# CROWN INVESTMENTS CORPORATION

## OF SASKATCHEWAN

ANNUAL REPORT

1996

# *MANDATE*

*Crown Investments Corporation of Saskatchewan (CIC), originally known as the Government Finance Office, was established by Order-in-Council 535/47, dated April 2, 1947, and was continued pursuant to the provisions of* ***The Crown Corporations Act, 1993*** *(the Act), which 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 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 16 of this Annual Report.*

*CIC's corporate mandate consists of three elements:*

***1. Subsidiary Crown Corporations***

*Monitoring and evaluating the performance of Crown corporations and coordinating their strategic direction to ensure continued business viability within a public policy framework.*

***2. Asset Management***

*Managing prudently a diversified portfolio of commercially viable investments.*

***3. Economic Development and Diversification***

*Coordinating the direction of Crown corporations and pursuing new investment opportunities to enhance long-term economic growth and diversification.*

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN ANNUAL REPORT 1996

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# *LETTER OF TRANSMITTAL*

Regina, Saskatchewan
April 3, 1997

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

Sir:

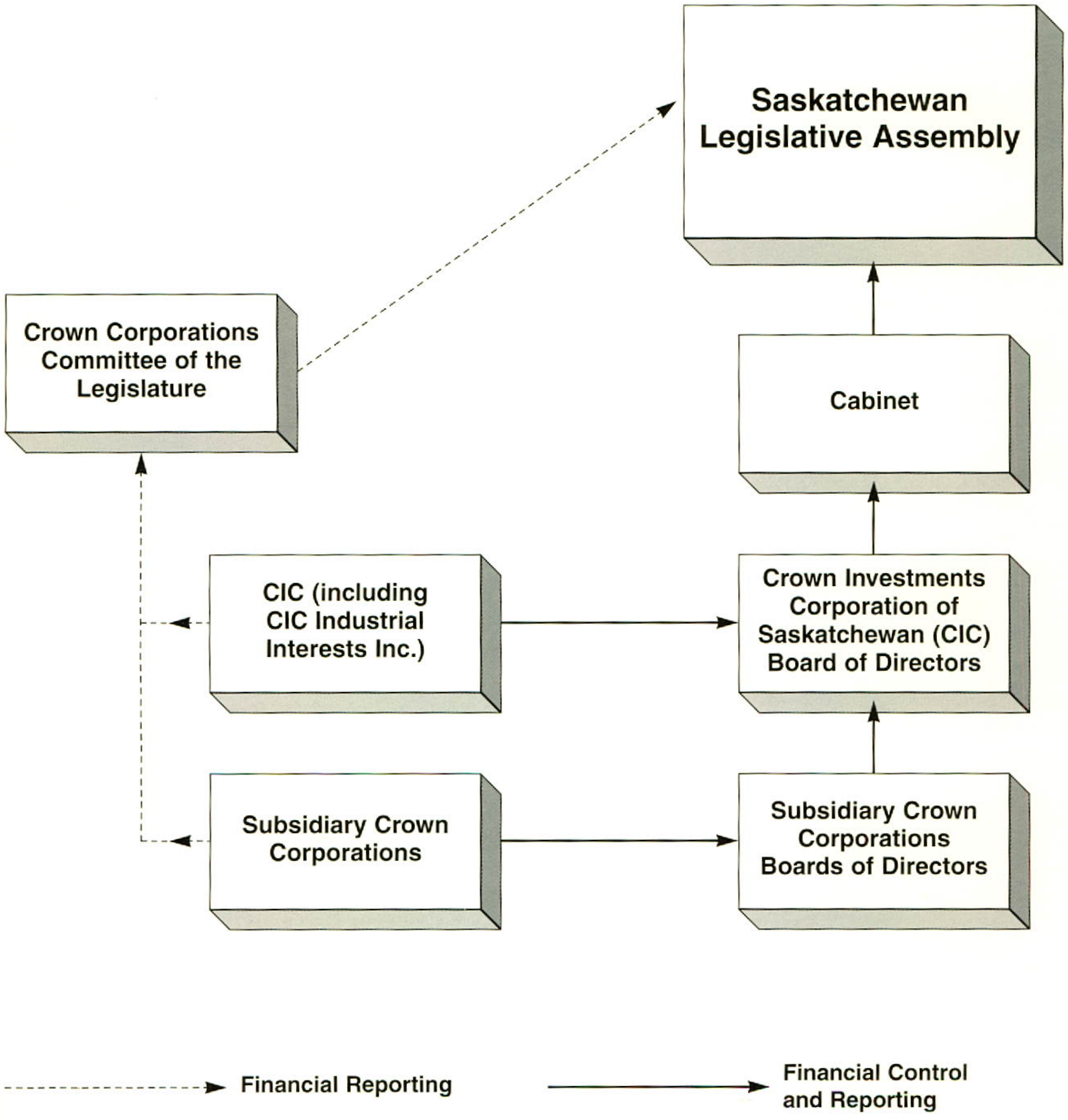
I have the honour to submit herewith the nineteenth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 1996 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are 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, Chairman
Minister of Crown Investments Corporation

Hon. Ned Shillington, Vice-Chairman
Minister of Intergovernmental Affairs
Provincial Secretary
Government House Leader

Hon. Eldon Lautermilch
Minister of Energy and Mines
Minister Responsible for Saskatchewan Power Corporation, SaskEnergy Incorporated and Saskatchewan Water Corporation

Hon. Dwain Lingenfelter
Deputy Premier
Minister of Economic Development
Minister Responsible for Saskatchewan Tourism Authority, Saskatchewan Opportunities Corporation, Saskatchewan Government Growth Fund Management Corporation and Saskatchewan Trade and Export Partnership

Hon. Janice MacKinnon
Minister of Finance

Hon. Clay Serby
Minister Responsible for Saskatchewan Property Management Corporation, Saskatchewan Government Insurance and Saskatchewan Liquor and Gaming Authority

Hon. Carol Teichrob
Minister of Municipal Government
Minister Responsible for Saskatchewan Telecommunications Holding Corporation

## Audit Committee

Hon. Clay Serby, Chairman
Hon. Eldon Lautermilch
Hon. Bernhard Wiens

## Finance Committee

Hon. Bernhard Wiens, Chairman
Hon. Dwain Lingenfelter
Hon. Janice MacKinnon

## Public Policy Committee

Hon. Ned Shillington, Chairman
Hon. Bernhard Wiens
Hon. Carol Teichrob

# CORPORATE VISION, MISSION AND VALUES AND PRINCIPLES

## VISION

CIC provides a strategic focus to the Crown corporation sector and is the centre of excellence for public investment. CIC is a leader in facilitating economic growth through commercially viable investments in Saskatchewan and is financially self-sufficient. CIC leads through modeling innovative, responsible and accountable management practices. CIC is a valued resource of knowledge to its customers and stakeholders - including: the Saskatchewan public; the Saskatchewan government; the CIC Board; CIC employees; subsidiary Crown corporations; and investment partners.

## MISSION

CIC's mission is to be a leader in providing strategic focus to Crown enterprises and in managing financial and operating investments. CIC adds value to the Province of Saskatchewan by:

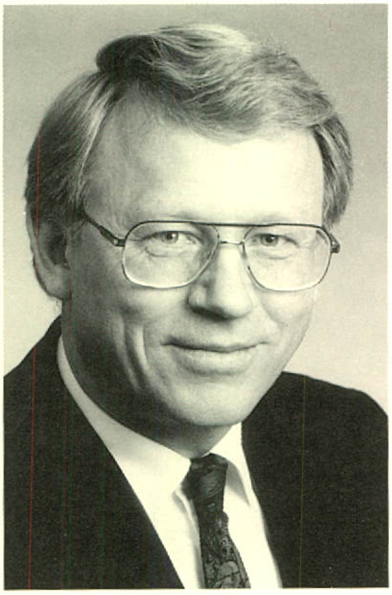
- monitoring and evaluating the performance of Crown corporations and coordinating their strategic direction to ensure the achievement of public policy objectives while maintaining business viability;
- managing prudently a diversified portfolio of commercially viable investments; and,
- coordinating the direction of Crown corporations and pursuing investment opportunities to enhance long-term economic growth and diversification

## VALUES AND PRINCIPLES

CIC is committed to the following values and principles:

- attracting highly skilled and knowledgeable people who work effectively in a team environment;
- being a model employer by developing our employees' knowledge and skills, and by developing our people to be public leaders;
- using honesty, integrity, and mutual respect in dealing with all customers and stakeholders;
- demonstrating leadership and innovation to position the Crown corporation sector to meet the challenges of a rapidly changing world and to harness new opportunities for our customers and stakeholders;
- providing service which adds value to the activities of our customers and stakeholders;
- communicating openly and effectively with our customers and stakeholders on the role of public enterprise and the activities of CIC; and,
- taking full responsibility for our actions.

# *REPORT OF THE BOARD CHAIRMAN*



Public enterprise in Saskatchewan is operating in a rapidly changing world. Federal deregulation, open trade between provinces and between nations, and a globalizing of the economy have substantially changed the playing field.

Nowhere is this more evident than with Saskatchewan's Crown corporations, where the changing world economy is taking them into an arena of increased competition.

In 1996, Crown Investments Corporation of Saskatchewan (CIC) took a major step forward with an intensive and wide-ranging review of its subsidiary Crown corporations and Crown holdings.

Involved in the review were CIC's major subsidiary Crown corporations: Saskatchewan Power Corporation (SaskPower); Saskatchewan Telecommunications Holding Corporation (SaskTel); Saskatchewan Government Insurance (SGI); SaskEnergy Incorporated (SaskEnergy); and, Saskatchewan Transportation Company (STC). As well, the review took a close look at CIC's larger equity holdings: Bi-Provincial Upgrader Joint Venture; NewGrade Energy Inc.; HARO Financial Corporation (and its subsidiary Crown Life Insurance Company); Saskferco Products Inc.; Meadow Lake Pulp Limited Partnership; and the Saskfor MacMillan Limited Partnership.

The review was done in three parts - industry consultants were hired to review the financial position of each Crown corporation and major investment, and the challenges they may face in the future; a series of public meetings were held to gauge the requirements and expectations of Saskatchewan people regarding Crown corporations; and, an economic model was utilized to determine the financial impact on the province of public enterprise, and how the impact might change, should ownership change. As well, a one-day conference was held in conjunction with the University of Regina to discuss public investment in terms of Saskatchewan, Canada, and the world.

The design of the review reflected the need to understand the impact of the changing economic conditions on the finances of the Crown corporations, and the need to conduct an examination which went beyond just the bottom line.

What the review found is that the status quo is no longer a viable option for Crown corporations in this province. In order to protect the public's investment in these enterprises, we must be prepared to consider changes in operations, structure or ownership.

During 1996, CIC was responsible for conducting the review and assessing the data which emerged from it. CIC was also given the task, which will continue into 1997, of designing options for the future based on what was learned.

# *REPORT OF THE BOARD CHAIRMAN*

*(continued)*

1996 was a year in which CIC began to develop a picture of what the future holds for public investment in Saskatchewan - a task which will be ongoing in our rapidly changing times. We are now looking forward to 1997, our 50th anniversary year, as we set the course of change for our Crown corporations and investments into the next century.

Bernhard H. Wiens
Minister Responsible
Chairman of the Board of Directors

# *REPORT OF THE PRESIDENT*

In 1996, Crown Investments Corporation of Saskatchewan (CIC) enjoyed a year which saw a strengthening of the public's commercial investments and a redefining of roles.

For the province's Crown corporation sector, the year was characterized by managing change in a professional and productive manner.

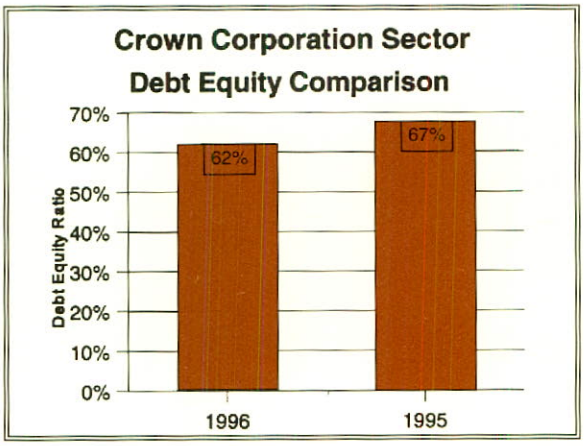
For the equity holdings of CIC, it was another year, for the most part, of strengthening the financial position of those companies.

And the year saw improvements in how CIC accounts to the public, and also saw changes in CIC's corporate structure.

**In 1996, CIC continued to establish itself on a more solid financial footing.**

On a consolidated basis, CIC recorded net earnings of $741.3 million on revenues of $3,042.9 million. Of that amount, there were $2,245.9 million in revenues from the Crown corporations and $797 million in revenues from CIC's investment holdings. These earnings (which compared to $240.8 million in 1995) included an extraordinary gain of $515.8 million, as a result of the sale of 10.1 million shares of Cameco Corporation held by CIC.

At year end, CIC's asset base, composed of its subsidiary Crown corporations and its investments, including its industrial holdings, amounted to almost $8 billion. The debt to equity ratio for the Crown corporation sector as a whole is now at 62.1 per cent, compared to 67.4 per cent in 1995.




For the second year in a row, CIC was able to provide the General Revenue Fund (GRF) with a dividend of $50.0 million, in addition to a special dividend of $365.7 million as a result of the sale of Cameco Corporation shares. This is only the third time since 1991 that the Crown corporation sector was in a position to declare such a dividend to the GRF.

Capital spending for CIC's Crown corporation sector in 1996 stood at $379.6 million, as compared to $635.1 million in 1995. It is projected to be $440 million in 1997.

As a result of CIC's continual review of its investments, CIC wrote down its remaining investment in STC of $22.8 million, and CIC Industrial Interests Inc. (CIC III) recorded a $30 million provision against its loans to the Meadow Lake Pulp Limited Partnership.

**However, CIC's obligation to its stakeholders goes beyond just the bottom line.**

CIC also has the responsibility to ensure that the policy directives of the Government are carried out within the Crown corporation sector.

# *REPORT OF THE PRESIDENT* *(continued)*

In 1996, CIC undertook, at a cost of approximately $3.4 million, the most extensive review of the CIC subsidiary Crown corporations and CIC's public investments ever carried out in this province. The results of this review will help to shape public policy in the Crown corporation sector for years to come.

Throughout the course of the year, CIC gave direction and advice to the subsidiary Crown corporations in areas of their operations where public policy had a role to play. Such areas included rate setting, human resource policy and dividend policy, which, in turn, affects the overall fiscal health of the province.

By the end of 1996, all subsidiary Crown corporations had received approval of their Employment Equity Plans from the Saskatchewan Human Rights Commission.

To advance economic growth and job opportunities in the province, CIC supported Saskferco Products Inc. (Saskferco), in a $37.2 million expansion of its fertilizer plant located outside of Regina. The cost of expansion was paid for by earnings generated by Saskferco.

In 1996, CIC received final clearance from Saskatchewan Environment and Resource Management for its environmental mitigation efforts to property previously owned by Saskatchewan Forest Products Corporation (SFPC) in the City of Prince Albert. Further, CIC undertook a $2 million environmental cleanup project at the Saskatoon Chemicals Company site in Saskatoon.

**During the year, CIC continued its efforts to make the Crown corporation sector more open and accountable to its stakeholders.**

In addition to the Crown corporation review, which was a very public process, CIC made two reporting changes, which are reflected in this Annual Report. For the first time, a Management's Discussion and Analysis (MD&A) section is being utilized, and corporate goals and objectives for the current year (1997) will be stated.

In the past, Annual Reports contained a summary of the corporation's actions during the year under review. With this new format, in addition to the highlights of 1996, we are reporting on the outlook for the future and the challenges to be faced.

The MD&A format is now a reporting requirement for firms regulated by the Ontario Securities Commission. It is being used by most of the CIC subsidiary Crown corporations in their 1996 Annual Reports, and will be standard reporting, starting with the 1997 Annual Report, for all CIC subsidiary Crown corporations.

The stating of corporate goals and objectives for the upcoming year will allow CIC's stakeholders to better compare, in its next Annual Report, actual performance against stated goals.

**It was also a year for change in how CIC, as a corporation, operates.**

In 1996, it became apparent that if the corporation is expecting changes to be made as to how Saskatchewan's Crown corporations operate, it would have to make some changes itself, to help facilitate those changes.

During the year, CIC was restructured to be more responsive to the needs of our subsidiaries and investments, as well as to provide greater value to our stakeholders, the people of Saskatchewan.

The corporation was reorganized into five divisions from the previous seven.

The ***President's Office*** is responsible for the overall direction of CIC, as well as its day-to-day operations. Included in the President's Office are the Human Resources, Communications, and General Counsel and Corporate Secretary functions of CIC.

The ***Crown Corporation Division*** is the main contact with the subsidiary Crown corporations, and deals with them on such items as corporate secretarial services, business plans and operating budgets, human resources services, and decision items requiring CIC Board and/or Cabinet approval. It also provides financial analysis to the CIC Board on Crown corporation issues.

The ***Strategic Planning Division*** has primary responsibility to oversee the development of a full strategic plan for CIC. It takes a broad, long-term view of issues affecting CIC and monitors and analyzes these issues from an economic, fiscal, and public policy perspective.

The ***Investments Division*** is responsible for all CIC investments, with the exception of the subsidiary Crown corporations. It is responsible for the prudent management of a diversified portfolio of commercially viable investments, and is responsible for the acquisition of new investments or the divestiture of existing investments, as appropriate.

The ***Finance and Administration Division*** is responsible for the financial integrity of CIC. It manages the corporation's budget and administration, financial reporting and forecasting, dividend policy, cash and debt positions, financial transactions, and information technology.

As well, CIC retains responsibility for the ***Capital Pension and Benefits Administration***, which administers the multi-employer Capital Pension Plan and a benefits package.

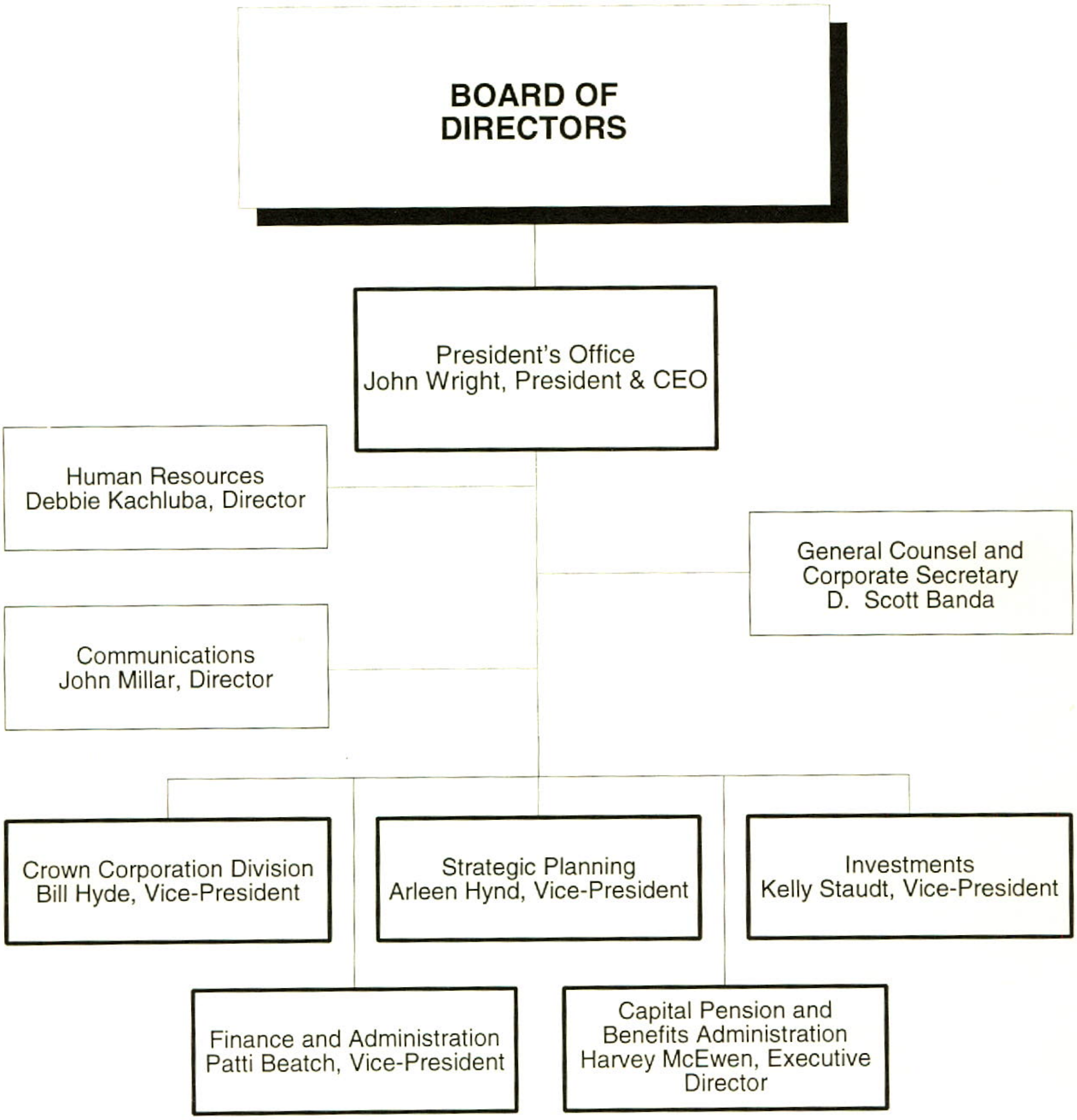
The reorganization has resulted in a smaller executive, but one which is designed to be more responsive and value-added to our stakeholders and partners.

In all, 1996 was a year in which CIC moved significantly toward the goal of monitoring, evaluating and directing public sector investment into the next century.

CIC management would like to take this opportunity to thank the staff for all their hard work during the year. As we move into 1997, the 50th anniversary year of CIC, a year in which we deal with the challenges of a rapidly changing world, management remains confident that CIC's staff will be more than ready for the challenge.

John Wright
President

# ORGANIZATIONAL CHART



# CORPORATE OBJECTIVES - 1996

**OBJECTIVE ONE:**

**To review the role of public enterprise in Saskatchewan**

**RESULTS:**

- Conducted the most extensive review of Crown corporations in the province's history.
- Realigned the duties and responsibilities of CIC staff to ensure better response to changes in the economic environment in which Crown corporations operate and to better manage CIC's investments.
- Included in the Crown review an extensive examination of CIC's equity holdings.

**OBJECTIVE TWO:**

**To continue to manage and reduce the debt in the Crown corporation sector, thereby helping to reduce the overall provincial debt**

**RESULTS:**

- Net proceeds from CIC's share of the first instalment from the sale of 10.1 million shares of Cameco Corporation ($177.7 million) have been used for debt repayment.
- CIC's consolidated debt was reduced by $426.9 million, to $4,168.3 million.
- The consolidated debt to equity ratio now stands at 62.1 per cent, compared to 67.4 per cent in 1995.

**OBJECTIVE THREE:**

**To assist the province in meeting its goals for the creation of new jobs and opportunities**

**RESULTS:**

- CIC supported a $37.2 million expansion of Saskferco, which will result in an increase in its urea production capacity by 180,000 tonnes; the expansion was funded entirely through earnings generated by Saskferco.
- CIC invested $276 thousand in equity in National Pig Development (Canada) Co. Ltd., as part of CIC's commitment of $4 million for expansion.
- *The Wascana Energy Inc. Act* was introduced in May, 1996, to replace *The Saskatchewan Oil and Gas Corporation Act, 1985.* At the request of Wascana Energy Inc., the Act was changed to lift restrictions on ownership and to provide for the continuation of Wascana Energy Inc.'s head office jobs in Regina. The Act came into force December 31, 1996.
- Western Canada Beef Packers Ltd., of which CIC owns 40 per cent, expanded its operations to include value-added processing of shelf ready products.
- Develcon Electronics Ltd., in which CIC holds four million common shares (8.9 per cent), attracted $15 million in new equity capital after restructuring the company.

**OBJECTIVE FOUR:**

**To provide CIC's stakeholders a greater degree of transparency in the business decisions and planning of Crown corporations**

**RESULTS:**

- The Crown review included a series of public meetings and a major conference to discuss Crown corporations and public investment. The report of the review was made public on December 2, 1996.
- CIC continued to monitor the 45-day rate review process to find ways to improve it.
- This Annual Report includes, for the first time, a Management's Discussion and Analysis (MD&A) section, as is required in the Annual Reports of firms regulated by the Ontario Securities Commission.

# CORPORATE OBJECTIVES - 1996 *(continued)*

- This Annual Report, for the first time, sets out CIC's objectives for the upcoming year.
- As a new initiative CIC's subsidiary Crown corporations are, starting with the 1996 reports, tabling financial statements of wholly-owned subsidiaries and pension plans.
- Agreement was reached with HARO Financial Corporation on new guidelines for increased accountability to CIC.
- CIC and its subsidiaries continue to file comprehensive Annual Reports on time, and to report fully and openly to the Standing Committee on Crown Corporations.

**OBJECTIVE FIVE:**

**To work to improve the quality of life in Saskatchewan**

**RESULTS:**

- In 1996, all of CIC's subsidiary Crown corporations received approval of their Employment Equity Plans from the Saskatchewan Human Rights Commission.
- CIC is part of a government committee, chaired by the province's Department of Municipal Government, exploring ways to improve intergovernmental fiscal relations between the provincial government and its municipalities.
- CIC provided leadership to its subsidiary Crown corporations in activities surrounding Employment Equity Week, and took part in planning discussions for an Employment Equity Conference to be held during Employment Equity Week in June of 1997.
- Donations of approximately $2 million were made to various charitable and community groups by CIC and its subsidiary Crown corporations.

# CORPORATE OBJECTIVES - 1997

CIC's corporate objectives for the upcoming year are a product of its vision, mission and values and principles, as outlined earlier in this Annual Report. The corporation's objectives for the upcoming year are:

- to continue defining the role of CIC in relation to its subsidiary Crown corporations, investment portfolio and the government;
- to provide strategic direction to the Crown corporations and facilitate their initiatives to position the Crown corporations for the future;
- to maximize return from CIC's investment portfolio and create financial self-sufficiency for CIC;
- to continue to play a major role in fostering regional economic growth through Crown corporations and new investment opportunities;
- to support the government's financial objectives;
- to improve accountability and transparency to CIC's customers and stakeholders;
- to develop and support the people who work at CIC;
- to communicate effectively with customers and stakeholders; and,
- to develop and define the public policy framework for Crown corporations and investments

# SUBSIDIARIES AND INVESTMENTS

**Crown Investments Corporation of Saskatchewan (CIC) (Consolidated)**

## Subsidiary Crown Corporations

- Saskatchewan Development Fund Corporation
- Saskatchewan Forest Products Corporation (inactive)
- 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
- 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
- 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.

# *MANAGEMENT'S DISCUSSION AND ANALYSIS*

Management's Discussion and Analysis (MD&A) of the 1996 financial results focuses on the primary lines of business of CIC. This MD&A should be read in conjunction with the audited consolidated financial statements contained on pages 54 to 79 of this Annual Report. An analysis of the consolidated results can be found in the MD&A, included on pages 47 through 50.

While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information which CIC can release.

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC, or through its various wholly-owned subsidiaries including CIC Industrial Interests Inc., CIC Pulp Ltd., and CIC Forest Products Ltd. For the purposes of this MD&A, "CIC" shall refer to Crown Investments Corporation of Saskatchewan, the consolidated entity. A complete listing of CIC's investments can be found on page 16 of this Annual Report. The following are CIC's primary lines of business:

## UTILITIES:

| | |
|---|---|
| Power: | Saskatchewan Power Corporation (wholly-owned subsidiary) |
| Telecommunications: | Saskatchewan Telecommunications Holding Corporation (wholly-owned subsidiary) |
| Natural Gas: | SaskEnergy Incorporated (wholly-owned subsidiary) |
| Water: | Saskatchewan Water Corporation (wholly-owned subsidiary) |

## TRANSPORTATION:

| | |
|---|---|
| Passenger and express: | Saskatchewan Transportation Company (wholly-owned subsidiary) |

## INSURANCE:

| | |
|---|---|
| Property & Casualty: | Saskatchewan Government Insurance (wholly-owned subsidiary) |
| Life: | HARO Financial Corporation (through its subsidiary Crown Life Insurance Company) |

## ECONOMIC GROWTH CORPORATIONS:

| | |
|---|---|
| Infrastructure and Small Business Investment: | Saskatchewan Opportunities Corporation (wholly-owned subsidiary) |
| Immigrant Investor Program: | Saskatchewan Government Growth Fund Management Corporation (wholly-owned subsidiary) |

## COMMODITY BASED INVESTMENTS:

| | |
|---|---|
| Heavy Oil: | NewGrade Energy Inc. (50 per cent equity investment) |
| | Bi-Provincial Upgrader (50 per cent joint venture) |
| Fertilizer: | Saskferco Products Inc. (49 per cent equity investment) |
| Forestry: | Meadow Lake Pulp Limited Partnership (49 per cent partnership interest) |
| | Saskfor MacMillan Limited Partnership (50 per cent partnership interest) |
| Oil and Gas: | Wascana Energy Inc. (7.4 per cent equity investment) |
| Mining: | Cameco Corporation (10.3 per cent equity investment) |

# UTILITIES:

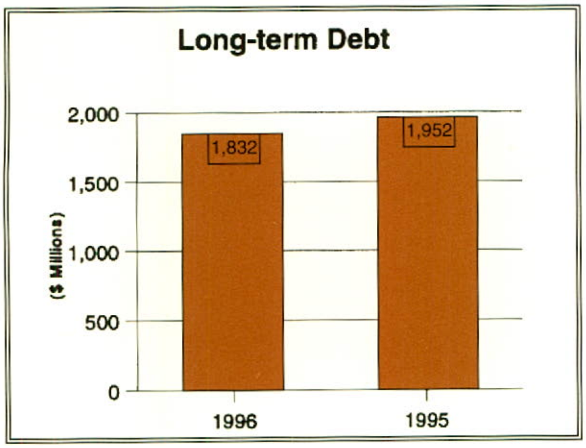
## Saskatchewan Power Corporation (SaskPower)

*SaskPower provides electrical energy and related services including the generation, purchase, transmission, distribution and sale of electricity and related products and services. SaskPower operates 14 generation sites with a capacity of 2,980 megawatts and 149,241 circuit kilometres of transmission and distribution lines within the province of Saskatchewan. SaskPower has approximately 2,100 employees serving some 420,000 customers scattered over more than a half-million square kilometres.*

## Highlights of 1996

SaskPower's net income increased to $139.2 million in 1996 from $80.5 million in 1995, due primarily to electrical sales volume increases and reduced operating expenditures.

Electric sales revenue increased $35 million or 4.1 per cent in 1996, due to increases in residential, farm, commercial and oil field revenues, partially offset by reductions in the industrial sector. Effective January 1, 1996, SaskPower increased rates for residential and farm customers by eight per cent and, during the year, negotiated rate decreases with key industrial customers. In a normal weather year, this rate rebalancing initiative is revenue neutral. Gas sales revenue increased to $84 million in 1996 from $12 million in 1995.



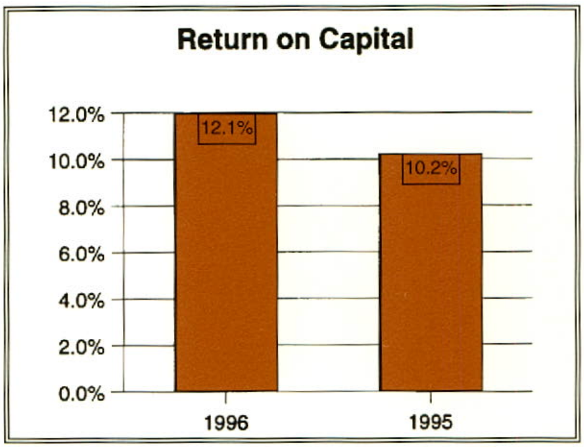

Gas sales revenue was largely offset by gas purchases which increased to $82 million in 1996 from $8 million in 1995. Since 1995, fuel and purchased power used for electric operations increased by $9 million (seven per cent). Increased generation resulted in the increased use of coal and imported energy, partially offset by reduced use of gas and increased hydro.

Operating, maintenance, and administration expenditures dropped by $37 million or 16 per cent since 1995. The majority of the decrease is related to the absence of one-time restructuring and other costs incurred in 1995, as well as reduced salaries and benefits resulting from the 1995 staff downsizing.

SaskPower is working towards a target ratio of 50 per cent debt in its capital structure. During 1996, this ratio improved to 63.6 per cent from 66.3 per cent in 1995 as a result of improved cash flows. The corporation was able to reduce long term debt by $120 million while equity increased by $63 million.

In 1996, SaskPower's cash flow was sufficient to fund all capital spending for the year. SaskPower's goal is to generate sufficient cash flows to provide for all capital spending for the year, plus an additional amount to provide financial flexibility and to ensure cash flow is available to pay down debt. Cash flows in 1996 were sufficient to fund the equivalent of 219 per cent of capital spending for the year (versus 114 per cent in 1995), allowing for cash to be dedicated to debt reduction as noted above. Capital spending in 1996 amounted to $117 million compared to $157 million in 1995.

The corporate goal for return on equity is 13 per cent. During 1996, this return rose to 14.1 per cent from 8.6 per cent in the previous year. SaskPower's return on capital for 1996 improved to 12.1 per cent from 10.2 per cent in 1995.




In 1996, further steps were taken to strengthen SaskPower for competition. The revenue-neutral rate rebalancing initiative allowed SaskPower to sign major customers to long-term contracts at negotiated rates. This rate shift still maintains significant cross-subsidization for residential and farm customers and includes the promise of no further rate increases until at least the year 2000.

## Outlook for 1997

In 1997, SaskPower will complete rate rebalancing negotiations with large-volume customers, and it anticipates launching several customer programs and services. SaskPower will also seek new customer service opportunities while working to pay down debt, maintain control on capital spending, and improve the operating performance of generating facilities.

Viable options for adding supply capacity at the lowest possible cost to customers with the least supply risk will be evaluated. Current customer load growth indicates new capacity will be needed in the near future.

As part of a long-term environmental action plan, SaskPower will announce a major partnership to preserve endangered Saskatchewan habitat. Also, further business development partnerships involving SaskPower and Aboriginal groups in northern Saskatchewan will be announced.

SaskPower will undertake a "people strategy" to help employees strive for excellence in a competitive environment. As well, a second workplace diversity survey will be completed.

SaskPower will again contribute nearly half a billion dollars to the Saskatchewan economy through purchases of goods and services and fuel to power its generating facilities, employee salaries, and monies paid to local governments for municipal surcharges and grants in lieu of taxes.

## Major Factors Affecting Performance

Recent events in both Canada and the United States indicate that the electric utility industry is continuing to undergo significant fundamental change in preparation for the advent of competition. Many electrical utilities are considering mergers as well as splitting off generation, transmission and distribution operations and assets, establishing power pools to purchase and sell all electricity within a jurisdiction, and guaranteeing open-access transmission to competitors.

SaskPower could open its transmission facilities to neighbouring utilities, but would enter energy supply competition as the high cost producer in western Canada. SaskPower would no longer be assured that all costs, including its $2 billion investment in generating plants, would be recovered through electrical rates, resulting in possible adverse impacts on financial performance.

The Crown corporation review concluded that there is a need to deal with future direction, provide public education on the operating environment, review cross-subsidization policies, complete competitive assessments, develop performance standards, and provide clear definitions of economic development roles. Independent consultants also concluded that SaskPower could be in a competitive market by the year 2000, if not sooner, and is vulnerable to competition because of high generating costs plus the existence of cross-subsidization.

# Saskatchewan Telecommunications Holding Corporation (SaskTel)

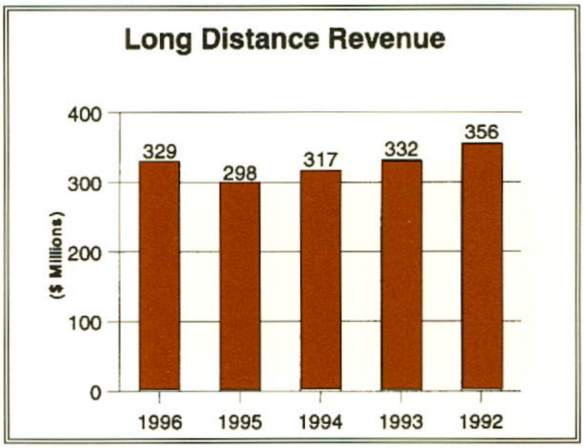
*SaskTel is the leading full service communications company in Saskatchewan, providing voice, data, Internet, text and messaging services over a digital network, as well as cellular, paging and Fleetnet 800 service through its SaskTel Mobility division. SaskTel also maintains investments in companies that provide management and project design consulting services, in addition to telephone directory and multimedia services. SaskTel has been the principal supplier of telecommunications in Saskatchewan for nearly 90 years, providing Saskatchewan residents with affordable access to the latest in telecommunications products and services. SaskTel employs a workforce of almost 3,800 people who live and work in numerous communities across Saskatchewan. SaskTel International, a subsidiary of SaskTel, markets management and technical expertise around the world. Through an interconnection agreement with the Stentor alliance of Canadian telecommunications companies, SaskTel is part of the national and global communications network.*

## Highlights of 1996

In 1996, the government opened the provincial marketplace to long distance competition, leading up to the entry of facilities-based competition in the fourth quarter. SaskTel has prepared for long distance competition by lowering many of its long distance rates by more than 50 per cent since 1990.

The early introduction of savings plans such as Real Plus™ in 1994 and Real Plus™ Extra in 1996 contributed to SaskTel recording more than one billion long distance minutes for the first time in its history.

SaskTel's net income for 1996 was $84 million, as compared to $191.8 million in 1995. In 1996, total revenues were $696.9 million, compared to $646.9 million in 1995.

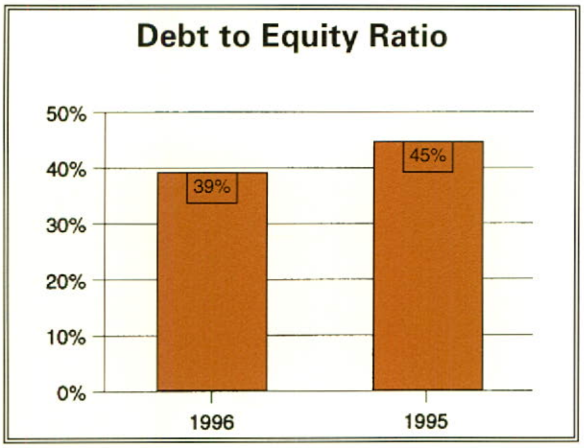



Average revenue per minute has declined 39 per cent from 1992 to 1996. Long distance revenues also decreased in the past five years due to a reduction in the pool of interprovincial revenue shared among all Stentor companies. In 1996, however, SaskTel's long distance revenues rose by 10 per cent owing to three largely unanticipated events: a significant increase in SaskTel originated long distance minutes; higher shared settled revenues within Stentor; and, more growth than anticipated in cellular long distance.

The local access market in Saskatchewan remains relatively constant, with Network Access Service (NAS) lines increasing only seven per cent over the last five years, to 607,090 in 1996 from 569,785 in 1991.

The sale of LCL Cable Communications Ltd. (LCL Cable) in Leicester, England in 1995 resulted in a net gain of $114.4 million. With the removal of this source of revenue, other revenue has declined by six per cent, to $86.4 million in 1996 from $92.3 million in 1995.

Overall, total operating expenses increased to $571.9 million in 1996, a $54.8 million increase over 1995. Maintenance and operating expenses increased five per cent from the 1995 level, due to additional advertising and increased SaskTel Mobility costs. General and administrative expenses increased eight per cent from 1995, excluding the $20.5 million cost recorded for a voluntary Early Retirement Plan introduced in 1996, to take effect in 1997 and continue until 1999. Depreciation expenses were also up by $8.3 million, due to the ongoing expansion and upgrading of SaskTel's network, as well as SaskTel's use of a depreciation policy which reflects the rapid advances of technology in the telecommunications industry.




Reducing debt has been an important focus for SaskTel. There was a 39 per cent decrease in interest expense between 1995 and 1996 ($66 million in 1995 to $40.4 million in 1996). SaskTel's 39 per cent debt ratio is among the best within the Stentor alliance of Canadian telecommunications companies. Capital spending in 1996 amounted to $177.9 million, compared to $184.5 million in 1995.

## Outlook for 1997

A moderate decline in income is expected for SaskTel in 1997, as any growth in diversified operations will be offset by increased operating expenses and a continued decline in revenues from the core business, associated with the effects of long distance competition. Operating expenses are forecast to increase in 1997, reflecting costs incurred in developing and expanding new business volumes in diversified and core business operations.

Currently, non-traditional revenues amount to 26 per cent of SaskTel's total revenue, and SaskTel is on track to reach its target of 40 per cent diversified revenue by 1998.

In 1997, there may be a review of exchange boundaries within the province. There is also a projected growth in the Internet market and other advanced interactive services, as well as continued growth in SaskTel Mobility's customer base and revenues.

With rebillers and facilities-based carriers entering Saskatchewan's long distance marketplace in 1996, changes to SaskTel's market share have occurred and are expected to continue through 1997. Despite some erosion, SaskTel is well positioned to succeed in a fully competitive environment.

## Major Factors Affecting Performance

In the coming years, SaskTel will be facing new forms of competition in virtually all of its markets. There is a possibility of total competition in 1998 or 1999. SaskTel will continue to respond to decreasing long distance revenues due to competition in the long distance marketplace by offering its customers competitive rates and quality service.

SaskTel faces regulation by the Canadian Radio-Television and Telecommunications Commission (CRTC) in 1998.

The revenue sharing arrangement among Stentor members, for distributing revenue from out-of-province long distance, is expected to be less advantageous for SaskTel in the future.

# SaskEnergy Incorporated (SaskEnergy)

*SaskEnergy is a natural gas utility that provides natural gas service to residential, farm, commercial and industrial customers in Saskatchewan. SaskEnergy serves more than 90 per cent of all Saskatchewan communities. TransGas is SaskEnergy's wholly-owned natural gas transmission and storage company. SaskEnergy and its subsidiary, TransGas, employ approximately 850 people in numerous communities across the province.*

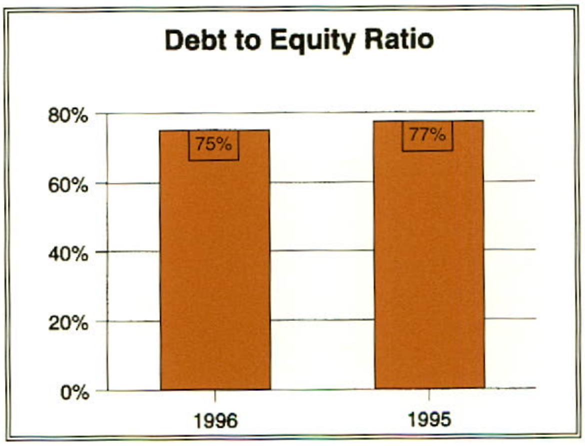
## Highlights of 1996

Total revenue for SaskEnergy in 1996 was $390.3 million, compared to $367.2 million in 1995. Total expenses were $317 million in 1996, compared to $309.3 million in 1995.

While SaskEnergy's net earnings for 1996 were $73.3 million, a $15.4 million increase from 1995, they were achieved within the context of providing competitive rates for both distribution and transmission customers. In fact, both SaskEnergy and TransGas have continued to provide some of the lowest rates in the country for their respective customers. Benchmark studies indicate that the two companies continue to out-perform many other comparable companies in North America in terms of cost competitiveness.

Calendar year 1996 was one of the coldest years on record in Saskatchewan and, as a result, SaskEnergy sold an additional 10.3 billion cubic feet of natural gas. The additional natural gas sold added approximately $34 million to distribution revenue.

During 1996, transmission business revenues were affected by both cyclical and structural factors. From a cyclical perspective, continued low natural gas prices adversely affected drilling activity in Saskatchewan which, at 295 wells drilled, remained below the annual average.




SaskEnergy was able to improve its capital structure to a debt to equity ratio of 75 per cent at the end of 1996, down from 77 per cent at the end of 1995. SaskEnergy's goal is to improve its capital structure to the industry standard of 70 per cent debt.

Capital spending in 1996 totalled $51 million, down from $175 million in 1995, due to the completion of a major pipeline expansion project in late 1995.

The years 1995 and 1996 were periods of relatively low prices for natural gas. SaskEnergy was able to take advantage of these low prices and pass the benefits on to its customers in the form of lower rates. Effective January 1, 1996, SaskEnergy lowered its rates to distribution customers by an average of 4.8 per cent, resulting in customer savings of more than $16 million.

In 1996, SaskEnergy added 3,000 customers to its distribution system, including six Indian reserves and nine resorts, and has entered into an alliance with Centra Energy Services of Manitoba to promote the use of natural gas vehicle technology in Saskatchewan.

## Outlook for 1997

Prices for natural gas in 1997 are forecast to be relatively strong, which will stimulate drilling activity in Saskatchewan. While the increased natural gas prices will put upward pressure on natural gas rates for end-use customers, SaskEnergy has established gas management practices to minimize the impact on customers.

It is anticipated that 1997 will generate an above average number of new requests for natural gas service. Increased costs of other forms of energy and a robust Saskatchewan economy are forecast to generate nearly 5,000 new customers.

SaskEnergy will also generate new revenue by marketing its expertise in foreign markets as well as continuing efforts to introduce new value-added services to its existing domestic customers.

## Major Factors Affecting Performance

Weather patterns during the winter months can greatly affect the financial performance of SaskEnergy. A one per cent variation in temperature from normal patterns could cause net income to vary by approximately $1 million.

The natural gas that SaskEnergy purchases for resale to its customers is the largest single expenditure incurred by the corporation. The cost of gas is highly sensitive to variations in prices paid to suppliers. A one cent change in the price paid per gigajoule applied to all natural gas volumes purchased over a year could change gas costs by approximately $600,000.

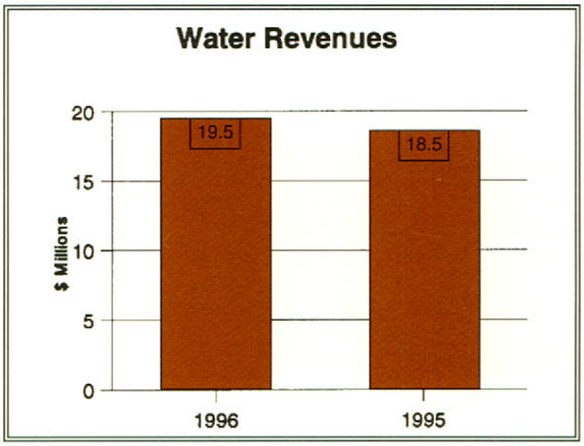
To aid in offsetting gas price fluctuations and volatile weather patterns, SaskEnergy has established a flexible natural gas purchase program. During periods of warmer weather, SaskEnergy will purchase excess volumes of natural gas to be used when the weather is colder. This program also enables SaskEnergy to purchase additional volumes of natural gas when prices are determined to be low.

With deregulation in Saskatchewan in 1987, natural gas users in the province were allowed to buy gas directly from the gas producers or from independent marketers. However, all the competition has taken place within SaskEnergy's large commercial and industrial gas market. Changing market dynamics now bring the potential for increased competition from gas marketers into SaskEnergy's core market of residential and commercial customers. SaskEnergy will be prepared to face competition in its core market by continuing to provide its customers with competitive rates and above-average service.

# Saskatchewan Water Corporation (Sask Water)

*Sask Water was formed in 1984 to manage, administer, develop and protect the water and related land resources in Saskatchewan. Sask Water, with its head office located in Moose Jaw, operates with a total staff of approximately 235 people.*

## Highlights of 1996




A major accomplishment for Sask Water in 1996 was the completion of the Wakaw-Humboldt Regional Water Supply System, the largest utility project ever undertaken by the corporation. Through a unique partnership with the communities and rural residents of the area, the system will provide a plentiful supply of quality water to 10,000 residents.

Sask Water's net earnings rose to $2.4 million in 1996, an increase of $1.3 million from 1995. Water revenues were $19.5 million, a rise of almost $1 million over the previous year. *The Water Power Act* revenues rose by almost $0.8 million from 1995. This revenue source is dependent on hydro electrical power generation levels and, in 1996, those levels were the highest ever recorded. On the expenditure side, operations, amortization and interest costs were held in check and water management costs declined by $0.4 million in 1996.

## Outlook for 1997

In 1997, Sask Water's utility focus will turn from construction to operation, as the Wakaw-Humboldt system commences water supply. Although the construction program in the utility will be much smaller than in 1996, key development projects such as reconstruction of the Town of Gravelbourg's water supply and treatment facilities and expansion of water supply works to Saskferco will be undertaken in 1997.

*The Irrigation Act, 1996*, came into force on January 1, 1997. The new Act provides consolidated and uniform legislation for all irrigators and replaces three older pieces of legislation. Greater input from producers and more economically sustainable irrigation in Saskatchewan will be possible as a result of the establishment of the Irrigation Crop Diversification Corporation, the Saskatchewan Irrigation Projects Association and the requirement for irrigation replacement funds.

Another major initiative for 1997 is the establishment of a new division named Saskatchewan Potato Utility Development Company (SPUDCO). In partnership with Saskatchewan potato producers, SPUDCO plans to expand irrigated potato production in the province by 2,000 acres. Sask Water hopes to spur secondary industry development and employment opportunities through increased investment in this high value crop, while enjoying the opportunity to be commercially involved in the high profit potato growing industry.

Commencement of the Upper Assiniboine River Basin Study, a joint initiative between Sask Water, local stakeholders, Environment Canada and Manitoba Environment, will highlight the corporation's water management activities in 1997. Resolution of the many varied water management issues within the basin and future water control policy direction for the corporation are the primary objectives of the project.

## Major Factors Affecting Performance

Extreme weather conditions can have a great impact on the corporation's operations. Sask Water's largest revenue source is from revenue generated pursuant to *The Water Power Act*. The revenue generally rises in wetter years as SaskPower takes advantage of plentiful water supplies to produce lower-cost hydro electrical power. On the cost side, Sask Water's flood forecasting and operational water planning activities increase with high runoff levels or heavy summer rains as experienced in recent years. During periods of prolonged drought, Sask Water's drought mitigation activities, such as assistance to identify and develop alternate or emergency water supplies, can increase dramatically.

Utility water sales to potash mines and Saskferco, a fertilizer producer, account for approximately two-thirds of total volume sold by the utility. As such, the relative strength of these industries has a great impact on utility operations. Sask Water's water sales to municipal clients can rise or fall in response to varying spring runoff and summer rainfall conditions.

## UTILITIES - CONTRIBUTION TO CONSOLIDATED RESULTS:

**($ millions)**

| | **Revenue** | | **Net Earnings** | | **Assets** | |
|---|---|---|---|---|---|---|
| | **1996** | 1995 | **1996** | 1995 | **1996** | 1995 |
| **SaskPower** | **944.1** | 848.3 | **140.1** | 80.5 | **3305.9** | 3246.8 |
| **SaskTel** | **693.6** | 638.5 | **84.0** | 191.8 | **1171.2** | 1182.4 |
| **SaskEnergy** | **377.4** | 376.1 | **64.0** | 57.8 | **1133.8** | 1121.9 |
| **Sask Water** | **29.1** | 18.3 | **4.0** | 2.4 | **75.6** | 53.4 |
| **TOTALS** | **2044.2** | 1881.2 | **292.1** | 332.5 | **5686.5** | 5604.5 |
| **% OF CONSOLIDATED TOTAL** | **67.2** | 68.4 | **39.4** | 138.1 | **71.2** | 71.9 |

**Note:**
- The above and other tables included in the MD&A present results from investments in CIC's primary lines of business. Not included in these tables are certain costs and revenues, the majority of which are interest costs of the corporate entity, CIC.

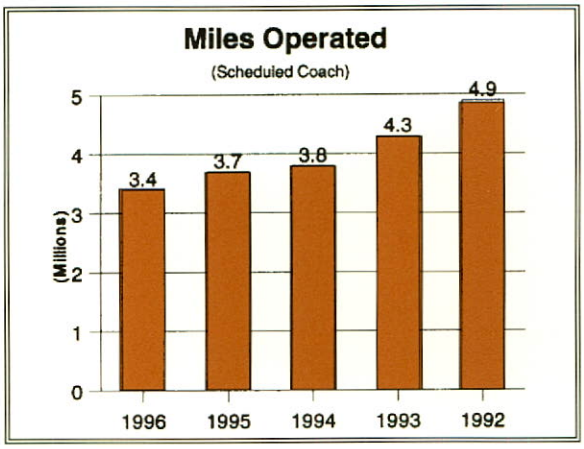
# TRANSPORTATION:

## Saskatchewan Transportation Company (STC)

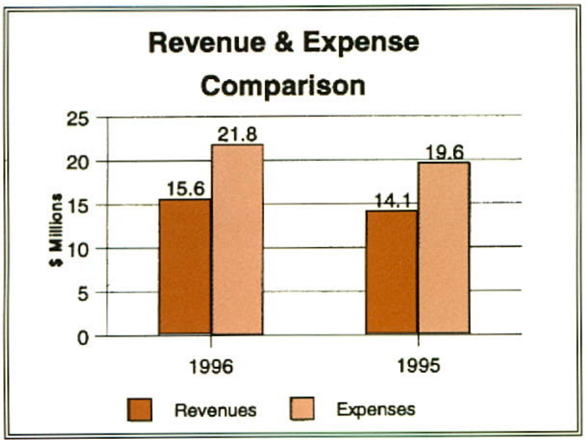
*STC is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates terminals in Prince Albert, Regina and Saskatoon. STC's more than 300 employees serve 230 communities throughout the province.*

### Highlights of 1996

STC operated 3.4 million bus miles in 1996, down 300,000 from the previous year, reflecting the full year's impact of schedule reductions introduced in October, 1995. Fare passengers, at 373,000, were down less than two per cent from 1995.




In an attempt to increase revenues, STC launched STC Courier Express in 1995, a new overnight express service that uses trucks to provide express service throughout the province. The freight express business has provided a growing percentage of STC's revenues and now accounts for about one-half of STC's total revenue. 1996 was the first full year of operation for express sales, truck distribution, and improved pick-up and delivery service. Express network truck miles in the first full year of operation were 1.5 million.




STC recorded a net loss of $6.2 million for the 12 months ended December 31, 1996, compared to the previous year's operating loss of $5.5 million. Revenues were $15.6 million and expenditures were $21.8 million for 1996, compared to $14.1 million and $19.6 million respectively for 1995.

### Outlook for 1997

In 1997, STC's effort will focus on marketing its services to its customers and stabilizing its core businesses, passenger and express.

Investments made in the courier business over the past two years will be managed to improve customer service at less cost than was experienced in 1996. Specifically, while added costs were expected due to additional truck miles and pick-up and delivery, sales counter, data entry and billing costs were expected to remain stable or decline.

Experience in 1996 demonstrated that the company's service centres have substantial revenue potential in the servicing of other operators' equipment. Preliminary discussions have begun with operators of several major fleets to seek mutually beneficial operational efficiencies.

## Major Factors Affecting Performance

Bus regulatory reform, expected to occur by the end of the decade, has the potential to depress prices and increase competition in STC's core businesses, particularly in, and on the corridors between, the province's major cities. Meeting competition will be difficult with STC being a high-cost provider of services.

## TRANSPORTATION - CONTRIBUTION TO CONSOLIDATED RESULTS:

| ($ millions) | Revenue | | Net Earnings | | Assets | |
|---|---|---|---|---|---|---|
| | **1996** | 1995 | **1996** | 1995 | **1996** | 1995 |
| **STC** | **14.1** | 16.3 | **(6.2)** | (6.0) | **20.7** | 18.6 |
| **% OF CONSOLIDATED TOTAL** | **0.5** | 0.6 | **(0.8)** | (2.5) | **0.3** | 0.2 |

# INSURANCE:

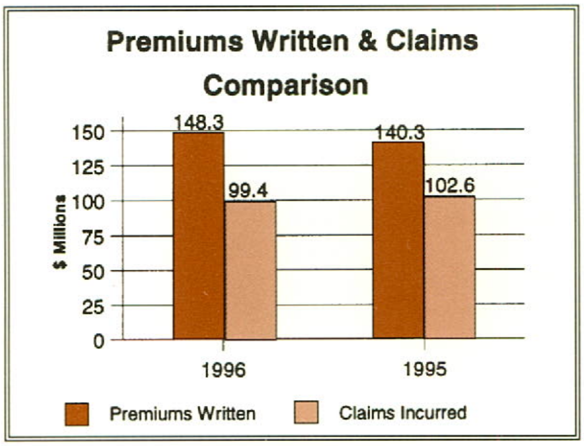
## Saskatchewan Government Insurance (SGI)

*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 auto insurance program. SGI Canada Insurance Services Ltd.(SCISL), a subsidiary of SGI, sells insurance in other provinces. SGI employs more than 1,500 employees and operates 19 claims centres and five salvage centres located in 13 communities across the province.*

## Highlights of 1996

SGI CANADA had a consolidated profit of $21.6 million in 1996, exceeding 1995's profit by $17.2 million. Revenues were $174.3 million for 1996, compared with $156.2 million in 1995. SGI CANADA's expenses were $152.8 million for 1996, and $151.7 million in 1995.

Net premiums written totalled $148.3 million, an increase of $8 million over the 1995 level. Commercial auto premiums accounted for $4.2 million of this increase, largely due to better economic conditions in the province and to the corporation offering a broader range of coverage than that of other insurers. SCISL saw its premiums increase to $4.2 million, compared to $2 million in 1995.




Storm claims costs decreased significantly to $7.6 million in 1996, from $18.3 million in 1995, for SGI CANADA. However, increased auto liability claims, flooding and sewer back-up, as well as increased theft claims throughout the year, contributed to a reduction of only $3.2 million in total claims incurred. SGI CANADA has recorded underwriting losses (loss before investment earnings) for the past two years, due to increasing claims costs.

Robust stock and bond markets contributed to investment earnings of $30.2 million in 1996, up from $20.6 million in 1995. Due to positive cash flows from operations, the investment portfolio grew to $251 million in 1996, a $23 million increase over 1995.

The return on equity in 1996 was 21 per cent, compared to five per cent in 1995. Improved underwriting results and higher investment earnings contributed to the increase.

SGI CANADA's net risk ratio (ratio of net premiums written to equity) increased slightly to 1.6 in 1996, from 1.5 in 1995. The overall insurance industry ratio in 1995 was 1.4.

## Outlook for 1997

SGI CANADA is cautiously optimistic it will record underwriting profits after two years of underwriting losses. Improvements are anticipated because of changes made to rates and deductibles on homeowner policies. As well, SGI CANADA will continue to expand SCISL through careful, planned growth.

Since 1992, SGI has been working to develop a new computer system to replace its existing underwriting, claims and accounts receivable systems. Currently, there are approximately 100 staff from throughout SGI CANADA dedicated to the project. Two of the three major applications are planned for implementation in 1997.

With the new system, SGI CANADA will have state-of-the-art applications which will be more responsive to changes demanded by the marketplace and, at the same time, address the year 2000 issue.

## Major Factors Affecting Performance

The insurance industry is characterized by competitive and uncertain markets. Uncertain claims results due to catastrophes, court awards and competitive pricing lead to volatile and cyclical profits from insurance underwriting activities.

Weather has a major impact on underwriting profit, as severe summer storms may wreak havoc on underwriting results. This was the case in 1995, and, to a somewhat lesser extent, in 1996, and has the potential to affect results in the future.

## HARO Financial Corporation (HARO) (and its subsidiary, Crown Life Insurance Company)

*HARO is a Regina-based company created for the purpose of acquiring a significant ownership interest in Crown Life Insurance Company (Crown Life). Crown Life operates primarily from its Regina head office, where it employs approximately 1,050 people. In terms of the size of assets managed, Crown Life ranks among the top six per cent of North American life 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. At December 31, 1996, CIC had 68 million non-voting, participating shares of HARO at a cost of $68 million, as well as two loans outstanding to HARO totalling $353.2 million. HARO owns 64.5 per cent of the outstanding common equity of Crown Life as well as convertible debentures of Crown Life totalling $149.5 million. HARO and CIC remain committed to transferring CIC's investment in HARO to private ownership.*

## Highlights of 1996

Crown Life reported shareholders' net income of $39.4 million in 1996, an increase of $0.8 million over 1995 results. Book value per common share at December 31, 1996, increased to $101.46 from $91.33 a year earlier.

Crown Life received credit rating upgrades during the year from four rating agencies. On October 31, 1996, Crown Life received regulatory approval for the completion of an acquisition of the Canadian group pension business of Aetna Life Insurance Company of Canada.

Late in the year, a mediated settlement was reached in a major class action lawsuit involving participating whole life insurance policies sold on a "vanishing premium" basis in the United States. Many life insurers are defendants in similar lawsuits brought by purchasers of such policies. The settlement costs of U.S. $27 million were charged to prior years' retained earnings. Although this is a major settlement of the "vanishing premium" issue, Crown Life is continuing to work diligently to resolve the remaining outstanding claims.

HARO made no payments of interest or principal in respect of the initial loan from CIC of $203.7 million made in 1992. HARO is not required to make any payments unless it has sufficient cash flow which would come from Crown Life paying common share dividends to HARO. HARO made interest payments, in full, totalling $10.2 million, on CIC's $149.5 million loan advanced in 1995.

## Outlook for 1997

Since HARO's only investment is in Crown Life, the financial performance of HARO is wholly dependent upon the financial performance of Crown Life. Crown Life has not paid dividends to common shareholders for several years. If Crown Life pays dividends on its common shares in 1997, HARO would, in turn, begin making interest payments to CIC on the initial loan.

If Crown Life's strong financial performance continues, HARO will continue to receive regular interest payments from Crown Life on its subordinated debentures. HARO, in turn, would continue to make all interest payments to CIC on its second loan.

## Major Factors Affecting Performance

Factors that can affect performance of life insurance companies include the design, pricing and management of products. Marketplace acceptance of products that are supported by appropriate risk management, and have adequate allowances for claims, costs and profit margins, will determine business retention and sales growth.

Crown Life is investing significantly in new information technology in order to provide more efficient product and investment administration. This will strengthen its competitive position in those sectors of the industry in which it is engaged.

## INSURANCE - CONTRIBUTION TO CONSOLIDATED RESULTS:

($ millions)

| | Revenue | | Net Earnings | | Assets | |
|---|---|---|---|---|---|---|
| | **1996** | 1995 | **1996** | 1995 | **1996** | 1995 |
| SGI | **174.3** | 155.6 | **21.6** | 4.4 | **344.0** | 300.8 |
| HARO (1) | **8.6** | 4.8 | **8.6** | 4.8 | **421.2** | 420.5 |
| TOTALS | **182.9** | 160.4 | **30.2** | 9.2 | **765.2** | 721.3 |
| % OF CONSOLIDATED TOTAL | **6.0** | 5.8 | **4.1** | 3.8 | **9.6** | 9.3 |

Note:
1) The equity investment in HARO is accounted for on the cost basis. As such, earnings generated by the investment in HARO currently consist of interest income.

# ECONOMIC GROWTH CORPORATIONS:

## Saskatchewan Opportunities Corporation (SOCO)

*SOCO was established to support economic growth and job creation through investment in viable businesses and in infrastructure which supports the development of business. SOCO targets those projects where goods and services are exported, or replace products previously imported to the province. It also focuses on sectors that have made a significant contribution to the province's economy and have continued potential for growth. SOCO employs 37 people in Saskatchewan.*

### Highlights of 1996

SOCO's assets increased in 1996 largely due to construction activities at Innovation Place, a research and development park (which supports agricultural and biotechnological research) in Saskatoon, and continued growth of its investment portfolio. Total assets increased by 28 per cent to $70.6 million and revenue increased by 78 per cent to $11.7 million. SOCO recorded 1996 net income of $967 thousand, 52 per cent higher than in 1995.

New investment in capital assets for the year amounted to $15.1 million, primarily consisting of construction activity at Innovation Place. The investment portfolio increased by 11 per cent to $10.3 million due to additional investments in 16 projects totalling $4.6 million, partially offset by loan repayments totalling $2.8 million. At year end, SOCO also committed to providing additional loans totalling $3.4 million which were not yet disbursed to Saskatchewan businesses. All capital expenditures and investment activities in 1996 were financed by short term advances from the General Revenue Fund.

### Outlook for 1997

In 1997 and 1998, SOCO will build on its successes in creating new investment partnerships between the private, public and cooperative sectors, such as the SOCO/Bank of Nova Scotia Opportunities Fund, while maintaining its capacity to invest directly. SOCO expects to invest approximately $10 million in 15 projects during 1997.

Innovation Place is rapidly expanding due to demand from new and existing tenants. In 1997, SOCO will bring on stream a greenhouse expansion; a new fermentation support facility as part of an addition to the Atrium; and additional office and lab space.

On the infrastructure development front, SOCO will continue to support the conceptual planning and development of the University of Regina research and development park (planned as an information technology centre) and the film industry's initiative to secure a permanent sound stage.

## Major Factors Affecting Performance

Major factors which could affect the performance of SOCO include: credit and investment risks; rental property vacancy; and interest rates.

Credit risk is inherent in lending and investment activities. SOCO is exposed to the types of credit risk which are typical for any lending institution. However, the risk spectrum in which SOCO operates tends to be higher than that of the banking sector or other traditional financing institutions. This is in part because SOCO has an economic development mandate which involves support for start-up operations, new companies, products and services at the commercialization stage, and expansions. SOCO also makes equity investments which, by definition, carry a higher risk. SOCO's risk spectrum would be comparable to private venture capital.

Although SOCO has not experienced any credit losses in its first two years of operation, it has taken precautionary steps to make reasonable provision for losses, as well as to set up a reserve to absorb future potential losses in recognition of the higher credit risk.

Rental risk is inherent in the property management business. The majority of costs at Innovation Place relate to fixed costs, such as amortization and interest expenses. Variable costs depend more on weather conditions than on occupancy levels in the buildings. As a result, the operating results of Innovation Place depend to a large extent on the level of occupancy achieved. The main risk related to Innovation Place is that tenants could leave upon expiry of their leases and not be easily replaced. Management does not consider this to be a significant risk for the foreseeable future based on present occupancy levels and current leases.

Most of SOCO's investment in loans bear interest rates that fluctuate with the prime rate and, therefore, match the short term nature of SOCO's debt. However, a dramatic rise in interest rates could have a major impact on Innovation Place's operating results as increased interest costs cannot be passed along immediately to tenants. Management is taking advantage of the current low interest rate environment, while gradually moving to a longer term debt structure for Innovation Place. Management is monitoring interest rates carefully and is taking steps to minimize interest rate risk.

## Saskatchewan Government Growth Fund Management Corporation (SGGF)

*SGGF participates in the federal government's Immigrant Investor Program to acquire lower cost capital for investment in Saskatchewan on commercial terms. This provides 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. Investment funds are raised through subsidiary fund companies, of which there are currently four. These funds are not consolidated with CIC's results because SGGF Management Corporation does not share in the risks or rewards of ownership.*

## Highlights of 1996

By the end of 1996, more than $150.0 million had been attracted by SGGF's subsidiary fund companies for investment in small- and medium-sized Saskatchewan companies operating within virtually all of the key industrial sectors of the province. The SGGF group of companies has accumulated surpluses totalling more than $17.7 million.

The SGGF group of funds (referred to collectively as SGGF) has become an important source of much needed capital for Saskatchewan's marketplace. It has invested $118.0 million in 39 companies, providing capital for development of new enterprises or expansions, including additional plant and equipment or improved marketing and distribution systems.

The companies supported by SGGF currently employ 2,400 people, more than double the total working for the various companies when they made their submission to obtain financing. Further, their current sales total $275.0 million, compared with $128.0 million at the time of submission.

SGGF's overriding focus in 1996 was to maintain and provide the required flow of capital to Saskatchewan businesses.

## Outlook for 1997

SGGF Management Corporation undertook a complete review of its mandate in 1996, and implementation of the final results of the review will be a primary objective in 1997, along with emphasis on the specific strategic goals of the individual fund companies.

SGGF's fund companies are at different stages in achieving their investment goals. During 1997, the first company will continue to emphasize the profitable exit from investments so that sufficient income will be generated to meet investor redemptions. The remaining fund companies will continue looking for new immigrant investor capital and placing this capital prudently in eligible investment opportunities in Saskatchewan.

## Major Factors Affecting Performance

A major factor affecting SGGF is the moratorium imposed in December of 1994 by the federal government which restricted marketing to funds approved and accepted prior to December 31, 1994. After ongoing consultation, Ottawa amended the moratorium to allow marketing of new or existing funds to June 30, 1997, but only by government administered funds or funds in Quebec. The moratorium has resulted in considerable uncertainty among potential investors, and SGGF anticipates the situation will continue to make marketing difficult in 1997 and beyond. The prudent objective for 1997 is to concentrate efforts on maximizing sales, particularly during the period to June 30.

## ECONOMIC GROWTH CORPORATIONS - CONTRIBUTION TO CONSOLIDATED RESULTS:

($ millions)

| | Revenue | | Net Earnings | | Assets | |
|---|---|---|---|---|---|---|
| | **1996** | 1995 | **1996** | 1995 | **1996** | 1995 |
| **SOCO** | **11.5** | 6.6 | **1.0** | 0.6 | **70.3** | 55.0 |
| **SGGF** | **1.8** | 1.8 | **0.0** | 0.1 | **0.6** | 0.5 |
| **TOTALS** | **13.3** | 8.4 | **1.0** | 0.7 | **70.9** | 55.5 |
| **% OF CONSOLIDATED TOTAL** | **0.4** | 0.3 | **0.1** | 0.3 | **0.9** | 0.7 |

# COMMODITY BASED INVESTMENTS:

## NewGrade Energy Inc. (NewGrade)

*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, owned equally by CIC and CCRL, currently has the capacity to produce approximately 18.2 million barrels per year of upgraded crude oil as synthetic crude oil for use by CCRL as feedstock to its refinery for processing into refined petroleum products. NewGrade has a permanent staff of approximately 182 people.*

## Highlights of 1996

NewGrade had positive earnings for 1996, marking the completion of its eighth fiscal year of operations and its first year of profit. The average difference in price between light crude oil produced by the upgrader and its heavy crude oil feedstock (the "price differential") was above the net cash break-even point, which contributed significantly to NewGrade's positive financial results in 1996. There was no cash deficiency funding required from CIC in 1996.

## Outlook for 1997

Industry analysts continue to forecast higher than historic price differentials for 1997. The expected continuing increase in western Canadian heavy crude oil production is one reason for this positive price differential forecast. NewGrade's volumes of heavy crude oil processed are expected to be consistent with 1996. The combination of increased price differentials and strong throughput volumes, along with relatively low interest rates, is expected to result in a financial performance for 1997 that should parallel 1996 results.

Commitments to provide grants arising out of the 1994 restructuring agreement were completed in 1996. NewGrade does not anticipate requiring any additional cash deficiency loans in 1997.

## Major Factors Affecting Performance

The major factor that affects NewGrade's financial performance is the price differential. At current operating levels, a $0.50 per barrel change in the price differential results in approximately a $9 million impact on NewGrade's net earnings on an annualized basis. Actual oil price movements do not usually affect an upgrader's economics to the extent that the price differential affects financial performance.

In addition, since Canadian crude oil prices are typically set by American and, to a lesser extent, international crude oil prices, fluctuations in the U.S./Canadian foreign exchange rate will affect crude oil prices in Canada, and will proportionately impact the price differential. To the extent there is an impact, NewGrade has a natural hedge in place in that a portion of its third-party debt is denominated in U.S. funds.

The balance of NewGrade's long-term third-party debt is denominated in Canadian funds. This debt has a floating rate, and although it will be paid in full by the year 2001, fluctuations in interest rates can affect NewGrade's financial performance. Heavy crude oil throughput volumes also impact financial performance. At current throughput rates, the loss of a day's production is worth more than $300 thousand at a $6.00 per barrel price differential.

NewGrade uses natural gas as both fuel and feedstock to the upgrading process. At current operating levels, a change of $0.10 per thousand cubic feet of natural gas affects NewGrade's financial performance by in excess of $900 thousand per year.

Other factors such as prices of coke and sulphur by-products also affect financial performance.

# Bi-Provincial Upgrader (BPU)

*BPU is a heavy oil upgrading plant located near Lloydminster, Saskatchewan, and is a joint venture held 50 per cent by each of Husky Oil Operations Ltd. and CIC. BPU currently has the capacity to produce approximately 20.4 million barrels of synthetic crude oil and 4.2 million barrels of recycled diluent annually. BPU has a current permanent staff of 241, as well as 25 temporary staff and 65 contract positions.*

## Highlights of 1996

BPU achieved positive earnings in 1996 for the first time in its history. This was the result of average price differentials being above historical levels. The difference in price between light crude oil produced by the upgrader and its heavy crude oil feedstock is known as the "price differential".

During the year, $6.2 million in previously advanced operating cash support was returned to each joint venturer, as well as $1.8 million in interest on outstanding advances.

## Outlook for 1997

The forecast continuing increase in western Canadian heavy crude oil production has led many industry analysts to forecast 1997 price differentials to be higher than recent historical levels. The combination of increased price differentials and strong throughput volumes should result in strong 1997 earnings.

## Major Factors Affecting Performance

As with NewGrade, the most important factor affecting BPU's financial performance is the price differential. At current operating rates, a $0.50 per barrel change in the price differential affects BPU's net earnings by approximately $12 million. Again, the impact of changes in the price differential is proportional when compared with the impact of changes in underlying light and heavy crude oil prices.

As previously mentioned, fluctuations in the U.S./Canadian foreign exchange rate will affect crude oil prices in Canada. BPU, however, has no natural hedge against the impact of exchange rate changes on its price differential the way NewGrade does. This is because BPU has no U.S. denominated third-party debt.

Heavy crude oil throughput volumes impact financial performance. A five per cent change in throughput is worth approximately $7 million in earnings to BPU.

BPU uses natural gas as both fuel and feedstock to the upgrading process. At current operating levels, a change of $0.10 per thousand cubic feet of natural gas affects financial performance by approximately $1.5 million. Other factors such as prices of coke and sulphur by-products are less important.

# Saskferco Products Inc. (Saskferco)

*Saskferco, a nitrogen based fertilizer producer, began operations in 1992, and currently produces an average of 176,000 tonnes of anhydrous ammonia and 750,000 tonnes of granular urea annually for sale to markets in Canada and the northern United States. CIC holds a 49 per cent equity interest in Saskferco. Saskferco's manufacturing complex is located near Belle Plaine, Saskatchewan, with its head office situated in Regina. The Saskferco plant employs 127 people and provides 45 contract jobs. There are 10 permanent positions at its Regina head office.*

## Highlights of 1996

In April, 1996, Saskferco announced a $37.2 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 of 1997. The expansion is being funded entirely through earnings.

Saskferco recorded strong net earnings for its fiscal year ended May 31, 1996, and accordingly, contributed significant funds to a newly established debt retirement fund, while still providing substantial dividends to the shareholders.

## Outlook for 1997

Although 1996 resulted in record grain and oilseed output, offsetting record demand will cause only modest increases in overall low world grain and oilseed inventory for 1997. The upside of the low inventory stocks and strong grain prices prevailing in both international and domestic markets is that there should be strong incentive to increase productivity, which is good news for the fertilizer industry. As well, with the world's population growing at approximately two per cent per year and the expectation of continued strong economic growth in major Asian countries, the demand for grain is expected to grow in line with population growth over the next 10 years.

While the above factors should translate into a strong fertilizer market for the future, analysts predict that the surge of new capacity coming on stream will cause pricing to remain flat or even decline during 1997.

Strength to date in the world fertilizer markets is the primary factor behind the strong net earnings projected for the fiscal year ending May 31, 1997.

## Major Factors Affecting Performance

There are several factors affecting Saskferco's performance, of which one of the most significant is changes to market pricing for urea and ammonia. As a large portion of Saskferco's fertilizer sales is denominated in U.S. dollars, movements in the foreign exchange rate are also of interest to Saskferco. The effect of foreign exchange has been hedged to some degree by the U.S. denominated Medium Term Notes issued by Saskferco. Some of the other factors affecting performance include changes to production volumes, and changes in major direct input costs, especially natural gas. In addition, with margins expected to remain above the historical average, the market will encourage plant expansions, new plant constructions, or acquisitions of retail chains, thereby directly impacting the demand/supply balance.

# Meadow Lake Pulp Limited Partnership (MLPLP)

*MLPLP was formed in 1990 to construct and operate one of the world's first zero-effluent, chemi-thermomechanical pulp (CTMP) mills, using 100 per cent Saskatchewan aspen as the fibre source. The hardwood pulp produced is sold in Canada, the United States and off-shore. The state-of-the-art, environmentally friendly facility is located near Meadow Lake, Saskatchewan, and has the capacity to produce 300,000 tonnes per annum of chlorine-free hydrogen peroxide bleached CTMP. MLPLP directly employs 204 people and provides an additional 245 jobs in the woodlands to supply the timber used by the mill. CIC has a 49 per cent interest in MLPLP.*

## Highlights of 1996

The mill completed a $36.5 million capital expansion which resulted in the installation of a new wood chip handling system and two high consistency bleaching systems, thereby increasing the mill's capacity 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 downturn in the pulp market that began in the fall of 1995 continued throughout 1996 and did not recover as anticipated. The resulting utilization of existing cash flow to cover operations dictated that MLPLP was unable to meet certain principal repayment obligations to CIC and a chartered bank, both of which agreed to waivers, postponing the repayments until cash flow is available.

The poor market conditions led MLPLP to post a significant net loss for fiscal 1996. As a result of continuing poor conditions and the resultant uncertainty as to the timing of future repayments, CIC recorded a $30 million provision against its outstanding loans to MLPLP.

## Outlook for 1997

To date, the main factor eroding prices has been the high level of inventories that had to be worked out of the system. While demand appears to have picked up somewhat, and short term analysis shows slow but steady improvements in market pulp shipments over the next several months, market oversupply has continued to keep prices depressed. The surge in market pulp capacity over the 1995/96 period appears to be the main problem facing market pulp producers today. Market analysts' current outlook, in the short term, is that things will get worse before they get better. Despite the price erosion that has occurred to date, prices are predicted to further erode to the variable cost level of the highest-cost producers by mid-1997, presumably forcing enough industry downtime to cure the inventory build-up and balance the market.

Prices are forecast to recover somewhat by year end. However, this is dependent on a forecast of strong worldwide economic growth, expected to translate into higher paper consumption and rising paper and pulp prices in 1997. If economic growth stalls or does not materialize to the extent forecast, paper demand, and hence, pulp usage will suffer.

As a result of the continuing low pulp prices forecast in 1997, with only moderate recoveries predicted by year end, MLPLP is projecting a net loss for the fiscal year ending December 31, 1997.

## Major Factors Affecting Performance

The financial performance of MLPLP is tied very closely to the market price of pulp. In addition, there are a number of other factors which can affect MLPLP performance: curtailed production due to industry oversupply; changes in major direct input costs such as bleaching chemicals and wood costs; and, demand for environmentally-friendly product which plays a role in the marketing of pulp. As well, MLPLP is affected by movements in foreign exchange rates, as most of its pulp sales are denominated in U.S. dollars. The effect of foreign exchange risk has been hedged to some degree by debt issued in U.S. dollars.

## Saskfor MacMillan Limited Partnership (SMLP)

*SMLP was formed in 1995 as a 50/50 partnership between CIC and MacMillan Bloedel Limited. SMLP was 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, Saskatchewan, to fully utilize the area's fibre resource. SMLP currently has a corporate office, located in Hudson Bay, and three operating mills including: (i) an OSB mill at Hudson Bay with an annual production capacity of 210 million square feet of 3/8 inch OSB; (ii) a plywood mill at Hudson Bay with an annual production capacity of 87 million square feet of 3/8 inch plywood; and (iii) a sawmill at Carrot River, Saskatchewan, recently converted to a state-of-the-art stud mill with an annual production capacity of 61 million foot board measure (fbm) of eight and 10 foot 1x4, 2x3, 2x4 and 2x6 dimension lumber. SMLP's current mills provide 368 permanent jobs and an additional 258 jobs in the woodlands to supply timber to the mills.*

## Highlights of 1996

On February 19, 1996, SMLP announced that the construction of the new OSB mill, which was scheduled to begin in May, 1996, had been delayed for one year (May, 1997). Over the course of 1996, SMLP management and its Board of Directors continued to evaluate the impacts of proposed financing for the new OSB mill and the ongoing market dynamics to ensure that start-up of the new mill coincides with an upswing in the OSB market.

For 1996, SMLP produced a net profit due to strong performance in the plywood and lumber divisions.

### *Event Subsequent to Year-End*

On January 8, 1997, it was determined that the construction of the new OSB mill, which had been delayed one year and was scheduled to begin in May, 1997, would not begin as scheduled. Poor market conditions have meant that construction would be postponed until prices showed improvement.

## Outlook for 1997

Market analysts predict North American production capacity of OSB will exceed consumption in the short term, leading to price declines through to 1999, thereby increasing the OSB/plywood pricing gap and, presumably, OSB market share. Prices are forecast to remain depressed, despite OSB capturing a greater percentage of the structural panel market, as additional OSB demand is expected to be absorbed by new mills coming on-line.

Plywood prices have held strong, and forecasters predict them to remain relatively stable, with minimal significant threats in the short term. However, with dwindling fibre supply, reduced housing starts and increased costs of manufacturing, analysts believe that developing new market niches for plywood will be critical in maintaining premium pricing over OSB.

Lumber prices have also remained very strong with little change expected in the near term.

SMLP is forecasting a smaller net profit for 1997, as a result of the expected low OSB prices largely offsetting the strong plywood and lumber prices.

## Major Factors Affecting Performance

As with all commodity based enterprises, SMLP is significantly affected by changes to market pricing within its range of products, specifically OSB, plywood, and lumber. However, OSB and plywood are largely direct substitutes, and as a result their prices tend to follow similar trend lines. In the current market plywood has retained a significant premium over OSB. Much of SMLP's performance will depend on how these market dynamics work themselves out. As well, changes in wood quality can produce significant variances in recovery (i.e., the amount of finished wood product obtained for a given quantity of wood input). Some of the factors affecting wood quality include age, disease and fire. Along with quality, SMLP is affected by changes in major direct input costs such as wood costs, including such items as stumpage and reforestation.

# Wascana Energy Inc. (Wascana)

*Wascana is a Saskatchewan-based senior Canadian oil and gas producer which employs approximately 632 people in Saskatchewan and Alberta. Prior to December, 1985, Wascana Energy Inc., then Saskatchewan Oil and Gas Corporation, was a provincial Crown corporation. Several public share issues by Wascana, along with dispositions by CIC, have reduced CIC's holdings to 7.4 per cent of the outstanding common equity of Wascana at December 31, 1996.*

## Highlights of 1996

Wascana reported net earnings of $35 million in 1996, compared to restated earnings of $0.6 million in 1995. Cash flow was a record $215 million in 1996. Capital and exploration expenditures in 1996 were $284 million, a 40 per cent increase over 1995 expenditures of $203 million.

Oil volumes in 1996 were 51.4 thousand barrels per day, an increase of 10 per cent over the average of 46.7 thousand barrels per day in 1995. 1996 natural gas volumes averaged 200 million cubic feet per day. Drilling was dramatically increased in 1996 with 243 wells, a 49 per cent increase from 163 wells drilled in 1995.

*The Wascana Energy Inc. Act* was introduced in May, 1996, to replace *The Saskatchewan Oil and Gas Corporation Act, 1985*. It repealed all of the ownership restrictions on Wascana shares as of December 31, 1996. The new Act also contains provisions to ensure Wascana maintains its head office jobs in Saskatchewan and that 50 per cent of its Board of Directors is composed of Saskatchewan residents. The government also has the right to appoint directors to Wascana's Board.

### Outlook for 1997

There has been some market uncertainty in early 1997 because the price of West Texas Intermediate oil (WTI) has fallen by $4.00 per barrel and natural gas prices have fallen by 50 per cent from the peak prices reached in 1996. However, these decreases still leave prices at acceptable levels and the oil and gas industry in western Canada should continue its high level of development and production. Most industry analysts have been projecting oil prices of between U.S. $21.00 and $22.00 per barrel WTI and natural gas prices of CAN. $1.90 per thousand cubic feet, compared to 1996 year end prices of U.S. $25.12 per barrel and CAN. $2.02 per thousand cubic feet.

### Major Factors Affecting Performance

Oil and gas prices, along with changes in interest and exchange rates, are the primary factors which affect Wascana's performance.

Wascana's share price at the end of 1996 was $15.80. At the time of this writing, Wascana is facing competing take-over bids. The highest bid is $20.50 per share. Prior to the announcement of these take-over bids, industry analysts had projected a one-year target price of $18 per share.

## Cameco Corporation (Cameco)

*Cameco, with its head office in Saskatoon, is one of the world's largest, low-cost uranium mining and processing companies which employs approximately 1,237 people. 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, and transferred to CIC. Through various share transactions by Cameco and CIC, CIC's ownership of Cameco as at December 31, 1996, was 10.3 per cent of the outstanding common equity of Cameco.*

## Highlights of 1996

CIC sold 10.1 million shares of Cameco in March and April, 1996, dropping CIC's interest from 29.5 per cent to 10.3 per cent. The shares were sold at $75.50 per share on an instalment basis. The proceeds, after underwriting commissions, were $352.4 million in 1996 (paid instalment) and $382 million in 1997. CIC transferred half of the net proceeds (after costs of sale) to the GRF in the form of a special dividend. All of the net proceeds are being used by CIC and the GRF to pay down debt.

## Outlook for 1997

The second instalment payment of $382 million was received on March 20, 1997. Of this money, one-half went to the GRF. CIC used its share of the net proceeds to pay down debt through the establishment of a "sinking fund".

Current low uranium spot market demand is occurring because many utilities switched to long-term supply contracts in 1996 when the spot price rose earlier in the year. Inventory depletion is being used to meet the current demand. There could still be some price volatility in 1997 as spot market supply is limited. Spot prices may begin to increase late in 1997. It is believed the long term uranium market will remain favourable because uranium production remains at half of current consumption. Excess inventories are being depleted, and in some countries, especially in Asia, there is an increasing reliance on nuclear power for future electricity needs.

## Major Factors Affecting Performance

Uranium prices, and to a lesser extent gold prices, along with changes in the exchange rate, will affect Cameco's performance. In turn, the share price is affected by both company performance, which is measured by cash flow, and by market perception.

Cameco's share price was $54.90 at the end of 1996. Industry analysts are projecting one-year target prices of between $64.00 and $78.00 based on Cameco's projected price to cash flow multiples.

CIC has been earning dividends of $0.50 per share annually since Cameco became a publicly traded company. Projected higher sales and cash flows for 1997 suggest continued dividends at a minimum of $0.50 per share, as previously earned.

## COMMODITY BASED INVESTMENTS - CONTRIBUTION TO CONSOLIDATED RESULTS:

($ millions)

| | Revenue | | Net Earnings | | Assets | |
|---|---|---|---|---|---|---|
| | **1996** | 1995 | **1996** | 1995 | **1996** | 1995 |
| **NewGrade**[1] | **282.9** | 219.5 | **3.8** | (71.2) | **158.1** | 149.2 |
| **BPU**[1] | **361.2** | 277.9 | **1.9** | (18.4) | **210.6** | 212.3 |
| **Saskferco**[2] | **31.2** | 22.9 | **31.2** | 22.9 | **100.3** | 87.9 |
| **MLPLP**[1] | **46.6** | 90.3 | **( 22.8)** | 8.6 | **146.7** | 159.4 |
| **SMLP**[1] | **45.9** | 27.8 | **8.3** | 2.9 | **70.8** | 43.1 |
| **Wascana**[3] | **0.0** | 0.0 | **0.0** | 0.0 | **47.0** | 47.0 |
| **Cameco**[3] | **6.9** | 30.1 | **522.7** | 30.1 | **114.9** | 325.9 |
| **TOTALS** | **774.7** | 668.5 | **545.1** | (25.1) | **848.4** | 1024.8 |
| **% OF CONSOLIDATED TOTAL** | **25.5** | 24.3 | **73.5** | (10.4) | **10.6** | 13.1 |

**Note:**
Accounting policy applied to investment in consolidated statements:
1) joint venture (proportionate consolidation)
2) equity basis
3) cost basis. 1996 net earnings contribution includes the gain on sale of Cameco shares

# CONSOLIDATED FINANCIAL RESULTS:

The following provides analysis of the consolidated results of CIC (the Corporation). This analysis should be read in conjunction with the Consolidated Financial Statements of CIC which commence on page 54 of this Annual Report.

## Operations:

Consolidated net earnings in 1996 of $741.3 million were substantially higher than 1995 net earnings of $240.8 million, due in large part to a gain of $515.8 million recorded on the 1996 sale of a portion of the Corporation's investment in Cameco Corporation. Excluding non-recurring items from both years, CIC's consolidated net earnings in 1996 were $225.4 million, $69.5 million higher than 1995.

### Sales of Products and Services:

Sales of products and services rose 12.1 per cent in 1996, or a total increase of $313.1 million. Sales volumes in each of the major utilities supplying power, telephony and natural gas services were up from 1995 levels. Revenues generated from the heavy oil upgraders contributed greatly to the increase in 1996 revenues, while the Corporation realized a net drop in revenues from its investments in the forestry sector.

In the case of power, volumes were up in all customer classes except industrial and export customers. Additional revenues from price increases introduced on January 1, 1996, for residential and farm customers were offset by revenue reductions from price decreases provided to commercial, oil field and industrial customers. SaskPower, through its subsidiary Channel Lake Petroleum Ltd., also markets gas not required for the immediate operations of SaskPower's gas fired generating plants. Revenues from this source increased by $72.0 million in 1996.

Telephony revenues increased substantially in 1996, due primarily to an increase in long distance revenues. Stentor settled revenues, representing long distance revenues shared by all Stentor members across Canada, were higher in 1996 and SaskTel enjoyed an increased participation in this pool of revenues in the year. Cellular growth continues with increases recognized in all revenue categories including access, air time and long distance.

Due to a Saskatchewan winter that was 16 per cent colder than the 30 year average, natural gas volumes distributed by SaskEnergy were up approximately 16 per cent. Due to this level of volume, revenues generated by SaskEnergy's distribution utility were higher than 1995, despite a rate decrease provided to customers on January 1, 1996. Transportation and storage revenues were down in 1996, due mainly to an extended period of low natural gas prices.

The two heavy oil upgrader investments generated an increase in the Corporation's revenues of $146.7 million in 1996. This was due primarily to increases in the general level of world crude oil prices and to a lesser extent, to increased volumes processed.

Forestry investments, specifically the investments in Meadow Lake Pulp Limited Partnership (MLPLP) and Saskfor MacMillan Limited Partnership (SMLP), recorded a combined decrease in revenues. Market pulp demand and prices plummeted over the last year, largely as a result of an excessive world-wide inventory build-up of pulp. The effect on MLPLP was dramatic, resulting in a significant year end loss for the company. Results from SMLP, in its first full year of operations, were more positive, and partly offset the decline in revenues from MLPLP. Lumber and plywood prices stayed remarkably strong throughout 1996, while Oriented Strand Board (OSB) pricing began to slide early in 1996 and continued to remain at unusually low levels throughout the remainder of the year. Poor OSB results largely offset the significant gains produced in the lumber and plywood divisions.

## Investment Revenue:

Investment revenue declined 15.4 percent in 1996, or a total decline of $18.6 million. Investment revenue is comprised mainly of earnings from the investment portfolio held within the Corporation's property and casualty insurance subsidiary (SGI), the Corporation's share of the net earnings of Saskferco and, prior to the sale in 1996, the Corporation's share of the net earnings of Cameco Corporation. The 1996 sale of the Cameco Corporation shares reduced the Corporation's ownership below the level constituting significant influence, thereby changing the method of accounting for this investment. The Cameco Corporation investment has been accounted for on the cost basis commencing the second quarter of 1996, whereby the Corporation no longer records its share of Cameco Corporation's net earnings.

Due to market conditions, investment earnings in 1996 from SGI's portfolio increased $9.6 million over 1995 levels. Saskferco Products Inc. (Saskferco) had a very successful year, a direct result of strong urea and ammonia pricing. In the wake of low world grain and oilseed stocks and corresponding high commodity prices, producers looked to productivity gains for record outputs, spelling good news for the fertilizer markets. As a result, the Corporation's share of Saskferco earnings increased by $8.3 million. The sale, and subsequent change in accounting method for the Cameco Corporation investment, resulted in a decrease in the Corporation's investment earnings of $23.2 million.

## Operating Costs:

Operating costs rose 14.6 per cent in 1996, or a total increase of $244.4 million. Operating costs rose most significantly in the power and telephone utilities and the heavy oil upgraders.

Operating costs within SaskPower include the costs of gas marketed for sale through Channel Lake Petroleum Ltd. Costs attributable to this activity rose $74 million in 1996, corresponding to a $72 million rise in associated gas sales. Excluding gas costs, the power utility's operating costs declined significantly in 1996. In 1995, a significant restructuring in the utility resulted in one-time costs. 1996 also witnessed the full year benefits of cost reductions from the 1995 restructuring.

Telephony operating costs rose by approximately 12 per cent. A voluntary Early Retirement Plan recorded in 1996 represents about five percentage points of this increase. The balance of the increase in costs is due primarily to costs to promote the utility's products and preserve the customer base, as well as normal increases in costs associated with increased revenues.

Corresponding to increased revenues of $146.7 million generated from the two heavy oil upgraders, operating costs of the upgraders, excluding amortization, rose a total of $110.9 million in 1996.

## Interest:

Outstanding debt (short- and long-term combined) for the CIC subsidiary Crown corporation sector declined to $4.2 billion in 1996 from $4.6 billion in 1995. As a result, interest expense was lowered by 9.4 per cent or $44.1 million. All CIC subsidiary Crown corporations continued to focus on debt reduction during the year. The power and telephone utilities, as well as CIC (the corporate entity) had the most impressive results. Interest costs within SaskPower and SaskTel decreased by a combined total of $36.4 million year over year. CIC's use of the proceeds from the Cameco Corporation sale towards debt reduction reduced interest costs within the corporate entity by approximately $10.5 million. Interest costs within the natural gas utility increased in 1996 due to a major capital program undertaken in 1995 for which financing was obtained in 1995.

## Amortization of Capital Assets:

Amortization expense increased $19.2 million over 1995 levels. The CIC subsidiary Crown corporation sector's capital expenditure program was substantial in 1995 at $635.1 million relative to 1996 capital expenditures of $379.6 million. Expenditure levels in 1996 reflect more normal levels for the Crown corporation sector. Given the large program in 1995, an increase in amortization expense was expected.

## Liquidity:

Activities during 1996 for the CIC subsidiary Crown corporation sector generated a net increase in cash of $4.9 million compared to a net decrease in cash during 1995 of $2.5 million. Cash sources in 1996 consisted of $616.7 million from operations and $15.2 million from investing activities. Financing activities consumed cash of $627 million in 1996.

## Operating Activities:

Operating activities provided cash in 1996 of $616.7 million compared to $407.3 million in 1995. This increase is due to higher profitability from normal operating activities.

## Investing Activities:

In 1996, investing activities provided cash of $15.2 million. In 1995, cash of $539.7 million was used for investing purposes. The capital expenditure program returned to more normal levels in 1996. In 1995, SaskEnergy's capital program included a substantial investment in transmission facilities in west central Saskatchewan. The non-recurrence of this in 1996, along with efforts to restrain capital expenditure levels to help contribute to debt reduction, has reduced cash required for investing purposes. The proceeds received on the sale of Cameco Corporation shares were a significant source of cash in 1996.

## Financing Activities:

Cash of $627.0 million was used for financing purposes in 1996. New long-term debt issues in 1996 were relatively nominal at $53.6 million, with the most significant being $20.0 million obtained for Sask Water. Total debt repayments, including both short- and long-term debt, amounted to $455.2 million. Finally, cash was used to provide dividends to the General Revenue Fund from CIC during 1996 totaling $224.2 million. Of the $224.2 million, $50.0 million was paid in March of 1996 from CIC's 1995 net earnings, and $174.2 million was paid in April of 1996 relating to the net proceeds received on the first instalment of the Cameco Corporation share sale.

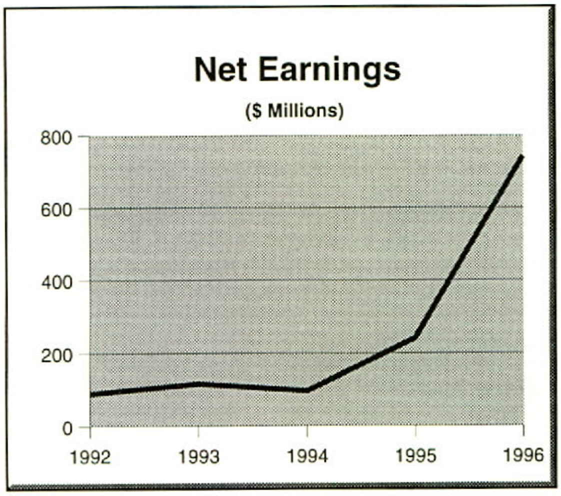
# CIC FINANCIAL STATEMENT REPORTING STRUCTURE

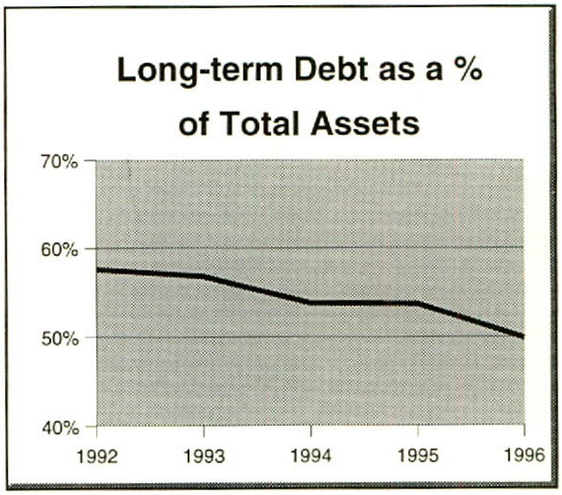
**Crown Investments Corporation of Saskatchewan (CIC) Consolidated Financial Statements**

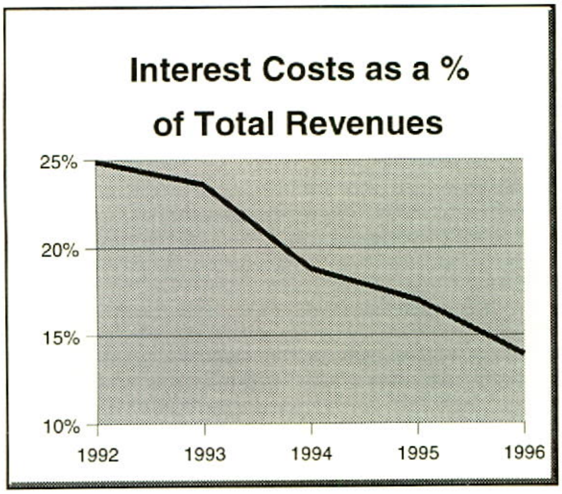
- **CIC Non-Consolidated Financial Statements**
  - Dividends from Subsidiary Crown Corporations
  - Cameco Corporation Dividends
  - Earnings (Losses) of NewGrade Energy Inc.
  - Losses of STC
  - Permanent Losses from Investments held by CIC III
  - CIC's Net Interest and Operating Costs
- **CIC Industrial 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
      - 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 Forest Products Corporation (inactive)
    - 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
    - CIC Mineral Interests Corporation (inactive)

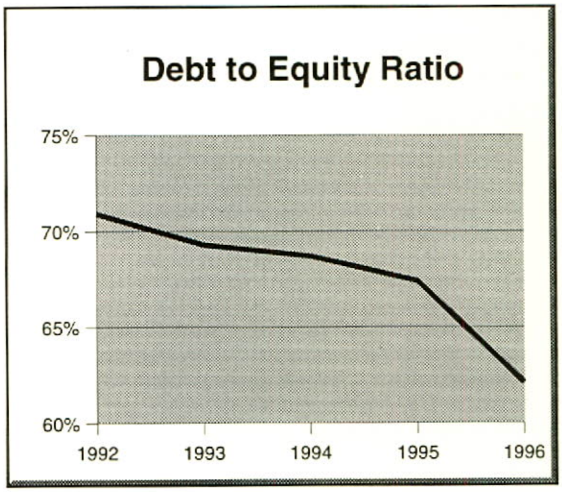
CIC CONSOLIDATED FINANCIAL STATEMENTS

# CIC CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY



# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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.

John Wright
John Wright
President

Patti Beatch
Patti A. Beatch
Vice-President, Finance & Administration

March 14, 1997

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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, 1996 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, 1996 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 14, 1997

W. K. Strelioff, CA,
Provincial Auditor

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **ASSETS** | | |
| Current | | |
| Cash | $ 11,527 | $ 4,373 |
| Short-term investments | 173,999 | 149,439 |
| Accounts receivable (Note 3(b)) | 805,552 | 392,890 |
| Inventories | 45,594 | 42,118 |
| Prepaid expenses | 161,399 | 162,054 |
| | 1,198,071 | 750,874 |
| Long-term investments (Note 3) | 1,237,859 | 1,484,582 |
| Capital assets (Note 4) | 5,269,590 | 5,273,126 |
| Other assets (Note 5) | 276,559 | 289,002 |
| | $ 7,982,079 | $ 7,797,584 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Current | | |
| Bank indebtedness | $ 46,812 | $ 44,541 |
| Accounts payable and accrued liabilities | 582,078 | 529,250 |
| Notes payable (Note 6) | 184,652 | 411,662 |
| Dividend payable to General Revenue Fund | 241,501 | 50,000 |
| Deferred revenue | 107,014 | 97,393 |
| Long-term debt due within one year (Note 7) | 202,351 | 197,642 |
| | 1,364,408 | 1,330,488 |
| Long-term debt (Note 7) | 3,781,294 | 3,985,880 |
| Deferred revenue and other liabilities (Note 8) | 291,107 | 261,497 |
| | 5,436,809 | 5,577,865 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 9) | 1,447,452 | 1,447,452 |
| Reinvested earnings | 1,097,818 | 772,267 |
| | 2,545,270 | 2,219,719 |
| | $ 7,982,079 | $ 7,797,584 |

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board: Bernard H. Wiens, Director   Dwain Lingenfelter, Director

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

**For the Year Ended December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **REVENUE** | | |
| Sales of products and services | **$ 2,909,097** | $ 2,595,964 |
| Investment (Note 3(g)) | **102,099** | 120,652 |
| Other | **31,721** | 35,510 |
| | **3,042,917** | 2,752,126 |
| **EXPENSES** | | |
| Operating costs other than those listed below | **1,921,935** | 1,677,549 |
| Interest (Note 11) | **422,484** | 466,537 |
| Amortization of capital assets | **381,978** | 362,769 |
| Saskatchewan taxes and resource payments (Note 12) | **90,652** | 88,574 |
| | **2,817,049** | 2,595,429 |
| Earnings before the following | **225,868** | 156,697 |
| Non-recurring items (Note 13) | **515,841** | 84,874 |
| Public policy expenditures adjustment (Note 14) | **(459)** | (783) |
| **NET EARNINGS** | **741,250** | 240,788 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | **772,267** | 581,479 |
| | **1,513,517** | 822,267 |
| **DIVIDEND TO GENERAL REVENUE FUND** | **415,699** | 50,000 |
| **REINVESTED EARNINGS, END OF YEAR** | **$ 1,097,818** | $ 772,267 |

(See accompanying notes)

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the Year Ended December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **OPERATING ACTIVITIES** | | |
| Net earnings | **$ 741,250** | $ 240,788 |
| Items not affecting cash from operations (Note 15) | **(132,173)** | 233,014 |
| | **609,077** | 473,802 |
| Net change in non-cash working capital balances related to operations | **7,659** | (66,530) |
| Cash provided by operating activities | **616,736** | 407,272 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investments | **(302,492)** | (328,040) |
| Proceeds from sales and collections of investments | **1,071,579** | 316,519 |
| Second instalment receivable (Note 3(b)) | **(382,049)** | - |
| Purchase of capital assets | **(379,567)** | (635,084) |
| Proceeds from sale of capital assets | **5,504** | 109,098 |
| Decrease (increase) in other assets | **2,213** | (2,162) |
| Cash provided by (used in) investing activities | **15,188** | (539,669) |
| **FINANCING ACTIVITIES** | | |
| Decrease in notes payable | **(227,010)** | (99,896) |
| (Decrease) increase in deferred revenue and other liabilities | **(1,232)** | 2,169 |
| Long-term debt proceeds from General Revenue Fund | **20,000** | 356,800 |
| Long-term debt proceeds from other lenders | **33,626** | 9,310 |
| Long-term debt repayments to General Revenue Fund | **(199,080)** | (88,984) |
| Long-term debt repayments to other lenders | **(29,147)** | (49,488) |
| Dividends paid to General Revenue Fund | **(224,198)** | - |
| Cash (used in) provided by financing activities | **(627,041)** | 129,911 |
| **NET INCREASE (DECREASE) IN CASH DURING YEAR** | **4,883** | (2,486) |
| **CASH POSITION, BEGINNING OF YEAR** | **(40,168)** | (37,682) |
| **CASH POSITION, END OF YEAR** | **$ (35,285)** | $ (40,168) |
| Cash position consists of: | | |
| Cash | **$ 11,527** | $ 4,373 |
| Bank indebtedness | **(46,812)** | (44,541) |
| | **$ (35,285)** | $ (40,168) |

(See accompanying notes)

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 1996

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 Development Fund 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

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:

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

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 fair 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. Telecommunication operations include 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.

Deferred 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 earnings 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.

l) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) cash
ii) short-term instruments
iii) accounts receivable
iv) bank indebtedness
v) accounts payable and accrued liabilities
vi) notes payable
vii) dividend payable

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

## 2. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Crown Investments Corporation of Saskatchewan was established by Order-in-Council 535/47 dated April 2, 1947, and is continued by **The Crown Corporations Act, 1993** which 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 | 1996 | 1995 |
|---|---|---|---|
| | | (thousands of dollars) | |
| **Equity Investments** | | | |
| Saskferco Products Inc. (a) 68,449,080 (1995 - 68,449,080) Class B common shares | 49.0% | **$ 100,261** | $ 87,946 |
| Other share investments - equity basis | | **6,511** | 7,504 |
| | | **106,772** | 95,450 |
| **Portfolio Investments** | | | |
| Cameco Corporation (b) 5,423,123 (1995 - 15,543,623) common shares | 10.3% | **114,898** | 325,914 |
| Wascana Energy Inc. (c) 5,842,910 (1995 - 5,842,910) common shares | 7.4% | **47,044** | 47,044 |
| HARO Financial Corporation (d) 68,000,000 (1995 - 68,000,000) Class B non-voting common shares | - | **68,000** | 68,000 |
| Other share investments - cost basis | | **67,059** | 69,026 |
| | | **297,001** | 509,984 |
| **Bonds and Debentures** | | | |
| HARO Financial Corporation (d) | | **353,246** | 352,506 |
| Meadow Lake Pulp Limited Partnership (e) | | **66,445** | 96,100 |
| Other bonds and debentures | | **218,477** | 199,352 |
| | | **638,168** | 647,958 |
| **Loans, Notes and Mortgages Receivable** | | | |
| Cadillac Fairview Corporation Limited | | **38,345** | 38,976 |
| Other loans and notes receivable | | **93,587** | 122,702 |
| | | **131,932** | 161,678 |
| **Property Holdings** | | **56,601** | 60,390 |
| **Leases Receivable** | | **7,385** | 9,122 |
| | | **$ 1,237,859** | $ 1,484,582 |

## 3. LONG-TERM INVESTMENTS (continued)

a) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49% voting interest.

b) At December 31, 1996, the Corporation owns 5,423,123 voting common shares of Cameco Corporation (Cameco) representing a 10.3% (1995 - 29.5%) interest. 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.

   During the year the Corporation sold 10,120,500 shares of Cameco for net proceeds of $731.4 million. The Corporation recorded a gain on sale of $515.8 million. As a result of this transaction, the Corporation ceased to have significant influence over Cameco and therefore changed its accounting on the date of the sale from the equity method to the cost method. Included in accounts receivable is $382.0 million for the second instalment proceeds due March 20, 1997.

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 $271.7 million to December 31, 1996 (1995 - $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 replacement refinancing is secured by HARO.

   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 which is 4.56% at December 31, 1996 (1995 - 7.33%). 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 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. There were no payments made during the year. Total interest owing to the Corporation at December 31, 1996 is $81.3 million (1995 - $64.7 million).

   All amounts of principal and interest 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 prior to December 15, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or shares of Crown Life. The number of Crown Life shares acquired by the Corporation may not exceed 94% of the Crown Life shares owned by HARO. 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.

## 3. LONG-TERM INVESTMENTS (continued)

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 voting 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 no renewals by HARO or the Corporation can extend beyond December 15, 2017, when all remaining balances of interest and principal become 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%, which is 4.99% at December 31, 1996 (1995 - 7.58%).

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, 1996 was paid in full on January 31, 1997.

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 to Crown Life shares by HARO, any securities acquired by HARO become security for the Additional Loan.

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 interest rate inherent on the loan is 5.00% at December 31, 1996 (1995 - 7.75%).

## 3. LONG-TERM INVESTMENTS (continued)

- The Contingency Loan has an original principal balance of $7.3 million and bears interest at the CIBC prime interest rate plus 1% calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance. The rate inherent on the loan is 5.75% at December 31, 1996 (1995 - 8.50%).

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. 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 which is 3.13% at December 31, 1996 (1995 - 5.68%), on that date.

The underlying value of the loans due from MLPLP is contingent upon the cash flows provided from the operations of the pulp mill. The present value of the cash flows is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances. However, given the wide fluctuations in world commodity prices for pulp, the projected cash flows could change materially from the estimate. As a result the recorded amount of these loans could change by a material amount in the near term.

Due to uncertainty of cash flows from MLPLP, the Corporation's debentures are shown net of provision for loan losses of $30.0 million (1995 - nil).

f) Other loans and notes receivable include amounts due from Cameco of $20.0 million (1995 - $25.2 million).

g) Included in investment revenue are earnings (losses) from equity investments as follows:

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Cameco (Note 3(b)) | **$ 4,900** | $ 30,141 |
| Saskferco | **31,209** | 22,939 |
| Other | **(1,198)** | 712 |
| | **$ 34,911** | $ 53,792 |

## 4. CAPITAL ASSETS

| | 1996 | | | 1995 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost |
| | (thousands of dollars) | | | |
| Machinery & equipment | **$ 6,897,893** | **$ 2,576,896** | **$ 4,320,997** | $ 6,906,398 |
| Buildings & improvements | **1,029,555** | **309,986** | **719,569** | 989,612 |
| Land, coal properties & rights | **168,530** | **50,441** | **118,089** | 163,282 |
| Plant under construction | **106,934** | **-** | **106,934** | 101,434 |
| Equipment under capital leases | **3,680** | **2,020** | **1,660** | 4,114 |
| Deferred development costs | **2,477** | **136** | **2,341** | 1,471 |
| | **$ 8,209,069** | **$ 2,939,479** | **$ 5,269,590** | $ 8,166,311 |
| Accumulated amortization - 1995 | | | | (2,893,185) |
| Net Book Value - 1995 | | | | $ 5,273,126 |

## 5. OTHER ASSETS

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Natural gas in storage | **$ 67,028** | $ 77,689 |
| Deferred financing charges, net of amortization | **21,812** | 26,952 |
| Deferred foreign exchange translation losses, net of amortization | **115,705** | 118,046 |
| Other deferred charges, net of amortization | **72,014** | 66,315 |
| | **$ 276,559** | $ 289,002 |

## 6. NOTES PAYABLE

Notes payable are primarily due to the General Revenue Fund. These notes are interest-bearing, due on demand and have an average interest rate of 3.19% (1995 - 6.02%).

## 7. LONG-TERM DEBT

(thousands of dollars)

| Years to Maturity | 1996 Principal Outstanding U.S. Dollars | 1996 Principal Outstanding Canadian Dollars | 1996 Average Interest Rate | 1995 Principal Outstanding | 1995 Average Interest Rate |
|---|---|---|---|---|---|
| **A. General Revenue Fund** | | | | | |
| Canadian Dollar Issues | | | | | |
| 1 - 5 years | | $ 934,406 | 9.62 | $ 825,300 | 10.41 |
| 6 - 10 years | | 1,351,543 | 11.04 | 1,551,296 | 11.41 |
| 11 - 15 years | | 297,784 | 9.71 | 425,243 | 9.84 |
| 16 - 20 years | | 7,888 | 8.10 | - | - |
| 21 - 25 years | | 15,000 | 9.60 | 15,000 | 9.60 |
| 26 - 30 years | | 425,000 | 8.75 | 425,000 | 9.32 |
| | | 3,031,621 | | 3,241,839 | |
| United States Dollar Issues | | | | | |
| 6 - 10 years | $ 50,000 | 68,530 | 6.63 | 68,200 | 6.63 |
| 11 - 15 years | 204,000 | 279,602 | 7.13 | 278,256 | 7.13 |
| 16 - 20 years | 75,000 | 102,795 | 7.38 | 102,300 | 7.13 |
| 21 - 30 years | 400,000 | 548,240 | 8.94 | 545,600 | 8.42 |
| | $ 729,000 | 999,167 | | 994,356 | |
| | | 4,030,788 | | 4,236,195 | |
| Less sinking fund balance | | (358,276) | | (355,649) | |
| **Total due to General Revenue Fund** | | 3,672,512 | | 3,880,546 | |
| **B. Other long-term debt** | | | | | |
| Canadian Dollar Issues | | | | | |
| Saskatchewan Power Corporation Savings Bonds (due July 6, 1994) | | 279 | - | 342 | - |
| Saskatchewan Telecommunications TeleBonds (due March 1, 1999) | | 34,109 | 6.50 | 34,480 | 6.50 |
| Capital lease obligations (Note 17) | | 600 | Various | 1,078 | Various |
| Other (due 1997 to 2013) | | 105,329 | Various | 85,878 | Various |
| | | 140,317 | | 121,778 | |
| United States Dollar Issues | | | | | |
| Other (due 1997 to 2007) | $ 126,489 | 170,816 | 9.74 | 181,198 | 9.74 |
| Total other long-term debt | | 311,133 | | 302,976 | |
| | | 3,983,645 | | 4,183,522 | |
| Less due within one year | | (202,351) | | (197,642) | |
| **TOTAL LONG-TERM DEBT** | | $ 3,781,294 | | $ 3,985,880 | |

## 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 in amounts representing 1% to 3% of the original issue. These annual payments are invested with the General Revenue Fund. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the General Revenue Fund on a net basis.

Certain issues received from the General Revenue Fund totalling $670.9 million (1995 - $670.9 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):

1997 - **$ 207,284**
1998 - **$ 457,193**
1999 - **$ 157,550**
2000 - **$ 88,846**
2001 - **$ 260,022**

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.363 (1995 - 1.355).

## 8. DEFERRED REVENUE AND OTHER LIABILITIES

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Contributions in aid of construction | **$ 55,352** | $ 50,703 |
| Other liabilities | **226,363** | 201,005 |
| Deferred income | **8,630** | 8,644 |
| Unamortized foreign exchange gains | **762** | 1,145 |
| | **$ 291,107** | $ 261,497 |

## 9. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from the General Revenue Fund to form its equity capitalization. The advances are an equity investment in the Corporation by the General Revenue Fund.

## 10. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 1996:

a) The Corporation has forward purchase commitments of $1,852.0 million for coal contracted for future minimum deliveries valued at current prices.

b) The Corporation has capital expenditure commitments amounting to $280.5 million.

c) The Corporation has a contingent liability as endorser of certain promissory notes due in 2003 and 2004, 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 2004. The total amount of these contingencies is $75.0 million (1995 - $83.0 million).

d) 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. The fair value of the guarantee at December 31, 1996 is $48.4 million (1995 - $53.9 million).

e) 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, 1996, the Corporation's guarantee is $152.5 million (1995 - $166.5 million).

f) 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, 1996, the guaranteed amount does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee in 1997.

g) 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

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Interest on long-term debt | $ 436,190 | $ 449,832 |
| Amortization of foreign exchange gains and losses | 7,240 | 12,836 |
| Amortization of deferred financing costs | 5,136 | 5,591 |
| | 448,566 | 468,259 |
| Less: | | |
| Sinking fund earnings | (35,064) | (29,305) |
| Interest capitalized | (4,293) | (8,768) |
| | (39,357) | (38,073) |
| Long-term debt interest expense | 409,209 | 430,186 |
| Short-term debt interest expense | 13,275 | 36,351 |
| | $ 422,484 | $ 466,537 |

## 12. SASKATCHEWAN TAXES AND RESOURCE PAYMENTS

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Oil, gas and coal royalties | $ 26,981 | $ 25,147 |
| Timber dues | 647 | 1,665 |
| | 27,628 | 26,812 |
| Grants in lieu of taxes to municipalities | 29,481 | 28,646 |
| Saskatchewan capital tax | 23,678 | 24,617 |
| Insurance premium tax | 5,966 | 5,692 |
| Other | 3,899 | 2,825 |
| | 90,652 | 88,592 |
| Less: | | |
| Amounts inventoried | - | (18) |
| | $ 90,652 | $ 88,574 |

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

## 13. NON-RECURRING ITEMS

Non-recurring items include the following:

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Gain on sale of Cameco Corporation shares (Note 3(b)) | $ 515,841 | $ - |
| 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) |
| | $ 515,841 | $ 84,874 |

## 14. PUBLIC POLICY EXPENDITURES ADJUSTMENT

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

Construction costs of the Rafferty and Alameda dams are funded by the Corporation, the General Revenue Fund and the U.S. Government. Amounts received from the General Revenue Fund and the U.S. Government in excess of expenditures incurred are recorded as deferred revenue.

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

| | 1996 | 1986 to 1995 | Total |
|---|---|---|---|
| | | (thousands of dollars) | |
| Construction costs | $ 1,020 | $ 275,169 | $ 276,189 |
| 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 | 561 | (3,262) | (2,701) |
| | 561 | 256,518 | 257,079 |
| Public policy expenditure representing amount funded by the Corporation | $ 459 | $ 18,651 | $ 19,110 |

## 15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Amortization of capital assets | **$ 381,978** | $ 362,769 |
| Sinking fund earnings | **(35,064)** | (29,305) |
| Non-recurring items (Note 13) | **(515,841)** | (84,874) |
| Other non-cash items | **36,754** | (15,576) |
| | **$ (132,173)** | $ 233,014 |

## 16. FINANCIAL INSTRUMENTS

The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that minimizes its exposure to the extent practical, and through the use of derivative financial instruments and commodity contracts. Board of Directors' approval is required before entering into significant derivative financial instruments and contracts.

a) Hedging transactions

The Corporation purchases natural gas for the purpose of resale. The majority of annual purchases are made under long term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one year period or referenced to a floating index price. In order to reduce its exposure to rising natural gas prices, the Corporation fixes the price of a portion of its annual purchases through a natural gas price hedging program. Natural gas purchase prices can be hedged by using financial instruments such as swap contracts with counterparties and futures contracts on the New York Mercantile Exchange.

As at December 31, 1996, the Corporation has hedged the purchase price of 36.2 billion cubic feet (Bcf) of its 1997 and 1998 natural gas purchases at a total value of $48.0 million.

Net receipts or payments resulting from settlement of hedge transactions are recorded upon settlement of the contract as adjustments to the cost of gas.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap contracts. The Corporation mitigates this credit risk by (i) utilizing only counterparties with an A credit rating or better; and (ii) limiting the notional gas volumes swapped with individual entities. During 1996, the Corporation entered into transactions with 16 different counterparties. The Corporation expects all swap obligations to be met.

## 16. FINANCIAL INSTRUMENTS (continued)

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below:

| | 1996 | |
|---|---|---|
| | Carrying Amount | Fair Value |
| | (millions of dollars) | |
| Natural gas price hedges: | | |
| - swaps | $ - | $ 21.0 |
| - futures | - | - |
| - foreign exchange | - | - |

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price in effect on December 31, 1996.

ii) Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 1996.

iii) Foreign exchange - The Bank of Canada exchange rate on December 31, 1996.

(b) The Corporation has entered into contracts to manage its exposure to interest and foreign exchange rate fluctuations. The following summarizes instruments held at each year end:

| | 1996 | | | | |
|---|---|---|---|---|---|
| | Notional Principal | | Fair Value Asset (Liability) | | |
| | (millions of dollars) | | | | |
| | U.S. | Canadian | U.S. | Canadian | Interest Rate (%) |
| U.S.: | | | | | |
| Interest Rate Swaps | $ 813 | $ 1,114 | $ (13.1) | $ (18.0) | (i) |
| Interest Rate Caps | $ 223 | $ 306 | $ 0.0 | $ 0.0 | 5.75 - 6.00 (ii) and (v) |
| Forward Rate Agreements | $ 23 | $ 32 | $ 0.0 | $ 0.0 | 5.50 (iii) |
| Foreign Exchange Contracts | $ 33 | $ 45 | $ 0.9 | $ 1.3 | (iv) |

Repricing or maturity date for all Interest Rate Swaps, Interest Rate Caps, Forward Exchange Agreements and Foreign Exchange Contracts is 1997.

## 16. FINANCIAL INSTRUMENTS (continued)

| | 1995 | | | | |
|---|---|---|---|---|---|
| | Notional Principal | | Fair Value Asset (Liability) | | |
| | (millions of dollars) | | | | |
| | U.S. | Canadian | U.S. | Canadian | Interest Rate (%) |
| Canadian: | | | | | |
| Forward Rate Agreements | | $ 20 | | $ (0.1) | 6.55 - 6.65 (iii) |
| U.S.: | | | | | |
| Interest Rate Swaps | $ 813 | $ 1,109 | $ (19.8) | $ (27.0) | 6.09 - 13.50 (i) |
| Interest Rate Caps | $ 223 | $ 304 | $ 0.3 | $ 0.5 | 6.75 - 6.00 (ii) and (v) |
| Forward Rate Agreements | $ 258 | $ 352 | $ (0.8) | $ (1.1) | 5.50 - 7.29 (iii) |
| Foreign Exchange Contracts | $ 10 | $ 14 | $ 0.2 | $ 0.2 | (iv) |

Repricing or maturity dates are as follows:

| | |
|---|---|
| Forward Exchange Agreements | 1996 |
| Interest Rate Swaps | 1997 |
| Interest Rate Caps | 1997 |
| Forward Exchange Agreements | 1996 - 1997 |
| Forward Exchange Contracts | 1996 |

i) Interest rate swaps allow the Corporation to exchange certain fixed interest commitments to floating rates and vice versa. In 1987 and 1988, the Corporation entered into $271 million U.S. of interest rate swaps, agreeing to pay a weighted average interest rate of 13.13% and receive 6 month LIBOR. In 1991 and 1992, the Corporation entered into $542 million U.S. of interest rate swaps, agreeing to pay 6 month LIBOR and receive a weighted average interest rate of 6.90%.

ii) Interest rate caps establish the maximum rate payable on debt obligations.

iii) Forward rate agreements effectively fix interest costs on certain debt obligations for terms up to 18 months as at December 31, 1995 and up to six months as at December 31, 1996.

## 16. FINANCIAL INSTRUMENTS (continued)

iv) Foreign exchange contracts allow the Corporation to settle future U.S. dollar obligations through the purchase of U.S. dollars at a specified future date at a pre-agreed price. These contracts effectively fix the U.S. exchange rate at approximately $0.75 Canadian on certain U.S. debt obligations.

v) The exercise rates of the interest caps.

vi) Forward Rate Agreements - Fair value is determined on the present value of future cash flows discounted at the closing year end market rate.

vii) Interest Rate Swaps, Interest Rate Caps and Foreign Exchange Contracts - Fair value is determined by their closing year end quoted market rate.

c) Fair value of financial instruments

The fair value of the Corporation's financial instruments is as follows:

| | 1996 | |
|---|---|---|
| | **Carrying Amount** | **Fair Value** |
| | (millions of dollars) | |
| Long-term investments | **$ 1,046.0** | **$ 1,286.7** |
| Sinking fund equity | **358.3** | **413.2** |
| Long-term debt | **3,983.6** | **4,612.5** |

The fair values of the above instruments were based on the following:

i) Long-term investments

<u>Share investments</u> - Publicly traded share investments fair value is based on their final trade price per share on December 31, 1996 less estimated selling costs.

<u>Bonds, debentures, loans, notes and mortgages receivable</u> - The fair value of bonds, debentures, loan rates and mortgages receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

iii) Sinking fund equity

The fair value of the investments held in the sinking fund are based on their December 31, 1996 quoted market value.

**16. FINANCIAL INSTRUMENTS (continued)**

The Corporation has not attempted to determine the fair value of its investments in non-publicly traded common shares ($21.1 million), property holdings ($56.6 million) or leases receivable ($7.4 million) due to the relative insignificance of the amounts and the costs associated with this type of valuation.

d) Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation does not have a significant credit exposure to any individual customer. For 1996, credit losses were insignificant.

**17. 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:

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Future minimum lease payments | | |
| 1996 | **$ -** | $ 568 |
| 1997 | **461** | 473 |
| 1998 | **161** | 203 |
| 1999 | **13** | 1 |
| 2000 | **2** | - |
| Total minimum lease payments | **637** | 1,245 |
| Less amount representing interest and executory costs | **(37)** | (167) |
| Balance of obligation | **600** | 1,078 |
| Less current portion | **(426)** | (499) |
| | **$ 174** | $ 579 |

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

| | |
|---|---|
| 1997 | **$ 18,708** |
| 1998 | **18,162** |
| 1999 | **15,095** |
| 2000 | **14,889** |
| 2001 | **14,693** |
| Thereafter | **2,095** |
| | **$ 83,642** |

## 18. 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").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

| | | |
|---|---|---|
| Accounts receivable | $ | **8.9** |
| Accounts payable and accrued liabilities | | **104.0** |
| Sales of products and services | | **89.5** |
| Operating costs | | **148.4** |

During 1996, the Corporation received $9.1 million (1995 - $7.6 million) in grants from the General Revenue Fund.

As at December 31, 1996, $39.0 million (1995 - $79.2 million) is invested with the General Revenue Fund, at negotiated rates, and is included in short-term investments.

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

## 19. JOINT VENTURES

The Corporation has consolidated its interests in joint ventures as described in Note 1(a) and Note 1(b). The Corporation's pro-rata share prior to consolidation of assets, liabilities, revenues and expenses on operations carried out through joint ventures is as follows (in thousands of dollars):

| | | |
|---|---|---|
| Current assets | $ | **134,194** |
| Long-term assets | $ | **497,275** |
| Current liabilities | $ | **97,891** |
| Long-term liabilities | $ | **244,964** |
| Capital | $ | **288,614** |
| Revenue | $ | **747,329** |
| Expenses | $ | **765,323** |
| Net loss | $ | **(17,994)** |
| Cash flows from operating activities | $ | **23,199** |
| Cash flows from financing activities | $ | **10,772** |
| Cash flows from investing activities | $ | **1,617** |

## 20. 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 fair value of the defined benefit pension funds' assets are $1,194.7 million which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of $1,117.1 million by $77.6 million. The actuarial present value of the accrued pension benefits is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. This estimate therefore involves risks that the actual amount may differ materially from the estimate.

## 21. COMPARATIVE FIGURES

Certain of the 1995 comparative figures have been reclassified to conform with the current year's presentation.

# CIC FINANCIAL STATEMENT REPORTING STRUCTURE

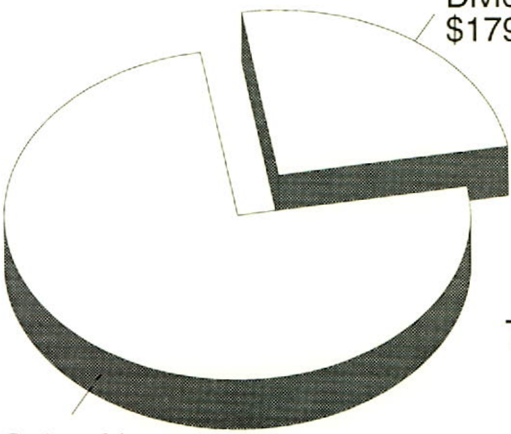
**Crown Investments Corporation of Saskatchewan (CIC) Consolidated Financial Statements**

- **CIC Non-Consolidated Financial Statements**
  - Dividends from Subsidiary Crown Corporations
  - Cameco Corporation Dividends
  - Earnings (Losses) of NewGrade Energy Inc.
  - Losses of STC
  - 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
      - 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 Forest Products Corporation (inactive)
    - 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
    - CIC Mineral Interests Corporation (inactive)

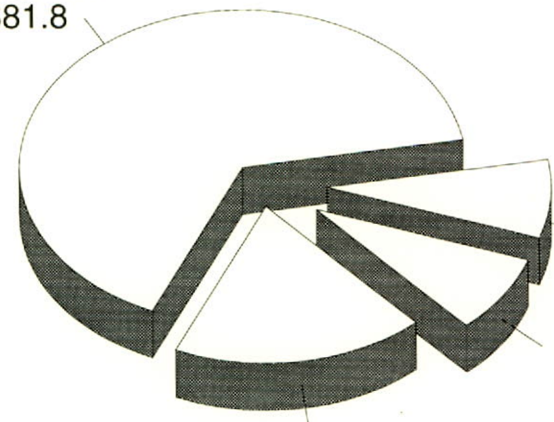
# CIC NON-CONSOLIDATED 1996 SOURCES OF REVENUES AND EXPENSES

## Millions of Dollars

### Revenues




### Expenses



# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NON-CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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.

John Wright
President

Patti A. Beatch
Vice-President, Finance & Administration

March 14, 1997

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NON-CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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, 1996 and the non-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 non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1996 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 14, 1997

W. K. Strelioff, CA,
Provincial Auditor

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **ASSETS** | | |
| Cash | **$ 315** | $ 271 |
| Interest and accounts receivable (Note 5(c)) | **382,122** | 210 |
| Dividends receivable | **175,686** | 163,743 |
| Loans and notes receivable (Note 3) | **-** | 12,400 |
| Equity advances to Crown corporations (Note 4) | **1,038,382** | 1,040,687 |
| Investments in share capital corporations (Note 5) | **1,155,035** | 1,412,359 |
| Other assets (Note 6) | **9,694** | 12,610 |
| | **$ 2,761,234** | $ 2,642,280 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Interest and accounts payable | **$ 27,133** | $ 27,737 |
| Dividend payable to General Revenue Fund | **241,501** | 50,000 |
| Notes payable to General Revenue Fund (Note 7) | **102,418** | 322,100 |
| Long-term debt (Note 8) | **758,434** | 793,434 |
| | **1,129,486** | 1,193,271 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 9) | **1,447,452** | 1,447,452 |
| Reinvested earnings | **184,296** | 1,557 |
| | **1,631,748** | 1,449,009 |
| | **$ 2,761,234** | $ 2,642,280 |

Commitments and Contingencies (Note 10)

(See accompanying notes)

On behalf of the Board: Bernard H. Wiens, Director Dwain Lingenfelter, Director

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NON-CONSOLIDATED STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

**For the Year Ended December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **REVENUE** | | |
| Dividends (Note 11) | $ 177,796 | $ 169,574 |
| Interest | 826 | 671 |
| Gain on sale of investment (Note 5(c)) | 543,598 | - |
| Other | 516 | 305 |
| | 722,736 | 170,550 |
| **EXPENSES** | | |
| Interest - long-term debt | 74,902 | 72,110 |
| Interest - short-term debt | 6,887 | 20,221 |
| General, administrative and other | 9,583 | 6,837 |
| Grant to NewGrade Energy Inc. | 10,000 | 10,000 |
| Amortization of capital assets | 121 | 95 |
| | 101,493 | 109,263 |
| Earnings before the following | 621,243 | 61,287 |
| Recovery of write-down of investment | - | 17,145 |
| Write-down of investments (Note 12) | (22,805) | (12,943) |
| **NET EARNINGS** | 598,438 | 65,489 |
| **REINVESTED EARNINGS (DEFICIT), BEGINNING OF YEAR** | 1,557 | (13,932) |
| | 599,995 | 51,557 |
| **DIVIDEND TO GENERAL REVENUE FUND** | 415,699 | 50,000 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 184,296 | $ 1,557 |

(See accompanying notes)

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NON-CONSOLIDATED STATEMENT OF CASH FLOWS

**For the Year Ended December 31**

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **OPERATING ACTIVITIES** | | |
| Net earnings | $ 598,438 | $ 65,489 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | 121 | 95 |
| Write-down of investments | 22,805 | 12,943 |
| Recovery of write-down of investment | - | (17,145) |
| Gain on sale of investment | (543,598) | - |
| Other non-cash items | 2,964 | 2,846 |
| | 80,730 | 64,228 |
| Net change in non-cash working capital balances related to operations (Note 13) | (12,410) | (17,774) |
| Cash provided by operating activities | 68,320 | 46,454 |
| **INVESTING ACTIVITIES** | | |
| (Increase) decrease in notes receivable | (8,100) | 127,113 |
| Decrease in equity advances to Crown corporations | - | 40,200 |
| Decrease (increase) in investments in share capital corporations | 69,525 | (316,852) |
| Disposal of capital assets | 27 | - |
| Net proceeds on sale of investment | 731,397 | - |
| Second instalment receivable (Note 5(c)) | (382,049) | - |
| Purchase of capital assets | (196) | (88) |
| Cash provided by (used in) investing activities | 410,604 | (149,627) |
| **FINANCING ACTIVITIES** | | |
| Increase in deferred charges | - | (666) |
| (Decrease) increase in notes payable | (219,682) | 7,875 |
| Long-term debt proceeds | - | 100,000 |
| Long-term debt repayments | (35,000) | (3,857) |
| Dividends paid to General Revenue Fund | (224,198) | - |
| Cash (used in) provided by financing activities | (478,880) | 103,352 |
| **NET INCREASE IN CASH DURING YEAR** | 44 | 179 |
| **CASH POSITION, BEGINNING OF YEAR** | 271 | 92 |
| **CASH POSITION, END OF YEAR** | $ 315 | $ 271 |

(See accompanying notes)

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 1996

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

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. 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 joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Where there has been a decline in any other investment it is written down to its fair 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 fair value.

e) Capital assets

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Deferred charges

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

g) Fair value disclosure of short-term financial instruments

For certain of the corporation's financial instruments including:

i) cash
ii) interest and accounts receivable
iii) dividends receivable
iv) loans and notes receivable
v) interest and accounts payable
vi) dividend payable to the General Revenue Fund
vii) notes payable to the General Revenue Fund

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

## 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 Development Fund Corporation
Saskatchewan Forest Products Corporation
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

## 3. LOANS AND NOTES RECEIVABLE

| | | 1996 | 1995 |
|---|---|---|---|
| | | (thousands of dollars) | |
| Saskatchewan Transportation Company - short-term notes | | $ 20,500 | $ 12,400 |
| Less: | Allowance for loan losses | (20,500) | - |
| | | $ - | $ 12,400 |

a) Short-term notes receivable are interest bearing at a rate of 3.13% (1995 - 5.68%) and are due on March 31, 1997.

## 4. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:

| | | 1996 | 1995 |
|---|---|---|---|
| | | (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 Development Fund Corporation | | 1,150 | 1,150 |
| Saskatchewan Water Corporation | | 700 | 700 |
| Saskatchewan Government Growth Fund Management Corporation | | 1 | 1 |
| | | 1,093,867 | 1,093,867 |
| Less: | Write-down of investments: Saskatchewan Transportation Company | (55,485) | (53,180) |
| | | $ 1,038,382 | $ 1,040,687 |

## 5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

| Investee | Description of Investment | Voting Percentage | 1996 | 1995 |
|---|---|---|---|---|
| | | | (thousands of dollars) | |
| CIC Industrial Interests Inc. | 34,000,000 common shares | 100% | **$ 340,000** | $ 340,000 |
| | Due to CIC (a) | | **867,174** | 936,699 |
| | | | **1,207,174** | 1,276,699 |
| NewGrade Energy Inc. | 100 Class Y voting participating common shares (b) | 50% | **50,001** | 50,001 |
| | Promissory notes | | **9,568** | 9,568 |
| | | | **59,569** | 59,569 |
| Cameco Corporation | 5,420,567 common shares (c) | 10.3% | **100,586** | 288,385 |
| | | | **1,367,329** | 1,624,653 |
| Less: Write-down of investments: | | | | |
| CIC Industrial Interests Inc. | | | **(152,725)** | (152,725) |
| NewGrade Energy Inc. | | | **(59,569)** | (59,569) |
| | | | **$ 1,155,035** | $ 1,412,359 |

a) Amounts due to CIC are non-interest bearing and repayable on demand.

b) As of December 31, 1996, CIC owns 50% of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, and bear interest at Bank of Montreal prime rate, which at December 31, 1996 is 4.75% (1995 - 7.50%).

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 Consumers Co-operative Refineries Ltd. (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.

c) The investment in Cameco Corporation (Cameco) at December 31, 1996 includes 5,420,567 voting common shares (1995 - 15,541,067) with a carrying value of $100.6 million (1995 - $288.4 million), representing a 10.3% (1995 - 29.5%) interest in Cameco.

The fair value of Cameco shares was calculated on the last trade value on December 31, 1996 less estimated costs of disposition. The fair value of these shares at December 31, 1996 is $285.7 million (1995 - $757.2 million).

## 5. INVESTMENTS IN SHARE CAPITAL CORPORATIONS (continued)

During the year CIC sold 10,120,500 shares of Cameco for net proceeds of $731.4 million. CIC recorded a gain of sale of $543.6 million on the transaction. Included in interest and accounts receivable is $382.0 million for second instalment proceeds due March 20, 1997.

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.

d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

## 6. OTHER ASSETS

| | Cost | Accumulated Amortization | Net Book Value 1996 | Net Book Value 1995 |
|---|---|---|---|---|
| | (thousands of dollars) | | | |
| Deferred charges | $ 27,477 | $ 18,146 | $ 9,331 | $ 12,295 |
| Capital assets | 1,578 | 1,215 | 363 | 315 |
| | $ 29,055 | $ 19,361 | $ 9,694 | $ 12,610 |

## 7. NOTES PAYABLE TO GENERAL REVENUE FUND

Notes payable to the General Revenue Fund are unsecured, bear an effective interest rate of 3.13% (1995 - 5.68%) and mature March 31, 1997.

## 8. LONG-TERM DEBT

| Maturity Date | Interest Rate | 1996 | 1995 |
|---|---|---|---|
| | (per cent) | (thousands of dollars) | |
| April 16, 1996 | 9.750 | $ - | $ 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** | 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 |
| | | **$ 758,434** | $ 793,434 |

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

b) Long-term debt due within one year totals Nil (1995 - $35.0 million).

c) Certain issues totalling $29.3 million (1995 - $29.3 million) are subject to redemption on six months notice by the lender.

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

| | |
|---|---|
| 1997 | **$ -** |
| 1998 | **$ 358,407** |
| 1999 | **$ 25,000** |
| 2000 | **$ 25,000** |
| 2001 | **$ 175,000** |

e) The fair value of borrowed funds is determined by discounting the future contractual cash flows under current financial arrangements, which represent borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt at December 31, 1996 is $845.0 million (1995 - $862.0 million).

## 9. EQUITY ADVANCES

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund to form its equity capitalization. The advances are an equity investment in CIC by the General Revenue Fund.

## 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. The fair value of the guarantee at December 31, 1996 is $48.4 million (1995 - $53.9 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, 1996, the General Revenue Fund's guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 1997.

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, 1996, the fair value of the guarantee is $152.5 million (1995 - $166.5 million).

d) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. At December 31, 1996, no amounts are payable under the guarantee.

## 11. DIVIDEND REVENUE

Dividend revenue consists of the following:

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Saskatchewan Telecommunications Holding Corporation | **$ 46,200** | $ 73,500 |
| Saskatchewan Power Corporation | **76,587** | 54,104 |
| SaskEnergy Incorporated | **40,340** | 31,700 |
| Saskatchewan Government Insurance | **11,881** | 2,500 |
| Cameco Corporation | **2,788** | 7,770 |
| | **$ 177,796** | $ 169,574 |

## 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.

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| NewGrade Energy Inc. | $ - | $ 4,814 |
| Saskatchewan Economic Development Corporation | - | 2,130 |
| Saskatchewan Transportation Company | 22,805 | 5,999 |
| | $ 22,805 | $ 12,943 |

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

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Decrease in interest and accounts receivable | $ 137 | $ 212 |
| Increase in dividends receivable | (11,943) | (20,334) |
| (Decrease) increase in interest and accounts payable | (604) | 2,348 |
| | $ (12,410) | $ (17,774) |

## 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").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Category (as per financial statements) | | |
| Interest and accounts receivable | $ 13 | $ 185 |
| Interest and accounts payable | 24,691 | 25,427 |
| General administrative and other expenses | 199 | 159 |

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

## 14. RELATED PARTY TRANSACTIONS (continued)

CIC provides management services to CIC Industrial Interests Inc. without charge.

Other transactions and 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, 1996 exceed the actuarially determined net present value of retirement annuities payable.

## 16. COMPARATIVE FIGURES

Certain of the 1995 comparative figures have been reclassified to conform with the current year's presentation.

CIC INDUSTRIAL INTERESTS INC. NON-CONSOLIDATED FINANCIAL STATEMENTS

# 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
- Earnings (Losses) of NewGrade Energy Inc.
- Losses of STC
- 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**
- **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 Forest Products Corporation (inactive)
- 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
- CIC Mineral Interests Corporation (inactive)

# CIC INDUSTRIAL INTERESTS INC.

## NON-CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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 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.

John Wright
President

Patti A. Beatch
Vice-President, Finance & Administration

March 14, 1997

# CIC INDUSTRIAL INTERESTS INC.

## NON-CONSOLIDATED FINANCIAL STATEMENTS 1996

### 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, 1996 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, 1996 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 14, 1997

W.K. Strelioff, CA,
Provincial Auditor

# CIC INDUSTRIAL INTERESTS INC.

## NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at December 31

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **ASSETS** | | |
| Interest and accounts receivable | **$ 3,866** | $ 6,566 |
| Debentures and loans receivable (Note 3) | **78,514** | 106,086 |
| Investment - HARO Financial Corporation (Note 4) | **421,246** | 420,506 |
| Investments - equity basis (Note 5) | **489,156** | 526,239 |
| Investments - cost basis (Note 6) | **69,544** | 68,957 |
| Investments - properties (Note 7) | **18,427** | 21,727 |
| | **$ 1,080,753** | $ 1,150,081 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| Accounts payable | **$ 199** | $ 1,769 |
| Due to Crown Investments Corporation of Saskatchewan (CIC), without interest | **867,174** | 936,699 |
| | **867,373** | 938,468 |
| Shareholder's Equity | | |
| Share capital (Note 8) | **340,000** | 340,000 |
| Deficit | **(126,620)** | (128,387) |
| | **213,380** | 211,613 |
| | **$ 1,080,753** | $ 1,150,081 |

Commitments and contingencies (Note 9)

(See accompanying notes)

On behalf of the Board: Bernhard H. Wiens, Director John Wright, Director

# CIC INDUSTRIAL INTERESTS INC.

## NON-CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

### For the Year Ended December 31

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **REVENUE** | | |
| Interest and other | $ 21,336 | $ 21,116 |
| Rental properties | 1,643 | 4,172 |
| Earnings from equity investments (Note 5(f)) | 17,468 | 37,366 |
| Gain on sale of investments | 89 | 8 |
| | 40,536 | 62,662 |
| **EXPENSES** | | |
| Administrative | 629 | 1,792 |
| Amortization | 277 | 1,095 |
| Provision for (recovery of) loan losses | 36,355 | (1,298) |
| Interest | - | 432 |
| Rental properties | 1,508 | 2,674 |
| Write-down of cost base investments | - | 384 |
| | 38,769 | 5,079 |
| **NET INCOME** | 1,767 | 57,583 |
| **DEFICIT, BEGINNING OF YEAR** | (128,387) | (185,970) |
| **DEFICIT, END OF YEAR** | $ (126,620) | $ (128,387) |

(See accompanying notes)

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

### For the Year Ended December 31

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 1,767 | $ 57,583 |
| Dividends received from equity investments | 19,061 | 7,337 |
| Add (deduct) non-cash items: | | |
| Gain on sale of investments | (89) | (8) |
| Earnings from equity investments | (17,468) | (37,366) |
| Write-down of cost base investments | - | 384 |
| Amortization | 277 | 1,095 |
| Provision for property losses | 405 | - |
| Provision for (reduction of) loan losses | 36,355 | (1,298) |
| | 40,308 | 27,727 |
| Net change in non-cash working capital balances related to operations | 1,130 | (3,477) |
| Cash provided by operating activities | 41,438 | 24,250 |
| **INVESTING ACTIVITIES** | | |
| Increase in debentures and loans receivable | (1,191) | (227,667) |
| Debenture and loan repayments received | 22,633 | 25,242 |
| Purchase of investments | (3,733) | (174,909) |
| Proceeds from sale of investments | 10,378 | 41,043 |
| Conversion to cost base shares | - | (68,000) |
| Conversion from loans and debentures | - | 68,000 |
| Cash provided by investing activities | 28,087 | (336,291) |
| **FINANCING ACTIVITIES** | | |
| (Decrease) increase in due to CIC | (69,525) | 312,038 |
| **NET DECREASE IN CASH** | - | (3) |
| **CASH POSITION, BEGINNING OF YEAR** | - | 3 |
| **CASH POSITION, END OF YEAR** | $ - | $ - |

(See accompanying notes)

# CIC INDUSTRIAL INTERESTS INC.
## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 1996

#### 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. The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of the accounting policies summarized 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 include 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 fair 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 fair value. Dividends from these investments are recorded as income when receivable.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investments - Properties

The Corporation's investment in rental properties is recorded at the lower of amortized cost and estimated net realizable value.

The Corporation capitalizes land acquisition costs, direct development costs, administration costs and applicable interest to arrive at the cost of property held for sale. The cost is not to exceed estimated 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.

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 interest 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%.

h) Fair Value of Short-Term Financial Instruments

For certain of the Corporation's financial instruments including:

i) interest and accounts receivable
ii) accounts payable
iii) due to CIC

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

## 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

| | 1996 | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **Dairy Producers Co-Operative Limited:** | | |
| Floating rate loan receivable (a) | $ - | $ 10,857 |
| **Cadillac Fairview Corporation:** | | |
| Mortgages receivable (b) | | |
| Cornwall Centre Phase I | 31,203 | 31,703 |
| Cornwall Centre Phase II | 7,771 | 7,843 |
| | 38,974 | 39,546 |
| **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 | 73 | 103 |
| **Other Loans:** | | |
| Loan principal receivable (e) | 56,261 | 75,277 |
| Loan interest receivable | 596 | 1,887 |
| Loan costs receivable | 298 | 1,296 |
| Lease options (net of unearned income) | 4,746 | 4,686 |
| Less: Allowance for loan losses | (24,434) | (31,566) |
| | 37,467 | 51,580 |
| | $ 78,514 | $ 106,086 |

a) On January 5, 1996, the Corporation entered into an agreement with Dairy Producers Co-Operative Ltd. (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) The Corporation holds two mortgages with Cadillac Fairview Corporation Limited which facilitated the construction of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Phase I is a 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. Phase II is an 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.

### 3. DEBENTURES AND LOANS RECEIVABLE (continued)

c) In 1993, the Corporation purchased 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 5.0% or exceed 15.0% per annum. At December 31, 1996, the effective rate of the debenture is 5.0% (1995 - 5.0%). At the discretion of the Corporation, the debenture can be converted into common shares of the Canadian Western Bank.

d) The note receivable from Saskatchewan Opportunities Corporation, a related corporation through common control, was repaid in full on March 29, 1996. During the year, $27.7 thousand (1995 - $146.1 thousand) was recorded as income from the note receivable.

e) The majority of the loan portfolio consists of mortgage backed loans with various market based interest rates ranging from 0% to 14.25% and various maturities ranging to the year 2015. Included in the mortgage loan portfolio is $5.2 million in participation loans (1995 - $7.5 million). Repayment of principal and interest on the participation loans is based on the profitability of the borrower.

f) Debentures and loans receivable maturing in 1997 total $4.7 million (1996 - $16.7 million).

g) Fair value of debentures and loans receivable

The fair value of debentures and loans receivable is determined by discounting scheduled cash flows through the estimated maturity, using estimated market discount rates that reflect the credit and interest rate risk inherent in the loans less costs of disposition. The estimate of maturity is based on the legal date of expiration of the loan. The fair value of the loan portfolio at December 31, 1996 is $87.3 million. The fair value at December 31, 1995 is not reasonably determinable.

h) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The portfolio is valued yearly and all non-performing loans are contained in the provision for loan losses.

### 4. INVESTMENT - HARO FINANCIAL CORPORATION

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Loans receivable: | | |
| Term loan (a(i)) | **$ 284,503** | $ 266,829 |
| Convertible debenture (a(ii)) | **149,506** | 149,506 |
| Interest receivable on term loan | **559** | 834 |
| Less: Deferred interest | **(81,322)** | (64,663) |
| | **353,246** | 352,506 |
| 68,000,000 (1995 - 68,000,000) Class B non-voting common shares - cost $68,000,000 (1995 - $68,000,000) (a(i)) | **68,000** | 68,000 |
| | **$ 421,246** | $ 420,506 |

## 4. INVESTMENT - HARO FINANCIAL CORPORATION (continued)

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 HARO's acquisition of an ownership interest in Crown Life Insurance Company (Crown Life). The Corporation has advanced $271.7 million to December 31, 1996 (1995 - $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 replacement refinancing is secured by HARO.

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; which is 4.56% at December 31, 1996 (1995 - 7.33%). 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 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. There were no interest payments made during the year. Total interest owing to the Corporation at December 31, 1996 is $81.3 million (1995 - $64.7 million).

All amounts of principal and interest 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 prior to December 31, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or shares of Crown Life. The number of Crown Life shares acquired by the Corporation may not exceed 94% of the Crown Life shares owned by HARO. 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 voting 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 no renewals by HARO or the Corporation can extend beyond December 15, 2017, when all remaining balances of interest and principal become due and payable.

## 4. INVESTMENT - HARO FINANCIAL CORPORATION (continued)

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%, which is 4.99% at December 31, 1996 (1995 - 7.58%).

Payment of principal and interest is based on 100% of the cash flow received by HARO from the Crown Life Debentures. There were no principal payments made during the year. Accrued interest recorded to December 31, 1996 was paid in full on January 31, 1997.

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 to Crown Life shares by HARO, any securities acquired by HARO become security for the Additional Loan.

iii) The fair value of the Corporation's investment in HARO is determined by the following:

- The fair value of the $149.5 million Additional Loan is determined by discounting scheduled cash flows through estimated maturity, using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan less costs of disposition. The fair value of the Corporation's Term Loan and Class B non-voting shares is based primarily on the security held on these investments by the Corporation.

- Based on this valuation at December 31, 1996 the estimated value of the Corporation's investment is between $375.2 million and $430.1 million. The fair value at December 31, 1995 is not reasonably determinable.

## 5. INVESTMENTS - EQUITY BASIS

| | Percentage Ownership | Fiscal Year End | **1996** | 1995 |
|---|---|---|---|---|
| | | | (thousands of dollars) | |
| **Bi-Provincial Upgrader Joint Venture Interest (a):** Cost $267,163,551 (1995 - $267,163,551) | 50.0% | Dec. 31 | **$ 140,723** | $ 138,745 |
| Advances to Bi-Provincial | | | **59,470** | 65,621 |
| | | | **200,193** | 204,366 |
| **Saskferco Products Inc. (Saskferco) (b):** 68,449,080 (1995 - 68,449,080) Class B common shares - cost $68,449,080 (1995 - $68,449,080) | 49.0% | May 31 | **100,261** | 87,946 |

## 5. INVESTMENTS - EQUITY BASIS (continued)

| | Percentage Ownership | Fiscal Year End | **1996** | 1995 |
|---|---|---|---|---|
| | | | (thousands of dollars) | |
| **National Pig Development (Canada) Co. Ltd. (NPD) (c):** 1,648,783 (1995 - 1,510,783 ) Class A common shares - cost $1,486,328 (1995 - $1,348,328); 1,044,000 (1995 - 975,000) Class B non-voting preferred shares - cost $2,088,000 (1995 - $1,950,000) | 73.6% | Sep. 30 | **4,076** | 5,165 |
| **SGI Canada Insurance Services Ltd.:** 320,100 (1995 - 320,100) Class A common shares - cost $2,000,100 (1995 - $2,000,100) | 40.0% | Dec. 31 | **2,034** | 2,065 |
| **CIC Pulp Ltd. (d):** 100 (1995 - 100) common shares - cost $100 (1995 - $100) | 100.0% | Dec. 31 | **(38,926)** | (16,125) |
| Due from CIC Pulp Ltd., without interest | | | **12,534** | 11,316 |
| Millar Western Pulp (Meadow Lake) Ltd.: 49 (1995 - 49) common shares - cost $49 (1995 - $49) | 49.0% | Dec. 31 | **-** | - |
| Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP): | | | | |
| Participating Debenture | | | **159,000** | 159,000 |
| Interest Loan | | | **116,424** | 88,784 |
| Term Loan | | | **20,000** | 20,000 |
| Contingency Loan | | | **10,107** | 9,431 |
| Accrued interest on Participating Debenture and Interest Loan | | | **5,118** | 4,617 |
| Less: Deferred interest | | | **(121,542)** | (93,401) |
| Provision for loan losses | | | **(30,000)** | - |
| | | | **132,715** | 183,622 |
| **CIC Forest Products Ltd. (e):** 100 (1995 - 100) common shares cost $100 (1995 - $100) | 100.0% | Apr. 30 | **11,187** | 2,875 |
| Due from CIC Forest Products Ltd., without interest | | | **38,690** | 40,200 |
| | | | **49,877** | 43,075 |
| | | | **$ 489,156** | $ 526,239 |

## 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, 1996, the Corporation has a total of $59.5 million (1995 - $65.6 million) in advances to the joint venture of which $22.5 million (1995 - $28.6 million) bears a return allowance of CIBC prime plus 1%, which is 5.75% at December 31, 1996 (1995 - 8.50%).

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 (1995 - $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, 1996, $1.5 million (1995 - $1.3 million) 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 below:

The Corporation has entered into various agreements with 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 interest rate inherent on the loan is 5.00% at December 31, 1996 (1995 - 7.75%).
- The Contingency Loan has an original principal balance of $7.3 million and bears interest at the CIBC prime interest rate plus 1% calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance. The interest rate inherent on the loan is 5.75% at December 31, 1996 (1995 - 8.50%).

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.

## 5. INVESTMENTS - EQUITY BASIS (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. 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 short-term cost of borrowing for the Province of Saskatchewan, which is 3.13% on December 31, 1996 (1995 - 5.68%), on that date until paid in full.

The underlying value of the loans to MLPLP is contingent upon the cash flows provided from the operations of the pulp mill. The present value of the cash flows is measured by using management's best estimates based on assumptions that reflect the most probable set of economic circumstances. However, given the wide fluctuations in world commodity prices for pulp, the projected cash flows could change materially from the estimate. As a result the recorded amount of these loans could change by a material amount in the near term.

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.

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

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| SGI Canada Insurance Services Ltd. | **$ (32)** | $ 62 |
| National Pig Development (Canada) Co. Ltd. | **(1,198)** | 712 |
| Saskferco Products Inc. | **31,209** | 22,939 |
| CIC Pulp Ltd. | **(22,801)** | 29,624 |
| CIC Forest Products Ltd. | **8,312** | 2,875 |
| Bi-Provincial Upgrader | **1,978** | (18,846) |
| | **$ 17,468** | $ 37,366 |

## 6. INVESTMENTS - COST BASIS

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| **Wascana Energy Inc. (a):**<br>5,842,910 (1995 - 5,842,910) common shares - cost $63,355,000 (1995 - $63,355,000) | **$ 63,355** | $ 63,355 |
| Other cost basis investments | **6,189** | 5,602 |
| | **$ 69,544** | $ 68,957 |

## 6. INVESTMENTS - COST BASIS (continued)

a) Fair value of the Wascana Energy Inc. investment is calculated on the last trade value on December 31, 1996 less estimated costs of disposition. The fair value of these shares at December 31, 1996 is $88.6 million (1995 - $72.2 million).

## 7. INVESTMENTS - PROPERTIES

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Property held for sale | **$ 9,870** | $ 9,850 |
| Rental properties | **10,426** | 13,960 |
| Rental properties under construction | **100** | 100 |
| | **20,396** | 23,910 |
| Less: Accumulated amortization | **1,969** | 2,183 |
| | **$ 18,427** | $ 21,727 |

## 8. SHARE CAPITAL

| | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Authorized - Unlimited number of one class of shares with no par value | | |
| Issued and outstanding - 34,000,000 shares (1995 - 34,000,000 shares) | **$ 340,000** | $ 340,000 |

## 9. COMMITMENTS AND CONTINGENCIES

a) The Corporation is committed to fund operating shortfalls, if any, of the Bi-Provincial Upgrader to a maximum of $12.5 million in 1997. Due to the positive operating results of the Bi-Provincial Upgrader, the Corporation does not expect to fund any amount under this facility in 1997.

b) The Corporation is committed to fund up to $4.0 million to NPD to facilitate expansion. To date, $1.5 million (1995 - $1.3 million) has been funded.

c) The Corporation has guaranteed bank facilities of Fort Storage to June 30, 2000. As at December 31, 1996, this guarantee is limited to $7.0 million. The Corporation does not expect any payments on the guarantee in 1997.

## 10. RELATED PARTY TRANSACTIONS

Included in these non-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 or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

| Category (as per financial statements): | **1996** | 1995 |
|---|---|---|
| | (thousands of dollars) | |
| Interest and accounts receivable | **$ -** | $ 34 |
| Interest and other revenue | **3,867** | 2,806 |
| Administrative expenses | **290** | 316 |
| Interest expense | **-** | 432 |

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

Other transactions and 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.

## 11. JOINT VENTURES

The Corporation has equity accounted for its joint ventures as described in Note 1(c). The Corporation's pro-rata share of assets, liabilities and expenses, as recorded in the financial statements of the joint ventures are as follows (in thousands of dollars):

| | |
|---|---|
| Current assets | $ 82,274 |
| Long-term assets | $ 412,422 |
| Current liabilities | $ 31,247 |
| Long-term liabilities | $ 70,391 |
| Capital | $ 393,058 |

## 11. JOINT VENTURES (continued)

| | |
|---|---|
| Revenue | $ 460,359 |
| Expenses | $ 472,185 |
| Net loss | $ (11,826) |
| Cash flows from operating activities | $ 14,394 |
| Cash flows from financing activities | $ 7,097 |
| Cash flows from investing activities | $ 1,812 |

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in 1996.

# 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: John Wright

### *Subsidiaries*

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

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

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

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

Saskatchewan Forest Products Corporation
400- 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
Chairperson: Hon. Eldon Lautermilch
President: John Wright

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

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

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

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

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

Saskatchewan Transportation Company
2041 Hamilton Street
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-8600
Chairperson: Hon. Andy Renaud
President: Gordon Nystuen

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