support was made to each joint venturer in March, 1996.

Although the Bi-Provincial Upgrader's economics will always be largely dependent upon crude oil price differentials, CIC III's new ownership position and potential economic returns have been significantly improved by the leveraging achieved as a result of the ownership restructuring and simplification.

MEADOW LAKE PULP LIMITED PARTNERSHIP (MLPLP)

CIC Pulp Ltd., a wholly-owned share capital subsidiary of CIC III, and Millar Western Industries Ltd. (Millar Western), an Alberta-based corporation, formed a partnership in 1990 to construct and operate one of the world's first zero effluent chemi-thermomechanical pulp (CTMP) mills, using 100 per cent aspen as the fibre source. This 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 hardwood pulp produced is sold in Canada, the United States and off-shore.

The mill, located 9.5 kilometers east of Meadow Lake and completed in 1992 at a capital cost of $356.3 million ($5.2 million less than budget), had the capacity to produce 240,000 tonnes of hydrogen peroxide bleached chemi-thermomechanical wood pulp per annum. The mill completed a $4.5 million capital expansion in 1994 to bring the capacity from the 240,000 tonnes to the current 265,000 tonnes annually. The mill is currently nearing completion of a further $36.5 million capital expansion which will result in the installation of a new wood chip handling system and two high consistency bleaching systems, thereby increasing the mill's production to 300,000 tonnes per annum, improving wood utilization, reducing the mill's use of chemicals and allowing for a brighter grade of pulp to be produced.

The pulp mill directly employs 204 permanent employees and an additional 245 jobs in the woodlands to supply the timber requirements for the mill.

CIC Pulp Ltd., a 49 per cent partner in MLPLP, 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 MLPLP in the form of a non-repayable infrastructure contribution to fund certain components of the project related to environmental protection. This amount was treated as a grant by CIC III in 1991.

CIC III also owns a 49 per cent interest in Millar Western Pulp (Meadow Lake) Ltd., established to act as manager of MLPLP. MLPLP and NorSask Forest Products Inc. have formed Mistik Management Ltd. to manage the forest resources for the benefit of the whole community.

In addition to the equity capital, the project was financed through a series of loans from CIC III and a chartered bank. The chartered bank provided $100.0 million in the form of a long-term loan secured by a first charge and security interest on all assets. Subsequent to the initial advance, the bank loan was converted to a U.S. facility of approximately $87 million.

CIC III agreed to provide a maximum of $191.5 million in long-term loans. By December 31, 1992, CIC III had advanced $186.3 million of its commitment through three different facilities, which are secured, through a Participating Debenture, by a second fixed charge and security interest on all assets owned or acquired by MLPLP. The remaining $5.2 million of the loan commitment was not required.

Payment of interest and repayment of principal on certain of the CIC III loans is subject to cash availability as defined in the loan agreements. A complete description of the terms of the loans can be found in Note 3 to CIC III's Non-Consolidated Financial Statements.

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 MLPLP with the funds required to cover its operations until the end of January 1994. The sale agreement provided MLPLP with an option to repurchase the WTF and on June 30, 1995, the WTF was repurchased by MLPLP through a combination of operating cash flow and the cancellation of the note receivable from Millar Western.

MLPLP's cash flow deficiencies continued in 1994, exceeding the bank line of credit in February 1994 thus requiring the need for further financing. As a result, in April 1994, agreements were finalized in which a chartered bank agreed to fund a further $14.5 million in the form of a loan repayable on a priority basis. The funds were to be used to finance $4.5 million in capital improvements and continuing operating cash flow deficiencies. Of the $14.5 million, only $10.2 million was ever advanced under the loan facility.

In addition, CIC III and Millar Western agreed, if required, to provide further financing (i.e. after the chartered bank's financing had been entirely utilized). CIC III agreed to finance $9.0 million in cash flow deficiencies, and Millar Western, $1.0 million, on a pro-rata basis with CIC III. The financing was to be in the form of a loan repayable on a priority basis after the chartered bank's $14.5 million. 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.

In 1995, MLPLP repaid the $10.2 million (U.S. $7.3 million) advanced by the chartered bank. The CIC III loan commitment of $9.0 million was eventually not required and has since expired.

During 1994, MLPLP changed its fiscal year end to December 31 from October 31. Accordingly, comparative figures for 1994 are for a 14 month period. In spite of higher sales volumes and lower costs, continued weak pulp prices in 1994 led to a 1994 year end loss. Pulp prices finally rebounded from the cyclical and historical lows (in real dollar terms) reached in 1993. Strong pricing in early 1995 forecasted a good year for MLPLP, however a downturn in pulp prices concurrent with a sharp decline in demand in the final months of 1995 had a dramatic impact. MLPLP posted a net profit for the year, although it was significantly less than originally forecast.

As a result of the expected continuation of the low pulp prices into 1996, MLPLP is projecting a net loss for the fiscal year ended December 31, 1996.

Event Subsequent to Year-End

The downturn in the pulp market, which is expected to continue at least until the third quarter of 1996, and resulting utilization of existing cash flow to cover operations dictated that MLPLP would be unable to meet certain March 30, 1996 repayment obligations to CIC III and a chartered bank. To avoid an event of technical default, CIC III and the chartered bank agreed to waivers to allow for postponement of the repayments until cash flow is available.

SASKFERCO PRODUCTS INC. (Saskferco)

Saskferco, a company incorporated in Saskatchewan, began operations in October 1992, only eight weeks later than the original target date. Saskferco's manufacturing complex is located near Belle Plaine with its head office situated in Regina. The plant, which produces nitrogen based fertilizer, was completed at a total capital cost of $444.4 million and currently has the capacity to produce, on average, 176,000 tonnes of anhydrous ammonia annually, and, on average, 750,000 tonnes of granular urea annually, for sale to markets in Canada and the northern United States. At year end, the plant provided 124 permanent jobs, 40 contract jobs and 11 permanent positions at the head office in Regina.

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

Capital construction costs to start-up were originally estimated to be $435.3 million and were to be financed with 30 per cent equity capital, totaling $130.6 million, and 70 per cent long-term debt, totaling $304.7 million. In addition, each shareholder was obligated to contribute equity to Saskferco, to an aggregate maximum of $10.0 million and in proportion to their ownership interest, to fund any construction cost overruns.

The actual capital construction costs to start-up were $439.4 million, thereby requiring $4.1 million of the additional $10.0 million shareholder equity commitment. An additional $5.0 million of costs expended during the project's pre-construction feasibility phase during 1988 and 1989 were also capitalized as additional equity in the project resulting in a total capitalized amount of $444.4 million.

By December 31, 1993, CIC III had advanced its $68.45 million equity commitment, representing its 49 per cent share of the total equity commitment for the construction and pre-construction feasibility costs.

In May of 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 $304.7 million long-term debt, a $38.2 million loan facility with a chartered bank was guaranteed by CIC. The remaining long-term debt, held in U.S. denominated Medium Term Notes (MTN's), had an original principal balance of U.S. $231 million (converted to Cdn. $266.5 million using $0.867, the rate in effect at the date of issue). The MTN's, plus any outstanding interest, are 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.

On May 1, 1995, Saskferco made the final payment on the $38.2 million loan facility with the chartered bank, thereby releasing CIC from any guarantee. The MTN's, with an original principal balance of U.S. $231 million, had an outstanding balance at December 1995 of U.S. $214.7 million.

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 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 its fiscal years ended May 31, 1994 and 1995. In July 1995, Saskferco was able to provide its first dividend to CIC III in the amount of $7.2 million.

Continued strength in the world fertilizer market translates into improved returns for Saskferco and is the primary factor behind the positive net earnings projected for the fiscal year ended May 31, 1996.

Event Subsequent to Year-End

Subsequent to year end, Saskferco announced a $37 million expansion of its nitrogen fertilizer plant that will increase its average annual urea production capacity by 180,000 tonnes to 930,000 tonnes by September 1997.

The expansion will be funded entirely through earnings and will require no new monetary commitments by the shareholders.

SASKFOR MACMILLAN LIMITED PARTNERSHIP (SMLP)

In accordance with a sale agreement dated April 28, 1995, and effective April 30, 1995, Saskatchewan Forest Products Corporation (SFPC) transferred substantially all of the assets and liabilities of its plywood mill at Hudson Bay and sawmill at Carrot River to CIC in exchange for a settlement of equity advances from CIC. CIC, through CIC Forest Products Ltd. (CICFPL), a wholly-owned share capital subsidiary of CIC III, subsequently contributed the assets to SMLP in exchange for a $50 million equity interest in the partnership, representing a 50 per cent share of the partnership. MacMillan Bloedel Limited (MB), the largest forest products company in Canada, similarly contributed the assets and liabilities of their Oriented Strand Board (OSB) mill in Hudson Bay for a similar $50 million equity interest and the remaining 50 per cent share of the partnership.

SMLP was formed to operate the existing mills contributed by each of the partners and to design, construct and operate a new OSB mill at Hudson Bay to fully utilize the area's fibre resource. SMLP has a corporate head office in Hudson Bay, and three operating mills:

- an OSB mill at Hudson Bay with an annual production capacity of 210 million square feet of 3/8 inch OSB;

- a plywood mill at Hudson Bay with an annual production capacity of 87 million square feet of 3/8 inch plywood; and

- a sawmill at Carrot River, recently converted to a state-of-the-art stud mill with an annual production capacity of 61 million fbm of 8 and 10 foot 1x4, 2x3, 2x4 and 2x6 dimension lumber.

At year-end, SMLP's current mills, including maintenance and administration, provided 368 permanent jobs, 18 permanent head office positions, and another 258 full-time equivalent timber supply jobs.

As part of the assets and liabilities transferred to SMLP by the partners, each partner contributed a level of working capital at April 30, 1995. As the value of that working capital at April 30 was not anticipated to be indicative of a 'normal' level of working capital, SMLP was instructed to operate through to the end of December 1995 with the expectation that December levels would be more representative of the 'normal' levels. Any difference between the value of the working capital contributed by each respective partner at April 30 and the 'normal' value at December 31 would be made up by SMLP through a promissory note payable (subordinated debt) to that respective partner. Because all requirements for the Partnership were not to be completed until December 31, 1995, earnings from each of the partner's assets, although remaining in SMLP, were to accrue to each respective partner in the form of a second promissory note. The working capital and income promissory notes as recorded by CICFPL at year end were $7.10 million and $2.87 million respectively.

As noted at the outset, SMLP was formed with a view to design, construct and operate a new $150 million OSB mill south of Hudson Bay and adjacent to the existing plywood mill. On December 28, 1995, Saskatchewan Environment and Resource Management approved the Environmental Impact Assessment for the construction of the new OSB mill. The new OSB mill will be a state-of-the-art facility employing the latest, proven technology and will meet or exceed all environmental standards. The mill's annual capacity is anticipated to be 540 million square feet of 3/8 inch OSB. At full capacity, the mill will directly employ approximately 141 people, with another 300 woodlands jobs expected to be created. Construction of the new mill is expected to create approximately 400,000 person hours of employment.

SMLP is projected to produce a net profit in its first fiscal year ended April 30, 1996.

Event Subsequent to Year-End

SMLP announced on February 19, 1996 that the construction of the new OSB mill, which was scheduled to begin in May 1996, has been delayed for one year (May 1997). First production is now scheduled to begin in the fourth quarter of 1998.

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. In terms of the size of assets managed, Crown Life ranks among the top five per cent of North American insurers. It offers life insurance, health insurance and pension programs on a participating and non-participating basis to individuals and groups, and reinsurance services to other insurance companies.

CIC III was designated by the Province to act as the lead agency to facilitate the HARO/Crown Life transaction. As at December 31, 1995, CIC III owns 68.0 million non-voting, participating shares of HARO, entitling CIC III to a maximum of 94 per cent of participating rights such as dividends and remaining property of HARO on its liquidation or dissolution. As well, CIC III has two loans outstanding to HARO totalling $417.1 million including capitalized and unpaid interest of $64.6 million as further described below.

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 that were exercisable into convertible preferred shares. The conversion of the preferred shares to common shares was to occur no later than June 30, 1996. HARO also received, for nominal consideration, one special preferred share which enables HARO to veto any move of the head office operations of Crown Life to a place outside Saskatchewan before December 31, 2031. CIC III advanced $271 million, out of a maximum $275 million loan facility, to HARO on December 15, 1992.

On February 10, 1995, Crown Life announced approved amendments to the share capital provisions of the company. Among other things, these amendments enabled 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, Extendicare Inc. (formerly Crownx Inc.) holds 32.24 per cent, and 3.28 per cent of the common shares are widely held.

CIC III's $271 million 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. Six per cent of the cash flow will be reserved for the voting 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 number of HARO equity shares at that time as determined by the Agreement. The type of HARO equity shares may be subject to certain regulatory approvals.

At any time prior to December 15, 2017, CIC III may elect to exchange any portion of the initial loan, but no less than 25 per cent of the outstanding loan, into HARO non-voting shares, HARO voting shares, or shares of Crown Life. Any HARO non-voting shares held by CIC III may be converted at any time into HARO voting shares or shares of Crown Life (subject to regulatory approval). The number of Crown Life shares acquired by CIC III in respect of the exchanges may not exceed 94 per cent of the Crown Life shares owned by HARO. Regardless of the number of HARO shares that CIC III owns, CIC III shall not be entitled to more than 94 per cent of the participation rights. The remaining 6 per cent is reserved for the voting shareholders of HARO.

Crown Life is currently a defendant in various lawsuits involving the sale, on a "vanishing premium" basis, of participating whole life insurance policies in the United States. Many life insurers are defendants in similar lawsuits brought by purchasers of such policies.

On October 24, 1995, CIC III moved to protect its investment by exercising its right to convert $68.0 million of the initial loan into 68.0 million non-voting, fully participating equity shares of HARO.

To date, HARO has not been required to make interest or principal payments on the initial loan. As at December 31, 1995, the full amount owing from HARO on the initial loan, after the conversion of $68.0 million noted above, is $267.6 million including $64.6 million of capitalized and unpaid interest.

On June 15, 1995, CIC III signed a second loan agreement with HARO. The purpose of the additional loan was to enable HARO to participate in a rights offering issued by Crown Life which would entitle holders of common shares to subscribe for subordinated convertible debentures of Crown Life. The additional capital was required to improve Crown Life's regulatory capital structure, provide for expansion, and increase confidence in the financial strength of the company in the wake of industry uncertainty.

CIC III advanced $149.5 million to HARO on July 31, 1995 to purchase convertible debentures of Crown Life. The loan is for an initial term commencing July 31, 1995 and ending December 15, 1997 with a maximum of four five-year renewal terms at the option of HARO.

Interest is payable on January 31 and July 31 of each year. Subject to certain operating income and dividend payment conditions, Crown Life may defer the payment of interest to HARO, or elect (with regulatory approval) to pay interest by issuing common shares (Debenture Shares). CIC III received its first full interest payment of $5.7 million from HARO on January 31, 1996.

Principal repayment on this additional loan is not due until the earlier of the termination date of the loan (December 15, 2017), and the sale/ disposal of the debentures. The loan with interest is to be repaid by HARO paying to CIC III the following: 100 per cent of all cash interest payments received by HARO from Crown Life under the debentures; 100 per cent of any cash dividends received by HARO from Crown Life shares issued to HARO in lieu of interest or upon conversion of the debentures; and 100 per cent of the net sales proceeds received by HARO from the sale or disposition of the debentures. At any time prior to the due date for payment of the balance of the loan, CIC III can elect to exchange the balance owing for the debentures and Debenture Shares held by HARO.

In the event that HARO, at the direction of CIC III, sells or disposes of all of the debentures and Debenture Shares and remits to CIC III the net proceeds from the sale or disposition, HARO will be deemed to have paid and satisfied any and all amounts owing on the additional loan. If HARO has paid the loan in full and continues to hold any debentures or Debenture Shares, then CIC III will continue to receive any cash in excess of $100,000 that HARO derives from those securities, including the net sales proceeds from the disposition or sale of those securities.

The debentures cannot be redeemed prior to July 31, 2000. At any time before July 31, 2005, CIC III may direct HARO to convert the debentures into common shares of Crown Life at a conversion price of $65.00 per share.

CIC III's security on its loans to HARO consists of all of HARO's assets, of which the majority are currently comprised of Crown Life shares and debentures.

FORMER SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION (SEDCO) HOLDINGS

CIC III is managing, through CIC's Asset Management Division (AMD), the investments of the former SEDCO. AMD's role and mandate is to prudently and in a commercial manner manage the orderly wind-down and liquidation of its existing portfolio.

On February 28, 1995, all of the investment assets, property holdings, undertakings, liabilities and business of SEDCO were transferred to CIC III at book value. SEDCO was subsequently dissolved on March 31, 1995. AMD's portfolio is being allowed to mature, be liquidated over time, sold or worked out in such a manner that will provide the greatest economic benefit to the Province.

On April 1, 1995, the loan assets and corresponding debt associated with the Small Business Enterprise Program were transferred at carrying value to the Saskatchewan Department of Economic Development for ongoing administration and program delivery. On a similar basis, the transfer of Innovation Place to Saskatchewan Opportunities Corporation (SOCO) was facilitated on August 1, 1995.

At the time of transfer, the carrying value of assets was approximately $140.5 million representing 421 loans and/or investments and 49 property holdings. As of December 31, 1995, total assets have been reduced to approximately $80.0 million representing 304 loans and/or investments and 39 property holdings.

The $57.6 million in loans and investments managed by AMD as of December 31, 1995 are to enterprises which contribute to the provincial economy by employing 5,208 people and generating combined revenues of $1.1 billion. Of the 5,208 people employed, 2,141 are in the manufacturing/processing sector, 1,683 are in agriculture/agri food related businesses, 1,158 are in the retail/service sector and 226 are in the tourism industry.

CADILLAC FAIRVIEW CORPORATION LIMITED

CIC III owns two mortgages due from Cadillac Fairview Corporation Limited. These mortgages, due December 1, 2001, have a total outstanding principal of $39.5 million at December 31, 1995. 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, 1995, all scheduled interest and principal payments have been made.

DAIRY PRODUCERS CO-OPERATIVE LIMITED (DPCL)

Prior to its January 7, 1996 amalgamation with Agrifoods International Co-operative Ltd. (Dairyworld), DPCL was a Saskatchewan based dairy farmers co-operative. DPCL utilizes 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 was 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 on the loan had been subject to certain, complex, cash availability and cash flow formulas as defined in the loan agreement, and were also subject to complying with certain ratios. Any deficiencies with respect to interest payments were to be compounded into the principal balance. As a result of its cash availability, DPCL was required to make three payments only, in 1993 and 1994, totalling $1.6 million. All other interest had been capitalized. Regular scheduled payments of principal and interest from DPCL were to commence in 1996 with full repayment by January 1, 2000.

In late 1995, DPCL had decided on an amalgamation with Dairyworld of British Columbia and approached CIC III with an offer to pay out its loan prior to the amalgamation.

Event Subsequent to Year-End

On January 5, 1996, CIC III entered into an agreement with DPCL for the early repayment of its outstanding loan balance. On January 8, 1996, CIC III received $11.8 million from DPCL for discharge of the entire amount of the loan, including $0.9 million in interest.

CANADIAN WESTERN BANK

CIC III owns a $2.0 million convertible debenture of Canadian Western Bank (the Bank), a full service, western based bank with its head office in Edmonton. The Bank was formed in 1988 through an amalgamation of the Bank of Alberta and the Western and Pacific Bank of Canada. On December 31, 1994, North West Trust Company was amalgamated with the Bank.

On October 15, 1991, CIC III committed to the purchase of a $2.0 million convertible debenture of the Bank. The investment was subject to certain conditions including the commitment to open an office in Regina within 20 months. CIC III purchased the $2.0 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.

SASCABLE SERVICES INC. (Sascable)

Sascable is an association of Saskatchewan Pay T.V. operators. CIC III has a $103 thousand note receivable from Sascable. The note 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, 1995. Wascana Energy Inc. did not pay dividends on its shares in 1995.

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

NPD was incorporated in the early 1980's as a privately-owned pig breeding stock company. The Agricultural Development Corporation of Saskatchewan (Agdevco) became involved in NPD in 1989 by acquiring common and preferred shares and by providing a loan to NPD. As a result of the wind-up of Agdevco in 1990, CIC III holds the investment initially made by Agdevco in NPD.

In 1990, certain warrants were granted to CIC III for providing a shareholder loan, entitling CIC III to acquire additional common shares. 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 a Subscription Agreement with NPD to provide up to $4.0 million in additional common and preferred equity funding to facilitate expansion of NPD's operations.

During 1994, the long-term debt to CIC III was repaid and CIC III invested $1.25 million of the $4.0 million commitment 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 at December 1994. This level remained constant throughout 1995.

NPD recorded positive net earnings for both fiscal years ended September 30, 1994 and 1995, and subsequently provided CIC III with dividends in those same years.

For the fiscal year ended September 30, 1996, NPD is projecting a net loss primarily as a result of increased costs at expanded facilities which are not yet full revenue producers.

Event Subsequent to Year-End

On January 8, 1996, CIC III subscribed for $276.0 thousand of equity, in a combination of common and preferred shares, as a result of the above mentioned $4.0 million expansion commitment. The purchase of shares increased CIC III's share ownership of NPD to 73.6 per cent of the voting common shares and 79.7 per cent of the preferred shares and brings the total amount invested by CIC III under its $4.0 million commitment to $1.53 million.

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.

CIC III's book value of its investment in SCISL at December 31, 1995 is $2.0 million. CIC III accounts for this investment using the equity method of accounting. Its share of SCISL's earnings in 1995 was $62.0 thousand compared to $2.0 thousand in 1994.

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, twelve 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 $1.75 million is invested in the remaining five projects which have various levels of profitability. The investments are concentrated in two main sectors, ag/biotech and manufacturing.

During 1995, no amounts were invested in SDC holdings. However, $751.0 thousand remains committed to BIOSTAR Inc. subject to the company meeting certain milestones.

Event Subsequent to Year-End

On January 11, 1996, CIC III purchased 210,500 common shares of BIOSTAR Inc. for $421.0 thousand. The purchase of shares increased CIC III's ownership of BIOSTAR Inc. to 9.2 per cent and reduces CIC III's commitment to $330.0 thousand.

IPSCO INC.

CIC III owns 10 common shares of IPSCO Inc. at December 31, 1995. 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 equipment lease which expires in 2007. The liability of CIC under the guarantee is limited to $65.0 million and as of December 31, 1995, the actual outstanding obligation was $54.3 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 $13.0 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 mining and processing companies. Its products are used to generate electricity in nuclear energy plants around the world. The company also mines gold and explores primarily for uranium and gold. 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's affairs were wound up on December 31, 1993. The investment in Cameco was thereby transferred to CIC.

SMDC initially owned a 61.5 per cent interest in Cameco. Through various sale transactions by Cameco and SMDC, CIC's ownership has been reduced to 15.5 million Cameco common shares, representing a 29.5 per cent voting interest at December 31, 1995.

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

Cameco reported net earnings of $102.1 million in 1995, compared to $81.1 million in 1994. Cameco paid dividends of $0.50 per share in 1995.

Event Subsequent to Year-End

On February 26, 1996, CIC announced its intention to sell 9.5 million shares of its investment in Cameco with an option granted, for a period of 30 days after the closing date, to the underwriters to purchase up to an additional 1.0 million shares. The final sale price was set at $75.50 per share, payable in two equal installments due on each of the closing date of March 20, 1996, and March 20, 1997. This transaction reduced CIC's ownership to 6.0 million Cameco voting shares, representing an 11.4 per cent voting interest.

Total proceeds on the first installment after underwriting commissions of 3.875 per cent were $330.8 million. A second installment payment of $358.6 million will be received on March 20, 1997. Other selling costs such as legal fees will reduce these proceeds further. CIC agreed to transfer half of the net proceeds to the General Revenue Fund in the form of a special dividend. All of the net proceeds will be used by CIC and the General Revenue Fund to pay down debt.

NEWGRADE ENERGY INC. (NewGrade) HEAVY OIL UPGRADER

NewGrade was established to construct, own and operate a heavy oil upgrader in Regina in conjunction with the conventional refinery owned by Consumers' Co-operative Refineries Limited (CCRL), a wholly-owned subsidiary of Federated Co-operatives Limited of Saskatoon. NewGrade's outstanding voting shares are owned 50 per cent by the Province of Saskatchewan through CIC and 50 per cent by CCRL.

NewGrade currently has the capacity to produce approximately 17.6 million barrels per year of upgraded crude oil (Reconstituted Crude) for use by CCRL as feedstock to their refinery for processing into refined petroleum products, and synthetic crude oil. The Reconstituted Crude was designed to meet CCRL's feedstock requirements for production of specification 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 petroleum products is further processed by them into synthetic crude oil for sale by NewGrade to other refineries.

NewGrade's construction cost was initially budgeted at $793.8 million of which 80 per cent, or $635.0 million, was to be in the form of long-term debt and $158.8 million was to be in the form of equity. The initial long-term debt was guaranteed 56.693 per cent by the Government of Saskatchewan and 43.307 per cent by the Government of Canada (Canada).

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 consistently in excess of full design production capacity since July, 1991 with a permanent incremental staff of approximately 185.

The serious operational difficulties in 1989 and 1990, coupled with periodically depressed light/heavy crude oil price differentials, clearly illustrated a number of difficulties with the financial, operational and governance structures of the project. Attempts by CIC between 1991 and 1993 to rectify some of the more vexatious of these difficulties strained the relationship between the two shareholders. Intense discussions over several months finally led to a three-party agreement (CIC, CCRL and Canada) on a financial restructuring package, effective October 21, 1994. The details of the financial restructuring package were provided in CIC's 1994 Annual Report.

Compliance with all of the terms of the financial restructuring package is now essentially complete. In addition to a non-repayable grant contribution of $5 million from each shareholder on October 21, 1994, those terms included contributions of $10 million from CIC in the form of non-repayable grants and $10 million from CCRL in the form of interest-free loans in 1995, and similar contributions in 1996. There are no further contributions of this kind required after 1996.

As at October 20, 1994, CIC's total investment in NewGrade was $239.1 million (comprising $86.9 million in equity, $142.8 million in subordinated debentures, and $9.4 million in cash deficiency loans). This amount was either written down or forgiven by CIC. Between October 21, 1994, and December 31, 1995, CIC invested a further $69.8 million in NewGrade (comprising $50.0 million in equity, $4.8 million in cash deficiency loans, and $15.0 million in non-repayable grants). The $9.6 million in cash deficiency loans outstanding on December 31, 1995 (including $4.8 million that was not forgiven on October 21, 1994), relates to certain provisions in the financial restructuring package whereby the shareholders will share responsibility for funding NewGrade's cash deficiencies on a pre-determined basis (please refer to Note 5(a)(vi) to CIC's Non-Consolidated Financial Statements for the details of how the responsibility for funding cash deficiencies is shared between CIC and CCRL). The additional $69.8 million invested by CIC between October 21, 1994, and December 31, 1995, has also been written down. At December 31, 1995, CIC carried the NewGrade investment at a nil value.

As at December 31, 1995, the Government of Saskatchewan's original guarantee on NewGrade's long-term debt stood at $217.9 million (including U.S. $105.4 million). The additional guarantee indemnification provided by CIC to Canada in exchange for their cash contribution to NewGrade as part of the 1994 financial restructuring package stood at $166.5 million (including U.S. $80.6 million).

NewGrade reached the end of its seventh fiscal year of operations on October 31, 1995, having successfully completed its annual turnaround in June. The complex as a whole is running very smoothly operationally and the relationship between the two shareholders has improved dramatically from its low point during the months prior to agreement on the 1994 financial restructuring package.

Light/heavy crude oil price differentials were quite depressed during most of 1995, although they improved dramatically in the final months of the year. Notwithstanding the improved price differentials in the final months of the year, NewGrade posted a loss in its fiscal year ended October 31, 1995, a result of the depressed differentials in the earlier months of the year.

Even though the high year-end level of differentials will likely not continue for all of 1996, NewGrade's economic outlook for 1996 is fairly positive. No cash deficiency loan contributions are anticipated to be required from the shareholders in 1996.

Although NewGrade's economics will always be largely dependent upon crude oil price differentials, the provisions of the financial restructuring package should allow the project to weather adverse differentials better than it otherwise could have, and more fairly vis-à-vis the two shareholders.

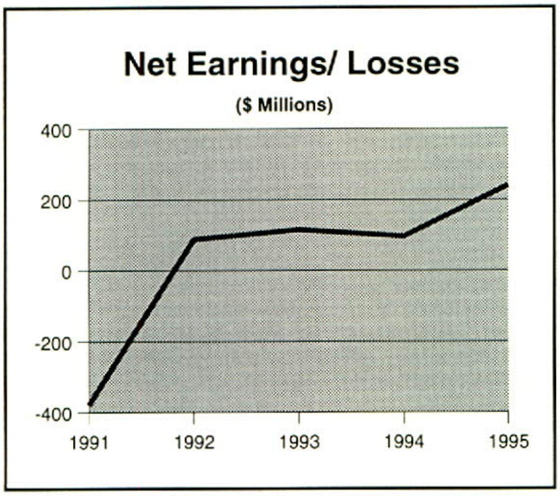
CIC FINANCIAL STATEMENT REPORTING STRUCTURE

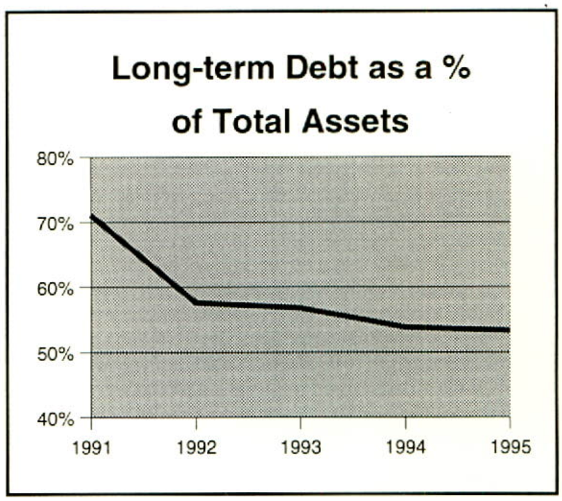
Crown Investments Corporation of Saskatchewan (CIC) Consolidated Financial Statements

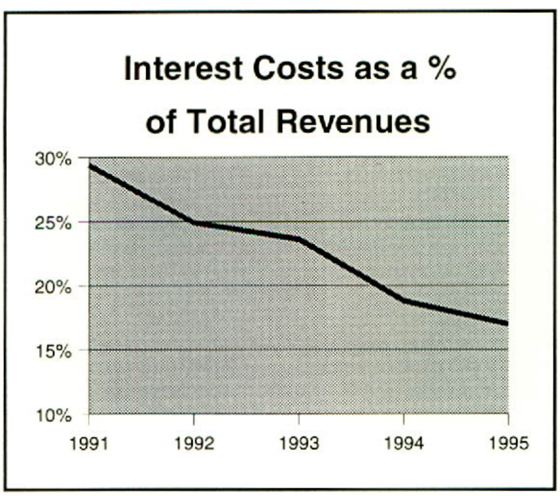
- **CIC Non-Consolidated Financial Statements**
  - Dividends from Subsidiary Crown Corporations
  - Cameco Corporation Dividends
  - Losses of NewGrade Energy Inc.
  - Losses of STC and SEDCO
  - Permanent Losses from Investments held by CIC III
  - CIC's Net Interest and Operating Costs
- **CIC Industrial Interests Inc. (CIC III) Non-Consolidated Financial Statements**
  - Share of results from all investments except NewGrade and Cameco and subsidiary Crown Corporations
    - Includes:
      - Bi-Provincial Upgrader Joint Venture
      - Meadow Lake Pulp Limited Partnership
      - Saskferco Products Inc.
      - Saskfor MacMillan Limited Partnership
      - HARO Financial Corporation
      - Former Saskatchewan Economic Development Corporation Holdings
      - Cadillac Fairview Corporation Limited
      - Dairy Producers Co-Operative Limited
      - Canadian Western Bank
      - Sascable Services Inc.
      - Wascana Energy Inc.
      - National Pig Development (Canada) Co. Ltd.
      - SGI CANADA Insurance Services Limited
      - Former Saskatchewan Diversification Corporation Holdings
      - IPSCO Inc.
- **All Subsidiary Crown Corporations' Financial Results**
  - Includes:
    - Saskatchewan Development Fund Corporation
    - Saskatchewan Economic Development Corporation (Dissolved March 31, 1995)
    - Saskatchewan Forest Products Corporation
    - Saskatchewan Government Growth Fund Management Corporation
    - Saskatchewan Government Insurance
    - Saskatchewan Opportunities Corporation
    - Saskatchewan Power Corporation
    - Saskatchewan Telecommunications and Saskatchewan Telecommunications Holding Corporation
    - Saskatchewan Transportation Company
    - Saskatchewan Water Corporation
    - SaskEnergy Incorporated
    - Saskatchewan Computer Utility Corporation (inactive)
    - CIC Mineral Interests Corporation (inactive)

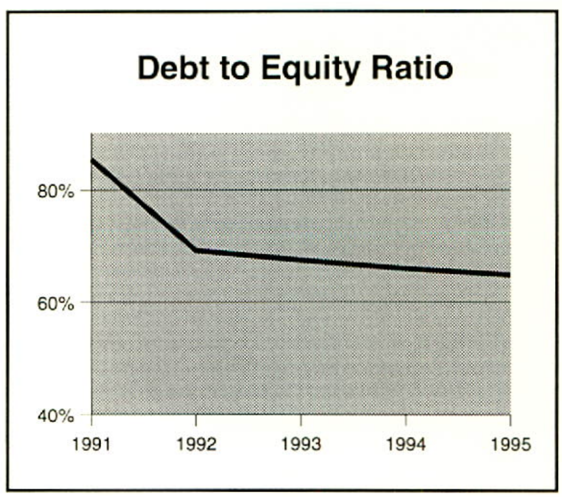
CIC CONSOLIDATED FINANCIAL STATEMENTS

CIC CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY









CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1995

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.

David Dombowsky
President

Patti A. Beatch
Vice-President, Finance

March 8, 1996

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED FINANCIAL STATEMENTS 1995

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, 1995 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, 1995 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 Strelioff

Regina, Saskatchewan
March 8, 1996

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

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	1995	1994
	(thousands of dollars)	
ASSETS		
Current		
Cash	**$ 4,373**	$ 3,868
Short-term investments	**149,439**	76,207
Accounts receivable	**392,890**	368,196
Inventories	**42,118**	45,647
Prepaid expenses	**125,902**	117,633
	714,722	611,551
Long-term investments (Note 3)	**1,409,298**	1,257,065
Capital assets (Note 4)	**5,296,357**	5,116,914
Other assets (Note 5)	**289,002**	351,296
	$ 7,709,379	$ 7,336,826
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	**$ 44,541**	$ 41,550
Accounts payable and accrued liabilities	**520,511**	487,491
Notes payable (Note 6)	**411,662**	511,558
Dividend payable	**50,000**	-
Deferred revenue	**93,211**	87,570
Long-term debt due within one year (Note 7)	**179,278**	41,596
	1,299,203	1,169,765
Long-term debt (Note 7)	**3,928,960**	3,905,492
Deferred revenue and other liabilities (Note 8)	**261,497**	232,638
	5,489,660	5,307,895
Province of Saskatchewan's Equity		
Equity advances (Note 9)	**1,447,452**	1,447,452
Reinvested earnings	**772,267**	581,479
	2,219,719	2,028,931
	$ 7,709,379	$ 7,336,826

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board: Barry Wiens, Director Ned Shillington, Director

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
REVENUE		
Sales of products and services	$ 2,595,964	$ 2,312,768
Investment (Note 3(h))	120,652	56,036
Other	35,510	28,104
	2,752,126	2,396,908
EXPENSES		
Operating costs other than those listed below	1,677,549	1,418,416
Interest (Note 11)	466,537	451,290
Amortization of capital assets	362,769	352,578
Saskatchewan taxes and resource payments (Note 12)	88,574	89,926
	2,595,429	2,312,210
Earnings before the following	156,697	84,698
Non-recurring items (Note 13)	84,874	14,118
Public policy expenditures adjustment (Note 14)	(783)	(2,558)
NET EARNINGS	240,788	96,258
REINVESTED EARNINGS, BEGINNING OF YEAR	581,479	485,221
	822,267	581,479
DIVIDEND TO GENERAL REVENUE FUND	50,000	-
REINVESTED EARNINGS, END OF YEAR	$ 772,267	$ 581,479

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net earnings	$ 240,788	$ 96,258
Items not affecting cash from operations (Note 15)	233,014	327,798
	473,802	424,056
Net change in non-cash working capital balances related to operations	(66,530)	65,156
Cash provided by operating activities	407,272	489,212
INVESTING ACTIVITIES		
Purchase of investments	(328,040)	(287,523)
Proceeds from sales and collections of investments	316,519	446,595
Purchase of capital assets	(635,084)	(490,449)
Proceeds from sale of capital assets	109,098	33,340
(Increase) in other assets	(2,162)	(21,428)
Cash used in investing activities	(539,669)	(319,465)
FINANCING ACTIVITIES		
(Decrease) increase in notes payable	(99,896)	169,339
Increase in deferred revenue and other liabilities	2,169	9,718
Long-term debt proceeds from General Revenue Fund	356,800	-
Long-term debt proceeds from other lenders	9,310	52,115
Long-term debt repayments to General Revenue Fund	(88,984)	(314,067)
Long-term debt repayments to other lenders	(49,488)	(208,231)
Dividends paid to General Revenue Fund	-	(35,434)
Proceeds from assumption of guarantee by others	-	62,500
Proceeds from joint venture equity contributions of others	-	1,050
Cash provided by (used in) financing activities	129,911	(263,010)
NET (DECREASE) IN CASH DURING YEAR	(2,486)	(93,263)
CASH POSITION, BEGINNING OF YEAR	(37,682)	55,581
CASH POSITION, END OF YEAR	$ (40,168)	$ (37,682)
Cash position consists of:		
Cash	$ 4,373	$ 3,868
Bank indebtedness	(44,541)	(41,550)
	$ (40,168)	$ (37,682)

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1995

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). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. 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, as well as the proportionate share of jointly controlled enterprises are consolidated in these financial statements.

Separate audited 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 or created as subsidiary Crown corporations of CIC:

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 Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Saskatchewan Computer Utility Corporation was wound up pursuant to **The Saskatchewan Computer Utility Corporation Repeal Act** effective January 1, 1996 and Saskatchewan Economic Development Corporation was wound up under Section 35 of **The Industrial Development Act** effective March 31, 1995.

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) Joint ventures

The jointly controlled enterprises and the proportionate share thereof included in these financial statements are as follows:

	1995	1994
NewGrade Energy Inc.	**50.0%**	50.0%
Bi-Provincial Upgrader	**50.0%**	17.5%
Saskfor MacMillan Limited Partnership	**50.0%**	-
Meadow Lake Pulp Limited Partnership	**49.0%**	49.0%

On February 7, 1995, the Corporation purchased 58% of each of the joint venture interests of the Government of Canada and Alberta in the Bi-Provincial Upgrader for $43.1 million representing $14.8 million in equity and $28.3 million for operating loans outstanding to Canada and Alberta. As a result of this purchase, the Corporation holds a 50% interest in the joint venture. In addition, the Corporation paid $10.7 million to Husky Oil Operations Ltd. representing its pro-rata commitment under the Interim Operating Shortfall Agreement.

On April 30, 1995, the Corporation, via CIC Forest Products Ltd., a wholly-owned subsidiary of CIC III, contributed $40.2 million of assets to form Saskfor MacMillan Limited Partnership (Saskfor).

c) 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.

d) 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, and no joint control, 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.

e) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net earnings for the year with three exceptions. Electrical utility and natural gas utility operations 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. Telecommunications operations includes all gains or losses in accumulated amortization.

f) 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.

g) Deferred charges

Deferred charges include natural gas in storage, deferred financing charges, and unamortized differences arising from the 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.

h) 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.

i) 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.

Interest earned on long-term investments 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, and accrued interest receivable is offset by deferred interest income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) 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.

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. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income tax.

3. LONG-TERM INVESTMENTS

	Voting Percentages	1995	1994
		(thousands of dollars)	
Share Investments			
Cameco Corporation (a) 15,543,623 (1994 - 15,543,623) common shares	29.5%	**$ 325,914**	$ 303,543
Saskferco Products Inc. (b) 68,449,080 (1994 - 68,449,080) Class B common shares	49.0%	**87,946**	72,188
Wascana Energy Inc. (c) 5,842,910 (1994 - 5,842,910) common shares	7.4%	**47,044**	47,044
HARO Financial Corporation (d) 68,000,000 (1994 - Nil) Class B non-voting common shares	-	**68,000**	-
ISM Information Systems Management Corporation (ISM) (Note 13) Nil (1994 - 891,206) common shares	-	**-**	2,180
Other share investments - cost basis		**69,026**	60,657
Other share investments - equity basis		**7,504**	9,697
		605,434	495,309
Bonds and Debentures			
HARO Financial Corporation (d)		**352,506**	271,000
Meadow Lake Pulp Limited Partnership (e)		**96,100**	95,680
Other bonds and debentures		**124,068**	109,160
		572,674	475,840

3. LONG-TERM INVESTMENTS (continued)

	1995	1994
	(thousands of dollars)	
Loans, Notes and Mortgages Receivable		
Cadillac Fairview Corporation Limited	**38,976**	39,545
Dairy Producers Co-Operative Limited (Note 19)	-	10,500
Other loans and notes receivable	**122,702**	154,454
	161,678	204,499
Property Holdings	**60,390**	61,497
Leases Receivable	**9,122**	19,920
	$ 1,409,298	$ 1,257,065

a) At December 31, 1995, the Corporation owns 15,543,623 voting common shares of Cameco Corporation (Cameco) representing a 29.5% (1994 - 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. Subsequent to year end, the Corporation announced its intention to sell a portion of these shares as described in Note 19.

b) 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 (1994 - $2.0 million) in the form of Class B shares to fund construction cost overruns.

c) 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.

d) i) The Corporation entered into various agreements with HARO Financial Corporation (HARO) on December 15, 1992 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, 1995 (1994 - $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. Due to the uncertainty of the timing of future cash payments, interest income earned is 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, 1995 is $64.7 million (1994 - $38.8 million).

All amounts unpaid are due and payable on December 15, 2017. On that date any balance of principal and interest outstanding will be converted into a maximum of 94% of HARO equity shares. The Corporation has a unilateral right to convert no less than 25% of the loan to either non-voting, fully participating or common equity shares of HARO. In addition, the Corporation can exercise a unilateral right to convert the loan into 94% of HARO's assets. Any conversion may be subject to regulatory approval. The security for the loan is 100% of the assets of HARO.

On February 10, 1995 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.

On October 24, 1995, the Corporation exercised its right to convert $68.0 million of the loan into 68,000,000 non-voting, fully participating equity shares of HARO. The Corporation has a unilateral right to exchange these for common equity shares or 94% of the assets of HARO. Both exchange rights may be subject to regulatory approval. The Corporation's right to dividends and property of HARO on liquidation is limited to 94% regardless of the number or class of shares owned of HARO.

ii) On March 22, 1995, the Corporation entered into an irrevocable commitment to lend HARO up to $150.0 million to purchase Series A and Series B convertible debentures ("Debentures") issued by Crown Life. An Additional Loan Agreement between the Corporation and HARO was entered into on June 15, 1995, and $149.5 million ("Additional Loan") was advanced to HARO on July 31, 1995. HARO purchased $74.8 million of each of Series A and Series B convertible debentures of Crown Life.

The Additional Loan has an initial term to December 15, 1997, with a maximum of four five-year renewal terms at the option of HARO. The Corporation has the option of extending the term for repayment for two five-year terms but any renewals by HARO or the Corporation cannot extend beyond December 15, 2017, when all remaining balances are due and payable.

Interest is payable each January 31 and July 31 throughout the term of the Additional Loan and is calculated for each interest period at the average of the 90 day Bankers' Acceptance rate based on the Canadian Interbank Bid Rate quoted by Reuters, determined on a quarterly basis, plus 1.05%.

3. LONG-TERM INVESTMENTS (continued)

Payment of principal and interest is based on 100% of the cash flow received by HARO from Crown Life Debentures. There were no principal payments made during the year. Accrued interest recorded to December 31, 1995 was paid in full on January 31, 1996.

The Corporation has a unilateral right to exchange the balance owing on the Additional Loan for the Debentures of Crown Life owned by HARO. The security for the Additional Loan consists of all Crown Life Debentures owned by HARO. In the event of conversion, any securities acquired by HARO become security for the Additional Loan.

The value of the investment in HARO is based primarily on HARO's investment in Crown Life, which is held as security by the Corporation. Crown Life is currently a defendant in various lawsuits involving the sale, on a "vanishing premium" basis, of participating whole life insurance policies in the United States. At present it is not possible to predict the outcome of the litigation, or the effects of the outcome of litigation on the value of Crown Life, and thus on the value of the security held by the Corporation. Any material effect on the value of the Corporation's investment in HARO will be reflected in income in the year of determination.

e) 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 which bears interest at 11.15% calculated on October 31 each year.
- The Term Loan which bears interest at the Canadian Imperial Bank of Commerce (CIBC) prime interest rate plus 1/4% 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.

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.

3. LONG-TERM INVESTMENTS (continued)

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 Interest Loan and then to the Participating Debenture. 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 and Term Loan mature in the year 2014. Certain amounts on the Participating Debenture and Interest Loan also mature in 2014 with any remaining balance outstanding on October 31, 2014 to bear interest until paid in full at the rate equal to the cost of borrowing for the Province of Saskatchewan on that date.

f) The market values of the Corporation's publicly traded investments at December 31, 1995 are as follows (millions of dollars):

Cameco	$	**788.7**
Wascana Energy Inc.	$	**75.2**

g) Other loans and notes receivable include amounts due from Cameco of $25.2 million (1994 - $29.3 million).

h) Included in investment revenue are earnings from equity investments as follows:

	1995	1994
	(thousands of dollars)	
Cameco	**$ 30,141**	$ 24,100
Saskferco	**22,939**	10,948
Other	**712**	1,013
	$ 53,792	$ 36,061

4. CAPITAL ASSETS

	1995	1994
	(thousands of dollars)	
Machinery and equipment	**$ 6,906,398**	$ 6,670,157
Buildings and improvements	**989,612**	948,074
Plant under construction	**101,434**	90,959
Equipment under capital leases	**4,114**	4,546
Deferred development costs	**1,471**	1,260
Land	**163,282**	159,448
	8,166,311	7,874,444
Accumulated amortization	**(2,869,954)**	(2,757,530)
	$ 5,296,357	$ 5,116,914

5. OTHER ASSETS

	1995	1994
	(thousands of dollars)	
Natural gas in storage	**$ 77,689**	$ 89,198
Deferred financing charges, net of amortization	**26,952**	30,784
Deferred foreign exchange translation losses, net of amortization	**118,046**	163,266
Other deferred charges, net of amortization	**66,315**	68,048
	$ 289,002	$ 351,296

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 6.02% (1994 - 6.83%).

7. LONG-TERM DEBT

Years to Maturity	1995 Principal Outstanding U.S. Dollars	1995 Principal Outstanding Canadian Dollars	1995 Average Interest Rate	1994 Principal Outstanding	1994 Average Interest Rate
		(thousands of dollars)			
A. General Revenue Fund					
Canadian Dollar Issues					
1 - 5 years		$ 750,016	10.41	$ 575,149	10.21
6 - 10 years		1,551,296	11.41	1,454,876	11.39
11 - 15 years		425,243	9.84	523,772	10.12
21 - 25 years		15,000	9.60	15,000	9.60
26 - 30 years		425,000	9.32	250,000	9.60
		3,166,555		2,818,797	
United States Dollar Issues					
6 - 10 years	$ 50,000	68,200	6.63	70,090	6.63
11 - 15 years	204,000	278,256	7.13	350,450	7.13
16 - 20 years	75,000	102,300	7.13	105,135	7.38
21 - 30 years	400,000	545,600	8.42	560,720	9.16
	$ 729,000	994,356		1,086,395	
		4,160,911		3,905,192	
Less sinking fund balance		(355,649)		(313,194)	
Total due to General Revenue Fund		3,805,262		3,591,998	
B. Other long-term debt					
Canadian Dollar Issues					
Saskatchewan Power Corporation Savings Bonds (due July 6, 1994)		342	-	5,752	-
Saskatchewan Telecommunications TeleBonds (due March 1, 1999)		34,480	6.50	34,978	6.50
Capital lease obligations (Note 16)		1,078	Various	11,489	Various
Other (due 1995 to 2013)		85,878	Various	102,462	Various
		121,778		154,681	
United States Dollar Issues					
Other (due 1997 to 2007)	$ 134,723	181,198	9.74	200,409	9.74
Total other long-term debt		302,976		355,090	
		4,108,238		3,947,088	
Less due within one year		(179,278)		(41,596)	
TOTAL LONG-TERM DEBT		$ 3,928,960		$ 3,905,492	

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 $670.9 million (1994 - $674.8 million) are subject to redemption on six months notice by the lender.

Saskatchewan Telecommunications 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):

1996 - $	**179,278**
1997 - $	**98,614**
1998 - $	**452,263**
1999 - $	**153,390**
2000 - $	**114,661**

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 1.355 (1994 - 1.380).

8. DEFERRED REVENUE AND OTHER LIABILITIES

	1995	1994
	(thousands of dollars)	
Contributions in aid of construction	**$ 50,703**	$ 46,417
Other liabilities	**201,005**	157,529
Deferred income	**8,644**	27,164
Unamortized foreign exchange gains	**1,145**	1,528
	$ 261,497	$ 232,638

Other liabilities include an amount due to Cameco of $39.0 million (1994 - $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, 1995:

a) The Corporation has forward purchase commitments of $1,874.0 million for coal and $579.0 million for natural gas contracted for future minimum deliveries valued at current prices.

b) The Corporation has capital expenditure commitments amounting to $266.2 million.

c) The Corporation had guaranteed the lease payments and other specified payments on certain equipment leased by PCS Inc. During the year, the Corporation obtained a release from its final lease guarantee. The present value of the remaining capital lease payments is Nil (1994 - $3.5 million).

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 $83.0 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 indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. At December 31, 1995, the Corporation's guarantee is $166.5 million (1994 - $180.5 million).

g) 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, 1995, the guaranteed amount does not exceed $360.0 million.

h) 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

	1995	1994
	(thousands of dollars)	
Interest on long-term debt	$ 449,832	$ 438,873
Amortization of foreign exchange gains and losses	12,836	12,743
Amortization of deferred financing costs	5,591	6,345
	468,259	457,961
Less:		
Sinking fund earnings	(29,305)	(33,347)
Interest capitalized	(8,768)	(4,214)
	(38,073)	(37,561)
Long-term debt interest expense	430,186	420,400
Short-term debt interest expense	36,351	30,890
	$ 466,537	$ 451,290

12. SASKATCHEWAN TAXES AND RESOURCE PAYMENTS

	1995	1994
	(thousands of dollars)	
Oil, gas and coal royalties	$ 25,147	$ 29,090
Timber dues	1,665	3,090
	26,812	32,180
Grants in lieu of taxes to municipalities	28,646	28,699
Saskatchewan capital tax	24,617	22,197
Insurance premium tax	5,692	5,418
Other	2,825	1,454
	88,592	89,948
Less:		
Amounts inventoried	(18)	(22)
	$ 88,574	$ 89,926

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:

	1995	1994
	(thousands of dollars)	
Gain on sale of Cameco Corporation shares	$ -	$ 11,685
Gain on sale of PCS Inc. shares	-	2,433
Gain on sale of LCL Cable Communications Ltd. shares	114,354	-
Gain on sale of ISM shares	10,520	-
Write-down of assets of NewGrade Energy Inc.	(40,000)	-
	$ 84,874	$ 14,118

During the year the Corporation sold its 56% interest in LCL Cable Communications Ltd., a cable and telephone operation in the United Kingdom. The gain on sale of $114.4 million represents the excess of proceeds on sale of $137.3 million over the book value of the investment of $22.9 million.

The Corporation sold its 891,206 common shares of ISM Information Systems Management Corporation during the year for proceeds of $12.7 million.

During the year NewGrade revised its cash flow projections based on lower than anticipated price differentials between light and heavy crude oil. As a result, NewGrade wrote down its capital assets by $80.0 million. The write-down reflects the excess of carrying value of the capital assets over the projected net cash flow. The Corporation has recognized its 50% share.

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.

14. PUBLIC POLICY EXPENDITURES ADJUSTMENT (continued)

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

	1995	1986 to 1994	Total
		(thousands of dollars)	
Construction costs	**$ 1,740**	$ 273,429	$ 275,169
Funded by:			
General Revenue Fund	**-**	195,249	195,249
U. S. Government	**-**	62,222	62,222
Revenue Canada - GST Rebate	**2,309**	-	2,309
Deferred revenue	**(1,352)**	(1,910)	(3,262)
	957	255,561	256,518
Public policy expenditure representing amount funded by the Corporation	**$ 783**	$ 17,868	$ 18,651

15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

	1995	1994
	(thousands of dollars)	
Amortization of capital assets	**$ 362,769**	$ 352,578
Sinking fund earnings	**(29,305)**	(33,347)
Non-recurring items (Note 13)	**(84,874)**	(14,118)
Other non-cash items	**(15,576)**	22,685
	$ 233,014	$ 327,798

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:

	1995	1994
	(thousands of dollars)	
Future minimum lease payments		
1995	$ -	$ 675
1996	568	1,034
1997	473	2,314
1998	203	2,952
1999	1	4,857
Total minimum lease payments	1,245	11,832
Less amount representing interest and executory costs	(167)	(343)
Balance of obligation	1,078	11,489
Less current portion	(499)	(528)
	$ 579	$ 10,961

Capital lease balances in 1994 include capital leases by LCL Cable Communications Ltd., a subsidiary which was sold during the year (see Note 13).

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

1996	$ 23,765
1997	20,658
1998	18,645
1999	18,094
2000	16,801
Thereafter	3,159
	$ 101,122

17. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Amounts resulting from routine operating transactions are settled at prevailing market prices under normal trade terms.

17. RELATED PARTY TRANSACTIONS (continued)

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

During 1995, the Corporation received $7.6 million (1994 - $4.1 million) in grants from the General Revenue Fund.

As at December 31, 1995, $67.2 million (1994 - $1.0 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 defined benefit pension funds' assets are $1,097.4 million which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of $1,029.8 million by $67.6 million.

19. SUBSEQUENT EVENTS

On January 5, 1996, the Corporation entered into an agreement with Dairy Producers Co-Operative Limited (DPCL) for the repayment of their outstanding loan. On January 8, 1996, the Corporation received $11.8 million from DPCL for discharge of the entire amount of the loan and interest. At December 31, 1995, the loan and interest are included in accounts receivable.

On February 26, 1996, the Corporation announced its intention to sell 9,500,000 shares of its investment in Cameco with an option granted, for a period of 30 days after the closing date, to the underwriters to purchase up to an additional 1,000,000 shares. The final sale price was set at $75.50 per share, payable in two equal instalments due on each of the closing date, scheduled for March 20, 1996, and March 20, 1997.

20. COMPARATIVE FIGURES

The Corporation retroactively adopted the proportionate consolidation method of accounting for its interests in jointly controlled enterprises. The change reflects the Corporation's pro-rata share of assets, liabilities, revenues and expenses without any effect on prior years' income or reinvested earnings.

Certain other of the 1994 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).

1995 Financial Results

CIC reported non-consolidated net income of $65.5 million in 1995 compared to a 1994 net loss of $13.9 million. Earnings before non-recurring items were $61.3 million in 1995 compared to $80.2 million in 1994. As a result of positive earnings in 1995, CIC declared a dividend of $50.0 million to the General Revenue Fund.

During 1995, CIC received dividends from certain Crown corporations under its purview totaling $161.8 million compared to $144.5 million in 1994. CIC also received $7.8 million in dividends from Cameco Corporation in 1995. Note 11 to the financial statements provides detail on these dividends. CIC's interest expense increased by $1.1 million in 1995. Interest expense in 1994 was $91.2 million compared to $92.3 million in 1995. This increase is largely attributable to an increase in short-term interest rates.

The 1995 write-down in value of CIC's investments was $12.9 million compared to a write-down of $94.2 million in 1994. The write-downs are due to CIC's investments in SEDCO, STC and NewGrade. For STC, the write-down is equivalent to STC's operating loss for the fourteen months ended December 31, 1995. The write-down for SEDCO is equivalent to SEDCO's 1995 operating loss prior to its wind-up on March 31, 1995. The write-down for NewGrade is equivalent to the amounts invested by CIC in NewGrade in 1995. Write-downs are listed in Note 12 to the Non-Consolidated Financial Statements.

CIC realized a recovery during 1995 of a write-down previously recorded on its investment in Saskatchewan Forest Products Corporation (SFPC). The recovery occurred on the transfer of substantially all of the assets of SFPC to CIC at carrying value. The net recovery of $17.1 million is more fully described in Note 4 to the Non-Consolidated Financial Statements.

CIC's long-term debt increased in 1995 by $96.1 million to $793.4 million. This increase was due to the conversion of $100 million of short-term debt to long-term debt during the year. Short-term debt was substantially unchanged from 1994 even after this conversion mainly due to new financing to advance funds to CIC III.

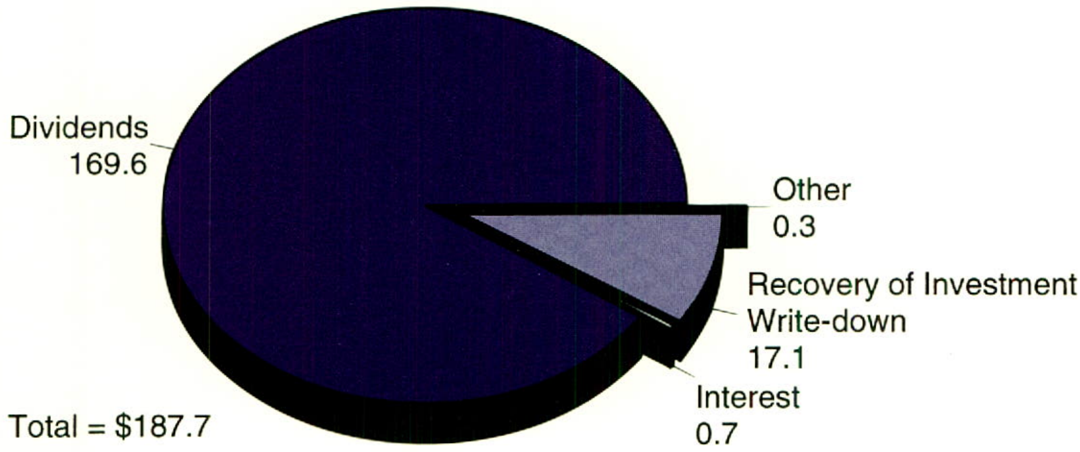
Event Subsequent to Year-End

Subsequent to CIC's year end, CIC formalized a plan to sell a portion of its investment in Cameco Corporation. The sale will result in a substantial gain to CIC and will be reflected in the 1996 financial results of CIC.

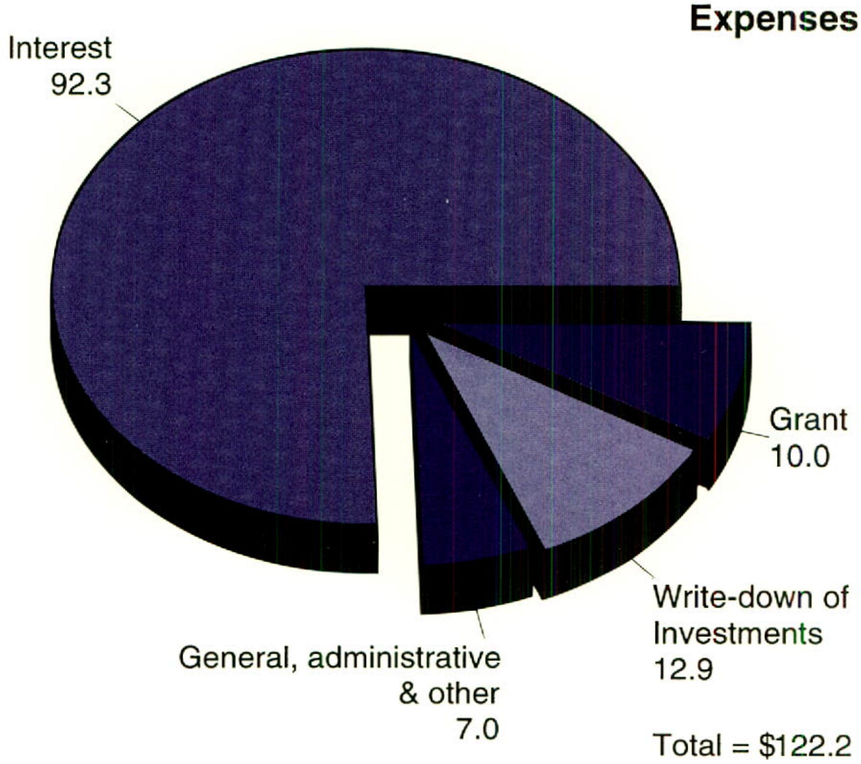
CIC NON-CONSOLIDATED 1995 SOURCES OF REVENUES AND EXPENSES

Millions of Dollars

Revenues



Expenses



CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1995

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.

David Dombowsky
President

Patti A. Beatch
Vice-President, Finance

March 8, 1996

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED FINANCIAL STATEMENTS 1995

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, 1995 and the non-consolidated statements of operations and reinvested earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1995 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 Strelioff

Regina, Saskatchewan
March 8, 1996

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

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	1995	1994
	(thousands of dollars)	
ASSETS		
Current		
Cash	**$ 271**	$ 92
Interest and accounts receivable	**210**	422
Dividends receivable	**163,743**	143,409
Loans and notes receivable due within one year (Note 3)	**12,400**	147,850
	176,624	291,773
Loans and notes receivable (Note 3)	**936,699**	624,661
Equity advances to Crown corporations (Note 4)	**1,040,687**	1,063,534
Investments in share capital corporations (Note 5)	**475,660**	475,660
Other assets (Note 6)	**12,610**	14,797
	$ 2,642,280	$ 2,470,425
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Interest and accounts payable	**$ 27,737**	$ 25,389
Dividend payable to General Revenue Fund	**50,000**	-
Notes payable to General Revenue Fund (Note 7)	**322,100**	314,225
Long-term debt due within one year (Note 8)	**35,000**	3,857
	434,837	343,471
Long-term debt (Note 8)	**758,434**	693,434
	1,193,271	1,036,905
Province of Saskatchewan's Equity		
Equity advances (Note 9)	**1,447,452**	1,447,452
Reinvested earnings (deficit)	**1,557**	(13,932)
	1,449,009	1,433,520
	$ 2,642,280	$ 2,470,425

Commitments and Contingencies (Note 10)

(See accompanying notes)

On behalf of the Board: Barry Wiens, Director Ned Shillington, Director

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

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

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
REVENUE		
Dividends (Note 11)	$ **169,574**	$ 153,407
Interest	**671**	15,340
Gain on sale of investment	**-**	11,685
Other	**305**	449
	170,550	180,881
EXPENSES		
Interest - long-term debt	**72,110**	74,557
Interest - short-term debt	**20,221**	16,611
General, administrative and other	**6,837**	4,384
Grant to NewGrade Energy Inc. (Note 5(a))	**10,000**	5,000
Amortization of capital assets	**95**	92
	109,263	100,644
Earnings before the following	**61,287**	80,237
Recovery of write-down of investment (Note 4(a))	**17,145**	-
Write-down of investments (Note 12)	**(12,943)**	(94,169)
NET EARNINGS (LOSS)	**65,489**	(13,932)
(DEFICIT), BEGINNING OF YEAR	**(13,932)**	-
	51,557	(13,932)
DIVIDEND TO GENERAL REVENUE FUND	**50,000**	-
REINVESTED EARNINGS (DEFICIT), END OF YEAR	$ **1,557**	$ (13,932)

(See accompanying notes)

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net earnings (loss)	$ **65,489**	$ (13,932)
Add (deduct) non-cash items:		
Amortization of capital assets	**95**	92
Write-down of investments	**12,943**	94,169
Recovery of write-down of investment	**(17,145)**	-
Gain on sale of investment	**-**	(11,685)
Other non-cash items	**2,846**	2,147
	64,228	70,791
Net change in non-cash working capital balances related to operations (Note 13)	**(17,774)**	6,926
Cash provided by operating activities	**46,454**	77,717
INVESTING ACTIVITIES		
(Increase) decrease in due from CIC Industrial Interests Inc.	**(312,038)**	3,547
Decrease (increase) in notes receivable	**127,113**	(95,928)
Loan repayments by Crown corporations	**-**	77,383
Decrease in equity advances to Crown corporations	**40,200**	76,810
Purchase of investments in share capital corporations	**(4,814)**	(52,378)
Purchase of capital assets	**(88)**	(305)
Cash (used in) provided by investing activities	**(149,627)**	9,129
FINANCING ACTIVITIES		
(Increase) in deferred charges	**(666)**	-
Proceeds on exercised Purchase Warrants	**-**	39,196
Net proceeds on sale of investment	**-**	48,805
Increase (decrease) in notes payable	**7,875**	(36,978)
Long-term debt proceeds	**100,000**	-
Long-term debt repayments	**(3,857)**	(102,383)
Dividends paid to General Revenue Fund	**-**	(35,434)
Cash provided by (used in) financing activities	**103,352**	(86,794)
NET INCREASE IN CASH DURING YEAR	**179**	52
CASH POSITION, BEGINNING OF YEAR	**92**	40
CASH POSITION, END OF YEAR	$ **271**	$ 92

(See accompanying notes)

December 31, 1995

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, CIC Industrial Interests Inc., a wholly-owned share capital subsidiary, and the proportionate share of jointly controlled enterprises.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eight 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 or not significant influence or joint control exists, or there is a parent-subsidiary 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.

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 Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order-in-Council:

CIC Mineral Interests Corporation
SaskEnergy Incorporated
Saskatchewan Computer Utility Corporation
Saskatchewan Development Fund Corporation
Saskatchewan Economic Development Corporation (Note 3(b))
Saskatchewan Forest Products Corporation (Note 4(a))
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Saskatchewan Computer Utility Corporation was wound up pursuant to **The Saskatchewan Computer Utility Corporation Repeal Act** which came into force on January 1, 1996 by Order-in-Council 903/95 dated December 20, 1995.

3. LOANS AND NOTES RECEIVABLE

	1995	1994
	(thousands of dollars)	
Due from CIC Industrial Interests Inc.	$ 936,699	$ 624,661
Saskatchewan Economic Development Corporation short-term notes	-	203,000
Saskatchewan Transportation Company - short-term notes	12,400	4,500
	949,099	832,161
Less: Write-down of investment: Saskatchewan Economic Development Corporation	-	(59,650)
Less: Due within one year	(12,400)	(147,850)
	$ 936,699	$ 624,661

a) Short-term notes receivable are interest bearing. The amount due from CIC Industrial Interests Inc. is non-interest bearing with no set repayment terms.

b) By Order-in-Council 167/95 dated February 28, 1995 and under Section 35 of **The Industrial Development Act**, the Lieutenant Governor in Council exercised the provisions to wind up the affairs of Saskatchewan Economic Development Corporation (SEDCO) by transferring the assets and liabilities to CIC effective February 28, 1995, and to dissolve SEDCO effective March 31, 1995. As a result of the Order-in-Council, the following were transferred to CIC at carrying values (thousands of dollars):

Cash	$ 595
Other assets	141,168
Other liabilities	(4,224)
	$ 137,539

CIC cancelled $137.5 million of short-term notes due from SEDCO as part of the transaction. CIC then transferred $140.5 million of net assets to CIC Industrial Interests Inc. (CIC III) in exchange for a $140.5 million increase in non-interest bearing loans due from CIC III.

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.

	1995	1994
	(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 (a)	**-**	40,200
Saskatchewan Development Fund Corporation	**1,150**	1,150
Saskatchewan Water Corporation	**700**	700
Saskatchewan Government Growth Fund Management Corporation	**1**	1
	1,093,867	1,134,067
Less: Write-down of investments:		
Saskatchewan Transportation Company	**(53,180)**	(47,181)
Saskatchewan Forest Products Corporation	**-**	(23,352)
	$ 1,040,687	$ 1,063,534

a) i) On April 30, 1995, Saskatchewan Forest Products Corporation (SFPC) transferred substantially all of its assets to CIC at carrying value of $40.2 million in satisfaction of equity advances of $40.2 million.

ii) CIC transferred these assets to CIC Forest Products Ltd. (CIC FPL), a wholly-owned subsidiary of CIC III in exchange for a loan receivable of $40.2 million.

iii) CIC FPL contributed the assets to Saskfor MacMillan Limited Partnership for a 50% interest in the partnership.

iv) CIC transferred the $40.2 million loan receivable from CIC FPL to CIC III in exchange for a $40.2 million increase in the non-interest bearing loans due from CIC III.

v) Subsequent to the transfer of assets, CIC forgave $6.3 million of advances owing to CIC by SFPC to effect the cessation of operations of SFPC. As a result, the recovery of previous write-downs of the investment in SFPC of $23.4 million less the advances forgiven has been recognized as earnings of $17.1 million in the year.

5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

Investee	Description of Investment	Voting Percentage	1995	1994
			(thousands of dollars)	
CIC Industrial Interests Inc.	34,000,000 common shares	100%	**$ 340,000**	$ 340,000
NewGrade Energy Inc.	100 Class Y voting participating common shares	50%	**50,001**	50,001
	Promissory notes		**9,568**	4,754
			59,569	54,755
Cameco Corporation	15,541,067 common shares	29.5%	**288,385**	288,385
			687,954	683,140
Less:	Write-down of investments:			
	CIC Industrial Interests Inc.		**(152,725)**	(152,725)
	NewGrade Energy Inc.		**(59,569)**	(54,755)
			$ 475,660	$ 475,660

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. CIC then purchased an additional 50 Class Y voting participating common shares for $50.0 million.

(ii) Class C and D shares held by CIC in the amount 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.

(iv) CIC provided NewGrade with a $5.0 million grant to reduce its operating line of credit. CIC committed to providing NewGrade with a further $20.0 million in grants to reduce NewGrade's guaranteed debt. During the year, $10.0 million in grants were paid with the balance of $10.0 million to be paid in 1996.

5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (continued)

(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 annual operating shortfall. These loans, if any, will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

As of December 31, 1995, CIC owns 50% of the outstanding voting participating shares of NewGrade, a jointly controlled corporation. CIC also holds certain promissory notes due from NewGrade.

b) The investment in Cameco Corporation (Cameco) at December 31, 1995 includes 15,541,067 voting common shares with a carrying value of $288.4 million, representing a 29.5% (1994 - 29.7%) interest in Cameco. The quoted market value of these shares at December 31, 1995 is $788.7 million. Subsequent to year end, CIC announced its intention to sell a portion of these shares as described in Note 16.

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

	Cost	Accumulated Amortization	Net Book Value 1995	Net Book Value 1994
		(thousands of dollars)		
Deferred charges	**$ 28,143**	**$ 15,848**	**$ 12,295**	$ 14,475
Capital assets	**1,409**	**1,094**	**315**	322
	$ 29,552	**$ 16,942**	**$ 12,610**	$ 14,797

7. NOTES PAYABLE TO GENERAL REVENUE FUND

Notes payable to the General Revenue Fund are unsecured, bear an effective interest rate of 5.68% (1994 - 7.10%) and mature March 29, 1996.

8. LONG-TERM DEBT

Maturity Date	Interest Rate	1995	1994
	(per cent)	(thousands of dollars)	
October 1, 1995	9.340	$ -	$ 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
November 2, 1998	7.650	**100,000**	-
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	**3,919**	3,919
		793,434	697,291
Less: Due within one year		**35,000**	3,857
		$ 758,434	$ 693,434

a) All of the above noted long-term debt is payable to the General Revenue Fund.

b) Certain issues totalling $29.3 million (1994 - $33.2 million) are subject to redemption on six months notice by the lender.

c) Principal repayments due in each of the next five years are as follows (thousands of dollars):

1996	**$ 35,000**
1997	**$ -**
1998	**$ 358,407**
1999	**$ 25,000**
2000	**$ 25,000**

9. 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.

10. COMMITMENTS AND 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 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, 1995, the General Revenue Fund's guarantee does not exceed $360.0 million.

c) 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, 1995, CIC's guarantee is $166.5 million (1994 - $180.5 million).

d) CIC has committed to $10.0 million in grant funding to NewGrade to reduce its long-term debt. This funding will be in the form of two $5.0 million grants in 1996.

e) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. At December 31, 1995, no amounts are payable under the guarantee.

1. DIVIDEND REVENUE

Dividend revenue consists of the following:

	1995	1994
	(thousands of dollars)	
Saskatchewan Telecommunications Holding Corporation	**$ 73,500**	$ 48,700
Saskatchewan Power Corporation	**54,104**	46,800
SaskEnergy Incorporated	**31,700**	36,000
Saskatchewan Government Insurance	**2,500**	9,967
Cameco Corporation	**7,770**	8,942
CIC Mineral Interests Corporation	**-**	2,998
	$ 169,574	$ 153,407

12. 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.

	1995	1994
	(thousands of dollars)	
NewGrade Energy Inc.	$ **4,814**	$ 52,378
Saskatchewan Economic Development Corporation	**2,130**	38,599
Saskatchewan Transportation Company	**5,999**	3,192
	$ **12,943**	$ 94,169

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

	1995	1994
	(thousands of dollars)	
Decrease in interest and accounts receivable	$ **212**	$ 7,083
(Increase) decrease in dividends receivable	**(20,334)**	12,849
Increase (decrease) in interest and accounts payable	**2,348**	(13,006)
	$ **(17,774)**	$ 6,926

14. RELATED PARTY TRANSACTIONS

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Amounts resulting from routine operating transactions are settled at prevailing market prices under normal trade terms.

As part of a transaction whereby CIC III sold a research and development park to Saskatchewan Opportunities Corporation (SOCO), CIC short-term notes payable to the General Revenue Fund of $39.8 million were transferred to SOCO in exchange for an equivalent decrease in CIC non-interest bearing loans due from CIC III.

CIC provides management services to CIC III without charge. Other amounts due to and from related parties and the terms of settlement are described separately in these non-consolidated financial statements and the notes thereto.

15. 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, 1995 exceed the actuarially determined net present value of retirement annuities payable.

16. SUBSEQUENT EVENTS

On February 26, 1996, the Corporation announced its intention to sell 9,500,000 shares of its investment in Cameco with an option granted, for a period of 30 days after the closing date, to the underwriters to purchase up to an additional 1,000,000 shares. The final sale price was set at $75.50 per share, payable in two equal instalments due on each of the closing date, scheduled for March 20, 1996, and March 20, 1997.

17. COMPARATIVE FIGURES

Certain of the 1994 comparative figures have been reclassified to conform with the current year's presentation.

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).

1995 Financial Results

CIC III reported net income of $57.6 million in 1995 compared to a net loss of $14.0 million in 1994. The improvement in CIC III's results is mainly due to increased earnings from equity investments.

CIC III's equity investment earnings improved from losses of $21.4 million in 1994 to earnings of $37.4 million in 1995. This improvement is mainly attributable to Saskferco and CIC Pulp Ltd. Saskferco provided equity earnings of $22.9 million to CIC III in 1995 compared to equity earnings of $10.9 million in 1994. An improvement of $44.1 million in the earnings of CIC Pulp Ltd. was made possible by improved market conditions for the Meadow Lake Pulp Mill. Earnings from equity investments are listed in Note 5 to the Non-Consolidated Financial Statements.

CIC III's investment activities were significant in 1995. Investments during the year included $149.5 million in loans to HARO and the purchase of $140.5 million of mortgage loans, shares and rental property from CIC. These assets were formerly held by SEDCO. Other investments during the year included the purchase of 58.2 per cent of the interests of the Governments of Canada and Alberta in the Bi-Provincial Upgrader for $43.1 million, purchase of advances to the Bi-Provincial Upgrader from Husky for $10.7 million, advances of $40.2 million to a new subsidiary, CIC Forest Products Ltd., for the purpose of establishing the Saskfor MacMillan Limited Partnership, and the conversion of $68.0 million of loans to HARO to non-voting equity shares.

Events Subsequent to Year-End

Subsequent to CIC III's year end, CIC III received payment of $11.8 million from DPCL for discharge of the entire amount of the loan and interest due to CIC III.

Also subsequent to year end, CIC III purchased additional shares in NPD for $276.0 thousand and additional shares of Biostar Inc. for $421.0 thousand. As a result, CIC III now holds 73.6 per cent and 9.2 per cent respectively of each corporation.

On April 10, 1996, CIC III agreed to defer $13.7 million of interest and principal due from the Meadow Lake Pulp Limited Partnership to assist the pulp mill's 1996 operations as a result of a dramatic reduction in the market price of pulp.

CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED FINANCIAL STATEMENTS 1995

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.

David Dombowsky
President

Patti A. Beatch
Vice-President, Finance

March 8, 1996

CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED FINANCIAL STATEMENTS 1995

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, 1995 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, 1995 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 Strelioff

Regina, Saskatchewan
March 8, 1996,
except as to Note 11(d)
which is as of April 10, 1996

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

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

As at December 31

	1995	1994
	(thousands of dollars)	
ASSETS		
Current		
Cash	$ -	$ 3
Interest and accounts receivable	6,566	1,017
Debentures and loans receivable due within one year (Note 3)	16,084	27
Mortgages receivable due within one year (Note 4)	571	519
Other assets	-	325
	23,221	1,891
Debentures and loans receivable (Note 3)	591,393	471,209
Mortgages receivable (Note 4)	38,975	39,545
Advances due from Bi-Provincial Upgrader (Note 5(a))	65,621	14,525
Due from CIC Pulp Ltd., without interest	11,316	10,373
Due from CIC Forest Products Ltd., without interest (Note 5(e))	40,200	-
Investments - equity basis (Note 5)	220,671	175,829
Investments - cost basis (Note 6)	136,957	65,341
Investments - rental property (Note 7)	21,727	-
	$ 1,150,081	$ 778,713
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	$ 1,769	$ 22
Due to Crown Investments Corporation of Saskatchewan (CIC), without interest	936,699	624,661
Shareholder's Equity		
Share capital (Note 8)	340,000	340,000
Deficit	(128,387)	(185,970)
	211,613	154,030
	$ 1,150,081	$ 778,713

Commitments (Note 9)

(See accompanying notes)

On behalf of the Board: Barry Wien, Director David Dombowsky, Director

CIC INDUSTRIAL INTERESTS INC.

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
REVENUE		
Interest and other	**$ 22,414**	$ 7,447
Rental property	**4,172**	-
Earnings from equity investments (Note 5(f))	**37,366**	-
Gain on sale of investments	**8**	20
	63,960	7,467
EXPENSES		
Administrative	**1,792**	25
Amortization	**1,095**	-
Interest	**432**	-
Rental property	**2,674**	-
Write-down of cost base investments	**384**	-
Losses from equity investments (Note 5(f))	**-**	21,396
	6,377	21,421
NET INCOME (LOSS)	**57,583**	(13,954)
DEFICIT, BEGINNING OF YEAR	**(185,970)**	(172,016)
DEFICIT, END OF YEAR	**$ (128,387)**	$ (185,970)

(See accompanying notes)

CIC INDUSTRIAL INTERESTS INC.
NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

	1995	1994
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net income (loss)	$ 57,583	$ (13,954)
Dividends received from equity investments	7,337	147
Add (deduct) non-cash items:		
Gain on sale of investments	(8)	(20)
(Earnings) losses from equity investments	(37,366)	21,396
Write-down of cost base investments	384	-
Amortization	1,095	-
Reduction of loan loss provision	(1,298)	-
	27,727	7,569
Net change in non-cash working capital balances related to operations	(3,477)	140
Cash provided by operating activities	24,250	7,709
INVESTING ACTIVITIES		
Increase in debentures and loans receivable	(227,667)	(598)
Debenture and loan repayments received	24,724	553
Mortgage repayments received	518	471
Purchase of investments	(82,670)	(1,485)
Proceeds from sale of investments	41,043	2,620
Conversion to cost base shares	(68,000)	-
Conversion from loans and debentures	68,000	-
Increase in advances to Bi-Provincial Upgrader	(51,096)	(5,775)
Advances to CIC Forest Products Ltd.	(40,200)	-
(Increase) decrease in advances to CIC Pulp Ltd.	(943)	52
Cash used in investing activities	(336,291)	(4,162)
FINANCING ACTIVITIES		
Increase (decrease) in due to CIC	312,038	(3,547)
NET DECREASE IN CASH	(3)	-
CASH POSITION, BEGINNING OF YEAR	3	3
CASH POSITION, END OF YEAR	$ -	$ 3

(See accompanying notes)

December 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as noted in a) and c) 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., CIC Forest Products 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 50% 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) Investments - Rental Property

The Corporation's investment property is recorded at the lower of amortized cost and net realizable value.

The Corporation capitalizes land acquisition costs, direct development costs, administration costs and applicable interest to arrive at the cost of property under development. The cost is not to exceed net realizable value.

Sales are recognized at the date non-conditional offers to purchase are approved by the Corporation and appropriate consideration has been received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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, and accrued interest receivable is offset by deferred interest income.

g) Amortization

Amortization on rental properties is calculated using a method whereby the assets are amortized over 25 years, assuming an interest cost of 8%.

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

	1995	1994
	(thousands of dollars)	
HARO Financial Corporation:		
Loans receivable:		
Term loan (a(i))	**$ 266,829**	$ 308,665
Convertible debenture (a(ii))	**149,506**	-
Interest receivable	**834**	1,125
Less: Deferred interest	**(64,663)**	(38,790)
	352,506	271,000
Meadow Lake Pulp Limited Partnership:		
Loans receivable: (b)		
Participating Debenture	**159,000**	159,000
Interest Loan	**88,784**	63,927
Term Loan	**20,000**	20,000
Contingency Loan	**9,431**	8,607
Accrued interest on Participating Debenture and Interest Loan	**4,617**	4,154
Less: Deferred interest	**(93,401)**	(68,081)
	188,431	187,607
Dairy Producers Co-Operative Limited:		
Floating rate loan receivable (Note 11)	**10,857**	11,803
Less: Deferred interest	**-**	(1,303)
	10,857	10,500

3. DEBENTURES AND LOANS RECEIVABLE (continued)

	1995	1994
	(thousands of dollars)	
Canadian Western Bank:		
Convertible debenture (c)	2,000	2,000
Saskatchewan Opportunities Corporation:		
Note receivable (d)	2,000	-
Sascable Services Inc.:		
14% note receivable repayable in annual instalments of $40,000 blended principal and interest with the balance due February 28, 1998	103	129
Promavia International Corporation:		
Floating rate loan receivable (e)	2,268	2,268
Interest receivable	1,052	717
Less: Deferred interest	(1,052)	(717)
Write-down of loan receivable	(2,268)	(2,268)
	-	-
Mortgage Loans:		
Loan principal receivable (f)	75,277	-
Loan interest receivable	1,887	-
Loan costs receivable	1,296	-
Lease options (net of unearned income)	4,686	-
Less: Allowance for loan losses	(31,566)	-
	51,580	-
	607,477	471,236
Less: Due within one year	16,084	27
	$ 591,393	$ 471,209

a) i) The Corporation entered into various agreements with HARO Financial Corporation (HARO) on December 15, 1992 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, 1995 (1994 - $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.

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.

3. DEBENTURES AND LOANS RECEIVABLE (continued)

Payment of principal and interest is subject to available cash flow as specifically defined in the loan agreement. Due to the uncertainty of the timing of future cash payments, interest income earned is 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, 1995 is $64.7 million (1994 - $38.8 million).

All amounts unpaid are due and payable on December 15, 2017. On that date any balance of principal and interest outstanding will be converted into a maximum of 94% of HARO equity shares. The Corporation has a unilateral right to convert no less than 25% of the loan to either non-voting, fully participating or common equity shares of HARO. In addition, the Corporation can exercise a unilateral right to convert the loan into 94% of HARO's assets. Any conversion may be subject to regulatory approval. The security for the loan is 100% of the assets of HARO.

On February 10, 1995 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.

On October 24, 1995, the Corporation exercised its right to convert $68.0 million of the loan into 68,000,000 non-voting, fully participating equity shares of HARO. The Corporation has a unilateral right to exchange these for common equity shares or 94% of the assets of HARO. Both exchange rights may be subject to regulatory approval. The Corporation's right to dividends and property of HARO on liquidation is limited to 94% regardless of the number or class of shares owned of HARO.

ii) On March 22, 1995, the Corporation entered into an irrevocable commitment to lend HARO up to $150.0 million to purchase Series A and Series B convertible debentures ("Debentures") issued by Crown Life. An Additional Loan Agreement between the Corporation and HARO was entered into on June 15, 1995, and $149.5 million ("Additional Loan") was advanced to HARO on July 31, 1995. HARO purchased $74.8 million of each of Series A and Series B convertible debentures of Crown Life.

The Additional Loan has an initial term to December 15, 1997, with a maximum of four five-year renewal terms at the option of HARO. The Corporation has the option of extending the term for repayment for two five-year terms but any renewals by HARO or the Corporation cannot extend beyond December 15, 2017, when all remaining balances are due and payable.

Interest is payable each January 31 and July 31 throughout the term of the Additional Loan and is calculated for each interest period at the average of the 90 day Bankers' Acceptance rate based on the Canadian Interbank Bid Rate quoted by Reuters, determined on a quarterly basis, plus 1.05%.

Payment of principal and interest is based on 100% of the cash flow received by HARO from Crown Life Debentures. There were no principal payments made during the year. Accrued interest recorded to December 31, 1995 was paid in full on January 31, 1996.

The Corporation has a unilateral right to exchange the balance owing on the Additional Loan for the Debentures of Crown Life owned by HARO. The security for the Additional Loan consists of all Crown Life Debentures owned by HARO. In the event of conversion, any securities acquired by HARO become security for the Additional Loan.

3. DEBENTURES AND LOANS RECEIVABLE (continued)

The value of the investment in HARO is based primarily on HARO's investment in Crown Life, which is held as security by the Corporation. Crown Life is currently a defendant in various lawsuits involving the sale, on a "vanishing premium" basis, of participating whole life insurance policies in the United States. At present it is not possible to predict the outcome of the litigation, or the effects of the outcome of litigation on the value of Crown Life, and thus on the value of the security held by the Corporation. Any material effect on the value of the Corporation's investment in HARO will be reflected in income in the year of determination.

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 which bears interest at 11.15% calculated on October 31 each year.
- The Term Loan which bears interest at the Canadian Imperial Bank of Commerce (CIBC) prime interest rate plus 1/4% 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.

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 Interest Loan and then to the Participating Debenture. 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 and Term Loan mature in the year 2014. If by October 31, 2014, less than $159.0 million in the aggregate has been paid on the Participating Debenture and Interest Loan an amount equal to the difference between the $159.0 million and the aggregate amount that has been paid on the Participating Debenture and Interest Loan shall be due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture 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.

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)

d) The note receivable from Saskatchewan Opportunities Corporation, a related corporation through common control, bears interest calculated at the Corporation's 90 day cost of borrowing, which at December 31, 1995 is 5.7%. During the year, $146.1 thousand was recorded as income from the note receivable, of which $33.5 thousand remained receivable at year end.

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.

f) The majority of the mortgage loan portfolio consists of mortgage backed loans with various market based interest rates and various maturities. Included in the mortgage loan portfolio is $7.5 million in participation loans (1994 - $9.5 million). Repayment of participation loan's principal and interest is based on the profitability of the borrower.

4. MORTGAGES RECEIVABLE

	1995	1994
	(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	$ **31,703**	$ 32,157
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	**7,843**	7,907
	39,546	40,064
Less: Due within one year	**571**	519
	$ **38,975**	$ 39,545

5. INVESTMENTS - EQUITY BASIS

	Percentage Ownership	Fiscal Year End	1995	1994
			(thousands of dollars)	
Bi-Provincial Upgrader Joint Venture Interest: Equity - cost $267,163,551 (1994 - $252,350,570); no quoted market values (a)	50.0%	Dec. 31	$ **138,745**	$ 142,777
Saskferco Products Inc. (Saskferco): 68,449,080 (1994 - 68,449,080) Class B common shares - cost $68,449,080 (1994 - $68,449,080); no quoted market values (b)	49.0%	May 31	**87,946**	72,188
National Pig Development (Canada) Co. Ltd. (NPD): 1,510,783 (1994 -1,510,783) Class A common shares - cost $1,348,328 (1994 - $1,348,328); 975,000 (1994 - 975,000) Class B non-voting preferred shares - cost $1,950,000 (1994 - $1,950,000); no quoted market values (c)	71.9%	Sep. 30	**5,165**	4,609
SGI Canada Insurance Services Ltd.: 320,100 (1994 - 320,100) Class A common shares - cost $2,000,100 (1994 - $2,000,100); no quoted market values	40.0%	Dec. 31	**2,065**	2,004
Millar Western Pulp (Meadow Lake) Ltd.: 49 (1994 - 49) common shares - cost $49 (1994 - $49); no quoted market values	49.0%	Dec. 31	-	-
CIC Pulp Ltd.: 100 (1994 - 100) common shares - cost $100 (1994 - $100); no quoted market values (d)	100.0%	Dec. 31	**(16,125)**	(45,749)
CIC Forest Products Ltd.: 100 (1994 - Nil) common shares cost $100 (1994 - Nil); no quoted market values (e)	100.0%	Apr. 30	**2,875**	-
			$ **220,671**	$ 175,829

5. INVESTMENTS - EQUITY BASIS (continued)

a) The Corporation owned a 17.5% equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture) to February 6, 1995, at a cost of $252.4 million.

On February 7, 1995, the Corporation purchased 58% of each of the joint venture interests of the Governments of Canada and Alberta for $43.1 million representing $14.8 million in equity and $28.3 million for operating loans outstanding to Canada and Alberta. As a result of the purchase the Corporation holds a 50% interest in the joint venture. In addition, the Corporation paid $10.7 million to Husky Oil Operations Ltd. representing its pro-rata commitment under the Interim Operating Shortfall Agreement.

At December 31, 1995, the Corporation has a total of $65.6 million (1994 - $14.5 million) in advances to the joint venture of which $28.6 million bears a return allowance of CIBC prime plus 1%.

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 (1994 - $2.0 million) in the form of Class B shares to fund construction cost overruns.

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, 1995, $1,250 thousand (1994 - $1,250 thousand) has been advanced to NPD under these agreements.

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) On February 10, 1995, the Corporation incorporated CIC Forest Products Ltd. (CICFPL) under **The Business Corporations Act** (Saskatchewan) to hold a 50% interest in Saskfor MacMillan Limited Partnership, located in Hudson Bay, Saskatchewan.

On April 30, 1995, the Corporation assumed, from CIC, $40.2 million of advances due from CICFPL. These advances arose from a transfer of assets from CIC to CICFPL for the purpose of forming Saskfor MacMillan Limited Partnership.

f) Earnings (losses) from equity investments are comprised as follows:

	1995	1994
	(thousands of dollars)	
SGI Canada Insurance Services Ltd.	$ **62**	$ 2
National Pig Development (Canada) Co. Ltd.	**712**	1,013
Saskferco Products Inc.	**22,939**	10,948
CIC Pulp Ltd.	**29,624**	(14,518)
CIC Forest Products Ltd.	**2,875**	-
Bi-Provincial Upgrader	**(18,846)**	(18,841)
	$ **37,366**	$ (21,396)

6. INVESTMENTS - COST BASIS

	1995	1994
	(thousands of dollars)	
Wascana Energy Inc.: 5,842,910 (1994 - 5,842,910) common shares - cost $63,355,000 (1994 - $63,355,000); quoted market value $75,227,466 (1994 - $58,429,100)	$ 63,355	$ 63,355
HARO Financial Corporation: 68,000,000 (1994 - Nil) Class B non-voting common shares - cost $68,000,000 (1994 - Nil); no quoted market value (Note 3(a))	68,000	-
Other cost basis investments	5,602	1,986
	$ 136,957	$ 65,341

7. INVESTMENTS - RENTAL PROPERTIES

	1995	1994
	(thousands of dollars)	
Property under development	$ 9,850	$ -
Rental properties	13,960	-
Rental properties under construction	100	-
	23,910	-
Less: Accumulated amortization	2,183	-
	$ 21,727	$ -

8. SHARE CAPITAL

	1995	1994
	(thousands of dollars)	
Authorized - Unlimited number of one class of shares with no par value		
Issued and outstanding - 34,000,000 shares (1994 - 34,000,000 shares)	$ 340,000	$ 340,000

9. COMMITMENTS

a) The Corporation is committed to fund operating shortfalls, if any, of the Bi-Provincial Upgrader to a maximum of $12.5 million in 1996. Due to the positive operating results of the Bi-Provincial Upgrader the Corporation does not expect to fund any amount under this facility in 1996.

b) The Corporation is committed to fund up to $4.0 million to NPD to facilitate expansion. To date $1.3 million (1994 - $1.3 million) has been funded.

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.

On February 28, 1995, the Corporation purchased assets from CIC at carrying value of $140.5 million. These assets were formerly held by Saskatchewan Economic Development Corporation. These assets were in the form of mortgage loans, cost base shares, and rental property.

On August 1, 1995, the Corporation sold Innovation Place, a research and development park located in Saskatoon, Saskatchewan, at its carrying value of $39.8 million, to Saskatchewan Opportunities Corporation (SOCO). The Corporation continues to provide administrative services to Innovation Place for SOCO on a cost recovery basis.

CIC provides management services to the Corporation without charge.

Other account balances resulting from routine transactions are included in the non-consolidated statement of financial position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the non-consolidated financial statements and the notes thereto.

11. SUBSEQUENT EVENTS

a) On January 5, 1996, the Corporation entered into an agreement with Dairy Producers Co-Operative Limited (DPCL) for the repayment of their outstanding loan. On January 8, 1996, the Corporation received $11.8 million from DPCL for discharge of the entire amount of the loan and interest.

b) On January 8, 1996, the Corporation purchased 138,000 Class A common shares and 69,000 Class B non-voting preferred shares of NPD for $276.0 thousand. The purchase of shares increased the Corporation's ownership of NPD to 73.6%.

c) On January 11, 1996, the Corporation purchased 210,500 common shares of Biostar Inc. for $421.0 thousand. The purchase of shares increased the Corporation's ownership of Biostar Inc. to 9.2%.

d) On April 10, 1996, the Corporation approved a deferral of $13.7 million of interest and principal due from MLPLP under the loans receivable cash flow formula. The payment of this deferred amount is dependent on MLPLP's available cash flow.

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. Bernhard Wiens
President: D. Dombowsky

Subsidiaries

CIC Industrial Interests Inc.
400 - 2400 College Avenue
Regina, Saskatchewa S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. Bernhard Wiens
President: D. Dombowsky

CIC Mineral Interests Corporation
400 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. Bernhard Wiens
President: D. Dombowsky

Saskatchewan Development Fund Corporation
300 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-1645
Chairperson: Hon. Janice MacKinnon
General Manager: D. Axtell

Saskatchewan Opportunities Corporation
1945 Hamilton Street, 6th Floor
Regina, Saskatchewan S4P 2C7
Inquiry: (306) 787-8595
Chairperson: Hon. Dwain Lingenfelter
President: Z. Douglas

Saskatchewan Forest Products Corporation
400- 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. Doug Anguish
President: D. Dombowsky

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
2260 - 11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: (306) 775-6900
Chairperson: Hon. Clay Serby
President: J. Wright

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

Subsidiaries (continued)

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

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

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: (306) 777-3737
Chairperson: Hon. Carol Teichrob
President: D. Ching

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