ANNUAL
2010
REPORT

CIC AMI CONSOLIDATED

Crown Investments Corporation of Saskatchewan

ANALYSIS OF FINANCIAL RESULTS

CIC Asset Management Inc. (CIC AMI) formerly operated as Investment Saskatchewan Inc. (IS), a CIC subsidiary Crown corporation. On July 1, 2009 the corporate name and status was changed to reflect a new mandate adopted at the end of 2008 and as result, CIC AMI now operates as a share capital subsidiary of CIC and is administered directly by CIC staff.

CIC AMI's focus is on prudently managing the existing portfolio with the mandate to divest of its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect CIC AMI's assets. CIC AMI is not seeking any new investment opportunities.

This narrative on CIC AMI's consolidated 2010 financial results should be read in conjunction with the audited consolidated financial statements.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS

The following table presents a five year comparison of CIC AMI's financial results:

(millions of dollars)	2010	2009	2008	2007	2006
Key Financial Information					
Revenue	$ 9.9	$ 108.7	$ 202.4	$ 214.8	$ 332.0
Gain on sale of investments	5.7	10.8	690.6	2.4	3.8
Operating expenses	(2.4)	(131.9)	(164.1)	(190.1)	(278.1)
Investment (write-down) recoveries	(19.9)	(26.9)	0.3	(29.4)	2.4
Provision for environmental costs	(4.0)	(3.6)	(48.2)	(26.1)	(9.3)
Other (expenses) revenue	(0.3)	10.1	10.0	39.9	22.1
Net (loss) earnings	$ (11.0)	$ (32.8)	$ 691.0	$ 11.5	$ 72.9

Revenue

Total revenue (revenue plus gain on sale of investments) decreased $103.9 million in 2010, to $15.6 million, primarily due to CIC AMI's investment in Big Sky Farms Inc. (Big Sky) which had been consolidated until November 10, 2009 when Big Sky entered creditor protection under *The Companies Creditors Arrangement Act* (CCAA). Upon emerging from creditor protection on March 22, 2010, CIC AMI had recorded its remaining investment in Big Sky under the equity method. As a consolidated investment, Big Sky contributed revenue of $99.2 million from sales of goods and services in 2009, and $Nil in 2010 as an equity accounted investment. Also contributing to lower revenue was decreased interest revenue of $4.9 million in 2010, primarily due to repayment of loans.

Operating Expenses

Operating expenses decreased in 2010 to $2.4 million compared to $131.9 million in 2009, the primary reasons for the decrease are as follows:

- CIC AMI has accounted for Big Sky as a subsidiary until November 10, 2009. During 2009, Big Sky accounted for $103.6 million of CIC AMI's operating expenses;
- During 2009, an $11.1 million operating and termination fee was paid to a third party investment manager. In 2009, CIC AMI staff took over the role as investment manager; and
- Beginning July 1, 2010, CIC AMI's operations were absorbed by CIC. As a result, premises, staffing, and other operating costs not directly related to the investments were absorbed by CIC.

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Investment (Write-Down) Recoveries

Provisions and write-downs for loan losses and investments decreased to $19.9 million in 2010 from $26.9 million in 2009, a decrease of $7.0 million.

Details of the provisions and write-downs in 2010 and 2009 are as follows:

(millions of dollars)	2010	2009
Provision for Loan Losses and Write-down of Investments[1]		
Provision for loan losses	$ 4.1	$ 0.8
Write-down of available-for-sale-investments	13.4	7.2
Write-down of equity based investments	2.7	0.3
Impairment of held-for-trading investments	-	0.8
Recovery of previous impairments of investments and loans	(0.3)	(0.1)
Write-down of Big Sky Farms Inc.	-	17.9
Net provision for loan losses and write-down of investments	$ 19.9	$ 26.9

[1] The occurrence and extent of provisions and write-downs is estimated according to CIC AMI's internal valuation process which includes an assessment of the historical and projected financial results of investees, their technological feasibility and significant changes during the year, reasonability of internal forecasts, and likely process in the event of a sale.

During 2010, CIC AMI recognized the following investment losses:

- $8.7 million provision related to its cost investment in Targeted Growth Canada Inc.;
- $4.2 million provision for its cost investment in Clothing For Modern Times Ltd.;
- $2.4 million provision on its equity investment in Can Pro Ingredients Ltd.;
- $1.8 million provision related to its debt investment in L&M Wood Products LP;
- $2.3 million provision for its debt investment in Can Pro Ingredients Ltd.; and
- $0.8 million provision was taken on other small portfolio assets.

Provision for Environmental Costs

CIC AMI is legally obligated to undertake necessary environmental clean-up activities on certain properties. CIC AMI estimates the cost based on advice given by experts in environmental remediation. Due to evolving environmental laws, enforcement and clean-up practices, estimates may change over time. During the year, CIC AMI increased its estimated costs to provide environmental remediation to properties in Prince Albert, Meadow Lake and Saskatoon by $4.0 million (2009 - $3.6 million). At year end, CIC AMI had environmental liabilities recorded for ERCO Worldwide chemical plant in Saskatoon ($65.4 million), Prince Albert pulp mill site in Prince Albert ($28.0 million) and Meadow Lake pulp mill site in Meadow Lake ($9.3 million).

COMPARISON OF 2010 RESULTS WITH 2009 RESULTS (continued)

Operating, Investing and Financing Activities

(millions of dollars)		2010		2009
Cash Flow Highlights				
Cash provided by (used in) operations	$	9.0	$	(6.5)
Cash provided by investing activities		46.1		39.6
Cash used in financing activities		(101.2)		(33.1)
Change in cash	$	(46.1)	$	-

Cash provided by operations increased $15.5 million in 2010 compared to 2009 primarily due to consolidated cash losses incurred in 2009 related to Big Sky. Subsequent to Big Sky's restructuring in 2010, the company is accounted for according to the equity method.

Cash provided by investing activities increased $6.5 million in 2010. In 2010, the sale of investments generated $48.9 million in cash proceeds, compared to $7.2 million in 2009. The increase is primarily due to the timing of investment sales, as the majority CIC AMI's fair value investments were sold in 2010. Cash provided by investing activities in 2009 was primarily due to the final receipt of $37.3 million in proceeds from the 2008 Saskferco sale. Purchases of investments in 2010 resulted in a use of cash of $2.0 million, compared to $7.0 million in 2009, as a number of existing investment commitments were funded in 2009, with the remainder completed in 2010.

Cash used in financing activities increased by $68.1 million in 2010 compared to 2009. The primary cause of the increased use of cash was $100.0 million in share redemptions in 2010 compared with $34.0 million in dividends paid in 2009. Both the 2010 share redemptions and 2009 dividends were paid to CIC.

LIQUIDITY

CIC AMI finances capital requirements through interest received on cash balances and cash returns from investments. CIC AMI is authorized to borrow from CIC and external financial institutions. The Province of Saskatchewan's General Revenue Fund (GRF) may borrow in capital markets on behalf of CIC and has ample access to capital markets for any potential borrowing requirements. At December 31, 2010, CIC AMI has no external debt and possesses adequate internal capital to fund its operations for the foreseeable future. Therefore, CIC AMI does not anticipate drawing on its available credit with CIC or any external financial institutions in 2011.

INVESTMENT MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to CIC's executive and the CIC AMI Board of Directors pertaining to investment returns, risks and investment retention or sale.

CIC AMI regularly assesses the appropriateness of the carrying value of its investments, and writes down an investment if it determines that there is a decline in its value that is not considered temporary. CIC AMI records its publicly traded investments based on market trading prices at the reporting date. Notwithstanding these write-downs and provisions, CIC AMI continues to strive to maximize the ultimate returns from these investments through such measures as continued development of the underlying investment's business, involvement in sale negotiations, and actively pursuing alternate means of collection where warranted.

CIC AMI's mandate is to prudently manage and divest the existing portfolio while making add-on investments only when it appears that additional disbursements will protect the asset to allow CIC AMI to make a suitable divestiture.

During 2010, CIC AMI's investment portfolio decreased by $71.3 million to $102.1 million as follows:

(millions of dollars)	2010
Investment Continuity Schedule	
Investments, beginning of year	$ 173.4
Investment sale proceeds	(48.9)
Gain on sale of investments	5.7
Equity losses	(0.6)
Dividends from equity investments	(2.7)
Change in other comprehensive income related to investments	(6.9)
Write-down of investments	(19.9)
Purchase of investments	2.0
Investments, end of year	$ 102.1

During the year, CIC AMI divested of assets with a book value of $43.2 million for proceeds of $48.9 million netting a gain on sale of $5.7 million. During 2010, the following asset disposals and additions were made:

(millions of dollars)	Cash proceeds on disposal	Cash outlay for additions
Investments		
Crescent Point Energy Corporation	$ 22.4	$ -
Just Energy Exchange Corporation	3.2	-
Premium Brands Holdings Corporation	15.0	-
Stegg Ltd.	4.0	-
Collection of loan portfolio principal payments	2.1	-
Other	2.2	2.0
Total	$ 48.9	$ 2.0

LOOKING AHEAD TO 2011

CIC AMI's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and long-term self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio. During the year, CIC AMI disposed of the balance of its publicly traded investments. As these investments are the most liquid investments in the portfolio, future cash flows from investment dispositions may vary significantly from the current year's results.

CIC AMI is budgeting for a net loss of $7.1 million in 2011. CIC AMI's net earnings are closely tied to the commodity values of oriented strand board (Meadow Lake OSB Limited Partnership) and hog prices (Big Sky). Commodity markets appear to be recovering from 2008 and 2009 levels; however, the recovery is not expected to lead CIC AMI to a net earnings position until at least 2012.

CIC AMI anticipates being self-supporting in cash requirements. Dividends and share redemptions to CIC in 2011 are dependent on these same factors. CIC AMI redeemed $100.0 million of shares in 2010 based on its assessment of cash flow requirements and capital structure.

CIC AMI anticipates exiting a number of investments in 2011, although timing of ultimate sale is dictated by market conditions. CIC AMI is prepared to defer the sale of investments where additional value will be created through an investment's organic growth and development, or through an improvement in market conditions. CIC AMI does not anticipate placing any additional significant investments in 2011. Any additional investments placed will be limited to select add on investments which may be required to achieve commercialization or sale of existing investments in the portfolio. Current economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the current market value cannot be maximized during 2011.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of CIC Asset Management Inc. of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

Rae Haverstock

Rae Haverstock
Managing Director

March 1, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **CIC Asset Management Inc.**, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and retained earnings, comprehensive loss, accumulated other comprehensive income (loss), and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIC Asset Management Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 1, 2011

As at December 31 (thousands of dollars)	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 129,479	$ 175,618
Interest and dividends receivable	296	499
Accounts receivable	1,744	1,460
Restricted cash (Note 4)	22,372	21,563
	153,891	199,140
Investments (Note 6)	102,070	173,436
Property, plant and equipment (Note 7)	35	257
Restricted cash (Note 4)	20,000	20,000
	$ 275,996	$ 392,833
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	$ 4,090	$ 5,990
Environmental liabilities (Note 8)	102,595	98,575
Other liabilities (Note 9)	10,848	10,868
	117,533	115,433
Non-controlling interest	6,716	7,804
Shareholder's equity		
Share capital (Note 10)	80,000	180,000
Contributed surplus	161	136
Retained earnings	71,315	82,355
Accumulated other comprehensive income (Note 11)	271	7,105
	151,747	269,596
	$ 275,996	$ 392,833

Commitments and contingencies (Note 14)

(See accompanying notes)

On behalf of the Board:

Director

Director

For the Year Ended December 31 (thousands of dollars)	2010	2009
REVENUE		
Sale of goods and services	$ -	$ 99,223
Interest and other	10,545	15,396
Losses from equity basis investments (Note 12(a))	(592)	(5,973)
Gain on sale of investments	5,684	10,839
	15,637	119,485
EXPENSES		
Operating expenses	2,384	118,500
Depreciation	21	7,284
Financing expense	-	6,163
	2,405	131,947
Earnings (Loss) before the following	13,232	(12,462)
Provision for environmental liabilities (Note 8)	(4,020)	(3,629)
Provision for loan losses (Note 12(b))	(4,127)	(816)
Write-down of investments (Note 12(c))	(15,725)	(8,134)
Provision for impairment of assets (Note 13)	-	(17,939)
Loss from continuing operations before income taxes	(10,640)	(42,980)
Future income tax recovery	-	225
Loss before non-controllng interest	(10,640)	(42,755)
Non-controlling interest	(400)	10,226
LOSS FROM CONTINUING OPERATIONS	(11,040)	(32,529)
Loss from discontinued operations	-	(232)
NET LOSS	(11,040)	(32,761)
RETAINED EARNINGS, BEGINNING OF YEAR	82,355	149,116
DIVIDENDS	-	(34,000)
RETAINED EARNINGS, END OF YEAR	$ 71,315	$ 82,355

(See accompanying notes)

For the Year Ended December 31 (thousands of dollars)	2010	2009
NET LOSS	$ (11,040)	$ (32,761)
Net change in unrealized gains on available-for-sale investments	80	10,434
Amounts realized in net loss	(6,770)	(2,207)
Net change in unrealized foreign currency translation losses	(144)	(417)
Other comprehensive (loss) income	(6,834)	7,810
COMPREHENSIVE LOSS	$ (17,874)	$ (24,951)

(See accompanying notes)

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the Year Ended December 31 (thousands of dollars)	2010	2009
Accumulated other comprehensive income (loss), beginning of year	$ 7,105	$ (705)
Other comprehensive (loss) income	(6,834)	7,810
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	$ 271	$ 7,105

(See accompanying notes)

For the Year Ended December 31 (thousands of dollars)		2010		2009
OPERATING ACTIVITIES				
Loss from continuing operations	$	(11,040)	$	(32,529)
Dividends from investments - equity basis		2,732		823
Items not affecting cash from operations (Note 15)		19,330		20,283
Net change in non-cash working capital balances related to operations (Note 16)		(1,981)		5,126
Cash provided by (used in) operating activities from continuing operations		9,041		(6,297)
Cash used in operating activities from discontinued operations		-		(232)
Cash provided by (used in) operating activities		9,041		(6,529)
INVESTING ACTIVITIES				
Proceeds from collection and sale of investments		48,904		7,171
Purchase of investments		(1,991)		(6,997)
Proceeds from sale of property, plant and equipment		-		2,663
Purchase of property, plant and equipment		-		(568)
(Increase) decrease in restricted cash and other assets		(812)		37,319
Cash provided by investing activities		46,101		39,588
FINANCING ACTIVITIES				
Repayment of long-term debt		-		(2,988)
Proceeds from long-term debt		-		500
Increase in bank indebtedness		-		4,271
Proceeds of share issuance to non-controlling interest		6		(30)
Dividends paid to minority interests of subsidiaries		(1,287)		(821)
Redemption of share capital		(100,000)		-
Dividends paid		-		(34,000)
Cash used in financing activities		(101,281)		(33,068)
NET CHANGE IN CASH DURING YEAR		(46,139)		(9)
CASH POSITION, BEGINNING OF YEAR		175,618		175,627
CASH POSITION, END OF YEAR (Note 3)	$	129,479	$	175,618

(See accompanying notes)

Supplementary cash flow information:

Interest paid	$	-	$	3,767

1. STATUS OF CIC ASSET MANAGEMENT INC.

CIC Asset Management Inc. (the Corporation) has a mandate to prudently manage and divest of its portfolio of investments. The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Effective September 10, 2009, by Order in Council 653/2009 which made effective *The Crown Corporation Amendment Regulations,* 2009, the Corporation is no longer a designated subsidiary Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
101039181 Saskatchewan Ltd.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.
Saskatchewan Valley Potato Corporation

All material inter-company transactions have been eliminated on consolidation.

Big Sky Farms Inc. (Big Sky) was consolidated by the Corporation up to November 10, 2009, the date it entered into creditor protection under *The Companies Creditors Arrangement Act* (CCAA). At December 31, 2009, the investment in Big Sky was recorded as a cost basis investment due to the CCAA process. In 2010, Big Sky emerged from creditor protection and the Corporation has recorded the investment under the equity method based on the Corporation's revised ownership in Big Sky upon emerging from creditor protection. See Note 13 for further details.

Investments - equity basis

Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Consolidation principles and basis of presentation (continued)

Joint ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Foragen Technologies Limited Partnership (Foragen)	33.3%
Centennial Foods Partnership (Centennial Foods)	33.1%

Variable interest entities

The Corporation consolidates certain entities that are not subject to control on a basis of ownership of voting interests. Such an entity is referred to as a variable interest entity (VIE).

An entity is classified a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of a VIE and has been consolidated in these financial statements.

b) Cash and cash equivalents

Short-term investments are recorded at fair value, and have original maturities of three months or less.

c) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the consolidated statement of financial position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated useful life of each asset using the following amortization rates:

Equipment	3 - 15 years

e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Retained Earnings before net earnings.

f) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

h) Environmental liabilities

Environmental liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

i) Financial assets and liabilities

The Corporation classifies its financial assets and liabilities into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial assets and liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial asset or liability. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are recognized immediately in net loss.

Held-for-trading
Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are accounted for at fair value, where determinable, with the change in the fair value recognized in net earnings. Cash and cash equivalents and warrants held in the Corporation's investment portfolio have been classified as held-for-trading assets. No financial liabilities have been classified as held-for-trading.

Available-for-sale
Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. Investments that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale investments, which are calculated on an average cost basis, are recognized in net loss.

Held-to-maturity
Financial assets that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest method. The Corporation does not have any held-to-maturity investments at December 31, 2010.

Loans and other advances
Loans and other advances are accounted for at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets and liabilities (continued)

Financial assets and financial liabilities designated as held-for-trading under the fair value option

Financial assets and financial liabilities, other than those classified as held-for-trading, are designated as held-for-trading under the fair value option if they are reliably measurable, meet one or more of the criteria set out below, and are so designated by the Corporation. The Corporation may designate financial assets and financial liabilities as held-for-trading when the designation:

(i) eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains and losses on them, on different bases; or

(ii) applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

Financial instruments designated as held-for-trading under the fair value option are accounted for at fair value with the change in the fair value recognized in net earnings.

Other liabilities

Financial liabilities not designated as held-for-trading are classified as other liabilities. Other liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are designated as other financial liabilities.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the 'host instrument'). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated using the fair value option. These embedded derivatives are measured at fair value with subsequent changes recognized in net loss.

j) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates (including useful lives of depreciable assets used to compute amortization, asset impairment, the carrying amounts of and appropriate accounting for investments, provisions for contingencies related to environmental clean-up activities, insurance obligations and accounting for variable interest entities) require management to make subjective or complex judgements.

These financial statements are based on management's best estimate using information available. The increased volatility of financial markets has complicated this process due to the significant fluctuation of foreign exchange rates, commodity prices, and the current global economic state. Accordingly, actual results could differ from these estimates thereby impacting future results by a material amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. The Corporation has selected IFRS as its accounting platform as management believes it is the most appropriate basis of accounting.

3. CASH AND CASH EQUIVALENTS

The major components of cash and cash equivalents are as follows:

(thousands of dollars)	2010	2009
Cash on deposit	$ 129,479	$ 175,618

4. RESTRICTED CASH

The current portion of restricted cash consists of $22.1 million (2009 - $21.3 million) of the current portion of cash held by the receiver of MLPLP, and is subject to the order of the Court of Queen's Bench of Saskatchewan. Also included in the current portion of restricted cash is $0.3 million (2009 - $0.3 million) held in escrow related to the sale of Centennial Foods' operations.

The long-term portion of restricted cash of $20.0 million (2009 - $20.0 million) consists of the long-term portion of cash held by the receiver of MLPLP, and is subject to the order of the Court of Queen's Bench of Saskatchewan.

5. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VIE

As noted in the summary of significant accounting policies (Note 2), the financial results of investment in subsidiaries, joint ventures, and variable interest entities are consolidated into the Corporation's financial results. These investments are as follows:

(thousands of dollars)	2010	2009
Foragen Technologies Limited Partnership (a)		
Cost $13,150 (2009 - $12,950)	$ 2,693	$ 2,699
Prairie Ventures Limited Partnership (b)		
Cost $6,135 (2009 - $6,763)	6,924	8,046
Meadow Lake Pulp Limited Partnership (c)		
Cost $277,901 (2009 - $277,901)	31,719	30,874
Other	527	2,073
	$ 41,863	$ 43,692

5. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VIE (continued)

a) The Corporation, through its wholly owned subsidiary CIC FTLP Holdings, owns limited partnership units in Foragen Technologies Limited Partnership. This joint venture contributed losses of $206.1 thousand (2009 - loss of $169.7 thousand) to the Corporation's financial results. During the year, the Corporation made a $200.0 thousand (2009 - $300.0 thousand) equity investment in the joint venture, and received $Nil (2009 - $60.0 thousand) as a return of capital.

b) The Corporation, through its wholly owned subsidiary CIC PVF Holdings Inc., owns limited partnership units in Prairie Ventures Limited Partnership. This subsidiary contributed earnings of $411.9 thousand (2009 - $647.9 thousand) to the Corporation's financial results. During the year, the Corporation received $1.3 million (2009 - $844.6 thousand) from redemptions of units and distributions.

c) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., has an equity interest in and loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation also has loans receivable from MLPLP through its wholly-owned subsidiary, 101069101 Saskatchewan Ltd. This VIE contributed earnings of $845.2 thousand (2009 - $244.0 thousand) to the Corporation's financial results.

6. INVESTMENTS

(thousands of dollars)	2010	2009
Equity investments		
Big Sky (Note 13)		
Cost $Nil (2009 - $Nil)	$ 2,116	$ -
Bioriginal Food and Science Corp. (a)		
Cost $7,835 (2009 - $7,835)	2,047	1,676
Can Pro Ingredients Ltd. (b)		
Cost $5,355 (2009 - $5,355)	-	3,557
Jump.ca Wireless Supply Corp. (c)		
Cost $6,418 (2009 - $6,418)	7,961	9,183
Meadow Lake OSB Limited Partnership (d)		
Cost $29,800 (2009 - $29,800)	23,695	24,620
VendAsta Technologies Inc. (e)		
Cost $3,000 (2009 - $2,100)	2,581	2,043
Other (f)	1,886	4,454
	40,286	45,533
Available-for-sale investments - cost basis		
Phenomenome Discoveries Inc.		
Cost $6,867 (2009 - $6,867)	6,867	6,867
Quantec Geoscience Ltd.		
Cost $3,000 (2009 - $3,000)	3,000	3,000
Targeted Growth Canada Inc. (g)		
Cost $8,749 (2009 - $8,749)	-	8,749
Clothing For Modern Times Ltd. (h)		
Cost $7,489 (2009 - $Nil)	2,531	-
Other	5,305	5,720
	17,703	24,336

6. INVESTMENTS (continued)

(thousands of dollars)	2010	2009
Available-for-sale investments - fair value basis		
Crescent Point Energy Corp. (i)		
Cost $Nil (2009 - $19,412)	$ -	$ 22,113
Premium Brands Holdings Corp. (j)		
Cost $1,676 (2009 - $13,608)	2,662	17,013
PetroBakken Energy Ltd.		
Cost $2,790 (2009 - $2,790)	1,821	2,706
Just Energy Exchange Corp. (j)		
Cost $376 (2009 - $2,952)	508	3,746
Other	2,521	3,170
	7,512	48,748
Held-for-trading		
Clothing For Modern Times Ltd. (h)		
Cost $Nil (2009 - $7,489)	-	6,725
	-	6,725
Loans and other advances		
Can Pro Ingredients Ltd. (k)		
Cost $3,030 (2009 - $2,647)		
Secured debenture:		
Interest rate - 14%, Maturity - July 9, 2017		
Bridge loan:		
Interest rate - 20%, Maturity - June 26, 2014	1,200	3,146
Clothing For Modern Times Ltd.		
Cost $7,780 (2009 - $7,780)		
Interest Rate - 15% plus additional 3% on deferred principal payments		
Maturity - September 15, 2011	7,780	7,780
Stegg Ltd. (l)		
Cost $Nil (2009 - $6,005)		
Interest Rate - 14%, Maturity - November 30, 2010	-	6,080
Terra Grain Fuels Inc.		
Cost $24,656 (2009 - $24,893)		
Interest Rate - 10.5%, Maturity - May 13, 2012	25,221	24,900
Other (m)	2,368	6,188
	36,569	48,094
Total investments	$ 102,070	$ 173,436

6. INVESTMENTS (continued)

Equity basis investments

a) Included in the net book value of Bioriginal Food and Science Corp. (Bioriginal) is $1.4 million (2009 - $1.5 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 0.5 years to 5 years.

b) The Corporation recorded an impairment on its equity investment in Can Pro Ingredients Ltd. of $2.4 million according to the Corporation's internal valuation assessment at December 31, 2010.

c) The Corporation received dividends of $2.7 million from Jump.ca Wireless Supply Corp. in the year. The dividends have been recorded as a reduction in the carrying value of the investment, according to equity accounting.

d) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc., owns limited partnership units in Meadow Lake OSB Limited Partnership (ML OSB). The Corporation has issued 8,127,780 options to certain parties to purchase its units of ML OSB. These options expire on December 19, 2011.

e) During the year, the Corporation made $0.9 million (2009 - $1.5 million) of follow on equity investments in VendAsta Technologies Inc. (VendAsta) based on the achievement of pre-established milestones. Included in the investment balance of VendAsta is $1.5 million in goodwill, which is not amortized but assessed for impairment in accordance with the Corporation's investment portfolio review process. The Corporation is in the process of allocating the purchase consideration for the 2010 investment in VendAsta between goodwill and intangibles. Any amortization of intangibles will begin in 2011.

f) The Corporation recorded impairments of $0.3 million related to its other equity investments during the year, according to the Corporation's internal valuation assessment at December 31, 2010.

Available-for-sale investments - cost basis

g) The Corporation recorded an impairment on its cost investment in Targeted Growth Canada Inc. of $8.7 million according to the Corporation's internal valuation assessment at December 31, 2010.

h) During the year, the Corporation's investment in Clothing For Modern Times Ltd. (CFMT) was converted from warrants into shares and the Corporation recorded a $4.2 million impairment on its investment according to the Corporation's internal valuation assessment at December 31, 2010. The CFMT investment was reclassified to available-for-sale investments - cost basis in 2010 as upon conversion the Corporation holds a minority equity interest in CFMT.

Available-for-sale investments - fair value basis

i) During the year, the Corporation disposed of its entire interest in Crescent Point Energy Corp. for proceeds of $22.4 million realizing a gain on sale of $2.9 million.

j) The Corporation sold a portion of its shares in Premium Brands Holding Corp. and Just Energy Exchange Ltd. for proceeds of $15.0 million and $3.2 million realizing a gain on sale of $5.8 million and $0.7 million respectively.

6. INVESTMENTS (continued)

Loans and other advances

k) During the year, the Corporation advanced $0.4 million in senior debt to Can Pro Ingredients Ltd. At December 31, 2010 the Corporation recognized a $2.3 million impairment on its senior debt investment in Can Pro Ingredients Ltd. according to the Corporation's internal valuation assessment regarding the recoverability of the loan at December 31, 2010.

l) During the year, the Corporation disposed of its loan advanced to Stegg Ltd. for proceeds of $4.0 million realizing a loss on sale of $2.1 million.

m) Other loans includes the full repayment of a loan for proceeds of $1.7 million during the year. The Corporation also recognized a $1.8 million impairment related to a separate loan, according to the Corporation's internal valuation assessment regarding the recoverability of the loan at December 31, 2010.

7. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)		2010		2009
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment	$ 38	$ 3	$ 35	$ 257

Depreciation expense for the year is $21.0 thousand (2009 - $4.9 million). During the year, the Corporation disposed of equipment with original cost of $591.0 thousand and a net book value of $198.0 thousand for proceeds of $Nil, resulting in a $198.0 thousand loss on disposal.

8. ENVIRONMENTAL LIABILITIES

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued $28.0 million (2009 - $26.8 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO and therefore has recorded the estimated cost of its assumed obligations related to the PAPCO site.

The Corporation has accrued $65.4 million (2009 - $62.6 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. The increase in the liabilities is as a result of external studies completed on the site in advance of remediation activities.

The Corporation has accrued $9.3 million (2009 - $9.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets.

Identifying the extent of remediation required, compliance with regulatory requirements, and optimum remediation techniques, involve significant estimates by management and contracted consultants. As evaluation of the remediation requirements and process for these sites are in the early stages, there is uncertainty as to the extent of the potential remediation required. Management has recorded the liability based on the information obtained to date. The actual costs remain unknown and may differ from the amounts accrued by a material amount in the near term. Any change to the estimate of the environmental liabilities will be recorded prospectively, once these uncertainties are resolved.

8. ENVIRONMENTAL LIABILITIES (continued)

A reconciliation of the environmental liabilities balance is provided below:

(thousands of dollars)		2010		2009
Environmental liabilities, beginning of year	$	98,575	$	95,234
Change in liabilities due to loss of control of Big Sky		-		(288)
Accretion expense		4,020		3,629
Environmental liabilities, end of year	$	102,595	$	98,575

9. OTHER LIABILITIES

As part of the final closing of the sale of Crown Life Insurance Company (Crown Life), owned 65.2 per cent by HARO Financial Corporation, to Canada Life Assurance Company (Canada Life), the Corporation issued a $26.1 million (2009 - $28.9 million) letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced during the year due to the reduction in and extinguishment of estimated litigation matters. The Corporation recorded a provision of $10.9 million (2009 - $10.9 million) as its best estimate of the actual costs of such contingent liabilities.

10. SHARE CAPITAL AND CAPITAL DISCLOSURES

As a wholly-owned subsidiary of CIC, the Corporation's share capital currently consists of funds invested by CIC in the amount of $80.0 million (2009 - $180.0 million). The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has a strong current ratio of 38:1 as at December 31, 2010 (2009 - 33:1) and has cash and cash equivalents on hand to meet its obligations.

(thousands of dollars)		2010		2009
Authorized:				
Unlimited common shares with no par value				
Issued and outstanding:				
17,999,983 common shares beginning of year	$	180,000	$	180,000
Shares redeemed during year				
(10,000,000 common shares)		(100,000)		-
Ending balance - common shares	$	80,000	$	180,000

On December 30, 2010, the Corporation redeemed 10,000,000 common shares at $10 per share, in accordance with directives issued by CIC.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

(thousands of dollars)	2010	2009
Unrealized foreign currency translation losses	$ (382)	$ (261)
Unrealized gains on available-for-sale securities	653	7,366
	$ 271	$ 7,105

12. EARNINGS (LOSSES) FROM INVESTMENTS

(thousands of dollars)	2010	2009
a) Earnings (losses) from equity basis investments:		
Big Sky (Note 13)	$ 2,116	$ -
Bioriginal Food & Science Corp.	516	(317)
Can Pro Ingredients Ltd.	(1,120)	(1,527)
Jump.ca Wireless Supply Corp.	1,510	1,709
Meadow Lake OSB Limited Partnership	(925)	(3,080)
VendAsta Technologies Inc.	(362)	(70)
Other	(2,327)	(2,688)
	$ (592)	$ (5,973)
b) Provision for loan losses:		
Provision for losses	$ (4,127)	$ (816)
c) Write-down of investments:		
Available-for-sale investments	$ (13,256)	$ (7,195)
Equity basis investments	(2,740)	(263)
Held-for-trading investments	-	(764)
	(15,996)	(8,222)
Cash recovery on loans and investments	271	88
Net write-down of investments	$ (15,725)	$ (8,134)

13. INVESTMENT IN BIG SKY

On November 10, 2009, Big Sky, then a 63.0 per cent owned subsidiary of the Corporation, was granted creditor protection under CCAA. As a result, the Corporation concluded that its control over Big Sky was lost and the Corporation had no ability to exert significant influence. Accordingly, the Corporation's investment in Big Sky was no longer consolidated beginning November 10, 2009 and was accounted for as a cost basis investment at December 31, 2009. As a result, the Corporation's 2009 consolidated financial statements include Big Sky's results of operations and cash flows to November 10, 2009 and do not include the assets, liabilities and equity accounts of Big Sky at December 31, 2009.

13. INVESTMENT IN BIG SKY (continued)

Prior to de-consolidation on November 10, 2009, the Corporation recognized an impairment related to Big Sky's long-lived assets based on continued low commodity prices, a strong Canadian dollar, high feed prices, and the Corporation's assessment of the future ongoing success of its hog operations. The net effect of this impairment, after income taxes and non-controlling interest, was a reduction in the carrying value of the underlying investment in equity and subordinated debt of $17.9 million. As a result, the carrying value of the Corporation's equity and subordinated debt investment in Big Sky was $Nil as at December 31, 2009.

On February 12, 2010 Big Sky's creditors voted to accept the restructuring proposal as proposed by Big Sky under CCAA. As a result of the proposal and restructuring process, the Corporation's investment in Big Sky was reduced to less than 50.0 per cent of the shares of Big Sky, and the Corporation does not exercise control over the restructured company. Therefore, upon emerging from restructuring on March 22, 2010, the Corporation has recorded its investment in Big Sky according to the equity method, recording its proportionate share of its income or loss as generated by Big Sky as set out in Note 12.

14. COMMITMENTS AND CONTINGENCIES

a) The future minimum payments under equipment operating leases in each of the next five years are as follows (thousands of dollars):

2011	$	6
2012		6
2013		3
2014		-
2015		-

b) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2010 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

c) The Corporation has entered into a investment management agreement with a third party investment manager. Under the terms of this agreement, the investment manager may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of the agreement, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment although the Corporation has accrued the best estimate of these fees at the reporting date. It is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations.

15. ITEMS NOT AFFECTING CASH FROM OPERATIONS

(thousands of dollars)	2010	2009
Provision for environmental costs	$ 4,020	$ 3,629
Provision for loan losses (Note 12(b))	4,127	816
Write-down of investments (Note 12(c))	15,996	8,134
Provision for impairment of assets	-	17,939
Reduction in other liabilities	(20)	(1,594)
Working capital balances relating to investments	(607)	533
Losses from equity basis investments	592	5,973
Amortization	21	7,284
Gain on sale of investments	(5,684)	(10,839)
Embedded derivative gains	-	897
Unrealized hedging gains	-	(121)
Future income taxes recovery	-	(225)
Non-controlling interest	400	(10,226)
Other non-cash items	485	(1,917)
	$ 19,330	$ 20,283

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

(thousands of dollars)	2010	2009
Decrease in interest and dividends receivable	$ 203	$ 284
Increase in accounts receivable	(284)	(298)
Increase in inventories	-	(1,948)
Decrease in prepaid expenses	-	389
(Decrease) increase in accounts payable and accrued liabilities	(1,900)	6,699
	$ (1,981)	$ 5,126

17. FINANCIAL RISK MANAGEMENT

a) Risk management activities

Certain of the Corporation's investments are exposed to fluctuations in commodity prices, exchange rates and interest rates and have entered into contracts to hedge or manage this exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its subsidiaries involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

17. FINANCIAL RISK MANAGEMENT (continued)

b) Fair values (continued)

Certain financial instruments including: cash and cash equivalents, restricted cash, interest and dividends receivable, accounts receivable, accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

The Corporation has classified the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels.

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 consists of cash and cash equivalents, restricted cash and publicly traded equities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reported date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter physical forwards and options, including those which have prices similar to quoted market prices. The Corporation obtained information from sources such as independent price publications and over-the-counter broker quotes.

Level 3 - Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods.

At year end, the fair value of the following financial instruments is presented below:

(thousands of dollars)	2010		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 129,479	$ -	$ -
Restricted cash	42,372	-	-
Publicly traded equities	7,512	-	-
Investments - warrants	-	-	-

(thousands of dollars)	2009		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 175,618	$ -	$ -
Restricted cash	41,563	-	-
Publicly traded equities	48,748	-	-
Investments - warrants	-	-	6,725

17. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation's financial instruments impacted by interest rate risk are its cash and cash equivalents, and restricted cash. The Corporation has estimated that with every increase of 1.0 per cent in the bank rate, the Corporation's earnings will increase by $1.3 million (2009 - $1.6 million).

Currency risk relates to some of the Corporation's subsidiaries and equity basis investments with operations in $USD and converting these foreign currency earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Corporation has estimated that with every $0.01 appreciation in the Canadian dollar, earnings before interest, taxes, depreciation and amortization will be adversely impacted by $0.2 million (2009 - $0.2 million).

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in the public equity markets. The Corporation's exposure to public equity markets is 7.2 per cent (2009 - 27.7 per cent) of its investment portfolio. The Corporation has estimated that with every 10.0 per cent increase in the broad based North American public markets, the Corporation's portfolio of respective investments will increase by $1.1 million (2009 - $4.5 million).

17. FINANCIAL RISK MANAGEMENT (continued)

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

The Corporation is exposed to credit risk through its short-term investments, interest, dividends and accounts receivable and loans and other advances. Credit risk related to short-term investments is minimal as the investments are with institutions carrying strong credit ratings. Interest and dividends receivable mainly relates to interest receivable on these short-term investments. The Corporation reviews the portfolio valuation annually.

The carrying amount of financial assets represents the maximum credit exposure as follows:

(thousands of dollars)	2010	2009
Cash and cash equivalents	$ 129,479	$ 175,618
Interest and dividends receivable	296	499
Accounts receivable	1,744	1,460
Investments held-for-trading	-	6,725
Investments available-for-sale	25,215	73,084
Loans and other advances	36,569	48,094
	$ 193,303	$ 305,480

The aging of receivables, which indicates potential impairment losses, is as follows:

(thousands of dollars)	2010	2009
Current	$ 306	$ 371
0-30 days	-	880
31-60 days	-	52
Greater than 60 days	1,438	157
	$ 1,744	$ 1,460

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible.

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and through its capital allocation, can allocate resources to ensure that all financial commitments are met. Where necessary the Corporation can borrow funds, or be provided or provide equity injections to solve any liquidity issues. The Corporation's only contractural obligations is accounts payable. All accounts payable are due in 2011.

18. RELATED PARTY TRANSACTIONS

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

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

(thousands of dollars)	2010	2009
Category (as per financial statements)		
Accounts payable and accrued liabilities	$ 47	$ 57
Interest and other revenue	-	369
Operating expenses	893	4,590
Financing expense	-	31

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services without charge.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

19. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to current year’s presentation.