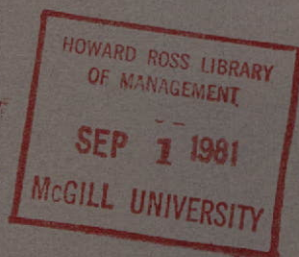


CROWN
INVESTMENTS
CORPORATION
OF SASKATCHEWAN

ANNUAL REPORT 1980



ANNUAL REPORT
1980

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CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

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

Letter of Transmittal

Regina, Saskatchewan,
March 26, 1981.

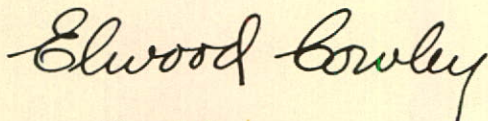
To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the third annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1980, including the consolidated financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,



Elwood Cowley,
Minister Responsible,
Crown Investments Corporation
of Saskatchewan.

Highlights

		<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Revenues	millions	\$1,403	\$1,147	\$ 932	\$ 705
Net Earnings	millions	\$ 181	\$ 108	\$ 68	\$ 43
Assets	millions	\$4,360	\$3,469	\$3,047	\$2,392
Province's Equity	millions	\$1,194	\$ 965	\$ 829	\$ 701

- Net earnings increased by 68%.
- Province's equity increased by 24%.
- Dividend of \$50 million declared payable to Saskatchewan Heritage Fund.
- Taxes and royalty payments of \$140 million to Saskatchewan.
- Investments in new fixed assets totalling \$531 million.
- Over 12,000 Saskatchewan residents employed by Crown corporations.
- Record profit of \$167 million for Potash Corporation of Saskatchewan.

Board of Directors

Honourable Elwood Cowley
Chairman of the Board

Honourable Allan Blakeney

Honourable John Messer*

Honourable Walter Smishek

Honourable Ted Bowerman

Honourable Eiling Kramer

Honourable Don Cody

Honourable Ed Tchorzewski*

G. H. Beatty

Secretary to the Board
R. M. Sherdahl

*Mr. Tchorzewski replaced Mr. Messer as a
Board member on December 23, 1980.

Officers

G.H. Beatty
President

S.R. Barg
Vice-President
Finance and Corporate Planning

R.M. Sherdahl
Vice-President
Corporate Services
and Secretary

J.R.S. Sadler
Vice-President
Corporate and Economic Development
and Corporate Officer

T.J. Waller
Acting General Counsel

J.L. Walton
Corporate Officer

G.E. Waddington
Corporate Officer

G.W. MacLean, Director
Capital Plans Department

J.R. Craven
Comptroller

D.F. Axtell, Director
Board Relations Department

G.R. Armstrong, Director
Personnel and Industrial
Relations Department

H.J. Matthies, Director
Administration and Pensions
Department

D.M. McGregor, Director
Public Affairs Department

Chairman's Remarks

This is the third annual report of the Crown Investments Corporation of Saskatchewan. It includes a consolidated statement of the 1980 performance of the Province's seventeen commercial Crown corporations.

This year Saskatchewan has enjoyed yet another period of steady growth, despite the fact that difficult economic conditions continued to prevail across our country. Inflation and interest rates remained high, requiring significant adjustments to the lives of Canadians and Canadian enterprises. This Province, however, has increased its total production and has kept unemployment to one of the lowest levels in Canada.

There are many signs of this growth and prosperity in the Crown corporation sector. Together, this group of companies has generated record consolidated earnings of \$181 million in 1980, \$50 million of which has been declared as a dividend payable to the Saskatchewan Heritage Fund. In addition to this dividend, they paid \$125 million in royalties and taxes to the Province and \$15 million in grants-in-lieu of taxes to municipalities. Their combined assets now exceed four billion dollars.

Individually, as well, the Crown corporations are proceeding with plans for further important development.

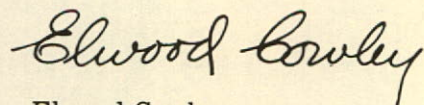
The Potash Corporation of Saskatchewan has announced a further major expansion at its Lanigan operations in order to meet world market demand for this valuable Saskatchewan resource. Saskatchewan Telecommunications has begun the installation of an innovative fibre optics network which will provide a sophisticated communications system throughout much of the Province. Saskatchewan Minerals began this year to use two of its primary products, sodium sulphate and peat moss, to manufacture a medium with superior heat storage properties — a possible breakthrough for Saskatchewan into the field of alternative energy technology. The Saskatchewan Power Corporation began construction of a second 300-megawatt electric generating plant at Poplar River, a major capital investment which will be crucial to the supply of the Province's electricity requirements.

These and many other accomplishments are the result of the efforts and dedication of those citizens who guide the destinies and activities of each company from the boardroom and the management offices and the workplace. They are doing a fine job for the people of Saskatchewan, and I would like to express my thanks to them.

In 1980 Saskatchewan marked its 75th anniversary as a Canadian province. The Crown corporations participated in and sponsored, both jointly and individually, a variety of Celebrate Saskatchewan projects. As a group, they sponsored a summer tour of "Celebration", a show band and swing choir composed of talented young Saskatchewan performers who entertained 62 communities with their music. Other joint projects were "The Pioneers", a radio broadcast series of vignettes about Saskatchewan's early years, and "Saskatchewan: Never a Doubt", an hour-long television documentary produced in conjunction with CBC Regina. C.I.C. and three of the other Crown corporations were also primary sponsors of "The Energy Show" a major project which included an international conference, a large exposition and a series of workshops — all concerned with information about energy sources, applications and development strategy.

All the special events of Celebrate Saskatchewan were successful, and it was evident throughout 1980 that the people of this Province feel that they truly have something to celebrate. The short span of the last 75 years has brought enormous changes to this territory. The development of our resources — the rich farm lands and forests, the plentiful minerals — has brought us recently to a position of prosperity and security. The Crown corporations included in this report form a large and important part of that development, and the careful planning that is behind their operations has helped to give Saskatchewan people an enviable lifestyle. The geographic distances and lack of economic development are being overcome. The former sense of isolation is gone. The Crown corporations look forward to working with private industry and co-operative organizations to ensure that this development continues and is of benefit to all Saskatchewan citizens.

As we look ahead through a new decade, the prospects for continued success are good.



Elwood Cowley,
Chairman of the Board,
Crown Investments Corporation
of Saskatchewan.

Crown Investments Corporation of Saskatchewan

Utilities

Saskatchewan Power Corporation
(SPC)

Saskatchewan Telecommunications
(Sask Tel)

Saskatchewan Computer Utility
Corporation (SaskComp)

Saskatchewan Water Supply
Board

Resources

Potash Corporation of
Saskatchewan (PCS)

Saskatchewan Mining Development
Corporation (SMDC)

Saskatchewan Oil and Gas
Corporation (Saskoil)

Saskatchewan Forest Products
Corporation

Saskatchewan Minerals

Financial and Service

Saskatchewan Economic
Development Corporation (SEDCO)

Municipal Financing Corporation
of Saskatchewan

Saskatchewan Government
Insurance (SGI)

Saskatchewan Development Fund
Corporation

Agricultural Development
Corporation of Saskatchewan

Saskatchewan Transportation
Company (STC)

The Saskatchewan Government
Printing Company

Saskatchewan Fur Marketing
Service

Overview

Crown Investments Corporation of Saskatchewan

The Crown Investments Corporation of Saskatchewan was originally established in 1947 pursuant to an Act of the Legislature under the name, The Government Finance Office. The Corporation was continued by The Crown Corporations Act, 1978, under the name, Crown Investments Corporation of Saskatchewan. This annual report provides an overview of CIC's operations and its financial results for 1980. Further information is available on each of the seventeen Crown corporations in their individual annual reports.

CIC has two major roles. One is to act as a holding company for the Province's commercial Crown corporations and certain other investments. It approves the corporate plans and capital budgets of these companies, provides them with broad policy direction and acts as a financial intermediary between them and the Provincial Government. It also provides legal and accounting services and assists the corporations in the

areas of public affairs, general administration and personnel and industrial relations. CIC management includes Corporate Officers who sit on the boards of directors of the Crown companies, and staff from the Corporate Services Division serve as secretaries to these boards as well.

CIC's other important function is to act as a catalyst in broadening the base of Saskatchewan's economy, to improve its stability during market and climatic fluctuations by deliberate expansion of the resource and manufacturing sectors.

CIC has a unique perspective on Saskatchewan's resources and economic potential, developed through its knowledge of the Crown corporations, its interests in a number of private industries, and its special relationship to the executive and legislative branches of the Government. This perspective and strategic position enables CIC to play a vital role in economic development and diversification.

Saskatchewan Power Corporation

Chairman —
Honourable Doug McArthur
President —
F. G. Ursel

SPC supplies electricity and natural gas to consumers throughout Saskatchewan. In 1980 consumption of electricity increased by 3.8% over the previous year. Total demand for natural gas declined by 3.1% from 1979, partly because of the warmer than normal year and the use of conservation measures.

In 1980 the Corporation spent \$130.8 million on electrical facilities. By year end, the first unit of the Poplar River Power Station was beginning to provide power to the provincial grid. During the year the Corporation invested \$5.5 million in its gas development program, bringing total expenditures since 1972 to \$97.2 million. At year end, proven natural gas reserves, either wholly owned or under contract, totalled 60,008 million cubic metres. This will enable SPC to meet future gas requirements for 20 years at the 1980 rate of consumption.

The Corporation reported net earnings of \$20.5 million (1979 - \$40.7 million) on total revenues of \$447.3 million (1979 - \$403.3 million).

Saskatchewan Telecommunications

Chairman —
Honourable Don Cody
President —
A.L.M. Nelson

Sask Tel constructs, maintains and operates a provincial telecommunications system, provides telecommunication services, and participates in establishing, constructing and operating a co-ordinated telecommunications system in Canada.

There were 618,614 telephones in service in Saskatchewan in 1980, an increase of 5.8% over 1979. Long distance calls originating in Saskatchewan in 1980 totalled 76.4 million, a 9.9% increase over the previous year.

Sask Tel invested \$144.7 million in the improvement and expansion of telecommunications facilities, increasing the value of Sask Tel

property, plant and equipment to \$853.6 million. A total of 35 rural telephone companies were acquired under the Rural Service Improvement Program. By the end of 1980, Sask Tel's cable T.V. distribution system, of 2,579 km. in four urban centres, served 78,734 subscribers.

Late in the year, Sask Tel began construction of the world's longest commercial fibre optic network. When completed in 1984, it will link all Saskatchewan cities and 40 of the Province's larger towns. The use of this new technology, in which all forms of messages are converted to laser-generated light and transmitted on hair thin strands of ultra-pure glass, will provide Saskatchewan residents with a telecommunications network of almost unlimited capabilities. The fibre optic network will carry traditional long distance messages and extend cable T.V. to many communities within the province and ultimately pave the way for many new consumer, industrial and educational services.

As an example of the increasing emphasis on this function, 1980 has been the first full year during which CIC has held and managed the Province's mature equity investments in a number of private sector companies which are important to the Saskatchewan economy.

All of CIC's investments and initiatives are evaluated from the point of view of their long-term effectiveness, and its interests in various sectors are co-ordinated and carefully planned to ensure steady economic growth.

Consolidated Financial Performance

Net earnings for the consolidated Crown corporations increased by 68% in 1980, rising to \$181 million from \$108 million in 1979 and \$68 million in 1978. The resource corporations showed the highest profitability by sector, earning \$167 million and almost doubling their 1979 results. Most of the resource corporations' business is conducted in export markets and is directed towards maximizing the Province's return from its potash, oil, forests and minerals. Companies involved in exploration are still to some degree in the developmental stage and anticipate that their highest profits will occur in future years. For example, the Saskatchewan Mining Development Corporation moved into production for the first time in 1980, and expects sales of uranium to commence in 1981. On the other hand, the Potash Corporation of Saskatchewan had an extremely successful year and paid its first dividend, of \$50 million.

Operating revenue increased by 14.1% to \$225.2 million, and operating expenses increased by 16.5% to \$162.9 million. The Corporation showed net earnings of \$24.8 million (1979 - \$25.2 million)

Saskatchewan Computer Utility Corporation

Chairman —
Honourable Murray Koskie
General Manager —
B.A. Lundeen

SaskComp is a computer service corporation primarily serving the Government of Saskatchewan, the Universities of Saskatchewan and Regina, and the Crown corporations, as well as other agencies and institutions, both public and private. Its services include the provision of systems analysis and planning, program development and equipment selection and installation. SaskComp is also responsible for rationalizing the development and utilization of computer hardware and software within and among the government funded agencies.

Total operating revenue for 1980 was \$12,814,000, an increase of 29.7% over 1979. Net income for 1980 was \$471,000 as compared to \$59,000 in 1979.

Saskatchewan Water Supply Board

Chairman —
Honourable Ted Bowerman
General Manager —
G.A. Telfer

Saskatchewan Water Supply Board, with headquarters in Watrous, develops and operates multipurpose water supply systems serving industrial, municipal, recreational, agricultural, wildlife and domestic users in the Saskatoon area.

The Corporation supplied 1.44 billion gallons of water to its customers in 1980, an increase of 4.7% over the 1979 volume. Net earnings for 1980 were \$558 thousand, up from \$350 thousand in 1979.

Potash Corporation of Saskatchewan

Chairman —
Honourable Roy Romanow
President —
D. S. Dombowsky

The Potash Corporation operates mines at Allan, Cory, Lanigan and Rocanville, and participates in production at Esterhazy. During 1980, the Corporation produced 4.48 million product tonnes of potash, up from 3.97 million tonnes in 1979. PCS recorded a profit of \$167 million on sales of \$392 million. As a result, the Corporation will pay a dividend of \$50 million. PCS is a major employer, providing more than 1,900 jobs in total.

The Corporation continued the active expansion program started in 1976. Over the past five years Phase I expansions, aimed at removing bottlenecks, have been completed at Cory, Rocanville, and Allan Divisions. By the end of 1981 a Phase I expansion at Lanigan Division and a Phase II expansion at Rocanville Division will be fully on

As well as providing an economic stimulus through spin-off effects, the five resource companies also provide Saskatchewan residents with head office jobs which a multinational company would have located elsewhere. Further jobs are created by the development of new mines and by increased exploration activity. In 1980, employment in the resource corporations rose by 13% to a total of approximately 3,000 jobs.

The corporations in the utilities sector recorded total net earnings of \$46 million in 1980, a level of profit which is quite low in relation to the utility corporations' invested capital and to the level which regulatory agencies in other provinces would probably regard as reasonable. The aim of these companies is to generate sufficient profits to maintain a reasonable equity base, and so provide a measure of internal funding for ongoing capital maintenance, technological

improvements and system extensions. To rely primarily on external borrowings would result in excessively high interest costs which would ultimately have to be passed on to customers in the form of rate increases. Maintaining an adequate level of profitability, on the other hand, allows the corporations to borrow less and so, in the future, to charge less.

The decline of \$20 million from last year's earnings is attributable mainly to the Saskatchewan Power Corporation. However, all of the utility corporations were profitable in 1980, and all undertook new or expanded services, including improved rural telecommunications, upgraded water supply facilities, enhanced computer hardware and software capability, and extensions to the Province's electrical system.

stream, increasing the Corporation's overall annual production to 5.62 million tonnes KCl.

In addition to those expansions, the Corporation announced a long term plan in 1979 which will increase PCS Mining's annual production to 11.34 million tonnes by 1990. The first step toward achieving this objective was taken in October 1980, with the announcement of a major Phase II expansion of the Lanigan Division's annual production to 2.9 million tonnes by 1983.

The Corporation has also announced its intention to build a new mine near Bredenbury with a capacity of 3.27 million tonnes KCl. Detailed engineering and environmental studies for the new mine are now underway.

Saskatchewan Mining Development Corporation

Chairman —
Honourable Elwood Cowley
President —
R.E. Lloyd

Saskatchewan Mining Development Corporation was established to further the exploration and development of mineral resources with the exception of potash and sodium sulphate.

The Corporation carries out exploration activities either on its own or in partnership with other mining companies. Throughout 1980 SMDC was involved in over 230 exploration projects with a fifth of these being operated by the Corporation. SMDC is a participant in large uranium mining development operations at Cluff Lake and Key Lake where the uranium ore is among the richest in the world. The Corporation is also involved in base and precious metal explorations in Western Canada.

At the end of 1980 the Corporation's assets had a book value exceeding \$385 million. SMDC also provides a large number of employment opportunities in the North and the Corporation looks forward to playing an increasing role in the development of the North.

During 1980 the Corporation spent approximately \$108 million and employed more than 150 people.

Saskatchewan Oil and Gas Corporation

Chairman —
Honourable Elwood Cowley
Acting President —
J.R.S. Sadler

Saskoil participates in the exploration and development of Saskatchewan's petroleum and natural gas resources.

Employment in the utility sector rose by 500 to approximately 7,900 regular staff in 1980. A number of these were highly skilled jobs created as a result of technological advances in the operations of Saskatchewan Telecommunications and Saskatchewan Power.

The eight service and financial corporations all have a mandate to provide good service at reasonable cost. Bus transportation, marketing assistance for furs and speciality crops, and the sale of annuities are just a few of the services offered by this group of corporations. Because of the fact that profit maximization is not their primary goal, these companies sometimes encounter losses in years of adverse economic or industrial conditions. Such was the case in 1980 when a combined loss of \$23 million was recorded, compared to a \$19 million loss in the preceding year and in sharp contrast to the \$13 million profit in 1978. As in 1979, the bulk of

the loss is attributable to Saskatchewan Government Insurance which, in common with other insurance companies, experienced significant increases in its number of claims and cost of automobile repairs. Crown Investments Corporation advanced \$38 million in equity to SGI to strengthen the Corporation's finances while it makes the necessary adjustments to adapt to the rapid inflationary trend within the insurance industry. The most profitable company in the service and financial sector in 1980 was the Saskatchewan Economic Development Corporation. A strong retained earnings position and low loan write-offs enabled SEDCO to earn \$2.9 million while maintaining reasonable lending rates and expanding its industrial parks program. The remaining six corporations all reported either modest profits or modest losses within close range of a break-even position. During 1980, the number of jobs provided by the service and financial sector remained constant.

The Corporation places significant emphasis on the exploration for, and development of heavy oil, and is currently involved in a number of heavy oil projects. The most significant of these are the North Battleford heavy oil project (involving Texasgulf, Total Petroleum and Saskoil), the St. Lina pre-pilot project that resulted from the Saskoil - S.P.C. Land Transfer Agreement, and the Saskatchewan Heavy Oil Project, involving PetroCanada, Gulf Oil and Saskoil. This year the Corporation initiated studies to determine the most appropriate development strategy for a heavy oil upgrading facility in Saskatchewan.

During 1980, Saskoil produced 4.14 million barrels of oil — approximately the same amount as in 1979. Of that, 635 thousand barrels was heavy oil production (1979 - 356 thousand barrels). The Corporation increased its established reserves from 31.1 million barrels in 1979 to 31.5 million barrels. Heavy oil reserves account for 7.2 million barrels of this total. The Corporation's capital expenditures of

two times its cash flow are a demonstration of the Province's commitment to develop its oil resources and particularly its heavy oil reserves.

The Corporation reported net earnings of \$4.4 million (1979 - \$4.0 million) on gross revenue of \$60.5 million (1979 - \$50.4 million). Capital expenditures were \$41.9 million (1979 - \$27.6 million).

Saskatchewan Forest Products Corporation

Chairman —
Honourable Don Cody
General Manager —
N. S. Denmark

Saskatchewan Forest Products Corporation is one of the Province's largest consumers of forest resources and also one of the Province's major employers in the forest industry with 585 employees as of year-end. The Corporation also provides significant employment through independent logging and hauling contractors.

S.F.P.C. operates sawmills at Big River and Carrot River, a wood treatment plant at Prince Albert and the Province's only plywood manufacturing plant at Hudson Bay. It also operates retail lumber yards at Prince Albert and Sturgis.

Sales of \$22.4 million, a drop of 20% over 1979 sales, reflect the softening of the market and demand in 1980. The Corporation reported a \$2.6 million loss in 1980. This is a significant reduction from the \$3.4 million profit of 1979, however, the Corporation still has retained earnings of \$3.6 million.

Saskatchewan Minerals

Chairman —
Honourable Reg Gross
General Manager —
J.C. Mills

Saskatchewan Minerals was formed in 1946 to develop clay and other natural occurring resources in the Province. The Corporation operates sodium sulphate plants at Chaplin, Ingebrigt and Bishopric and a peat moss company at Carrot River.

In 1980 the commercial Crown corporations showed a return of 17% on average equity investment, up from 12% in 1979 and 8% in 1978. At year end, the long-term debt of the consolidated corporations was 60% of total capital, down 3% from last year. Consolidated gross revenues climbed to \$1.4 billion in 1980, an increase of 22% over 1979, and total assets increased by 26% to \$4.4 billion from \$3.5 billion the previous year. The utility sector remained the largest in assets and revenues in 1980, although the most striking growth in both areas was achieved by the resource sector, as is illustrated in the accompanying graphs.

In 1980, Crown corporation capital expenditures totalled \$531 million. The largest amount of capital investment occurred in the utilities sector which spent a total of \$303 million on new or ongoing projects and system improvements, including completion of the first unit of the Poplar River Power Station and initial development of Saskatchewan Telecommunications' new optical fibre broadband network.

Capital expenditures for the resource corporations were \$226 million or 42% of the total, and included such major projects as expansion of the Rocanville and Lanigan potash mines and preparation for the development of uranium deposits at Key Lake.

The Saskatchewan Heritage Fund provided \$98 million of equity funding for capital expenditures by the Saskatchewan Oil and Gas Corporation and the Saskatchewan Mining Development Corporation. The balance of necessary capital was provided by internally generated funds of \$299 million and a combination of long and short term debt. The ability of the corporations to finance a substantial part of their capital expenditures through internally generated funds is particularly important at a time when interest rates for external borrowing are so high.

The Corporation had net earnings of \$3.4 million in 1980, bringing total cumulative earnings close to \$29 million. The Province's equity in Saskatchewan Minerals is \$6.2 million, and this year C.I.C. loaned the Corporation \$2.5 million to finance the acquisition of the Carrot River Peat Company.

During 1980 Saskatchewan Minerals began construction in Mossbank of a plant which will fill plastic heat storage trays with a mixture composed largely of sodium sulphate and peat moss. This mixture, developed and patented by the Corporation, has superior heat storage properties that make it an important advance in solar heating and cooling technology.

The Company employs over 180 workers, most of whom live in the rural communities in which the Corporation operates.

Saskatchewan Economic Development Corporation

Chairman —
Honourable Norman Vickar
President —
N. Overend

Saskatchewan Economic Development Corporation, established in 1963, provides financing for industry and general business for Saskatchewan, complementing the activities of other financial institutions. SEDCO provides loans, guarantees and equity funding. It also offers industrial space for sale or lease.

The Corporation's total loan portfolio at year end consisted of 399 loans at an aggregate value of \$89 million.

In 1980 SEDCO initiated construction of industrial parks in Battleford, Humboldt, Buffalo Narrows and Moose Jaw. The Corporation's industrial property holdings increased by 28.5% over the previous year to \$24.6 million. Completion of SEDCO Centre at Innovation Place, the Corporation's research park in Saskatoon, brought total investment in lease and rental property to \$18.7 million.

At year end SEDCO had assets of \$134.9 million (1979 - \$101 million) and reported net earnings of \$2.9 million which enabled the Corporation to pay a \$1 million dividend.

Also included in the consolidated financial statement of Crown Investments Corporation are the earnings of CIC's equity holdings in several shareholder owned companies. These earnings totalled \$15 million in 1980. They derive from CIC's interest of 20% in Interprovincial Steel and Pipe Corporation Ltd., 16% in Agra Industries Ltd., 45% in Intercontinental Packers Ltd., 60% in Cablecom Corporation, 91% in Prairie Malt (Canada) Ltd., 30% in Prince Albert Pulp Company Limited and a 25% voting interest in SED Systems Inc. In December, 1980, Crown Investments Corporation exercised its option to purchase the remaining 70% of the shares of Prince Albert Pulp Company when they were offered for sale by the owner, Parsons & Whittemore of New York. This purchase will provide an opportunity for the Government to revise outdated royalty structures and forest management agreements. CIC intends to sell a major interest in PAPCO to an operating partner on revised commercial terms.

Operationally the corporations have achieved their objectives and have generally had a good year. Capital investment in all sectors has expanded during 1980, and will provide a sound base for future growth. In summary, the Crown corporations have succeeded in furthering their goals of commercial success, provincial economic expansion and the provision of needed services to Saskatchewan citizens.

Municipal Financing Corporation of Saskatchewan

Chairman —
Honourable Ed Tchorzewski
General Manager —
M.I. Meiklejohn

The Municipal Financing Corporation of Saskatchewan, established in 1970, assists in making capital funds available for the financing of local improvements, schools, hospitals, and other municipal projects. The Corporation purchases a portion of the authorized debentures sold each year by Saskatchewan local authorities. In 1980, the Corporation participated in the financing of 58 projects by purchasing \$17 million of municipal debentures (1979 - 51 projects). Among the projects supported were an addition and renovations to the Creelman School, construction of water treatment facilities in the Village of Viscount, construction of a new school in Lakeview in the City of Saskatoon and construction of a new hospital in Foam Lake.

Saskatchewan Government Insurance

Chairman —
Honourable Wes Robbins
President —
D.M. Wallace

Saskatchewan Government Insurance offers personal and commercial insurance to Saskatchewan residents and administers automobile coverage under the Automobile Accident Insurance Act.

Net premiums earned from general insurance were \$83.2 million; payments to policy holders totalled \$69.9 million, an increase of 19.9% over 1979. The Corporation reported an operations loss of \$4.9 million.

In 1980, the Corporation earned premiums totalling \$107.2 million (1979 - \$90.6 million) under the Automobile Accident Insurance Act. Claims incurred amounted to \$116.5 million (1979 - \$110.7 million) resulting in a \$20 million loss on the automobile accident insurance program.

Saskatchewan Development Fund Corporation

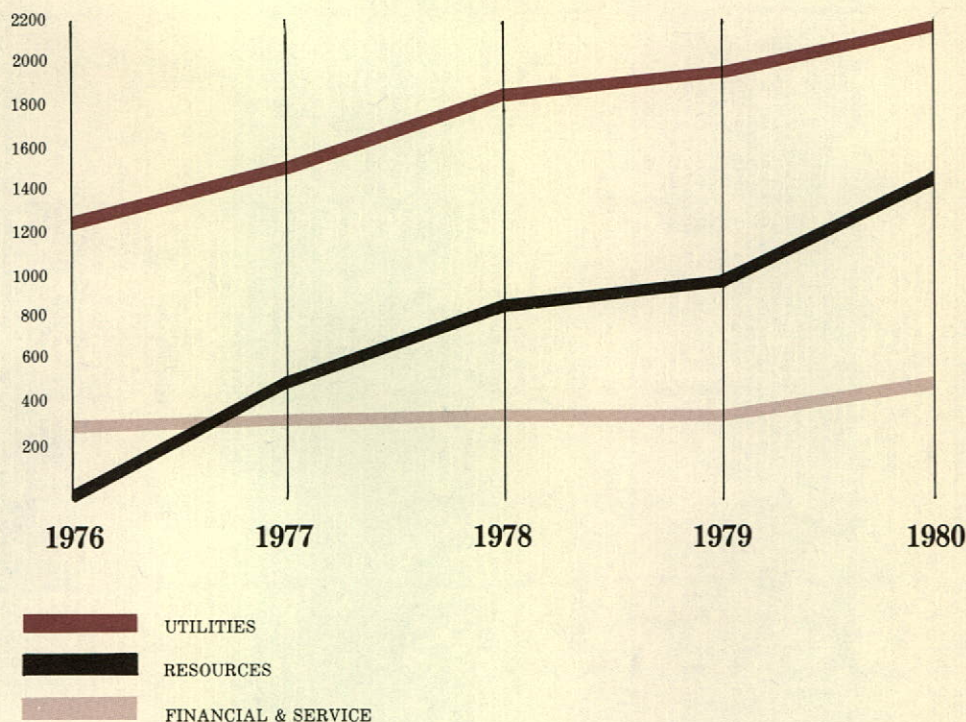
Chairman —
Honourable Wes Robbins
General Manager —
D.C. Keith

The Corporation was established in 1974 to manage the Saskatchewan Development Fund. The Fund is composed of two parts: an annuity section which offers three types of term annuities and a Government guaranteed mutual fund section which is an investment vehicle available to residents of Saskatchewan.

Although high interest rates continued to adversely affect the performance of the Mutual Fund section in 1980, the growing participation in the Annuity portfolio resulted in overall Fund growth of 15.4% or \$3.8 million.

Assets

IN MILLIONS OF \$



Agricultural Development Corporation

Chairman —
Honourable Gordon MacMurchy
General Manager —
G.A. Wells

During 1980 Agdevco took steps to extend its role in promotion of specialized agricultural products for trade to include active involvement in the research and development of alternate agricultural products and processes.

The Corporation sold livestock to Hungary, Mexico and South East Asia, and marketed specialty crops such as lentils to Europe and sunflower seeds to domestic buyers. It initiated a research program to develop a commercial process of freezing bovine embryos, evaluated a new system of processing wheat to produce starch and gluten, and continued research in sunflower seed dehulling.

The Corporation managed a water development project in Lesotho and a wheat production project in Zambia.

Gross income again exceeded \$1 million in 1980. Net income was \$114,000 compared to \$80,000 in 1979.

Saskatchewan Transportation Company

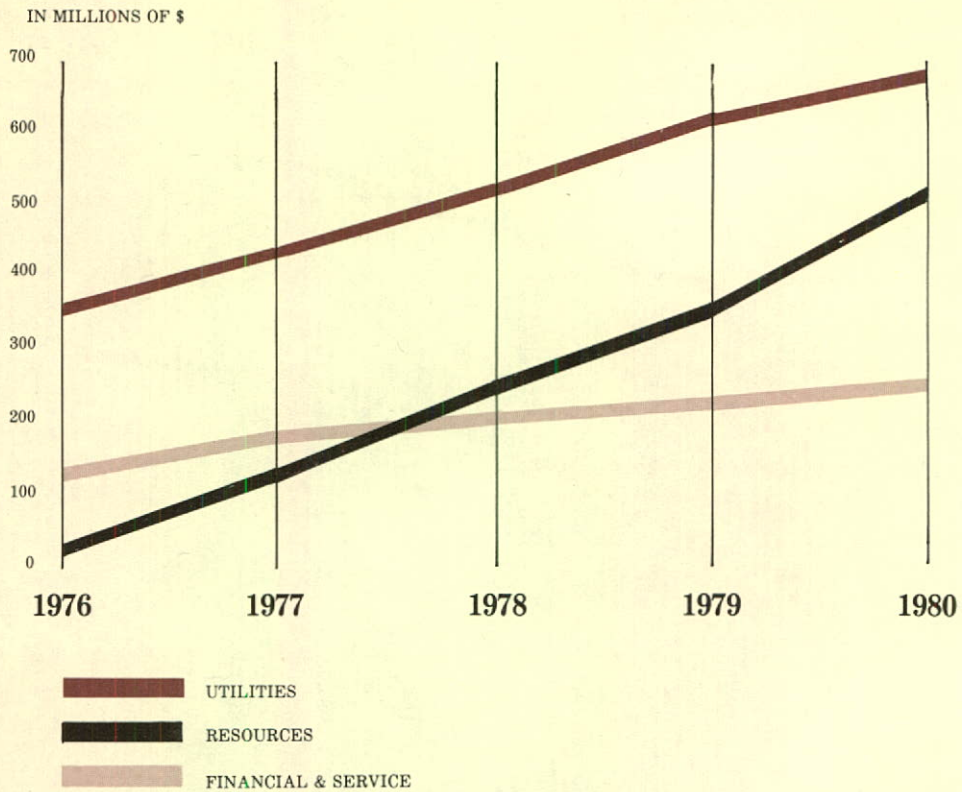
Chairman —
Honourable Don Cody
General Manager —
R.M. Suggitt

STC, which operates an inter-city bus service throughout Saskatchewan, continued to show steady growth from the previous year. The Company carried more than 787,000 passengers — an

increase of 3.7% over 1979. Revenue from passenger service increased by 12.3% and revenue from express service by 14.6%. Charter and package tour revenues increased 28.2% over 1979.

During 1980, the Company's revenues increased by \$1,258,000 or 12.9% to \$11,033,000 but this was more than offset by the increase in expenses of \$1,573,000 or 16.2% to \$11,244,000, resulting in a net loss for the year of \$211,000. The major contributing factor to this loss was a noticeable decline in the rate of growth in traffic — particularly in parcel express — during the second half of the year, while costs continued to escalate.

Revenues



The Saskatchewan Government Printing Company

Chairman —
Honourable Don Cody
General Manager —
D.B. Breher

The Saskatchewan Government Printing Company, one of Saskatchewan's first Crown corporations, was established in 1945 to provide a general printing and book binding service to the Provincial Government, its agencies, and Crown corporations.

During 1980 the Company's 52 employees continued to fulfill this mandate by handling over 4,000 printing jobs, the value of which amounted to nearly \$2 million.

The Company continues to make provision to improve its service and to add new equipment to its plant. The Company's total assets were \$2.4 million at December 31, 1980.

Saskatchewan Fur Marketing Service

Chairman —
Honourable Reg Gross
General Manager —
A.J. Cooke

Saskatchewan Fur Marketing Service completed its 35th year of service to Saskatchewan fur trappers in 1980. Sales through the Service's auctions totalled \$2.3 million in 1980, a drop from the 1979 level of \$2.6 million. The reduction resulted primarily from lower prices for most furs as the volume of pelts sold increased. Net earnings in 1980 were \$80 thousand.

Crown Investments Corporation of Saskatchewan


Consolidated Financial Statements 1980

Responsibility for Financial Statements

The financial statements have been prepared by the management of the Corporation in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year. The statements have been examined and approved by the Board of Directors.

Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in this report. In order to fulfill this responsibility, the consolidated corporations maintain appropriate systems of internal controls, policies and procedures, and ensure that their reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs.

Our independent auditor, whose report on the examination of the consolidated financial statements appears on page 16, reviews our systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing his opinion.



S.R. Barg,
Vice-President,
Finance and Corporate Planning.

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Consolidated Statement of Financial Position

As at December 31

	<u>Note Reference</u>	<u>1980</u> (thousands of dollars)	<u>1979</u>
Assets			
Current			
Short-term investments		\$ 228,618	\$ 103,459
Accounts receivable	3	272,308	201,212
Inventories		56,073	23,198
Prepaid expenses		<u>73,372</u>	<u>59,182</u>
		630,371	387,051
Investments	4	340,241	310,165
Property, plant and equipment	5	3,291,451	2,691,335
Deferred charges	6	<u>98,400</u>	<u>80,655</u>
		<u>\$4,360,463</u>	<u>\$3,469,206</u>

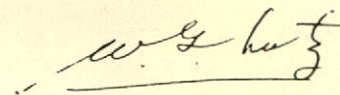
Auditor's Report

To the Members of the Legislative Assembly of the Province
of Saskatchewan

I have examined the consolidated statement of financial position of Crown Investments Corporation of Saskatchewan as at December 31, 1980 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1980 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 applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan,
March 27, 1981.



W.G. Lutz, F.C.A.,
Provincial Auditor.

	<u>Note Reference</u>	<u>1980</u> (thousands of dollars)	<u>1979</u>
Liabilities and Province's Equity			
Current			
Bank indebtedness		\$ 359,442	\$ 103,738
Accounts payable and accrued liabilities		360,745	271,123
Dividend payable	13	50,000	24,000
Notes payable	7	221,550	60,935
Deferred revenue	8	118,839	94,801
Long-term debt due within one year	9	119,007	127,059
		<u>1,229,583</u>	<u>681,656</u>
Long-term debt	9	<u>1,866,227</u>	<u>1,755,955</u>
Province of Saskatchewan's Equity			
Advances	11	606,630	508,905
Reinvested earnings	1	587,227	455,984
		<u>1,193,857</u>	<u>964,889</u>
Customer capital contributions	12	70,796	66,706
		<u>1,264,653</u>	<u>1,031,595</u>
		<u>\$4,360,463</u>	<u>\$3,469,206</u>

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

	Note Reference	1980 (thousands of dollars)	1979 (thousands of dollars)
Revenue			
Sales of products and services		\$1,313,116	\$1,093,358
Revenue from investments	4	57,705	36,913
Other		32,501	16,613
		<u>1,403,322</u>	<u>1,146,884</u>
Expenses			
Operating costs other than those listed below		801,940	680,774
Interest	10	154,397	138,039
Depreciation and depletion		135,261	120,275
Saskatchewan taxes and resource payments	14	140,237	100,138
		<u>1,231,835</u>	<u>1,039,226</u>
Earnings before extraordinary item		171,487	107,658
Extraordinary item	4	9,756	—
Net earnings	19	<u>\$ 181,243</u>	<u>\$ 107,658</u>

(See accompanying notes)

Consolidated Statement of Reinvested Earnings

For the Year Ended December 31

	<u>Unappropriated</u>		<u>Appropriated</u> (Note 16)		<u>Total</u>	
	<u>1980</u>	<u>1979</u> (thousands of dollars,	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>
Balance, beginning of year	\$337,673	\$339,006	\$118,311	\$33,320	\$455,984	\$372,326
Net earnings	181,243	107,658	—	—	181,243	107,658
Dividend (Note 13)....	—	(24,000)	(50,000)	—	(50,000)	(24,000)
Appropriations	(168,198)	(84,991)	168,198	84,991	—	—
Balance, end of year ..	<u>\$350,718</u>	<u>\$337,673</u>	<u>\$236,509</u>	<u>\$118,311</u>	<u>\$587,227</u>	<u>\$455,984</u>

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

	Note Reference	1980 (thousands of dollars)	1979 (thousands of dollars)
Sources of Working Capital			
Operations			
Earnings		\$171,487	\$107,658
Non-cash expenses		127,984	123,447
		<u>299,471</u>	<u>231,105</u>
Province of Saskatchewan			
Loans — Consolidated Fund		125,000	127,121
Loans — Saskatchewan Heritage Fund		13,400	15,000
Advances — Saskatchewan Heritage Fund	11	97,725	51,805
		<u>236,125</u>	<u>193,926</u>
Other long-term debt		120,000	139,056
		<u>655,596</u>	<u>564,087</u>
Application of Working Capital			
Capital expenditures, net of proceeds on disposals	19	530,827	446,956
Non-current assets acquired	4	171,312	—
Increase in investments		47,652	50,531
Loan repayments to Province of Saskatchewan			
— Consolidated Fund		55,992	47,302
Repayments of other long-term debt		101,135	67,203
Dividend	13	50,000	24,000
Other non-current items		3,285	7,052
		<u>960,203</u>	<u>643,044</u>
Decrease in working capital		<u>\$304,607</u>	<u>\$ 78,957</u>

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1980

1. Summary of significant accounting policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

a) Consolidation principles

The Crown Corporations Act, 1978, assigns certain financial and other responsibilities to the Crown Investments Corporation of Saskatchewan regarding the corporations subject to Part II of the Act as defined by Order-in-Council 1267/78.

Crown corporations do not have share capital; however, several Crown corporations do have non-interest bearing advances from the Crown Investments Corporation of Saskatchewan which have been recorded as equity. These advances have been eliminated against the corresponding equity of the applicable corporations in this consolidation.

Equity advances have been made to the Potash Corporation of Saskatchewan, Saskatchewan Oil and Gas Corporation, and Saskatchewan Mining Development Corporation from the Saskatchewan Heritage Fund. However, for the purposes of these consolidated financial statements, advances from the Heritage Fund are reported as part of the overall equity advance to the Corporation.

The Crown Investments Corporation of Saskatchewan consolidates its subsidiaries, CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd., in accordance with the purchase method of accounting. The following corporations, which are subject to Part II of the Act, are consolidated in these statements in accordance with the pooling of interests method.

Utilities

Saskatchewan Computer Utility Corporation;
Saskatchewan Power Corporation and consolidated subsidiaries;
Saskatchewan Telecommunications;
Saskatchewan Water Supply Board.

Resource Corporations

Potash Corporation of Saskatchewan and consolidated subsidiaries;
Saskatchewan Forest Products Corporation;
Saskatchewan Minerals;
Saskatchewan Mining Development Corporation and consolidated subsidiary;
Saskatchewan Oil and Gas Corporation and consolidated subsidiary.

Financial and Service Corporations

Agricultural Development Corporation of Saskatchewan;
Municipal Financing Corporation of Saskatchewan;
Saskatchewan Development Fund Corporation;
Saskatchewan Economic Development Corporation;
Saskatchewan Fur Marketing Service;
Saskatchewan Government Insurance;
Saskatchewan Government Printing Company;
Saskatchewan Transportation Company.

b) Inventories

Inventories for resale at various stages of manufacture are valued at the lower of cost and net realizable value.

c) Property, plant and equipment

Property, plant and equipment is recorded at cost and includes materials, services, direct labour and fringe benefit costs which are readily identifiable with the construction activity or asset acquisition. The cost of funds used to finance the construction of major projects is also included.

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

When property, plant or equipment is disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations. This general policy for all operations applies only to complete asset units in the Saskatchewan Power Corporation. Saskatchewan Telecommunications includes gains or losses in accumulated depreciation.

Property, plant and equipment include land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; capital leases; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and equipment relating to potash, oil, gas and mineral activities; all costs arising from the development of shafts for potash mining as well as the exploration for and development of oil and gas reserves; and the joint venture investments of Saskatchewan Mining Development Corporation and Saskatchewan Oil and Gas Corporation which are accounted for by the proportionate consolidation method.

d) Depreciation and depletion

Buildings and improvements, machinery and equipment costs are depreciated primarily on the straight line basis over the estimated productive life of each asset.

Deferred property, exploration and development costs, except for Saskatchewan Mining Development Corporation which is in the exploration and development phase, are depleted according to the unit of production method.

The approximate composite rate of depreciation and depletion is 5% on all property, plant and equipment excluding land, construction-in-progress and the capital costs of Saskatchewan Mining Development Corporation. The current undepreciable assets amount to \$827 million (1979 - \$586 million).

e) Foreign exchange

The temporal method of accounting for foreign exchange translation has been adopted. Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end date. Where this conversion results in a difference between the previously recorded amount for long-term debt and the converted amount, the difference is included in deferred charges.

f) Investments

Investments maturing within one year are included with current assets and are valued at cost. This valuation approximates their quoted market value. These investments include Province of Saskatchewan Treasury Bills in the amount of \$89.5 million (1979 - \$ Nil).

Portfolio investments include securities in private companies recorded at the lower of cost and net realizable value, and marketable securities, recorded at cost which includes the unamortized amount of purchase discounts and premiums which are amortized over the term of the security.

Investments in the shares of Interprovincial Steel and Pipe Corporation Ltd., Intercontinental Packers Limited, Agra Industries Ltd., SED Systems Inc., Cablecom Corporation and Prairie Malt (Canada) Ltd., non-consolidated subsidiaries, are recorded on the equity method of accounting. The original cost of the investment is adjusted for dividends received and the investor's proportionate share of the earnings or losses of each investee corporation. The proportionate share of annual earnings for these investee corporations, less an amount which amortizes any difference between the original cost of the investment and the underlying book value of the investee corporations, is included in the accounts of Crown Investments Corporation of Saskatchewan as revenue from investments.

g) Deferred charges

Deferred charges include unamortized conversion differences arising from foreign exchange fluctuations,

debt-related charges and pre-operating and pre-acquisition costs.

Unamortized conversion differences arising from foreign exchange fluctuations are amortized over the remaining period to the maturity date of each obligation.

Unamortized discounts and expenses applicable to the issue of long-term debt are amortized in equal annual amounts over the respective term of each obligation. Gains earned on the retirement of sinking fund assets before maturity are included with deferred charges and are amortized over the respective initial term of each obligation.

Pre-operating and pre-acquisition costs are amortized over a period not exceeding 10 years.

h) Leases

Leases that transfer substantially all of the benefits and risks incident to the ownership of property, plant and equipment are classified as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category.

i) Reinvested Earnings

Reinvested earnings represent the accumulated balance of net consolidated earnings which have not been paid out as dividends.

j) Pensions

The corporations which have benefit based pension make regular payments into their pension funds at the actuarially determined rates equal to the charges against income. These rates will provide for future pension benefits over the remaining working lives of the employees. The most recent actuarial valuations indicate that there are past service costs of approximately \$50 million which will be funded and charged to future operations in this manner.

2. Status of the Crown Investments Corporation of Saskatchewan

The Corporation, then named The Government Finance Office, was established by Order-in-Council #535 dated April 1, 1947 and continues under the provisions of The Crown Corporations Act, 1978 as Crown Investments Corporation of Saskatchewan.

3. Accounts receivable

Accounts receivable include \$45 million (1979 - \$33 million) of utility revenue earned before December 31, but unbilled to customers at that time.

4. Investments

	1980	1979
	(thousands of dollars)	
Portfolio investments		
Shares — private companies	\$ 4,363	\$ 1,129
Bonds and debentures	130,277	111,861
	<u>134,640</u>	<u>112,990</u>
Equity investments	70,148	82,396
Loans	98,076	86,058
Property holdings	37,377	28,721
	<u>\$340,241</u>	<u>\$310,165</u>

Bonds and debentures have a market value of \$111 million (1979 - \$93 million).

Equity investments include an amount of \$23 million (1979 - \$23 million) which represents the Corporation's shareholding in Prairie Malt (Canada) Ltd., a non-consolidated subsidiary. Equity investments, which were acquired commencing in 1973, had differences between the cost and the underlying book value. These differences are being amortized on the straightline basis over periods ranging from 20 to 40 years. At December 31, 1980 the unamortized difference was \$6 million. (1979 - \$6 million).

The Corporation's proportionate share of 1980 net earnings for equity investments less amortization of the excess of cost over book value of \$404 thousand (1979 - \$404 thousand) amounted to \$15 million (1979 - \$893 thousand) and is included as revenue from investments.

On October 31, 1979 the Corporation acquired 30% of the voting shares of Prince Albert Pulp Company Ltd. (PAPCO) from the Province of Saskatchewan's Consolidated Fund. On December 19, 1980 the Corporation exercised a right of first refusal, as outlined in the original PAPCO shareholders agreement, for the remaining 70% of the common shares of PAPCO. These shares were acquired for cash at a price which was previously negotiated between the former owner of PAPCO, Parsons & Whittemore, Inc. of New York, and Canadian Forest Products Ltd. of British Columbia. This investment has been accounted for on the equity basis for the period November 1, 1979 to December 31, 1980. The Corporation recorded 30% of the net earnings of PAPCO for this period as revenue from investments. The extraordinary item of \$9.8 million results from the acquisition of Prince Albert Pulp Company Ltd. and relates primarily to the Corporation's proportionate share of the reversal of deferred income taxes in that company. As at December 31, 1980 the acquisition was accounted for as a purchase and the purchase price has been allocated by Crown Investments Corporation of Saskatchewan on the following basis, pending final appraisal of non-current assets to enable allocation of the purchase price to the relevant asset categories to comply with generally accepted accounting principles. (Note 5)

(thousands of dollars)

Non-current assets	\$171,312
Less: working capital deficiency	7,572
Total purchase consideration	163,740
Plus: working capital deficiency	7,572
Net outlay of working capital	<u>\$171,312</u>

5. Property, plant and equipment

	1980	1979
	(thousands of dollars)	
Land	\$ 70,722	\$ 57,145
Buildings & improvements	377,501	316,799
Machinery & equipment	2,436,174	2,126,737
Capital leases	32,085	31,395
Plant under construction	386,617	257,114
Deferred property, exploration & development costs	725,239	614,359
Unallocated PAPCO assets (Note 4)	87,928	—
	<u>4,116,266</u>	<u>3,403,549</u>
Accumulated depreciation and depletion	824,815	712,214
	<u>\$3,291,451</u>	<u>\$2,691,335</u>

6. Deferred charges

	1980	1979
	(thousands of dollars)	
Unamortized conversion differences resulting from foreign exchange fluctuations	\$ 58,980	\$ 50,537
Discount on long-term debt	7,794	4,365
Pre-operating and pre-acquisition costs	31,626	25,753
	<u>\$ 98,400</u>	<u>\$ 80,655</u>

7. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund amounted to \$151 million at December 31, 1980 (\$61 million — 1979). The notes are interest bearing, having an annual average interest rate of 15% and are repayable on terms of less than one year.

8. Deferred revenue

	1980	1979
	(thousands of dollars)	
Unearned insurance premiums	\$ 92,402	\$ 72,269
Power utility revenue prepayments	22,680	19,072
Other	3,757	3,460
	<u>\$ 118,839</u>	<u>\$ 94,801</u>

9. Long-term debt

Province of Saskatchewan — Consolidation Fund	Interest Rate	Year of Issue	U.S. Dollar Debt (thousands of dollars)	Year of Repayment	(thousands of dollars)	
					1980	1979
	5.00 %	1960	\$	1980	\$ —	\$ 563
	5.25	1960		1980	—	2,409
	6.00	1960		1980	—	2,027
	5.00	1960		1980	—	1,504
	5.50	1960		1980	—	2,319
	5.50	1961		1981	4,843(a)	4,843
	5.25	1961		1981	3,464(a)	3,464
	5.00	1961		1981	1,265	1,265
	9.00	1974		1981	15,000	15,000
	5.50	1962		1982	6,496(a)	6,496
	7.75	1975		1982	12,000	12,000
	5.25	1962		1982	5,407(a)	5,407
	5.25	1963		1982	7,880(a)	7,880
	5.50	1962		1982	5,385(a)	5,385
	5.13	1962		1982	1,923	1,923
	5.00	1963	15,855	1983	18,927(b)	18,496
	4.13	1958	10,505	1983	12,540(c)	12,255
	5.25	1963		1983	2,024	2,024
	5.00	1958		1983	6,779	6,779
	4.75	1959	11,677	1984	13,939(c)	13,622
	5.50	1964		1984	5,377(a)	5,377
	8.38	1977		1984	75,000(d)	75,000
	5.25	1964		1984	1,960	1,960
	5.00	1959	6,976	1984	8,329(c)	8,138
	5.50	1964		1985	5,214(a)	5,214
	5.50	1964		1985	8,643(a)	8,643
	5.50	1965		1985	2,140	2,140
	8.50	1977		1985	50,000	50,000
	11.25	1980		1985	50,000(c)	—
	5.88	1966		1986	2,400	2,400
	8.75	1976	75,000	1986	89,531(e)	87,495
	6.25	1966		1986	8,926(a)	8,926
	6.00	1967		1987	8,783(a)	8,783
	9.25	1978		1987	75,000	75,000
	5.29-5.61	1966-67		1986-87	22,344(g)	22,344
	5.37-6.53	1967-68		1987-88	20,363(g)	20,363
	7.25	1968		1988	11,025(a)	11,025
	6.40-7.17	1968-69		1988-89	35,908(g)	35,908
	7.63	1969	11,300	1989	13,490(f)	13,183
	7.16-8.33	1969-70		1989-90	40,357(g)	40,357
	4.88	1965	8,850	1990	10,565(c)	10,324
	8.75	1970		1990	15,000(h)	15,000
	6.79-8.14	1970-71		1990-91	42,868(g)	42,868
	5.75	1961		1991	2,450(a)	2,450

9. Long-term debt (continued)

	Interest Rate	Year of Issue	U.S. Dollar Debt (thousands of dollars)	Year of Repayment	1980	1979
					(thousands of dollars)	
	6.75-7.54%	1971-72	\$	1991-92	\$42,731(g)	\$ 42,731
	7.08-7.51	1972-73		1992-93	38,282(g)	38,282
	7.30-7.75	1973-74		1993-94	14,941(g)	14,941
	5.50	1964		1994	3,769(h)	3,769
	7.61-9.25	1974-75		1994-95	21,176(g)	21,176
	8.80-9.34	1975		1995	9,577(g)	9,577
	8.83-8.93	1976-77		1996-97	5,790(g)	5,790
	8.88-9.03	1977		1997	8,509(g)	8,509
	7.75	1973		1998	30,000(i)	30,000
	8.25	1973		1998	30,000(i)	30,000
	9.36-10.16	1978-79		1998-99	44,183(g)	44,183
	10.00	1974		1999	45,000(i)	45,000
	10.2-10.68	1979		1999	16,205(g)	16,205
	9.88	1975		2000	70,000(j)	70,000
	11.75	1980		2000	75,000(c)	—
	10.25	1976		2001	75,000(k)	75,000
	9.00	1977		2002	75,000(i)	75,000
	9.50	1978		2003	75,000(i)	75,000
	10.00	1979		2004	100,000(i)	100,000
	8.70	1976	125,000	2006	149,221(l)	145,825
	8.63	1977	125,000	2007	149,221(m)	145,825
	9.25	1978	125,000	2008	149,221(n)	145,825
			515,163		1,951,371	1,821,197
Sinking fund balance (Note p)					229,236(o)	193,259
					1,722,135	1,627,938
Saskatchewan Heritage Fund	9.30				20,000(s)	20,000
	13.0			1988	5,000	—
	13.0			1989	8,400	—
Due to Province of Saskatchewan					1,755,535	1,647,938
Bank loans						
— U.S.			48,500	Term	57,897(t)	56,580
— Canadian	Prime - .75			1985	115,000(c)	42,000
Capital lease obligations	7.80			2014	31,612	31,994
Other long-term debt					25,190	104,502
			563,663		1,985,234	1,883,014
Long-term debt due within one year						
— U.S.			48,500		57,897	56,580
— Canadian					60,697	70,097
— Capital lease obligations					413	382
			\$515,163		\$1,866,227	\$1,755,955

9. Long-term debt (continued)

Footnotes:

- Note (a) — Callable in whole but not in part on any interest payment date on or after the interest payment date two years before maturity.
- Note (b) — Callable in whole but not in part on any interest payment date on or after the first interest payment date in 1973.
- Note (c) — Callable in whole or in part by lot.
- Note (d) — Callable by \$25 million lots each year 1982/83/84.
- Note (e) — Callable in whole or in part on or after September 1, 1982.
- Note (f) — Callable in whole or in part by lot on February 15, 1984 or on any subsequent dates at a premium until maturity.
- Note (g) — The source of these funds was the Canada Pension Plan which requires its debentures to be subject to redemption on six months notice.
- Note (h) — Callable in whole but not in part on any interest payment date on or after the interest payment date three years before maturity.
- Note (i) — Callable in whole but not in part on any interest payment date on or after the interest payment date five years before maturity.
- Note (j) — Retractable to November 3, 1983. Callable in whole or in part on any interest payment date on or after November 3, 1995.
- Note (k) — Callable April 1, 1996 as a whole or on any interest payment date thereafter.
- Note (l) — Callable November 15, 1991 as a whole or part by lot thereafter.
- Note (m) — Callable as a whole on February 1, 1997 or any interest payment date thereafter.
- Note (n) — Callable in whole or in part on or after April 15, 1993 with 30 days notice.
- Note (o) — There is a requirement, attached to certain interest-bearing advances from the Consolidated Fund, to make annual payments to the Province in amounts representing 1% - 3% of the original advance. These annual payments are invested, at interest, by the Province with the cumulative aggregate being available for the retirement of the advances on their maturity dates.
- Note (p) — Sinking fund and debt retirement requirements for the next five years are as follows; in thousands of dollars:
- | | |
|------------------|-----------------|
| 1981 — \$118,594 | 1982 — \$71,291 |
| 1983 — \$ 39,885 | 1984 — \$44,261 |
| 1985 — \$243,386 | |

- Note (q) — Long-term debt payable in United States funds has been translated into Canadian funds at the year-end exchange rate of 1.1938. (1979 — 1.1666).
- Note (r) — The composite rate of interest payable on long-term debt, prior to deduction of the sinking fund balance, was 8.9% (1979 — 8.5%).
- Note (s) — Due in four equal annual installments June 20, 1984/85/86/87.
- Note (t) — Due in September, 1982 with 3, 6, 9 or 12 month interest periods. The loan may be repaid in whole or in part 30 days after any interest period.

10. Interest

	<u>1980</u>	<u>1979</u>
	(thousands of dollars)	
Interest on long-term debt	\$182,647	\$165,657
Amortization of debt discount	1,383	1,236
Amortization of foreign exchange conversion differences	6,464	4,364
	<u>190,494</u>	<u>171,257</u>
Less		
— sinking funds earnings	19,709	18,846
— gain on debt retirement	2,300	1,569
— interest capitalized	50,258	23,432
	<u>72,267</u>	<u>43,847</u>
Long-term debt expense	118,227	127,410
Short-term interest expense	36,170	10,629
	<u>\$154,397</u>	<u>\$138,039</u>

11. Province of Saskatchewan's equity

All advances are non-interest bearing and are repayable at the discretion of the Province.

Advances from the Saskatchewan Heritage Fund to those Crown corporations consolidated herein amounted to \$601 million at December 31, 1980 (1979 — \$503 million).

Advances from the Province of Saskatchewan's Consolidated Fund amounted to \$6 million at December 31, 1980 (1979 — \$6 million).

12. Customer capital contributions

Customer contributions are required by Saskatchewan Power Corporation when the estimated cost of providing future service, beyond the anticipated service life of the provided facility, to certain customers is expected to exceed the revenue to be received from these customers. Customer contributions, in this respect, amounted to \$4 million during the year (1979 - \$4 million).

Customer contributions required in respect of utility service expected to be economically self-sustaining for the estimated service life of the provided facilities is credited to power utility revenue prepayments (Note 8) and amortized to revenue over the appropriate period.

13. Dividend

The dividend declared by the Corporation in 1980 is payable to the Saskatchewan Heritage Fund (1979 - Saskatchewan Consolidated Fund).

14. Saskatchewan taxes and resource payments

	1980	1979
	(thousands of dollars)	
Resource royalties and payments		
Potash resource payments . . .	\$ 86,456	\$ 53,553
Oil royalties	23,860	20,505
Timber dues	1,093	1,235
Sodium sulphate royalties . . .	772	690
	<u>112,181</u>	<u>75,983</u>
Grants-in-lieu of taxes to municipalities	15,359	13,795
Insurance premium tax	5,560	4,773
Capital tax	3,358	—
Other	5,253	6,966
	<u>141,711</u>	<u>101,517</u>
Total paid or payable	141,711	101,517
Amounts capitalized	(27)	(393)
Amounts inventoried	(1,447)	(986)
	<u>\$140,237</u>	<u>\$100,138</u>

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978 amounted to \$3.5 million (1979 - \$3.3 million). The total 1980 credit was applied to the cost of property, plant and equipment.

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

15. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1980:

- (a) natural gas contracted for future delivery over periods varying from 11 to 22 years for approximately \$688 million valued at current prices,
- (b) capital expenditures for approximately \$634 million,
- (c) oil exploration and development expenditures over the next 6 years of approximately \$30 million,
- (d) approved but undisbursed purchases of municipal debentures of approximately \$3 million,
- (e) lease payments of approximately \$20 million for its 1981 fiscal period,
- (f) approved but undisbursed loans of approximately \$39 million, loan guarantees in force of approximately \$10 million and loan guarantees authorized but not used at December 31, 1980 of \$4 million.
- (g) financial commitments arising from various exploration and development joint venture agreements.

The corporations are the defendants to several unresolved statements of claim. The corporations have provided in their accounts for these claims in accordance with the advice received from legal counsel. The corporations intend to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

16. Reinvested earnings — appropriated

	Appropriated Reinvested Earnings- Saskatchewan Heritage Fund	Appropriated Reinvested Earnings- A.A.I.A.	Appropriated Reinvested Earnings- Other	Appropriated Reinvested Earnings- Total
	(thousands of dollars)			
January 1, 1979	\$ 9,573	\$ 15,468	\$ 8,279	\$ 33,320
Appropriations — 1979	94,776	(15,468)	5,683	84,991
December 31, 1979	104,349	—	13,962	118,311
Dividend	(50,000)	—	—	(50,000)
Appropriations — 1980	167,449	—	749	168,198
December 31, 1980	<u>\$ 221,798</u>	<u>\$ —</u>	<u>\$ 14,711</u>	<u>\$ 236,509</u>

The appropriation of reinvested earnings in respect to the Saskatchewan Heritage Fund and A.A.I.A. are in accordance with a resolution of the Corporation's board of directors made pursuant to The Crown Corporations Act, 1978. The reinvested earnings of Potash Corporation of Saskatchewan are subject to dividend payouts by Crown Investments Corporation of Saskatchewan only to the Saskatchewan Heritage Fund. The net earnings derived from Saskatchewan Government Insurance's administration of The Automobile Accident Insurance Act, are reserved for the administration of the Act.

Appropriated reinvested earnings — other — includes an appropriation of the reinvested earnings derived from Saskatchewan Power Corporation for the purpose of rate stabilization in the amount of \$13.7 million (1979 — \$13.7 million).

17. Remuneration of directors and senior officers

The Corporation's eight directors received no remuneration from Crown Investments Corporation of Saskatchewan as directors in either 1980 or 1979. The twelve senior officers (1979-10) received, in aggregate, \$553,065 in salaries for 1980 (1979 — \$409,620). One officer was also a director.

18. Related Party Transactions

The related parties to the Corporation are Saskatchewan's Crown controlled departments, agencies and corporations. Transactions with related parties are conducted at normal market prices.

19. Segmented information

	Utilities		Resources		Financial & Service		Consolidated Operations	
	1980	1979	1980	1979	1980	1979	1980	1979
(millions of dollars)								
Statement of Operations								
Revenue	\$ 689	\$ 611	\$ 509	\$ 365	\$ 241	\$ 216	\$ 1,439	\$ 1,192
Operating costs	429	350	172	145	242	217	843	712
Interest	107	99	11	16	13	10	131	125
Depreciation, depletion	92	84	41	35	2	2	135	121
Saskatchewan taxes	15	12	118	82	7	6	140	100
	<u>643</u>	<u>545</u>	<u>342</u>	<u>278</u>	<u>264</u>	<u>235</u>	<u>1,249</u>	<u>1,058</u>
Segment margin	<u>\$ 46</u>	<u>\$ 66</u>	<u>\$ 167</u>	<u>\$ 87</u>	<u>\$ (23)</u>	<u>\$ (19)</u>	190	134
Earnings from equity investments (Note 4)							25	1
Interest and general corporate expenses							(32)	(20)
Intercorporation profits							(2)	(7)
Corporate net earnings							<u>\$ 181</u>	<u>\$ 108</u>

For the purpose of providing the segmented information given in this note, C.I.C. Corporate results include Prince Albert Pulp Company Ltd. and C.I.C. Industrial Interests Inc. Revenue and expenses are recorded before the elimination of intercorporation transactions. These transactions are priced at open market prices for similar products and services and are eliminated in the determination of the consolidated statement of operations.

Financial and Service sector revenue includes \$13 million (1979 - \$12 million) representing a portion of the Province of Saskatchewan's motive fuel tax that has been designated by the Province as insurance premiums.

	Utilities		Resources		Financial & Service		C.I.C. Corporate		Consolidated Operations	
	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979
(millions of dollars)										
Other financial information (net of inter-corporation transactions)										
Investments	\$ 3	\$ 2	\$ 1	\$ —	\$ 267	\$ 225	\$ 69	\$ 83	\$ 340	\$ 310
Property, plant & equipment	<u>\$ 1,927</u>	<u>\$ 1,714</u>	<u>\$ 1,120</u>	<u>\$ 939</u>	<u>\$ 40</u>	<u>\$ 39</u>	<u>\$ 204</u>	<u>\$ **</u>	<u>\$ 3,291</u>	<u>\$ 2,692</u>
Capital expenditures	<u>\$ 303</u>	<u>\$ 232</u>	<u>\$ 226</u>	<u>\$ 204</u>	<u>\$ 2</u>	<u>\$ 11</u>	<u>\$ 171</u>	<u>\$ **</u>	<u>\$ 702</u>	<u>\$ 447</u>

**The amount is less than \$500,000

20. Comparative information

Certain 1979 financial information has been reclassified in order to conform with the 1980 presentation.

