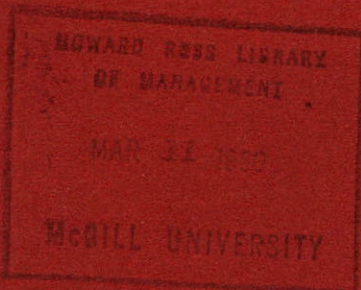


C
CROWN
INVESTMENTS
CORPORATION
OF SASKATCHEWAN

ANNUAL REPORT 1978



ANNUAL REPORT
1978

ANNUAL REPORT
1978

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

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Letter of Transmittal

Regina, Saskatchewan
April 11, 1979

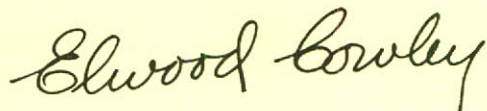
To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the first consolidated annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1978, 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,

A handwritten signature in cursive script that reads "Elwood Cowley".

Elwood Cowley,
Minister Responsible,
Crown Investments Corporation
of Saskatchewan

Highlights

| | | 1978 | 1977 |
|-------------------------|----------|---------|---------|
| Revenues | millions | \$ 930 | \$ 705 |
| Net Earnings | millions | \$ 61 | \$ 43 |
| Assets | millions | \$2,973 | \$2,392 |
| Province's Equity | millions | \$ 817 | \$ 701 |

- Return on Province's average equity increased to 8% from 7.2% in 1977.
- Province's equity per capita increased to \$860 from \$740 in 1977.
- Rated production capacity of Potash Corporation of Saskatchewan increased to 5.3 million tons, representing 40% of the industry.
- Participating interest in Key Lake uranium project now 50%.
- Capital expenditures of \$606 million during 1978 up from \$529 million in 1977.

Board of Directors

Honourable Elwood Cowley
Chairman

Honourable John R. Messer

Honourable Ted Bowerman

Honourable Eiling Kramer

Honourable Ed Whelan

G. H. Beatty
Managing Director

Secretary to the Board
Raymond M. Sherdahl

Officers

G. H. Beatty
Managing Director

Peter M. Kilburn
Corporate Officer

John R. Sadler
Corporate Officer

Stephan R. Barg
Director, Finance Division

Raymond 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

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

Chairman's Remarks

This is the first annual report of the Crown Investments Corporation of Saskatchewan (formerly The Government Finance Office). It contains the consolidated results of Saskatchewan's commercial Crown corporations, reflecting the overall performance of the Crown corporation sector. This is a significant step forward. Through the publication of this consolidated report, and through the holding company function of the Crown Investments Corporation, Saskatchewan continues to lead in Crown corporation administration in Canada.

The people of Saskatchewan own our public corporations. They can take pride in our record net earnings of \$61 million in 1978. In addition, the corporations paid a total of \$77 million in royalties and taxes. The large investments that were made during the year, particularly in potash, oil and mining, hold strong promise for increased earnings in future years.

Profits, of course, are important. But there are other significant benefits. Our Crown corporations provide approximately 11,000 Saskatchewan jobs. Some of these are head office jobs that would not be located in Saskatchewan were it not for Crown ownership. Many of our corporations are in the natural resource sector. By strengthening this sector, these public corporations help diversify our economy and smooth out its cyclical nature.

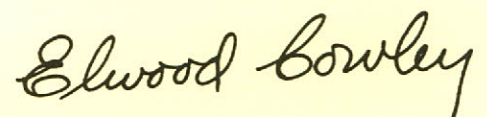
Saskatchewan governments over many years have sought to diversify our economy. Over thirty years ago the government of the day established the first

Saskatchewan Crown corporations with that prime goal in mind. Today, with an expanding potash industry, major uranium developments and significant prospects for petroleum, especially in heavy oil, great strides have been made. Agriculture, our basic industry, is now reinforced by these other areas of activity. We have a stronger, more balanced economy, and one which keeps economic benefits in the province.

Most people in the province deal with several of the corporations in the course of a year. The Crown companies and their employees take pride in the service they provide, and continually seek to improve its quality. On behalf of the people of Saskatchewan, I would like to express my appreciation to the management and staff of each corporation.

Thanks is also extended to those who have served on the boards of directors of the various Crown corporations. They ably guide and direct the affairs of the corporations and help keep them sensitive and responsive to the needs of the general public.

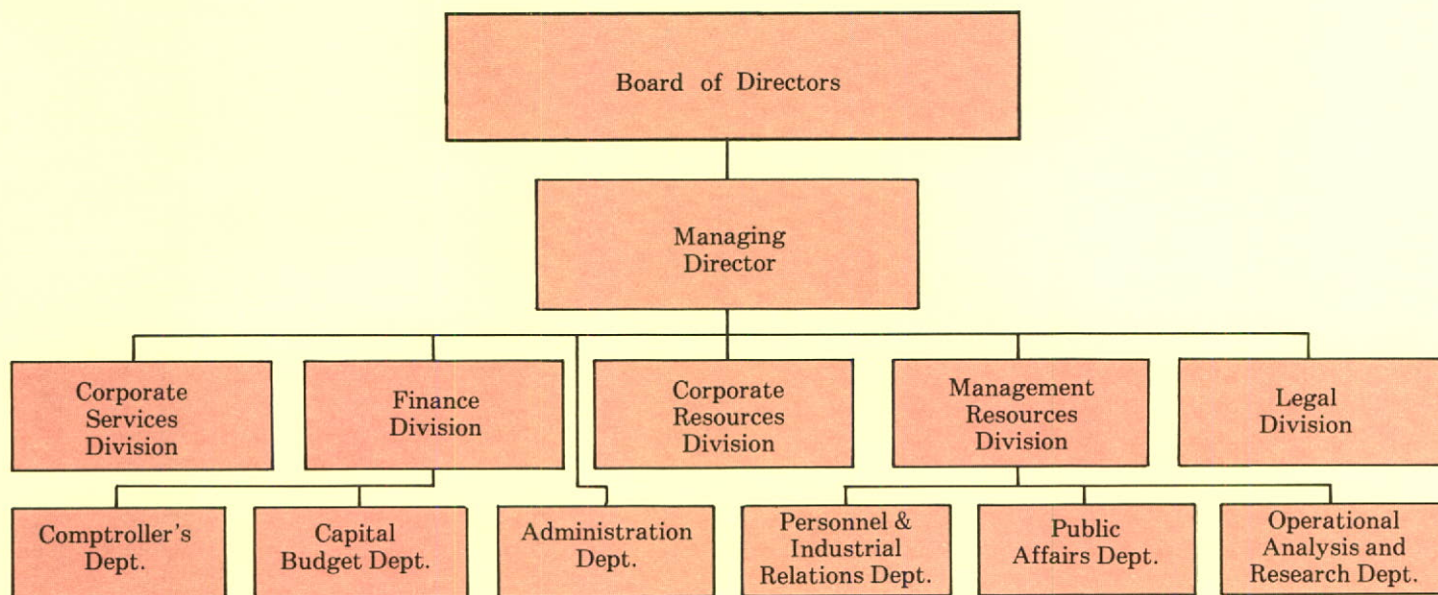
Saskatchewan can look with confidence to a very bright future. The private sector, the co-ops and our Crown corporations will all continue to play major roles in the expansion of our economy. In the development of our natural resources in particular, the presence of Crown corporations, often operating along side or in joint ventures with private companies, will provide a strong lever to expand the benefits of development and keep them in Saskatchewan.



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

Overview

Crown Investments Corporation of Saskatchewan



Utilities

Saskatchewan Power Corporation (SPC)

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Computer Utility Corporation (SaskComp)

Saskatchewan Water Supply Board (SWSB)

Resources

Potash Corporation of Saskatchewan (PCS)

Saskatchewan Mining Development Corporation (SMDC)

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskatchewan Forest Products Corporation (SFPC)

Saskatchewan Minerals

Financial and Service

Saskatchewan Government Insurance Office (SGIO)

Saskatchewan Economic Development Corporation (SEDCO)

Saskatchewan Development Fund Corporation

Municipal Financing Corporation of Saskatchewan

Agricultural Development Corporation of Saskatchewan

Saskatchewan Transportation Company (STC)

Saskatchewan Government Printing Company (SGPC)

Saskatchewan Fur Marketing Service

Crown Investments Corporation of Saskatchewan

The Crown Investments Corporation of Saskatchewan is a financial holding company through which the Government of Saskatchewan exercises financial control and provides broad policy direction to the commercial Crown corporations.

CIC, as the financial intermediary between the government and the corporations, borrows and advances funds, advances equity capital, and pools interest and dividend receipts. Together with the Department of Finance, which approves all provincial borrowing, CIC ensures that the total borrowing requirements of the Crown corporations are consistent with prudent financial planning.

The Corporation consists of a board of directors, a managing director and a staff of thirty-eight employees, the same number as in the previous year. It is organized into five divisions.

Each of the corporate officers of the Corporate Resources Division serves as a director on the boards of several Crown corporations. This structure helps co-ordinate corporate policies and contributes to the effectiveness of the individual boards of directors.

The Corporate Services Division provides corporate secretarial services to the boards of all of the commercial Crown corporations. The Director of the Corporate Services Division is Secretary to the CIC Board.

The Finance Division advises on the financial structure and long range plans of the corporations. It analyses capital expenditure proposals for the CIC Board which approves the capital budgets of the corporations. The Finance Division also monitors corporate performance, reviews financial controls, and provides accounting assistance.

Saskatchewan Power Corporation

Chairman —
Honourable John R. Messer
General Manager —
F. G. Ursel
Saskatchewan Power Corporation supplies electricity and natural gas to consumers throughout Saskatchewan. In 1978, electrical generating plant capacity was 1,932 megawatts. SPC generated 8.2 billion kilowatt-hours of electricity during the year, an increase of 5% over 1977. Natural gas sales amounted to 108 billion cubic feet and the corporation has proven reserves available, through ownership and contract, of 2,418 billion cubic feet.

Capital expenditures in 1978 totalled \$139 million. Major items included the continued construction of the first Poplar River generating unit, the construction of two draglines and other coal mining facilities, and extensions to the electrical and gas distribution systems. At the end of 1978, SPC had assets of \$1.264 billion (1977 — \$1.099 billion). Net earnings were \$20.7 million for the year (1977 — \$22.3 million) on sales of \$187 million (1977 — \$157 million).

Saskatchewan Telecommunications

Chairman —
Honourable Don Cody
General Manager —
A. L. M. Nelson

Sask Tel, with a staff of 3,957, is the largest employer in the Crown corporation sector. At the end of 1978, Sask Tel had 551,053 telephones in service, an increase of 34,741 over the number the previous year. Long distance messages originating in Saskatchewan exceeded 59 million, compared to 52 million in 1977.

Sask Tel's capital expenditure programme for 1978 amounted to \$97 million (1977 — \$104 million). In addition to the increase in telecommunications equipment required to meet growing demand, capital items included a continuing rural service improvement programme and the construction of new customer service centres in five locations throughout the province.

The corporation had net earnings of \$19.5 million (1977 — \$17.9 million) on revenues of \$164 million (1977 — \$135 million).

Saskatchewan Computer Utility Corporation

Chairman —
Honourable Wes Robbins
General Manager —
N. E. Glassel

SaskComp was established in 1973 to provide computer services to the government, Crown corporations and the universities. While these are the primary users, SaskComp's services are also available to other educational institutions, municipalities, and commercial enterprises throughout the province. Computer service revenues for 1978 were just under \$9 million, an increase of approximately 23% over 1977. Net earnings were \$1.1 million (1977 — \$1 million).

Saskatchewan Water Supply Board

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

Saskatchewan Water Supply Board develops and operates water supply systems to service industrial, municipal, recreational and agricultural users. The volume of water supplied decreased during 1978 by 3.3% to 1,244.2 million gallons. The most significant portion of this decrease was caused by temporary closure of the Potash Corporation of Saskatchewan's Lanigan mine which was undertaking the first phase of its expansion programme.

Net earnings for 1978 were \$5,000, down from \$183,000 in 1977.

The Management Resources Division provides assistance and co-ordination in the areas of personnel and industrial relations, and public affairs. It also undertakes general analysis and research.

The Legal Division provides legal assistance both to CIC and to the other Crown corporations.

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 under The Crown Corporations Act, 1978, as the 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.

Consolidated Financial Performance

Net earnings of the consolidated Crown corporations in 1978 were \$61 million, up from \$43 million in 1977. Sixteen of the commercial corporations had a profitable year, the one exception being the Saskatchewan Mining Development Corporation, which has yet to commence uranium production. The return on the Province's average equity investment was 8% in 1978, up from 7.2% in 1977. Consolidated revenues were \$930 million, an increase of \$225 million over 1977.

At the end of 1978, total assets were \$2,973 million, up from \$2,392 million in 1977. The utilities segment continued to have the largest proportion of the consolidated assets (61%) and revenues (52%). The resources segment, however, increased more rapidly in 1978 in both assets and revenues. The financial goals differ for the various segments. The resource corporations have as a primary goal the maximization of revenues and net earnings for the optimal financial benefit of the Province while the prime purpose of the utilities and service corporations is to provide a high level of service at reasonable cost.

Potash Corporation of Saskatchewan

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

Potash Corporation of Saskatchewan, which was established in 1975, operates three mines: Cory, acquired in October 1976, Rocanville, acquired in April 1977, and Lanigan acquired in November 1977. In addition, PCS entered into a contract in January 1978 to acquire the potash reserves of Amax Corporation which includes a production entitlement of one million tons of potash annually from the mine at Esterhazy. In April 1978, PCS acquired a 60% interest in the Allan potash mine. The total annual rated capacity of PCS, before expansions, is 5.3 million tons (KCl), representing 40% of the Saskatchewan industry.

Expansions have commenced at the Cory, Rocanville, and Lanigan Divisions which, when completed, will increase the corporation's name plate capacity by 1.6 million tons (KCl) per year.

The Potash Corporation recorded calendar year net earnings of \$20 million on sales of \$160 million.

Saskatchewan Mining Development Corporation

Chairman —
Honourable Elwood Cowley
General Manager —
D. R. Francis

Saskatchewan Mining Development Corporation, now head-quartered in Saskatoon, was organized in 1974 to participate in the development of the province's hard-rock mineral resources. Most of the corporation's current activity is directed toward uranium exploration and development, although some base metal exploration has been undertaken.

The corporation carries out its exploration activities either on its own or as a joint venture partner with other mining companies. During 1978 SMDC's participation in the Key Lake uranium project was increased from one-third to one-half through an additional investment of \$95 million.

The corporation capitalizes all investments and costs related to its exploration activities pending the development and operation of producing mines. Amounts previously capitalized for projects which are abandoned are charged against equity. Abandonments amounted to \$758,000 for the calendar year. (1977 — \$1,257,000).

Saskatchewan Oil and Gas Corporation

Chairman —
Honourable John R. Messer
General Manager —
R. K. Craig

Saskoil was established in 1973 to participate in the exploration for and development of Saskatchewan's petroleum and natural gas resources. During calendar year 1978 the corporation achieved production levels of 4.2 million barrels of oil (1977 — 4.0 million) and 193,178 mcf of gas (1977 — 16,585 mcf).

Saskoil's reserve estimates for oil were increased on March 31, 1978 by 1.4 million barrels to a total of 29.2 million barrels and natural gas estimates were increased 7.2 billion cubic feet to a total of 21.9 billion cubic feet.

Calendar year net earnings for 1978 were \$6.8 million (1977 — \$4.8 million) on gross sales of \$46.4 million (1977 — \$37.2 million).

Capital expenditures in 1978 totalled \$606 million. The major items were the continued construction of the Poplar River generating station by the Saskatchewan Power Corporation, the acquisition of additional properties by the Potash Corporation, and the purchase of a further interest in the Key Lake uranium find, bringing the share held by SMDC to one-half from one-third. Other projects included the new SGIO head office being built in Regina, the construction of a variety of regional customer service facilities, upgrading of rural telephone service, resource exploration, and the purchase of new equipment by the transportation company, the computer utility and the other corporations.

Cash requirements for capital expenditures which are not met from internal sources are covered by a combination of borrowing and equity advances. At the end of 1978, the long-term debt to equity ratio of the consolidated Crown corporations was 66/34, a slight change from the 1977 ratio of 64/36.

The Saskatchewan Heritage Fund advanced \$147 million in 1978 directly to the Potash Corporation of Saskatchewan (\$125 million) and SMDC (\$22 million). Because of these and prior equity investments of the Heritage Fund in PCS and SMDC, the disposition of dividends arising from these investments has been reserved by CIC to the account of the Heritage Fund.

In 1978, \$79 million of equity previously advanced to commercial Crown corporations from the Province's Consolidated Fund was repaid. This payment served to rationalize the equity holdings of the Consolidated Fund. The only remaining direct equity investment of the Consolidated Fund in any of the consolidated corporations is a \$6 million advance to CIC, representing the Consolidated Fund's equity investment in the holding company.

Saskatchewan Forest Products Corporation

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

First established in 1945 as the Timber Board, SFPC now operates a plywood manufacturing plant at Hudson Bay, sawmills in Big River and Carrot River and a wood treatment plant at Prince Albert. Retail lumber yards are operated by the corporation at Prince Albert and Sturgis.

SFPC's financial structure was reorganized, reducing the value of assets by \$9.6 million. The cost of the reorganization was borne by CIC. In addition, the corporation instituted cost-saving programmes for plywood and lumber manufacturing. Sales revenue increased 27% and these increased receipts, combined with the depreciation-reducing effects of the reorganization and the cost-saving measures, produced net earnings in 1978 of \$2.8 million (1977 — \$4.9 million loss).

In 1978 spruce mills located at Green Lake and Meadow Lake were transferred to the Department of Northern Saskatchewan for eventual conversion to aspen-based lumber production. The retail lumber yard in Big River and a portion of corporation land holdings in Prince Albert were also sold.

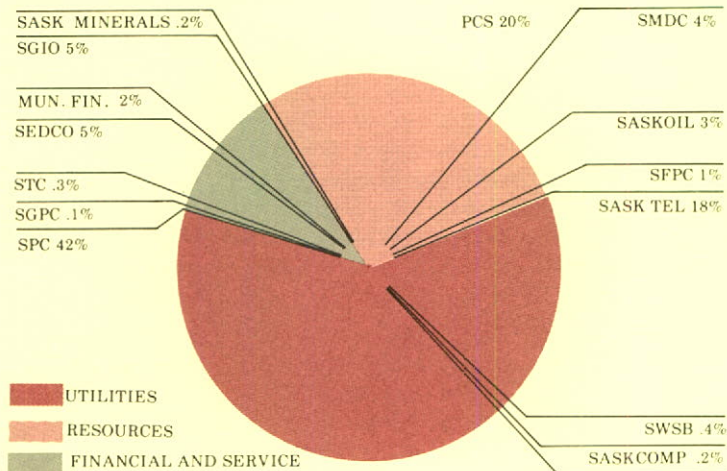
Saskatchewan Minerals

Chairman —
Honourable Ed Whelan
General Manager —
J. C. Mills

Since 1946 Saskatchewan Minerals has been active in the production and export of sodium sulphate for use by detergent, pulp and glass producers.

Plants currently in operation are located at Chaplin and Ingebrigt while a third plant at Bishopric has been closed due to unsettled market conditions.

Although net sales declined to \$8.4 million in 1978, compared to \$9.2 million the previous year, lower production costs and changes in royalty regulations led to net earnings of \$1.4 million, up from \$.8 million in 1977.



In 1978, money was borrowed on the Canadian and American capital markets (\$192 million Canadian and \$129 million U.S.) and from the Canada Pension Plan (\$32 million). The acquisition of the further interest in the Key Lake development was financed on a short-term basis, pending permanent financing arrangements. This reduced working capital by \$95 million.

During the year the value of the Canadian dollar declined. In accordance with the recommendations of the Canadian Institute of Chartered Accountants, a provision of \$7.3 million was made in the accounts of the corporation for possible foreign exchange losses which may be faced in the future. The bulk of the U.S. dollar debt matures after the year 2000.

Total Assets 1978

Saskatchewan Government Insurance Office

Chairman —
Honourable Ed Whelan
General Manager —
J. Green, Q.C.

Saskatchewan Government Insurance Office, in operation since 1945, offers automotive and general insurance coverage to Saskatchewan residents.

Premiums written for vehicle insurance were \$88.1 million compared to \$91.8 million in 1977. General insurance premiums were \$72.1 million, up from \$59.8 million in 1977. Claims incurred were \$76.1 million for vehicle insurance and \$45 million for general insurance in 1978. General and vehicle insurance net earnings totalled \$8.3 million for 1978 (1977 — \$8.1 million).

Capital expenditures of \$11.9 million in 1978 were primarily for facilities, including a new head office building being constructed in Regina and additional customer service centres in several locations throughout the province.

Saskatchewan Economic Development Corporation

Chairman —
Honourable Norman Vickar
General Manager —
N. Overend

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

In 1978 SEDCO disbursed loans of \$17.9 million and made equity investments of \$19.1 million. Property costing \$811,000 was purchased during the year and the corporation continued the development of the Saskatoon Research Park. At year end SEDCO had assets of \$139.5 million (1977 — \$139.9 million) and recorded net earnings of \$778,000, compared to a loss of \$63,000 in 1977.

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 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 total net assets of the two sections were \$22.1 million at the end of 1978 (1977 — \$12.1 million).

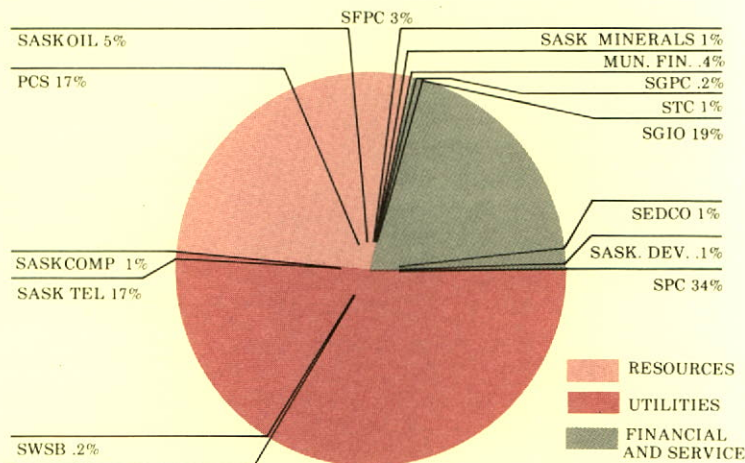
Municipal Financing Corporation of Saskatchewan

Chairman —
Honourable Walter E. Smishek
General Manager —
M. I. Meiklejohn

The Municipal Financing Corporation of Saskatchewan was established in 1970 to assist 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 1978, the corporation participated in the financing of 63 projects (1977 — 44 projects). At year end, it held \$43.7 million in municipal securities (1977 — \$34.7 million).

The borrowing programme of the Province is primarily for the purposes of the Crown corporations. The total debt of the Province, in per capita terms, has traditionally been low compared to the debt of other Canadian governments. In recent years, the per capita debt has been the second lowest in Canada. Approximately eighty per cent of the gross provincial debt has been incurred on behalf of the consolidated Crown corporations. All interest and other costs borne by the Province in obtaining these funds are charged to the corporations. As a result, the debt is self-liquidating. The Province's preferred position in national and international financial markets reduces the costs of financing capital expenditures.

Through their operations and investment programmes, Crown corporations provide a substantial direct contribution to the growth, stability and diversification of the Saskatchewan economy.



Revenues 1978

Agricultural Development Corporation of Saskatchewan

Chairman —
Honourable Edgar E. Kaeding
General Manager —
A. J. Webster

Agricultural Development Corporation promotes domestic and export trade in specialized Saskatchewan agricultural products. The corporation opened new markets in 1978 for swine and cattle sales to Mexico and pulse crops, such as peas, beans and high-protein lentils, to Europe.

The corporation is partially funded by grants from the Provincial Department of Agriculture and earned sales and service fees totalling \$423,000 in 1978. The corporation's net earnings for 1978 were \$25,000.

Saskatchewan Transportation Company

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

Saskatchewan Transportation Company has provided bus and parcel express service to Saskatchewan communities since 1946. The number of passengers carried on scheduled services reached a record level of 729,000 in 1978, a 5.2% increase over the previous year. Charter and tour bus services carried 40,000 passengers, an increase of 14.2%. The corporation operates a fleet of 67 buses.

STC recorded net earnings of \$321,000 in 1978 (1977 — \$95,000 loss) on revenues of \$8.3 million (1977 — \$7 million).

Saskatchewan Government Printing Company

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

Saskatchewan Government Printing Company provides a general printing service to Saskatchewan government departments, Crown corporations and other government agencies. SGPC recorded net earnings of \$31 thousand in 1978 (1977 — \$67 thousand loss) on sales of \$2 million (1977 — \$1.6 million).

Saskatchewan Fur Marketing Service

Chairman —
Honourable Adolph S. Matsalla
General Manager —
A. J. Cooke

Saskatchewan Fur Marketing Service has provided a marketing facility for Saskatchewan fur trappers since 1945. Sales through the Service's auctions totalled \$2 million in 1978, a drop from the 1977 level of \$3 million. The reduction resulted primarily from lower volumes, the prices of most pelts being higher than in the previous year. Revenue from services was \$255,000 for 1978 (1977 — \$375,000). Net earnings in 1978 were \$73,000 (1977 — \$189,000).

Crown Investments
Corporation
of Saskatchewan

Consolidated
Financial Statements 1978

Consolidated Statement of Financial Position

As at December 31

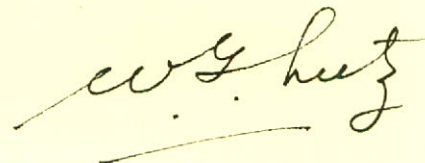
| | <u>Note Reference</u> | <u>1978</u> (thousands of dollars) | <u>1977</u> (thousands of dollars) |
|---------------------------------------|---------------------------|---------------------------------------|---------------------------------------|
| Assets | | | |
| Current | | | |
| Cash and short-term investments | | \$ 25,351 | \$ 48,463 |
| Accounts receivable | 4 | 161,154 | 125,546 |
| Inventories | | 29,308 | 28,620 |
| Prepaid expenses | | <u>52,486</u> | <u>42,663</u> |
| | | 268,299 | 245,292 |
| | | | |
| Investments | 5 | 252,464 | 236,257 |
| | | | |
| Property, plant and equipment | 6 | 2,364,262 | 1,867,860 |
| | | | |
| Deferred charges | 7 | <u>87,668</u> | <u>42,392</u> |
| | | <u>\$2,972,693</u> | <u>\$2,391,801</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, 1978 and the consolidated statements of operations, retained 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, 1978 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 23, 1979.

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

| | <u>Note Reference</u> | <u>1978</u> | <u>1977</u> |
|---|---------------------------|------------------------|--------------------|
| | | (thousands of dollars) | |
| Liabilities and Province's Equity | | | |
| Current | | | |
| Accounts payable and accrued liabilities..... | | \$ 217,439 | \$ 176,601 |
| Dividends payable..... | | 13,050 | 17,175 |
| Notes payable..... | 8 | 88,763 | 65,085 |
| Deferred revenue..... | 9 | 85,885 | 84,441 |
| Long-term debt due within one year..... | | <u>84,808</u> | <u>25,846</u> |
| | | <u>489,945</u> | <u>369,148</u> |
| Long-term debt..... | 10 | <u>1,602,465</u> | <u>1,262,866</u> |
| Province of Saskatchewan's Equity: | | | |
| Advances..... | 12 | 457,100 | 388,935 |
| Retained earnings..... | | <u>360,096</u> | <u>311,683</u> |
| | | 817,196 | 700,618 |
| Customer capital contributions..... | 13 | <u>63,087</u> | <u>59,169</u> |
| | | <u>880,283</u> | <u>759,787</u> |
| | | <u>\$2,972,693</u> | <u>\$2,391,801</u> |

(See accompanying notes)

Consolidated Statement of Operations

For the Year Ended December 31

| | <u>Note Reference</u> | <u>1978</u> | <u>1977</u> |
|--|---------------------------|-------------------------|-------------------------|
| | | (thousands of dollars) | |
| Revenue | | | |
| Sales of products and services..... | | \$ 888,278 | \$ 667,395 |
| Revenue from investments..... | | 30,507 | 28,427 |
| Other | | <u>11,333</u> | <u>9,571</u> |
| | | <u>930,118</u> | <u>705,393</u> |
| Expenses | | | |
| Operating costs other than those listed below..... | 14 | 577,166 | 459,304 |
| Interest | 11 | 119,011 | 83,802 |
| Depreciation and depletion | | 103,078 | 74,956 |
| Saskatchewan taxes | 15 | <u>69,400</u> | <u>44,488</u> |
| | | <u>868,655</u> | <u>662,550</u> |
| Net Earnings | 19 | <u>\$ 61,463</u> | <u>\$ 42,843</u> |

(See accompanying notes)

Consolidated Statement of Retained Earnings

For the Year Ended December 31

| | <u>Unappropriated</u> | | <u>Appropriated</u> | | <u>Total</u> | |
|-------------------------|-----------------------|------------------|------------------------|-----------------|------------------|------------------|
| | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> |
| | | | (thousands of dollars) | | | |
| Balance, | | | | | | |
| beginning of year .. | \$289,091 | \$275,904 | \$22,592 | \$10,111 | \$311,683 | \$286,015 |
| Net earnings | 61,463 | 42,843 | — | — | 61,463 | 42,843 |
| Dividends | (13,050) | (17,175) | — | — | (13,050) | (17,175) |
| Appropriations | <u>(10,728)</u> | <u>(12,481)</u> | <u>10,728</u> | <u>12,481</u> | <u>—</u> | <u>—</u> |
| Balance, end of year .. | <u>\$326,776</u> | <u>\$289,091</u> | <u>\$33,320</u> | <u>\$22,592</u> | <u>\$360,096</u> | <u>\$311,683</u> |

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

| | <u>Note Reference</u> | <u>1978</u> | <u>1977</u> |
|--|---------------------------|------------------------|------------------|
| | | (thousands of dollars) | |
| Sources of Working Capital | | | |
| Province of Saskatchewan | | | |
| Loans — Consolidated Fund | | \$365,245 | \$331,544 |
| Loans — Saskatchewan Heritage Fund | | 5,000 | — |
| Advances — Consolidated Fund | | — | 11,124 |
| Advances — Saskatchewan Heritage Fund | | <u>147,570</u> | <u>182,373</u> |
| | | 517,815 | 525,041 |
| Operations | | 173,527 | 117,926 |
| Other long-term debt | | 47,675 | 57,505 |
| Other non-current receipts | | <u>5,358</u> | <u>3,436</u> |
| | | <u>744,375</u> | <u>703,908</u> |
| Application of Working Capital | | | |
| Capital expenditures, net of proceeds on disposals | 19 | 605,860 | 529,193 |
| Increase in investments | | 17,726 | 50,698 |
| Repayments to Province of Saskatchewan | | | |
| Loans — Consolidated Fund | | 71,389 | 36,958 |
| Advances — Consolidated Fund | 12 | 79,405 | — |
| Repayments of other long-term debt | | 54,735 | 5,134 |
| Dividends — Consolidated Fund | | <u>13,050</u> | <u>17,175</u> |
| | | 842,165 | 639,158 |
| Increase (decrease) in working capital | | <u>\$ (97,790)</u> | <u>\$ 64,750</u> |

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1978

1. Summary of significant accounting policies

The following summary of significant accounting policies contains 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 which was proclaimed on August 22, 1978, assigned certain financial and other responsibilities to Crown Investments Corporation of Saskatchewan (herein referred to as C.I.C.) 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, per se, however, traditionally, non-interest bearing advances to Crown corporations have been treated as equity. Accordingly, for the purposes of consolidation, non-interest bearing advances by Crown Investments Corporation to the Crown corporations have been eliminated against the corresponding equity of these corporations.

The non-interest bearing advance made to the potash corporation was from the Saskatchewan Heritage Fund. However, for the purposes of these consolidated financial statements, the non-interest bearing advance from the Heritage Fund to the potash corporation is reported as part of the overall non-interest bearing advance to the consolidated entity.

The following corporations are subject to Part II of the Act and have accordingly been consolidated with Crown Investments Corporation of Saskatchewan in accordance with the pooling of interest 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 and non-consolidated subsidiary;
Saskatchewan Fur Marketing Service;
Saskatchewan Government Insurance Office;
Saskatchewan Government Printing Company;
Saskatchewan Transportation Company.

For the three corporations (*) employing year end dates which are more than 93-days prior to the year end date of this consolidation, December 31, their financial position and results have been 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 except for assets utilized in forest industry operations (Note 14) and includes materials, services, direct labour and fringe benefits 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.

On retirement or disposal of property, plant and equipment, and for the power utility in respect of a complete asset unit, the costs thereof as well as the related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses therefrom are reflected in the statement of operations.

Property, plant and equipment include the following: land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and equipment relating to potash, oil, gas and minerals 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 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. These currently undepreciated assets amount to \$411,899,000.

e) **Foreign exchange**

As recommended by the Canadian Institute of Chartered Accountants, the temporal method of accounting for foreign exchange translation has been adopted whereby long-term debt and related accrued interest payable in foreign currency are recorded at exchange rates prevailing at the balance sheet date. This conversion results in a difference between the previously recorded amount for these liabilities and the converted amount. This difference, for long-term debt, is included in the caption deferred charges — unamortized conversion differences resulting from foreign exchange fluctuations.

f) **Investments**

Investments maturing within one year are included with the current assets and are valued at cost which approximates their quoted market value.

The investment in the non-consolidated subsidiary (Prairie Malt (Canada) Ltd.) is recorded on the equity method of accounting whereby the original cost of an investment is adjusted for dividends received, the investor's proportionate share of the earnings or losses of the company, and unrealized gains accruing to the investor.

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.

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 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.

2. **Comparative information**

The comparative information for fiscal year 1977 included herein is not required as this report is the first consolidated report for C.I.C. This comparative information, which has been derived from information supplied by each Crown corporation, is provided by C.I.C. for the purpose of increasing the usefulness of this report.

The comparative information was not audited due to cost, time and other considerations as determined by C.I.C. and, accordingly, the Provincial Auditor does not express an opinion on the comparative information from 1977.

3. **Status of 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.

4. **Accounts receivable**

Accounts receivable include \$31 million (1977 — \$31 million) of utility revenue earned before December 31, but unbilled to its customers by December 31.

5. Investments

| | <u>1978</u> | <u>1977</u> |
|-----------------------------|------------------------|------------------|
| | (thousands of dollars) | |
| Portfolio investments | | |
| Shares | \$ 23,265 | \$ 21,096 |
| Bonds and debentures | <u>103,829</u> | <u>89,901</u> |
| | <u>127,094</u> | <u>110,997</u> |
| Non-consolidated subsidiary | | |
| Shares | 24,331 | 7,438 |
| Loans | <u>—</u> | <u>14,745</u> |
| | <u>24,331</u> | <u>22,183</u> |
| Loans | <u>90,144</u> | <u>93,149</u> |
| Property holdings | <u>10,895</u> | <u>9,928</u> |
| | <u>\$252,464</u> | <u>\$236,257</u> |

Portfolio investments include marketable securities with a cost of \$115,517,000 (1977 — \$99,412,000) and a market value of \$121,390,000 (1977 — \$107,109,000).

The non-consolidated subsidiary (Prairie Malt (Canada) Ltd.) began manufacturing operations in late 1978 and incurred a loss of \$222,474 for the year ended December 31, 1978.

6. Property, plant and equipment

| | <u>1978</u> | <u>1977</u> |
|--|------------------------|--------------------|
| | (thousands of dollars) | |
| Land | \$ 39,126 | \$ 30,352 |
| Buildings & improvements ... | 290,538 | 225,762 |
| Machinery & equipment | 1,977,501 | 1,730,428 |
| Plant under construction | 219,986 | 193,523 |
| Deferred property, exploration & development costs | <u>453,980</u> | <u>222,237</u> |
| | 2,981,131 | 2,402,302 |
| Accumulated depreciation and depletion | <u>616,869</u> | <u>534,442</u> |
| | <u>\$2,364,262</u> | <u>\$1,867,860</u> |

7. Deferred charges

| | <u>1978</u> | <u>1977</u> |
|--|------------------------|-----------------|
| | (thousands of dollars) | |
| Unamortized conversion differences resulting from foreign exchange fluctuations .. | \$ 66,983 | \$ 28,602 |
| Discount on long-term debt | 7,513 | 3,524 |
| Pre-operating and pre-acquisition costs | <u>13,172</u> | <u>10,266</u> |
| | <u>\$87,668</u> | <u>\$42,392</u> |

8. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund amounted to \$31,790,000 at December 31, 1978 (\$65,085,000 — 1977). These notes are interest bearing, having an annual average interest rate of 10% and are repayable on terms of less than one year.

9. Deferred revenue

| | <u>1978</u> | <u>1977</u> |
|---|------------------------|------------------|
| | (thousands of dollars) | |
| Unearned insurance premiums | \$ 66,025 | \$ 63,239 |
| Power utility revenue prepayments | 16,778 | 15,337 |
| Other | <u>3,082</u> | <u>5,865</u> |
| | <u>\$ 85,885</u> | <u>\$ 84,441</u> |

10. Long-term debt

| Province of Saskatchewan — Consolidated Fund | Interest Rate | Year of Issue | U.S. | Year of Repayment | 1978 | 1977 |
|--|------------------|------------------|---|----------------------|------------------------|------------------------|
| | | | Dollar Debt (thousands of dollars) | | (thousands of dollars) | (thousands of dollars) |
| | 5.25% | 1963 | \$ | 1978 | \$ — | \$ 4,038 |
| | 6.50 | 1968 | | 1978 | — | 3,325 |
| | 5.75 | 1959 | | 1979 | 63 | 63 |
| | 5.75 | 1961 | | 1979 | 4,978(a) | 4,978 |
| | 5.6-6.5 | 1973 | | 1979 | 5,500 | 5,500 |
| | 5.00 | 1959 | | 1979 | 4,645 | 4,645 |
| | 5.00 | 1960 | | 1979 | 7,061 | 7,061 |
| | 6.00 | 1959 | | 1979 | 6,366 | 6,366 |
| | 5.00 | 1960 | | 1980 | 563 | 563 |
| | 5.25 | 1960 | | 1980 | 3,646 | 3,646 |
| | 6.00 | 1960 | | 1980 | 4,458(a) | 4,458 |
| | 5.00 | 1960 | | 1980 | 1,982(a) | 1,982 |
| | 5.50 | 1960 | | 1980 | 3,985(a) | 3,985 |
| | 5.50 | 1961 | | 1981 | 6,765(a) | 6,765 |
| | 5.25 | 1961 | | 1981 | 4,039(a) | 4,039 |
| | 5.00 | 1961 | | 1981 | 1,265 | 1,265 |
| | 9.00 | 1974 | | 1981 | 15,000 | — |
| | 5.50 | 1962 | | 1982 | 9,334(a) | 9,334 |
| | 7.75 | 1975 | | 1982 | 12,000 | 12,000 |
| | 5.25 | 1962 | | 1982 | 6,983(a) | 6,983 |
| | 5.25 | 1963 | | 1982 | 9,703(a) | 9,703 |
| | 5.50 | 1962 | | 1982 | 9,674(a) | 9,674 |
| | 5.13 | 1962 | | 1982 | 1,923 | 1,923 |
| | 5.00 | 1963 | 18,355 | 1983 | 21,232(b) | 20,080 |
| | 4.13 | 1958 | 11,820 | 1983 | 13,623(c) | 12,931 |
| | 5.25 | 1963 | | 1983 | 2,024 | 2,024 |
| | 5.00 | 1958 | | 1983 | 8,983 | 8,983 |
| | 4.75 | 1959 | 14,026 | 1984 | 16,196(c) | 15,346 |
| | 5.50 | 1964 | | 1984 | 7,347(a) | 7,347 |
| | 8.38 | 1977 | | 1984 | 75,000(d) | 75,000 |
| | 5.25 | 1964 | | 1984 | 1,960 | 1,960 |
| | 5.00 | 1959 | 8,370 | 1984 | 9,665(c) | 9,157 |
| | 5.50 | 1964 | | 1985 | 6,570(a) | 6,570 |
| | 5.50 | 1964 | | 1985 | 10,578(a) | 10,578 |
| | 5.50 | 1965 | | 1985 | 2,140 | 2,140 |
| | 8.50 | 1977 | | 1985 | 50,000 | 48,500 |
| | 5.88 | 1966 | | 1986 | 2,400 | 2,400 |
| | 8.75 | 1976 | 75,000 | 1986 | 88,935(e) | 82,050 |
| | 6.25 | 1966 | | 1986 | 11,420(a) | 11,420 |
| | 6.00 | 1967 | | 1987 | 11,842(a) | 11,842 |
| | 9.25 | 1978 | | 1987 | 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 | 12,979(a) | 12,979 |
| | 6.40-7.17 | 1968-69 | | 1988-89 | 35,908(g) | 35,908 |
| | 7.63 | 1969 | 13,050 | 1989 | 15,150(f) | 14,277 |
| | 7.16-8.33 | 1969-70 | | 1989-90 | 40,357(g) | 40,357 |
| | 4.88 | 1965 | 10,875 | 1990 | 12,770(c) | 11,902 |
| | 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 | 3,000(a) | 3,000 |

| 10. Long-term debt (continued) | Interest Rate | Year of Issue | U.S. Dollar Debt (thousands of dollars) | Year of Repayment | 1978 (thousands of dollars) | 1977 (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 | 4,151(h) | 4,151 |
| | 7.61-9.25 | 1974-75 | | 1994-95 | 21,176(g) | 19,298 |
| | 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 |
| | 9.36-9.84 | 1978 | | 1998 | 31,517(g) | — |
| | 10.00 | 1974 | | 1999 | 45,000(i) | 45,000 |
| | 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 |
| | 9.5 | 1978 | | 2003 | 75,000(i) | — |
| | 8.70 | 1976 | 125,000 | 2006 | 148,225(l) | 136,778 |
| | 8.63 | 1977 | 125,000 | 2007 | 148,225(m) | 136,778 |
| | 9.25 | 1978 | 125,000 | 2008 | 148,225(n) | — |
| | | | | | 1,776,936 | 1,401,457 |
| Sinking fund balance (Note p) | | | | | 213,495(o) | 182,007 |
| | | | | | 1,563,441 | 1,219,450 |
| Saskatchewan Heritage Fund | 9.30 | | | 1984 | 5,000 | — |
| Due to Province of Saskatchewan | | | | | 1,568,441 | 1,219,450 |
| Bank loans — U.S. | | | 46,100 | 1979 | 54,665 | 45,948 |
| — Canadian .. | | | | 1982-83 | 42,000 | — |
| Other long-term debt | | | | | 22,167 | 23,314 |
| | | | 572,596 | | 1,687,273 | 1,288,712 |
| Long-term debt due within one year | | | | | | |
| — U.S. | | | 46,100 | | 54,665 | — |
| — Canadian | | | | | 30,143 | 25,846 |
| | | | \$526,496 | | \$1,602,465 | \$1,262,866 |

(continued overleaf)

10. 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:
 1979 — \$84,808,000; 1980 — \$25,973,000;
 1981 — \$59,461,000; 1982 — \$92,364,000;
 1983 — \$64,985,000.
- Note (q) — Long-term debt payable in United States funds has been translated into Canadian funds at the year-end exchange rate of 1.1857 (1977 — 1.094).
- Note (r) — The composite rate of interest payable on long-term debt, prior to deduction of the sinking fund balance, was 8.20% (1977 — 7.92%).

11. Interest

| | 1978 | 1977 |
|---|------------------------|------------------|
| | (thousands of dollars) | |
| Interest on long-term debt . . . | \$133,166 | \$106,564 |
| Amortization of debt discount | 977 | 956 |
| Amortization of foreign exchange conversion differences | 7,321 | 3,676 |
| | <u>141,464</u> | <u>111,196</u> |
| Less | | |
| — sinking funds earnings | 15,741 | 15,877 |
| — gain on debt retirement | 1,278 | 1,482 |
| — interest capitalized | 17,917 | 16,742 |
| | <u>34,936</u> | <u>34,101</u> |
| Long-term debt expense | 106,528 | 77,095 |
| Short-term interest expense . . . | 12,483 | 6,707 |
| | <u>\$119,011</u> | <u>\$ 83,802</u> |

12. Province of Saskatchewan's Equity

All advances are non-interest bearing and are repayable at the discretion of the Province. The Saskatchewan Heritage Fund was established on April 1, 1978. Pursuant to Order-in-Council 1061/78, all funds previously advanced from The Energy and Resource Development Fund are now advances of the Saskatchewan Heritage Fund.

Advances from the Saskatchewan Heritage Fund to those Crown corporations consolidated herein amounted to \$451,100,000 at December 31, 1978 (1977 — \$303,530,000)

Advances from the Province of Saskatchewan's Consolidated Fund amounted to \$6,000,000 at December 31, 1978 (1977 — \$85,405,000). The consolidated corporations repaid \$79,405,000 of Consolidated Fund advances during 1978, exchanging these advances for interest bearing long-term debt due the Consolidated Fund.

13. 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 \$3,918,000 during the year (1977 — \$3,957,000).

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 9) and amortized to revenue over the appropriate period.

14. Charge to operations

The net book value of assets utilized in the Corporation's forest industry operations has been reduced by \$9.6 million through a charge to consolidated operating costs. This charge against consolidated net earnings has reduced the 1977 net book value of assets employed in the forest industry by \$9.6 million to an amount deemed recoverable through operations over future periods.

15. Saskatchewan taxes

| | <u>1978</u> | <u>1977</u> |
|-------------------------------------|------------------------|-----------------|
| | (thousands of dollars) | |
| Resource taxes | | |
| Oil well income tax* | \$20,500 | \$17,000 |
| Potash royalties and fees | 37,868 | 17,340 |
| Sodium sulphate royalties | 541 | 999 |
| Timber dues | <u>1,154</u> | <u>894</u> |
| | <u>60,063</u> | <u>36,233</u> |
| Grants-in-lieu and taxes | | |
| to municipalities | 12,027 | 9,208 |
| Insurance premium taxes | 4,565 | 4,104 |
| Other | <u>31</u> | <u>47</u> |
| Taxes paid or payable | 76,686 | 49,592 |
| Amounts capitalized | (2,096) | (—) |
| Amounts inventoried | <u>(5,190)</u> | <u>(5,104)</u> |
| | <u>\$69,400</u> | <u>\$44,488</u> |

*The application of The Oil Well Income Tax Act, 1978, (effective January 1, 1974), is not expected to materially affect the Corporation's financial position.

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Exploration Development and Production Incentives Regulation, 1974 amounted to \$4.7 million (1977 — \$3.5 million). A portion of these credits (\$3.7 million; 1977 — \$2.4 million) was applied to the cost of property, plant and equipment.

Saskatchewan taxes and grants paid as stated above do not include Saskatchewan Education and Health Tax, coal royalties or federal excise and sales taxes.

16. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1978:

- (a) natural gas contracted for future delivery over periods varying from 11 to 23 years for approximately \$450 million valued at current prices,
- (b) capital expenditures for approximately \$169.2 million,
- (c) forward exchange contracts whereby \$37.1 million United States dollars will be exchanged to Canadian dollars at specified rates and dates,
- (d) heavy oil exploration and development expenditures over the next 8 years of approximately \$28 million,
- (e) approved but undisbursed purchases of municipal debentures of approximately \$2 million,
- (f) lease payments of approximately \$10 million for its 1979 fiscal period,
- (g) approved but undisbursed loans of approximately \$24 million, loan guarantees in force of approximately \$3 million and loan guarantees authorized but not used at December 31, 1978 of \$2.8 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.

17. Retained earnings — appropriated

| | Appropriated Retained Earnings- Saskatchewan Heritage Fund | Appropriated Retained Earnings- A.A.I.A. & S.W.S.B. | Appropriated Retained Earnings- Other | Appropriated Retained Earnings |
|-------------------------|--|---|--|--------------------------------------|
| | (thousands of dollars) | | | |
| January 1, 1977 | \$ (155) | \$ 9,016 | \$1,250 | \$10,111 |
| Appropriations | 552 | 4,924 | 7,005 | 12,481 |
| December 31, 1977 | 397 | 13,940 | 8,255 | 22,592 |
| Appropriations | 9,176 | 1,528 | 24 | 10,728 |
| December 31, 1978 | <u>\$9,573</u> | <u>\$15,468</u> | <u>\$8,279</u> | <u>\$33,320</u> |

The appropriation of retained earnings in respect to the Saskatchewan Heritage Fund, A.A.I.A. and S.W.S.B. 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 and Saskatchewan Mining Development Corporation are subject to dividend payouts by Crown Investments Corporation of Saskatchewan only to the Saskatchewan Heritage Fund. The net earnings derived from the Saskatchewan Government Insurance Office's administration of The Automobile Accident Insurance Act, are reserved for the administration of the Act. The

net earnings of the Saskatchewan Water Supply Board presently may not be paid without recall to Crown Investments Corporation of Saskatchewan by the Board due to provisions in The Water Supply Board Act, 1972.

Appropriated retained earnings-other includes appropriations of the retained earnings of the insurance corporation for the purpose of providing for catastrophes (1978 — \$2,000,000; 1977 — \$2,000,000), and appropriations of the retained earnings derived from the power utility for the purpose of rate stabilization (1978 — \$6,000,000; 1977 — \$6,000,000).

18. Remuneration of directors and senior officers

The Corporation's six directors received no remuneration from Crown Investments Corporation of Saskatchewan as directors in either 1978 or 1977. The nine senior officers (1977 — 9) received, in aggregate, \$358,188 in salaries for 1978 (1977 — \$271,714). Each officer acted in their respective capacity for all of 1978 whereas certain positions were unoccupied for portions of the prior year. One officer was also a director.

19. Segmented information

| | <u>Utilities</u> | | <u>Resources</u> | | <u>Financial & Services</u> | | <u>Crown Investments Corporation</u> | | <u>Inter-Corporation Eliminations</u> | | <u>Consolidated Operations</u> | |
|---------------------------------|-----------------------|--------------|------------------|---------------|---------------------------------|-------------|--------------------------------------|--------------|---------------------------------------|----------------|--------------------------------|--------------|
| | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> |
| | (millions of dollars) | | | | | | | | | | | |
| Statement of Operations* | | | | | | | | | | | | |
| Revenue | \$520 | \$439 | \$241 | \$117 | \$200 | \$170 | \$25 | \$ 2 | \$(56) | \$(23) | \$930 | \$705 |
| Operating costs | 311 | 267 | 109 | 62 | 173 | 148 | 11 | 1 | (26) | (19) | 578 | 459 |
| Interest | 90 | 65 | 13 | 8 | 11 | 9 | 9 | 4 | (4) | (2) | 119 | 84 |
| Depreciation, depletion | 70 | 59 | 32 | 15 | 1 | 1 | — | — | — | — | 103 | 75 |
| Saskatchewan taxes . . | 8 | 7 | 56 | 33 | 5 | 4 | — | — | — | — | 69 | 44 |
| | <u>479</u> | <u>398</u> | <u>210</u> | <u>118</u> | <u>190</u> | <u>162</u> | <u>20</u> | <u>5</u> | <u>(30)</u> | <u>(21)</u> | <u>869</u> | <u>662</u> |
| Net earnings | <u>\$ 41</u> | <u>\$ 41</u> | <u>\$ 31</u> | <u>\$ (1)</u> | <u>\$ 10</u> | <u>\$ 8</u> | <u>\$ 5</u> | <u>\$(3)</u> | <u>\$(26)</u> | <u>\$ (2)</u> | <u>\$ 61</u> | <u>\$ 43</u> |

*For the purposes of providing the segmented reporting given in this note, revenue and expenses are recorded before the elimination of inter-corporation 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. Revenues of \$25 million (1977 — \$2 million), representing dividends and interest received by Crown Investments Corporation of Saskatchewan from other consolidated Crown corporations, have been eliminated from the net earnings of the consolidation to arrive

at consolidated net earnings. Operating costs of C.I.C. include \$9.6 million for 1978 in respect of the reorganization of Saskatchewan Forest Products Corporation referred to in note 14 herein.

Financial and Services sector revenue includes \$11.2 million (1977 — \$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>Crown Investments Corporation</u> | | <u>Consolidated Operations</u> | |
|--|-----------------------|----------------|------------------|--------------|---------------------------------|--------------|--------------------------------------|-------------|--------------------------------|----------------|
| | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> | <u>1978</u> | <u>1977</u> |
| | (millions of dollars) | | | | | | | | | |
| Other financial information (net of inter-corporation transactions) | | | | | | | | | | |
| Investments | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$248</u> | <u>\$233</u> | <u>\$ 3</u> | <u>\$ 2</u> | <u>\$ 252</u> | <u>\$ 236</u> |
| Property, plant and equipment | <u>\$1,566</u> | <u>\$1,401</u> | <u>\$768</u> | <u>\$448</u> | <u>\$ 30</u> | <u>\$ 19</u> | <u>**</u> | <u>**</u> | <u>\$2,364</u> | <u>\$1,868</u> |
| Capital expenditures | <u>\$ 235</u> | <u>\$ 267</u> | <u>\$358</u> | <u>\$256</u> | <u>\$ 13</u> | <u>\$ 6</u> | <u>**</u> | <u>**</u> | <u>\$ 606</u> | <u>\$ 529</u> |

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



