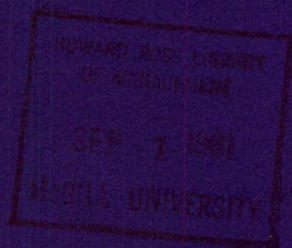


CROWN
INVESTMENTS
CORPORATION
OF SASKATCHEWAN

ANNUAL REPORT 1979



**ANNUAL REPORT
1979**

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CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Table of Contents

Letter of Transmittal	2
Highlights	3
Board of Directors	4
Officers	4
Chairman's Remarks	5
Overview	6
Celebrate Saskatchewan Projects	12
Consolidated Financial Statements 1979	13

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

Letter of Transmittal

Regina, Saskatchewan
April 10, 1980

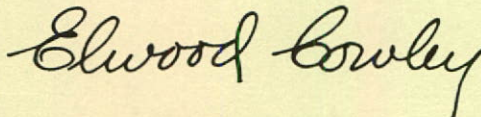
To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the second annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1979, 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

		1979	1978	1977
Revenues	millions	\$1,147	\$ 932	\$ 705
Net Earnings	millions	\$ 108	\$ 68	\$ 43
Assets	millions	\$3,449	\$3,047	\$2,392
Province's Equity	millions	\$ 965	\$ 829	\$ 701

- Net earnings increased by 59%.
- Province's equity increased by 16%.
- New capital investments of \$427 million.
- Potash Corporation of Saskatchewan announced a ten year \$2.5 billion expansion plan.
- 11,500 Saskatchewan residents are employed by Crown corporations.
- Crown corporations paid \$100 million in taxes and resource payments to Saskatchewan.

Board of Directors

Honourable Elwood Cowley
Chairman of the Board

Honourable John R. Messer
Vice-Chairman

Honourable Allan Blakeney

Honourable Walter Smishek

Honourable Ted Bowerman

Honourable Eiling Kramer

Honourable Don Cody

G. H. Beatty
Managing Director

Secretary to the Board
R. M. Sherdahl

Officers

G. H. Beatty
Managing Director

John R. Sadler
Corporate Officer

John L. Walton
Corporate Officer

Stephan R. Barg
Director, Finance Division

R.M. Sherdahl
Director, Corporate Services Division

Gerald R. Armstrong, Manager
Personnel and Industrial
Relations Department

Graham F. J. Lane
Comptroller

Gordon W. MacLean, Manager
Capital Budget Analysis Department

Henry J. Matthies, Manager
Administration Department

Donald M. McGregor, Manager
Corporate Affairs Department

Chairman's Remarks

This second annual report of the Crown Investments Corporation of Saskatchewan provides a consolidated statement of the 1979 performance of the Province's Crown corporations. These seventeen companies continue to play an important role in the economic development of Saskatchewan.

In a period of economic difficulty for Canada, Saskatchewan's economy is growing and our unemployment rate remains among the lowest in the country. This performance is due in part to the Crown corporations which have provided much of the economic diversity required to maintain progress. The past year has shown that responsibility for the province's economic success no longer falls solely on agriculture. Climatic conditions led to lower than normal yields, but the diversification provided by our resource investments enabled steady economic growth to continue.

As 1979 drew to a close, the people of Saskatchewan were preparing to celebrate the 75th anniversary of the province. Looking back, they can take pride in what they have achieved in the face of a difficult climate and several periods of economic hardship. The province's pioneering efforts in cooperative organization and investments by the Crown contribute to the solid economic foundation being built today. I am confident that, looking to the future, Crown corporations will continue to play an important part in the province's development. A reflection of this optimism is the announcement by the Potash Corporation of Saskatchewan of a \$2.5 billion expansion program over the next ten years.

The Crown corporations are committed to develop the wealth of the province in accordance with the needs of this and future generations of Saskatchewan residents. We welcome the strengthening of the private sector in the economy, both directly and in joint ventures and partnerships with Crown companies. The private sector can play an important role in further diversifying the Saskatchewan economy by developing the services and products resource wealth makes possible. For those who share the goal of long-term prosperity for the people of the province, there are many opportunities.

The citizens of Saskatchewan are the owners of the Crown corporations, and they can take pride in this year's overall performance. Net earnings reached a record high of \$108 million and, in addition, the corporations paid \$100 million in Saskatchewan taxes and resource payments. Increased investment in resource development and the improvement in services provided by our utilities and financial corporations are helping to make Saskatchewan a good place to live, work and do business.

As Chairman of the Board of the Crown Investments Corporation, I wish to acknowledge the valuable guidance our operating companies receive from their directors. In addition, the management and staff of each corporation can be proud of the services they provide to the Saskatchewan public. I would like to thank them for their efforts.

Most indicators point to an era of prosperity for the province. The 70's were a decade of reorganization of our economic life. With contributions from all sectors of the economy, the 80's can be a decade of development in Saskatchewan.

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

Crown Investments Corporation of Saskatchewan

The Crown Investments Corporation of Saskatchewan is a financial holding company for the Province's seventeen commercial Crown corporations. CIC approves the corporate plans and capital budgets of the corporations, provides broad policy direction and acts as a financial intermediary between the provincial government and the individual corporations.

The Crown Investments Corporation provides legal and accounting services and assists the corporations in the areas of public affairs, general administration and personnel and industrial relations. Corporate Officers from CIC sit on the boards of directors of the Crown companies and CIC staff serve as Corporate Secretaries for the boards. The corporation had 38 employees in 1979.

In 1979 CIC made agreements to purchase equity holdings in several private companies, thus con-

solidating investments previously held in by a number of government agencies. CIC's control of these investments, combined with its responsibility for the Crown corporation group, gives it a strategic view of the provincial economy. This is leading to an increasing role for CIC in the identification of commercial and industrial opportunities which could result in further private and public investment in 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. Seventeen commercial corporations have been designated, by Order in Council, as being subject to the provisions of Part II of The Crown Corporations Act, 1978. The financial results of these seventeen corporations are consolidated in this report.

Saskatchewan Power Corporation

Chairman —
Honourable John Messer
General Manager —
F. G. Ursel

Saskatchewan Power Corporation supplies electricity and natural gas to consumers throughout Saskatchewan. In 1979, electrical generating plant capacity was 1,931 megawatts. SPC sold 7.9 billion kilowatt-hours of electricity during the year, an increase of 8.7% over 1978. Natural gas sales amounted to 111 billion cubic feet and the Corporation has proven resources available, through ownership and contract, of 2.4 trillion cubic feet.

The Corporation continued to construct the first unit of the Poplar River Power Station and approval for construction was received for a second unit. Two huge draglines for mining coal were commissioned in 1979, one in Estevan and one in Coronach.

In order to increase the security of the system, a 230 kV transmission line was constructed between Squaw Rapids and The Pas, Manitoba. The Hudson Bay Wood Gasification Plant, sponsored by SPC, Saskatchewan Forest Products Corporation and the federal government, was commissioned in 1979.

At the end of 1979, SPC had assets of \$1.4 billion (1978 — \$1.3 billion). Net earnings were \$40.7 million for the year (1978 — \$20.7 million) on sales of \$398 million (1978 — \$342 million).

Saskatchewan Telecommunications

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

The number of telephones in service in Saskatchewan increased to 584,456, an increase of 6.1% over 1978. Long distance calls originating in Saskatchewan in 1979 totalled 65.1 million, a 10.2% increase over the previous year.

Sask Tel spent \$89.9 million on capital expenditures in 1979, bringing the Corporation's total investment in property, plant and equipment to \$723.2 million. A total of 32 rural telephone companies were voluntarily assimilated under the Rural Service Improvement Program, and the province's first digital switching machine went into service in La Ronge. By the end of 1979, Sask Tel's cable TV distribution system reached 2,529 kilometers in length and served 67 thousand subscribers.

Operating revenues increased by 19.6% to \$197.3 million, and operating expenses increased by 19.3% to \$139.9 million. The Corporation showed net earnings of \$25.2 million (1978 — \$19.5 million).

Saskatchewan Computer Utility Corporation

Chairman —
Honourable Murray Koskie
General Manager —
N. Glassel

SaskComp is the 12th largest of approximately 700 computer service firms in Canada. It provides shared computer services, ancillary services, small computer services and application services to government, Crown corporations, universities and other educational institutions, municipalities and commercial enterprises throughout the province.

Gross operating revenues have increased 260% since 1974, the first year of operation. Total operating revenue for 1979 was \$9.9 million, an increase of 11.4% over 1978. Net income for 1979 was \$59 thousand. This brought total income since 1974 to approximately \$3.4 million.

Consolidated Financial Performance

Net earnings for the consolidated Crown corporations were \$107.7 million in 1979, up from \$67.8 million in 1978. CIC paid a dividend of \$24 million to the Province in 1979.

The most profitable of the group was the Potash Corporation of Saskatchewan, which had 1979 calendar year net earnings of \$78 million, up from \$24 million for 1978. The other producing resource companies were all profitable, with net earnings of \$4.0 million in Saskoil, \$3.4 million in Saskatchewan Forest Products and \$2.8 million in Saskatchewan Minerals. The Saskatchewan Mining Development Corporation has not yet commenced production.

The utilities sector recorded net earnings of \$40.7 million in the Saskatchewan Power Corporation, \$25.2 million in Sask Tel, \$59 thousand in the Saskatchewan Computer Utility Corporation and \$350 thousand in the Saskatchewan Water Supply Board.

Three of the service corporations, Saskatchewan Transportation Company, Agricultural Development Corporation of Saskatchewan and Saskatchewan Fur Marketing Service, reported modest profits, consistent with their general break-even objectives. The fourth service corporation, The Saskatchewan Government Printing Company, incurred a small loss.

Saskatchewan Water Supply Board

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

Saskatchewan Water Supply Board services industrial, municipal, recreational, agricultural, wildlife and domestic users in the Saskatoon area. The volume of water supplied increased in 1979 by 10.8% to 1.3 billion gallons. Most of this increase was in the provision of treated water to industrial, municipal and other customers.

Net earnings for 1979 were \$350 thousand, up from \$5 thousand in 1978.

Potash Corporation of Saskatchewan

Chairman —
Honourable John R. Messer
President —
D. S. Dombowsky

The Potash Corporation operates mines at Cory, Rocanville and Lanigan, and participates with others in production at Esterhazy and Allan. During 1979, the Corporation produced 4.4 million product tons of potash, up from 3.4 million tons in 1978.

Markets in 1979 were excellent, and PCS made a profit of \$78 million on total sales of \$271 million. These compare to 1978 profits of \$24 million on sales of \$160 million. The outlook for the future is very promising, and in 1979 PCS announced a ten year expansion plan to increase its rated production capacity from 4.5 million tons per year to 15.5 million tons per year. It is estimated that the program will cost a total of about \$2.5 billion over the ten year period.

Saskatchewan Mining Development Corporation

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

Saskatchewan Mining Development Corporation participates in the development of the province's hard-rock mineral resources. While the Corporation's activity is primarily directed toward uranium exploration and development, it also explores for base and precious metals.

The Corporation carries out its exploration activities either on its own or in partnership with other mining companies. At the end of 1979, SMDC was involved in 238 ex-

ploration projects, 27 of which were operated by the Corporation. During 1979, the Corporation agreed to purchase 20% of the Amok Ltd. development at Cluff Lake for \$58.8 million.

The Corporation capitalizes investments and costs related to exploration activities pending the operation of producing mines. Capital investment and expenditures were \$120 million in 1979. Amounts previously capitalized for projects which are abandoned are charged against equity. Abandonments amounted to \$1.5 million in 1979 and \$758 thousand in 1978.

Saskatchewan Oil and Gas Corporation

Chairman —
Honourable John R. Messer
President —
R. K. Craig

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

During 1979, the Corporation produced 4.1 million barrels of oil (1978 — 4.2 million) and 321 thousand mcf of gas (1978 — 193 thousand mcf).

In the financial group, the Municipal Financing Corporation and the Saskatchewan Development Fund Corporation showed small net earnings, while the Saskatchewan Economic Development Corporation recorded net earnings of \$9.4 million, \$8.5 million of which resulted from the sale of investments to CIC.

Saskatchewan Government Insurance experienced a difficult year in the automobile insurance side of its operations in 1979. Both the number of claims and the cost of repairs increased dramatically, leading to a loss for the Corporation of \$27.5 million. To strengthen the financial base of SGI, an equity infusion of \$30 million was advanced by the Crown Investments Corporation to SGI.

The return on the Province's average equity investment in the commercial Crown Corporations was 12% in 1979, up from 8% in 1978. At the end of 1979, the long-term debt of the consolidated corporations was 63% of total capital, a small change from 64% at the end of 1978.

Saskoil had estimated oil reserves of 31 million barrels on December 31, 1979. Estimated natural gas reserves were 22.4 billion cubic feet. During the year, oil and gas exploration properties were transferred from Saskatchewan Power Corporation to Saskoil. This gives Saskoil responsibility for all Crown corporation petroleum exploration.

The Corporation places significant emphasis on the exploration for and development of heavy oil and is currently involved in a number of heavy oil pilot projects. The two most significant are the North Battleford heavy oil project, a partnership with Texasgulf Inc. and Total Petroleum (North American) Ltd., and the Saskatchewan Heavy Oil Project, a partnership with Gulf Canada Resources Inc. and PetroCanada Exploration Inc.

Calendar year net earnings for 1979 were \$4.0 million (1978 — \$6.8 million) on gross sales of \$50.4 million (1978 — \$46.4 million). Capital expenditures were \$28 million during the year.

Saskatchewan Forest Products Corporation

Chairman —
Honourable John R. Messer
General Manager —
N. S. Denmark

Saskatchewan Forest Products Corporation is the second largest of the province's forestry industry employers. It employs 500 people, and also provides significant employment through independent logging and hauling contractors.

SFPC operates dimension lumber sawmills at Big River and Carrot River, a plywood mill at Hudson Bay and a wood treatment plant in Prince Albert. In addition to the four main plants, SFPC has retail lumber yards at Prince Albert and Sturgis.

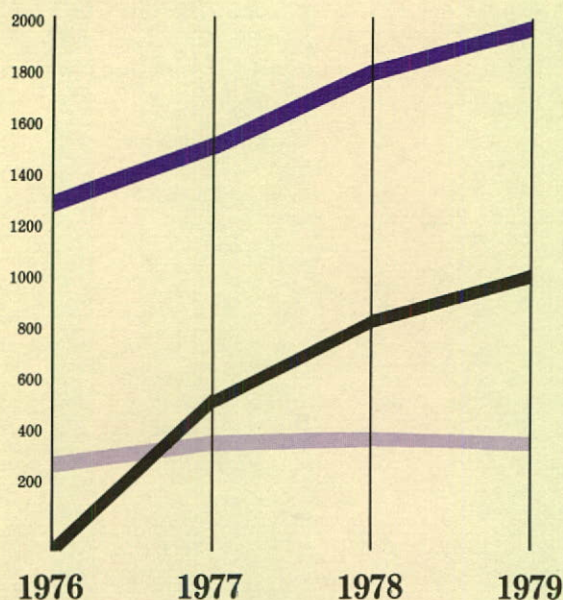
The Corporation reported net earnings of \$3.4 million for the 1979 fiscal year, up from \$2.8 million in 1978, on sales of \$27.8 million.

Saskatchewan Minerals

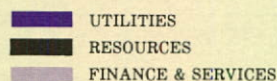
Chairman —
Honourable Ted Bowerman
General Manager —
J. C. Mills

Saskatchewan Minerals has sodium sulphate plants operating in Chaplin and Ingebrigt. Sodium sulphate is used in the pulp and paper industry which has been operating at near capacity levels, and in the manufacturing of detergent, demand for which was also strong in 1979. The material also has very useful heat storage properties, and Sask Minerals is developing storage units for solar energy heating systems. In 1979, gross sales of sodium sulphate amounted to \$12.5 million (1978 — \$8.4 million) and net earnings were \$2.8 million (1978 — \$1.4 million).

IN MILLIONS OF \$



Assets



Consolidated revenues were \$1.1 billion in 1979, an increase of 23% over 1978. Total assets increased 13%, from \$3.0 billion to \$3.4 billion. The utilities sector remained the largest in both assets and revenues in 1979.

Resources, however, have become the leading element of growth in the Crown corporation sector. This is demonstrated by the shift in proportion of assets in each sector over the last three years. In 1976, 6% of the assets were in the resource corporations and 78% in utilities. In 1979, the resource assets had increased to 30% of total Crown corporation assets with utilities dropping to 59%.

The same shift has taken place in gross revenues. In 1976, resources contributed 5.6% of total revenues and utilities 67.3%. By 1979, 31% of revenues were from the resource sector, with utilities falling to 51%.

Saskatchewan Economic Development Corporation

Chairman —
Honourable Norman Vickar
President —
N. Overend

SEDCO, 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.

SEDCO began construction of an industrial park in Cut Knife and approval was received for two other parks, one at Creighton and one at La Ronge. Development of the Research Park in Saskatoon also continued.

In 1979, SEDCO sold several of its major equity investments to CIC, as part of a consolidation of the government's important equity holdings.

At year end SEDCO had assets of \$101 million (1978 - \$139.5 million) and reported net earnings of \$9.4 million, including an extraordinary gain of \$8.5 million, compared to \$778 thousand in 1978.

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 1979, the Corporation participated in the financing of 51 projects (1978 — 63 projects). At year end, it held \$50.9 million in municipal securities (1978 — \$43.7 million).

Saskatchewan Government Insurance

Chairman —
Honourable W. A. Robbins
General Manager —
J. Green, Q.C.

Saskatchewan Government Insurance offers personal and property insurance to Saskatchewan residents and administers automotive coverage under The Automobile Accident Insurance Act.

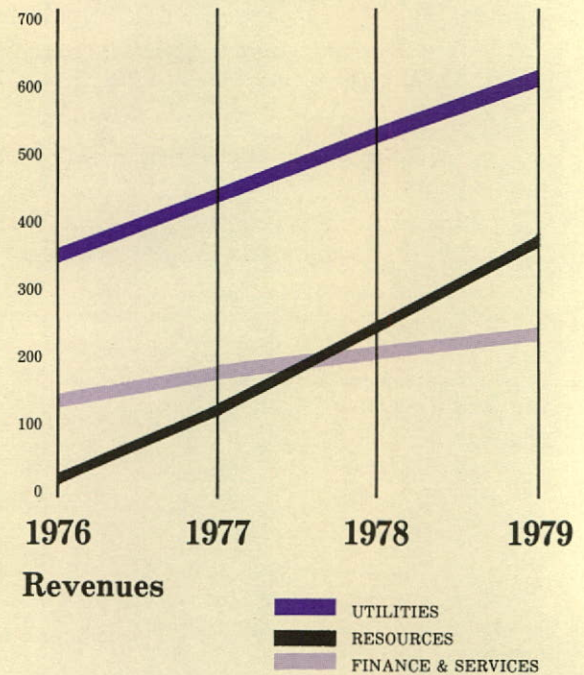
Premiums earned from general insurance amounted to \$76 million in 1979 while claims incurred amounted to \$55 million. This division reported net earnings of \$1 million (1978 — \$6.8 million).

Premiums earned under The Automobile Accident Insurance Act totalled \$91 million; claims incurred were \$102 million. Despite the Corporation's efforts to promote safe driving, the numbers of claims reported rose 23%. A loss of \$28.6 million was incurred.

Capital expenditures in 1979 totalled \$427 million. Expansion in the resource corporations accounted for \$184 million (43%) of this, with the utilities spending \$232 million (54%) and the other corporations \$11 million (3%). The major resource projects were the acquisition by the Saskatchewan Mining Development Corporation of a 20% interest in the Amok Ltd. uranium development at Cluff Lake and the commencement by the Potash Corporation of a major expansion program which, over the next ten years, will entail expenditures of \$2.5 billion. Saskatchewan Power Corporation continued the construction of the first unit at the Poplar River Generating Station, scheduled for completion in 1980, and began a three year construction program on the second 300 megawatt unit. Saskatchewan Government Insurance completed its new head office in the Cornwall Centre in 1979 and Saskatchewan Telecommunications continued the construction of its new headquarters in the same new complex in downtown Regina.

The Crown corporations' capital expenditures are financed from internal sources, borrowings and equity advances. The borrowing program of the Province is primarily for the purposes of the Crown corporations, and thus is self-liquidating. All interest and other costs borne by the Province in obtaining debt for the corporations are charged to them.

IN MILLIONS OF \$



Saskatchewan Development Fund Corporation

Chairman —
Honourable W. A. 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 income averaging and term certain annuities, and a government guaranteed mutual fund section which is an investment vehicle for Retirement Savings Plans, Home Ownership Savings Plans and deferred profit sharing plans as well as regular investments. The clients are primarily residents of Saskatchewan.

The Fund has been adversely affected by the rapid increases in interest rates and resultant declining value of fixed income securities. The assets of the Mutual Fund section decreased from \$18.3 million in 1978 to \$17.9 million during 1979. Total assets of the mutual fund and the annuity section were \$24.6 million in 1979 compared to \$22.5 million in 1978.

Agricultural Development Corporation of Saskatchewan

Chairman —
Honourable Gordon MacMurchy
General Manager —
A. J. Webster

Agricultural Development Corporation promotes domestic and export trade in specialized Saskatchewan agricultural products. During 1979 the Corporation sold cattle to Hungary and crops such as beans, peas, mustard, faba beans and sunflower seeds to other overseas buyers. The Corporation was involved in development projects in Zambia and Lesotho.

The Corporation is partially funded by grants from the Provincial Department of Agriculture. Earned sales and service fees totalled \$846 thousand in 1979, up from \$423 thousand in 1978. Net earnings were \$80 thousand compared to \$25 thousand in 1978.

Saskatchewan Transportation Company

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

STC, which operates an inter-city bus line throughout Saskatchewan, experienced a year of growth during 1979. Passenger traffic on its 46 bus routes increased to a record 760 thousand fares, up by 4.2% from 1978. Charter and package tour revenues increased 19.9% over 1978.

Small parcel express continued to grow rapidly. Express revenues increased by 15.2%.

STC revenues amounted to \$9.6 million, an increase of 15.4%. Net earnings for the year were \$138 thousand.

In 1979, the Saskatchewan Department of Finance borrowed \$100 million on the Canadian capital market and \$29 million from the Canada Pension Plan on behalf of the Crown corporations. The Saskatchewan Heritage Fund advanced \$52 million directly to SMDC.

In 1979, CIC assumed the management of several share investments which were held by the Department of Finance and SEDCO. With these additions, CIC controls a 25% voting interest in SED Systems Inc., 20% in Interprovincial Steel and Pipe Cor-

poration Ltd., 45% in Intercontinental Packers Ltd., 16% in Agra Industries Ltd., 30% in Cablecom Corporation, 91% in Prairie Malt (Canada) Ltd. and 30% in Prince Albert Pulp Company Limited.

The year was one of considerable over-all success for the Crown corporation sector. The investments made in 1979, particularly in the rapidly growing resources sector, continue the momentum of development and provide an expanded base for future earnings.

The Saskatchewan Government Printing Company

Chairman —
Honourable Ned Shillington
General Manager —
F. W. Wakelam

Saskatchewan Government Printing Company provides general printing services to government departments, agencies and Crown corporations. During 1979, the Corporation showed a net loss of \$33 thousand on total sales of \$2 million, compared to net earnings of \$31 thousand on a similar sales volume in 1978.

Saskatchewan Fur Marketing Service

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

Saskatchewan Fur Marketing Service has provided a marketing facility for Saskatchewan fur trappers since 1945. This year there was a decline in volume, but sales prices increased significantly. Total sales through the Service's auctions amounted to \$2.6 million in 1979, compared to \$2 million in 1978. Net earnings in 1979 were \$147 thousand (1978 — \$73 thousand).



Celebrate Saskatchewan Projects

During 1979 the Crown corporations co-operated with "Celebrate Saskatchewan" in making plans to mark the Province's 75th anniversary in Confederation.

Among other projects, the Saskatchewan Mining Development Corporation is creating a mobile exhibition on energy, and it will purchase in partnership with the Saskatchewan Power Corporation a Native People's Library which will have a permanent home in Saskatchewan. The Potash Corporation of Saskatchewan has collaborated with the Saskatchewan Archives Board in the publication of a pictorial history of the Province. Sask Tel will have a

travelling exhibit on telecommunications, and the family of Crown corporations is sponsoring a radio series, "The Pioneers", about little-known people and events which have shaped Saskatchewan history.

The Crown corporations will also provide an opportunity for talented young performers to further their musical education and entertain the people of the province at events planned by local "Celebrate Saskatchewan" committees during festivities planned for the summer of 1980. As the anniversary year drew closer, all Crown corporations were becoming involved in various ways to help ensure the success of the Diamond Jubilee celebrations.

Crown Investments
Corporation of Saskatchewan

Consolidated
Financial Statements 1979

Consolidated Statement of Financial Position

As at December 31

	<u>Note Reference</u>	<u>1979</u> (thousands of dollars)	<u>1978</u> (thousands of dollars)
Assets			
Current			
Short-term investments		\$ 103,459	\$ 87,613
Accounts receivable	3	201,177	167,625
Inventories		22,722	28,835
Prepaid expenses		<u>59,026</u>	<u>52,486</u>
		386,384	336,559
Investments	4	310,165	258,696
Property, plant and equipment	5	2,671,863	2,364,262
Deferred charges	6	<u>80,655</u>	<u>87,668</u>
		<u>\$3,449,067</u>	<u>\$3,047,185</u>

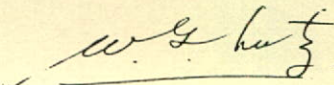
Auditor's Report

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, 1979 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. For Crown Investments Corporation of Saskatchewan and for those other corporations of which I am the auditor and which are consolidated in these financial statements, 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. For other corporations consolidated and companies accounted for by the equity method I have relied on the reports of the auditors who have examined their financial statements.

In my opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1979 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 28, 1980.


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

	<u>Note Reference</u>	<u>1979</u> (thousands of dollars)	<u>1978</u>
Liabilities and Province's Equity			
Current			
Bank indebtedness		\$ 104,740	\$ 62,262
Accounts payable and accrued liabilities		268,082	217,439
Dividends payable		24,000	13,050
Notes payable	7	60,935	88,763
Deferred revenue	8	94,801	85,885
Long-term debt due within one year	9	127,059	84,808
		<u>679,617</u>	<u>552,207</u>
Long-term debt	9	1,737,855	1,602,465
Province of Saskatchewan's Equity			
Advances	11	508,905	457,100
Retained earnings	13	455,984	372,326
		<u>964,889</u>	<u>829,426</u>
Customer capital contributions	12	66,706	63,087
		<u>1,031,595</u>	<u>892,513</u>
		<u>\$3,449,067</u>	<u>\$3,047,185</u>

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

	<u>Note Reference</u>	<u>1979</u> (thousands of dollars)	<u>1978</u> (thousands of dollars)
Revenue			
Sales of products and services		\$1,093,358	\$ 888,278
Revenue from investments	4	36,913	32,382
Other		<u>16,613</u>	<u>11,333</u>
		<u>1,146,884</u>	<u>931,993</u>
Expenses			
Operating costs other than those listed below	13	680,774	576,963
Interest	10	138,039	119,011
Depreciation and depletion		120,275	103,078
Saskatchewan taxes and resource payments	14	<u>100,138</u>	<u>65,137</u>
		<u>1,039,226</u>	<u>864,189</u>
Net earnings	19	<u>\$ 107,658</u>	<u>\$ 67,804</u>

(See accompanying notes)

Consolidated Statement of Retained Earnings

For the Year Ended December 31

	<u>Unappropriated</u>		<u>Appropriated</u> (Note 16)		<u>Total</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
Balance, beginning of year, as restated (Note 13) ..	\$339,006	\$294,980	\$33,320	\$22,592	\$372,326	\$317,572
Net earnings	107,658	67,804	—	—	107,658	67,804
Dividends	(24,000)	(13,050)	—	—	(24,000)	(13,050)
Appropriations	(84,991)	(10,728)	84,991	10,728	—	—
Balance, end of year ..	<u>\$337,673</u>	<u>\$339,006</u>	<u>\$118,311</u>	<u>\$ 33,320</u>	<u>\$455,984</u>	<u>\$372,326</u>

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

	Note Reference	<u>1979</u> (thousands of dollars)	<u>1978</u>
Sources of Working Capital			
Operations			
Net earnings	13	\$107,658	\$ 67,804
Non-cash expenses		<u>123,447</u>	<u>109,534</u>
		<u>231,105</u>	<u>177,338</u>
Province of Saskatchewan			
Loans — Consolidated Fund		127,121	365,245
Loans — Saskatchewan Heritage Fund		15,000	5,000
Advances — Saskatchewan Heritage Fund	11	<u>51,805</u>	<u>147,570</u>
		<u>193,926</u>	<u>517,815</u>
Other long-term debt		<u>120,956</u>	47,675
Other non-current receipts		<u>(7,052)</u>	<u>7,093</u>
		<u>538,935</u>	<u>749,921</u>
Application of Working Capital			
Capital expenditures, net of proceeds on disposals	19	427,484	605,860
Increase in investments	13	50,531	17,274
Repayments to Province of Saskatchewan			
Loans — Consolidated Fund		47,302	71,389
Advances — Consolidated Fund		—	79,405
Repayments of other long-term debt		67,203	54,735
Dividends — Consolidated Fund		<u>24,000</u>	<u>13,050</u>
		<u>616,520</u>	<u>841,713</u>
Decrease in working capital		<u>\$77,585</u>	<u>\$91,792</u>

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1979

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 which was proclaimed on August 22, 1978, assigned certain financial and other responsibilities to the Crown Investments Corporation of Saskatchewan in respect of those other crown corporations subject to Part II of the Act by virtue of 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 were made to the potash corporation and the mining corporation from the Saskatchewan Heritage Fund. However, for the purposes of these consolidated financial statements, these advances from the Heritage Fund are reported as part of the overall equity advance to the consolidated entity.

The following corporations are subject to Part II of the Act and have accordingly been consolidated with the Crown Investments Corporation of Saskatchewan and its subsidiary, CIC Industrial Interests Inc., in accordance with the pooling of interests method of accounting.

Utility Sector

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

Resource Sector

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 Services Sector

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 Office;
Saskatchewan Government Printing Company;
Saskatchewan Transportation Company.

(*This corporation has a year end date which is more than 93 days prior to the year end date of this consolidation. Its financial position and results have been adjusted and included herein on the basis of a December 31 year end.

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 power utility. In the telephone utility the gains or losses are included 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 the mining corporation which are accounted for by the equity 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 the mining 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 4% on all property, plant and equipment excluding all land, construction-in-progress and the capital costs of the mining corporation. The current undepreciable assets amount to \$585.7 million (1978 - \$411.9 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 currency are recorded at exchange rates prevailing at the balance sheet 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.

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, Prince Albert Pulp Company Ltd., Cablecom Corporation, Agra Industries Ltd., SED Systems Inc. and Prairie Malt (Canada) Ltd., a non-consolidated subsidiary, 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. (See note 13)

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.

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 \$32.6 million (1978 - \$31.1 million) of utility revenue earned before December 31, but unbilled to customers at that time. (See Note 13).

4. Investments

	1979	1978
	(thousands of dollars)	
Portfolio investments		
Shares — private companies	\$ 1,129	\$ 1,018
Bonds and debentures	<u>111,861</u>	<u>103,829</u>
	112,990	104,847
Equity investments	82,396	52,810
Loans	86,058	90,144
Property holdings	<u>28,721</u>	<u>10,895</u>
	<u>\$310,165</u>	<u>\$258,696</u>

Bonds and debentures have a market value of \$93,095,000 (1978 — \$97,500,000).

Equity investments include shares acquired during 1979 from the Province of Saskatchewan's Consolidated Fund.

The shares were acquired on October 31, 1979 at a purchase price which included the proportionate share of earnings to the date of each investee corporation's most recent year end results prior to October 31, 1979. Equity investments include an amount of \$23.4 million (1978 — \$24.3 million) which represents the Corporation's shareholding in Prairie Malt (Canada) Ltd., a non-consolidated subsidiary.

During 1979 the Corporation retroactively changed the method of accounting for investments owned in 1978 in which significant influence is exercised by the Corporation from the cost to the equity method. These investments, which were acquired commencing in 1973, had differences between the cost and the underlying book value which are being amortized on the straight-line basis over periods ranging from 20 to 40 years. At December 31, 1979 the unamortized difference was \$6,423,000. (See Note 13).

The Corporation's proportionate share of 1979 net earnings for equity investments less amortization of the excess of cost over book value of \$404 thousand (1978 — \$404 thousand) amounted to \$893 thousand (1978 — \$2.5 million) and is included as revenue from investments.

5. Property, plant and equipment

	1979	1978
	(thousands of dollars)	
Land	\$ 57,145	\$ 39,126
Buildings & improvements	316,799	290,538
Machinery & equipment	2,126,737	1,977,501
Capital leases	31,395	—
Plant under construction	257,114	219,986
Deferred property, exploration & development costs	<u>594,887</u>	<u>453,980</u>
	3,384,077	2,981,131
Accumulated depreciation and depletion	<u>712,214</u>	<u>616,869</u>
	<u>\$2,671,863</u>	<u>\$2,364,262</u>

6. Deferred charges

	1979	1978
	(thousands of dollars)	
Unamortized conversion differences resulting from foreign exchange fluctuations	\$50,537	\$66,983
Discount on long-term debt	4,365	7,513
Pre-operating and pre-acquisition costs	<u>25,753</u>	<u>13,172</u>
	<u>\$80,655</u>	<u>\$87,668</u>

7. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund amounted to \$60,855,000 at December 31, 1979 (\$31,790,000 - 1978). The notes are interest bearing, having an annual average interest rate of 14% and are repayable on terms of less than one year.

8. Deferred revenue

	1979	1978
	(thousands of dollars)	
Unearned insurance premiums	\$72,269	\$66,025
Power utility revenue prepayments	19,072	16,778
Other	<u>3,460</u>	<u>3,082</u>
	<u>\$94,801</u>	<u>\$85,885</u>

9. Long-term debt

Province of Saskatchewan — Consolidation Fund	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Issue</u>	<u>U.S.</u> <u>Dollar</u> <u>Debt</u> (thousands of dollars)	<u>Year of</u> <u>Repayment</u>	<u>1979</u>	<u>1978</u>
					(thousands of dollars)	
	5.75 %	1959	\$	1979	\$—	\$ 63
	5.75	1961		1979	—	4,978
	5.6 - 6.5	1973		1979	—	5,500
	5.00	1959		1979	—	4,645
	5.00	1960		1979	—	7,061
	6.00	1959		1979	—	6,366
	5.00	1960		1980	563	563
	5.25	1960		1980	2,409	3,646
	6.00	1960		1980	2,027(a)	4,458
	5.00	1960		1980	1,504(a)	1,982
	5.50	1960		1980	2,319(a)	3,985
	5.50	1961		1981	4,843(a)	6,765
	5.25	1961		1981	3,464(a)	4,039
	5.00	1961		1981	1,265	1,265
	9.00	1974		1981	15,000	15,000
	5.50	1962		1982	6,496(a)	9,334
	7.75	1975		1982	12,000	12,000
	5.25	1962		1982	5,407(a)	6,983
	5.25	1963		1982	7,880(a)	9,703
	5.50	1962		1982	5,385(a)	9,674
	5.13	1962		1982	1,923	1,923
	5.00	1963	15,855	1983	18,496(b)	21,232
	4.13	1958	10,505	1983	12,255(c)	13,623
	5.25	1963		1983	2,024	2,024
	5.00	1958		1983	6,779	8,983
	4.75	1959	11,677	1984	13,622(c)	16,196
	5.50	1964		1984	5,377(a)	7,347
	8.38	1977		1984	75,000(d)	75,000
	5.25	1964		1984	1,960	1,960
	5.00	1959	6,976	1984	8,138(c)	9,665
	5.50	1964		1985	5,214(a)	6,570
	5.50	1964		1985	8,643(a)	10,578
	5.50	1965		1985	2,140	2,140
	8.50	1977		1985	50,000	50,000
	5.88	1966		1986	2,400	2,400
	8.75	1976	75,000	1986	87,495(e)	88,935
	6.25	1966		1986	8,926(a)	11,420
	6.00	1967		1987	8,783(a)	11,842
	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)	12,979
	6.40-7.17	1968-69		1988-89	35,908(g)	35,908
	7.63	1969	11,300	1989	13,183(f)	15,150
	7.16-8.33	1969-70		1989-90	40,357(g)	40,357
	4.88	1965	8,850	1990	10,324(c)	12,770
	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)	3,000

9. Long-term debt
(continued)

	Interest Rate	Year of Issue	U.S. Dollar Debt (thousands of dollars)	Year of Repayment	1979	1978
					(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)	4,151
	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)	31,517
	10.00	1974		1999	45,000(i)	45,000
	10.2-10.68	1979		1999	16,205(g)	—
	9.88	1975		2000	70,000(j)	70,000
	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)	—
	8.70	1976	125,000	2006	145,825(l)	148,225
	8.63	1977	125,000	2007	145,825(m)	148,225
	9.25	1978	125,000	2008	145,825(n)	148,225
			515,163		1,821,197	1,776,936
Sinking fund balance (Note p)					193,259(o)	213,495
					1,627,938	1,563,441
Saskatchewan Heritage Fund	9.30				20,000(t)	5,000
Due to Province of Saskatchewan					1,647,938	1,568,441
Bank loans						
— U.S.			48,500	Term Loan	56,580	54,665
— Canadian				1982-83	42,000(s)	42,000
Capital lease obligations	7.80			2014	31,994	—
Other long-term debt					86,402(u)	22,167
			563,663		1,864,914	1,687,273
Long-term debt due within one year						
— U.S.			48,500		56,580	54,665
— Canadian					70,097	30,143
— Capital lease obligations					382	—
			<u>515,163</u>		<u>1,737,855</u>	<u>1,602,465</u>

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:
 1980 — \$126,677,000; 1981 — \$60,327,000;
 1982 — \$ 71,378,000; 1983 — \$41,257,000;
 1984 — \$ 44,503,000.
 Annual payments for the capital lease obligation amount to \$2,873,000.

- Note (q) — Long-term debt payable in United States funds has been translated into Canadian funds at the year-end exchange rate of 1.1666. (1978 — 1.1857).
- Note (r) — The composite rate of interest payable on long-term debt, prior to deduction of the sinking fund balance, was 8.5% (1978 — 8.2%).
- Note (s) — Subsequent to December 31, 1979, the Corporation repaid long-term debt of \$42,000,000 to the Royal Bank of Canada. This debt has accordingly been classified as long-term debt due within one year.
- Note (t) — Due in four equal annual installments June 30, 1984/85/86/87.
- Note (u) — This item includes \$63,035,000 resulting from the purchase of a 20% interest in a partnership formed to mine uranium deposits. This amount has been included as a non-current liability as the Corporation subsequently financed the acquisition with a floating rate debenture of \$65,000,000 on February 29, 1980 due March 1, 1985.

10. Interest

	1979	1978
	(thousands of dollars)	
Interest on long-term debt	\$165,657	\$133,166
Amortization of debt discount	1,236	977
Amortization of foreign exchange conversion differences	4,364	7,321
	<u>171,257</u>	<u>141,464</u>
Less		
— sinking funds earnings	18,846	15,741
— gain on debt retirement	1,569	1,278
— interest capitalized	23,432	17,917
	<u>43,847</u>	<u>34,936</u>
Long-term debt expense	127,410	106,528
Short-term interest expense	10,629	12,483
	<u>\$138,039</u>	<u>\$119,011</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 \$502,905,000 at December 31, 1979 (1978 — \$451,100,000).

Advances from the Province of Saskatchewan's Consolidated Fund amounted to \$6,000,000 at December 31, 1979 (1978 — \$6,000,000).

12. Customer capital contributions

Customer contributions are required by the power utility 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 \$3,619,000 during the year (1978 — \$3,918,000).

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. Prior period adjustments

As a result of changes in the taxation of resources by the Province of Saskatchewan, amounts paid to the Province by the potash corporation since October 29, 1976 have been reduced. This reduction was applied retroactively and resulted in an increase in 1978 net earnings of \$4,263,000 as well as an increase of \$1,650,000 in retained earnings at January 1, 1978. Accounts receivable as at December 31, 1978 were increased by \$6.5 million and inventories were decreased by \$473 thousand in order to retroactively apply this reduction.

A contract was signed during 1979 between the Saskatchewan Water Supply Board and the Department of Tourism and Renewable Resources which retroactively adjusted water assessments between 1968 and 1978. The total adjustment of \$85,000 for the ten year period ended December 31, 1978 has been included as a prior period adjustment to the January 1, 1978 unappropriated retained earnings.

The change in the method of accounting for certain share investments (see Note 1(f)) was applied retroactively and resulted in an increase of \$4.1 million in previously reported retained earnings as at January 1, 1978, an increase of \$2.1 million in revenue from investments for the year ended December 31, 1978 and an increase of \$6.2 million in investments at December 31, 1978.

14. Saskatchewan taxes and resource payments

	1979	1978
	(thousands of dollars)	
Resource royalties and payments		
Potash resource payments (See Note 13)	\$ 53,553	\$33,132
Oil royalties	20,505	20,500
Timber dues	1,235	1,154
Sodium sulphate royalties ...	690	541
	<u>75,983</u>	<u>55,327</u>
Grants-in-lieu of taxes to municipalities	13,795	12,027
Other	11,739	4,596
	<u>101,517</u>	<u>71,950</u>
Amounts capitalized	(393)	(2,096)
Amounts inventoried	(986)	(4,717)
	<u>\$100,138</u>	<u>\$65,137</u>

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978 amounted to \$3.3 million (1978 - \$3.1 million). The total 1979 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, coal royalties or federal excise and sales taxes.

15. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1979:

- (a) natural gas contracted for future delivery over periods varying from 11 to 22 years for approximately \$527 million valued at current prices,
- (b) capital expenditures for approximately \$152.4 million,
- (c) oil exploration and development expenditures over the next 7 years of approximately \$39 million,
- (d) approved but undisbursed purchases of municipal debentures of approximately \$3 million,
- (e) lease payments of approximately \$13.6 million for its 1980 fiscal period,
- (f) approved but undisbursed loans of approximately \$18 million, loan guarantees in force of approximately \$5.7 million and loan guarantees authorized but not used at December 31, 1979 of \$4 million.

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. Retained earnings — appropriated

	Appropriated Retained Earnings- Saskatchewan Heritage Fund	Appropriated Retained Earnings- A.A.I.A.	Appropriated Retained Earnings- Other	Appropriated Retained Earnings- Total
		(thousands of dollars)		
January 1, 1978	\$ 397	\$13,940	\$ 8,255	\$ 22,592
Appropriations — 1978	9,176	1,528	24	10,728
December 31, 1978	9,573	15,468	8,279	33,320
Appropriations — 1979	94,776	(15,468)	5,683	84,991
December 31, 1979	<u>\$104,349</u>	<u>\$ —</u>	<u>\$13,962</u>	<u>\$118,311</u>

The appropriation of retained 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 retained earnings of Potash Corporation of Saskatchewan is 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 retained earnings — other — includes appropriations of the retained earnings derived from the power utility for the purpose of rate stabilization. 1979 — \$13,700,000 (1978 — \$6,000,000).

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 1979 or 1978. The ten senior officers (1978-9) received, in aggregate, \$409,620 in salaries for 1979 (1978 — \$358,188). One officer was also a director.

18. Comparative information

Certain 1978 financial information has been reclassified in order to conform with the 1979 presentation.

19. Segmented information

	<u>Utilities</u>		<u>Resources</u>		<u>Financial & Services</u>		<u>Consolidated Operations</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
Statement of Operations								
				(millions of dollars)				
Revenue	<u>\$611</u>	<u>\$520</u>	<u>\$365</u>	<u>\$241</u>	<u>\$216</u>	<u>\$202</u>	<u>\$1,192</u>	<u>\$963</u>
Operating costs	350	311	145	109	217	172	712	592
Interest	99	90	16	13	10	11	125	114
Depreciation, depletion	84	70	35	32	2	1	121	103
Saskatchewan taxes	<u>12</u>	<u>8</u>	<u>82</u>	<u>52</u>	<u>6</u>	<u>5</u>	<u>100</u>	<u>65</u>
	<u>545</u>	<u>479</u>	<u>278</u>	<u>206</u>	<u>235</u>	<u>189</u>	<u>1,058</u>	<u>874</u>
Segment margin	<u>\$66</u>	<u>\$41</u>	<u>\$87</u>	<u>\$35</u>	<u>\$(19)</u>	<u>\$13</u>	134	89
General corporate and interest expenses							(19)	(20)
Intercorporation transactions							(7)	(1)
Consolidated net earnings							<u>\$ 108</u>	<u>\$ 68</u>

For the purpose of providing the segmented information given in this note, revenue and expenses are recorded before the eliminations 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 Services sector revenue includes \$11.5 million (1978 - \$11.2 million) representing a portion of the Province of Saskatchewan's motive fuel tax that has been designated by the Province as insurance premiums.

	<u>Utilities</u>		<u>Resources</u>		<u>Financial & Services</u>		<u>C.I.C. Corporate</u>		<u>Consolidated Operations</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
Other financial information (net of inter-corporation transactions)										
				(millions of dollars)						
Investments	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$225</u>	<u>\$254</u>	<u>\$ 83</u>	<u>\$ 3</u>	<u>\$ 310</u>	<u>\$ 259</u>
Property, plant & equipment	<u>\$1,714</u>	<u>\$1,566</u>	<u>\$919</u>	<u>\$768</u>	<u>\$ 39</u>	<u>\$ 30</u>	<u>**</u>	<u>**</u>	<u>\$2,672</u>	<u>\$2,364</u>
Capital expenditures	<u>\$ 232</u>	<u>\$ 235</u>	<u>\$184</u>	<u>\$358</u>	<u>\$ 11</u>	<u>\$ 13</u>	<u>**</u>	<u>**</u>	<u>\$ 427</u>	<u>\$ 606</u>

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

