

Quarter 1 Financial Report

For the period ended June 30, 2016

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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the Provincial Government's holding corporation for its commercial Crown corporations. CIC has invested equity in its subsidiary corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of its financial health. This narrative on CIC's 2016-17 first quarter financial results should be read in conjunction with the March 31, 2016 audited consolidated and separate financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those disclosed in CIC's March 31, 2016 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the commercial Crown sector; and CIC's separate financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

CIC's consolidated financial statements include CIC's results consolidated with the results of its subsidiary corporations. The unaudited condensed consolidated interim financial statements (herein after referred to as the "consolidated financial statements") are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations;

SaskEnergy Incorporated (SaskEnergy)	Saskatchewan Telecommunications
Saskatchewan Gaming Corporation (SGC)	Holding Corporation and Saskatchewan
Saskatchewan Government Insurance (SGI CANADA)	Telecommunications (collectively SaskTel)
Saskatchewan Opportunities Corporation (SOCO)	Saskatchewan Transportation Company (STC)
Saskatchewan Power Corporation (SaskPower)	Saskatchewan Water Corporation (SaskWater)

- Financial results of wholly-owned subsidiary share capital corporations;

CIC Asset Management Inc. (CIC AMI)
CIC Economic Holdco Ltd.
First Nations and Métis Fund Inc. (FNMF)
Saskatchewan Immigrant Investor Fund Inc. (SIIF)

- Costs incurred by its wholly-owned non-profit subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest earned on cash and cash equivalents, short-term investment balances and equity earnings on equity accounted investees.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-group transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Separate Financial Statements

CIC's separate financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. The unaudited condensed separate interim financial statements have been prepared in accordance with IAS 27 - *Separate Financial Statements* and IAS 34 - *Interim Financial Reporting* at the request of the Saskatchewan Legislative Assembly. These financial statements are intended to isolate the Corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary Crown corporations (SaskTel, SaskEnergy, SGI CANADA, SGC, SaskWater and SOCO);
- Dividends from the Corporation's investment in Information Services Corporation;
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's operating results and public policy expenditures.

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

Throughout the quarterly report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are associates, joint ventures and joint operations, held through CIC's wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's consolidated financial statements and supporting notes for the period ended June 30, 2016. These consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The consolidated financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these consolidated financial statements should be read in conjunction with CIC's March 31, 2016 audited consolidated financial statements. The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those disclosed in CIC's March 31, 2016 audited consolidated financial statements, except as described in Note 3 to these consolidated financial statements.

Management's Discussion and Analysis (continued)

Major Lines of Business (continued)

For purposes of CIC's consolidated MD&A, "CIC" and "the Corporation" refers to the consolidated entity. The following table lists significant wholly-owned subsidiaries, including the respective business line, which CIC consolidates in its financial statements:

Type	Investment	Major Business Line
Utilities	Saskatchewan Power Corporation (SaskPower)	Electricity
	Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Information and Communications Technology
	SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
	Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
Insurance	Saskatchewan Government Insurance (SGI CANADA)	Property and Casualty Insurance
Entertainment	Saskatchewan Gaming Corporation (SGC)	Entertainment
Investment and Economic Growth	CIC Asset Management Inc. (CIC AMI)	Investments
	Saskatchewan Opportunities Corporation (SOCO)	Research Parks
	Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
Transportation	Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation

Subsidiary Corporation Earnings		
(millions of dollars) (unaudited)	For the three months ended	
	June 30 2016	June 30 2015
SaskEnergy	\$ 54.4	\$ (1.3)
SaskTel	35.9	28.0
SGI CANADA	29.8	8.2
SaskPower	18.6	6.1
SGC	6.3	6.8
SaskWater	2.5	1.4
SOCO	0.8	0.8
CIC AMI	0.3	0.8
SIIF	(0.1)	(0.1)
STC	(0.2)	1.5
CIC (separate)	15.6	23.7
Other ¹	(19.3)	(45.2)
Net earnings	\$ 144.6	\$ 30.7

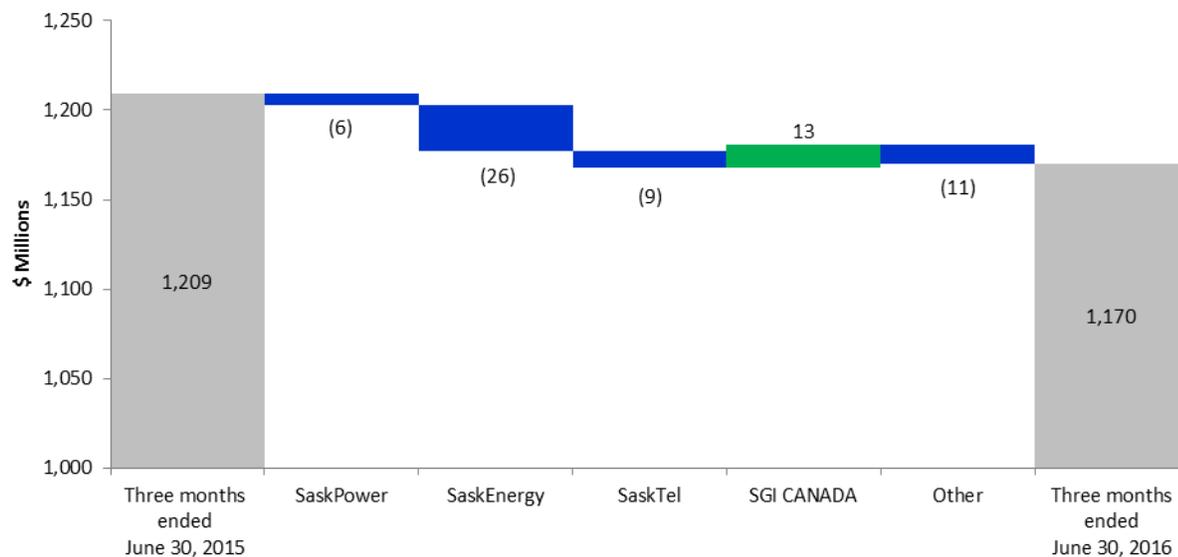
¹ Includes First Nations and Métis Fund, Gradworks Inc., CIC Economic Holdco Ltd., and consolidation adjustments. Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations, and dividends paid by Crown corporations to CIC.

The Corporation experienced strong earnings in the three months ended June 30, 2016 primarily due to favourable non-cash market value adjustments on natural gas contracts. SaskEnergy, SaskTel, SGI CANADA and SaskPower showed growth in net earnings. A prior period impairment in CIC's investment in Information Services Corporation (ISC) reduced earnings in the prior period. The Corporation's consolidated net earnings for the three months ended June 30, 2016 were \$144.6 million (2015 - \$30.7 million) or \$113.9 million higher than the same period in 2015.

Management's Discussion and Analysis (continued)

Revenue

Changes in Revenue



Revenue for the three months ended June 30, 2016 was \$1,169.5 million (June 2015 - \$1,208.7 million) or a \$39.2 million decrease over the same period in 2015 primarily related to decreases at SaskPower, SaskEnergy and SaskTel, partially offset by increased revenue at SGI CANADA.

SaskPower revenue decreased by \$5.9 million primarily due to lower customer contributions as well as a decline in wind power incentives received from the Government of Canada. These decreases were partially offset by increased Saskatchewan electricity sales due to a 2.0 per cent system-wide average rate increase which became effective September 1, 2015, as well as a rise in sales volumes from growth in demand from the oilfield and commercial customers.

SaskEnergy revenue decreased by \$26.4 million primarily due to a decrease in commodity sales and unfavourable non-cash market value adjustments on natural gas contracts. Commodity sales decreased due to a commodity rate decrease effective January 1, 2016 and lower volumes delivered to residential and commercial customers as a result of warmer weather. These decreases were partially offset by increased delivery revenue as a result of a 4.5 per cent rate increase effective January 1, 2016 and increased transportation and storage revenue due to industrial customer load growth and a 2.5 per cent transportation rate increase effective January 1, 2016.

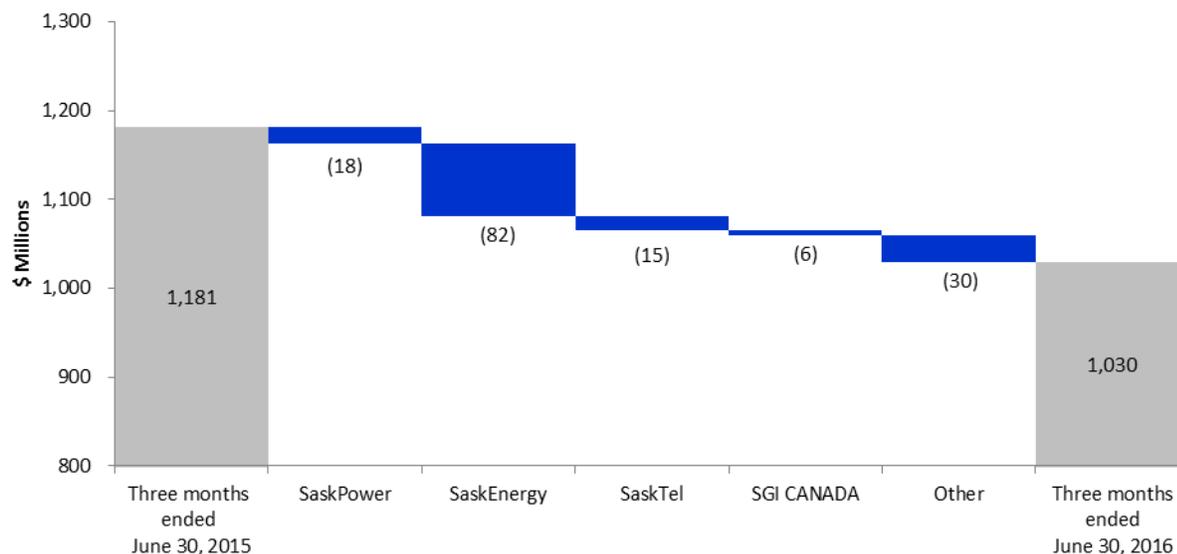
SaskTel revenue decreased by \$8.5 million primarily due to fewer landline customers as a result of customers removing landlines and only using wireless services. The decrease was partially offset by increased internet revenue resulting from increased customers.

SGI CANADA revenue increased by \$13.1 million primarily due to increases in gross premiums written in Saskatchewan and Alberta. Saskatchewan gross premiums written increased due to price increases as a result of rate increases and inflation in personal lines and agro. Growth in personal lines contributed to the majority of the increase in Alberta.

Management's Discussion and Analysis (continued)

Operating Expenses and Net Finance Expense

Changes in Operating Expenses and Net Finance Expense



Operating expenses and net finance expense for the three months ended June 30, 2016 were \$1,029.7 million (June 2015 - \$1,181.0 million) or a \$151.3 million decrease from the same period in 2015 primarily related to decreases at SaskPower, SaskEnergy, SaskTel and SGI CANADA and a prior period impairment of CIC's investment in ISC that did not occur in 2016.

Operating and net finance expense decreased at SaskPower by \$17.9 million primarily due to favourable non-cash market value adjustments on natural gas contracts and sinking funds. These decreases were partially offset by increased fuel and purchased power costs from lower use of hydro power, due to low water levels, that was replaced with higher cost power generation. In addition, SaskPower experienced increased depreciation and finance charges due to capital investment.

Operating and net finance expense decreased at SaskEnergy by \$82.1 million primarily due to favourable non-cash market value adjustments on natural gas derivative instruments, natural gas in storage and sinking funds.

Operating and net finance expense decreased at SaskTel by \$15.4 million primarily due to reduced maintenance and support related to retired systems, improved contract management, reduced satellite expenses due to the satellite internet product being discontinued, decreased *maxTV*TM content costs due to live Pay Per View content being more popular in 2015 and decreased roaming rates due to a CRTC rate reduction. Operating and net finance expense was further reduced by favourable non-cash market value adjustments on sinking funds. These reductions were partially offset by increased customer acquisition costs.

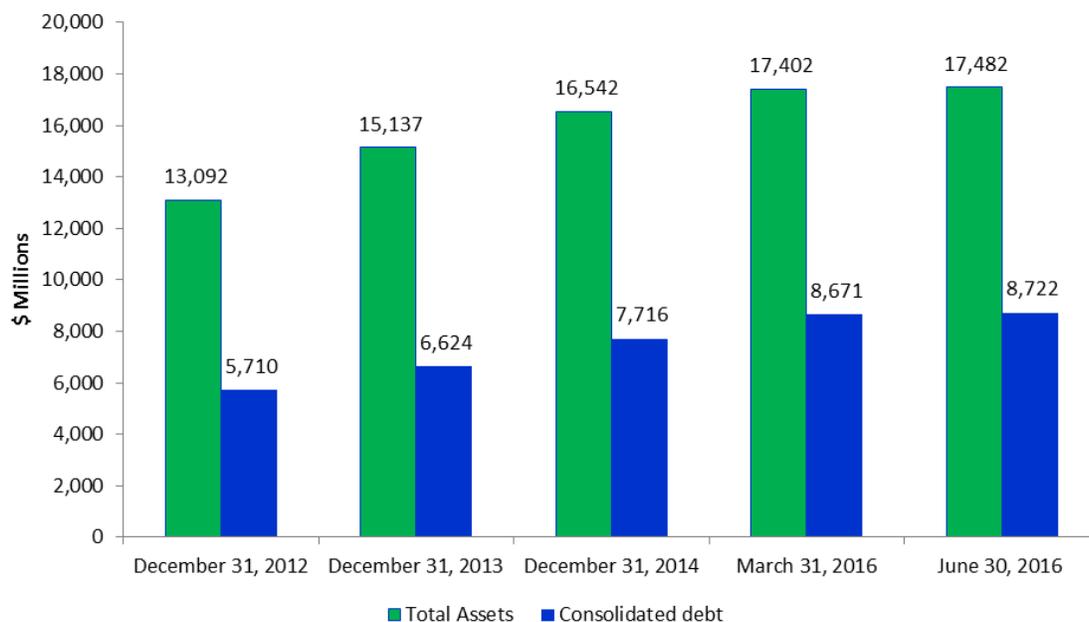
Operating and net finance expense decreased at SGI CANADA by \$6.5 million primarily due to increased investment earnings. Increases in equity prices and decreased interest rates on fixed income investments resulted in higher capital gains.

Operating and net finance expense also decreased due to a \$15.7 million impairment of CIC's 31.0 per cent ownership of ISC during the three month period ended June 30, 2015 that did not occur in 2016.

Management's Discussion and Analysis (continued)

Capital Spending

Total Assets and Consolidated Debt



In the three months ended June 30, 2016, property, plant and equipment, intangible asset and investment property purchases were \$236.4 million (June 2015 - \$364.4 million) or a \$128.0 million decrease from the same period in 2015. Major capital expenditures included:

- \$139.3 million at SaskPower related to connecting customers to the electric system, increasing generation capacity and sustaining the electrical system;
- \$60.9 million at SaskTel on growth initiatives such as Fibre to the Premises as well as data centre functionality and the Mosaic Stadium infrastructure project; and
- \$29.2 million at SaskEnergy primarily related to customer connections, system expansions to meet residential and industrial customer growth and spending to ensure the safety and integrity of its extensive distribution and transmission systems.

Consolidated debt at June 30, 2016 was \$8,721.7 million (March 31, 2016 - \$8,671.3 million), an increase of \$50.4 million. The increase in debt is primarily due to a \$54.3 million increase in SaskPower debt to fund a portion of its \$139.3 million in capital expenditures during the period. This was partially offset by an \$11.2 million decrease at SIIF as a result of repayments made to the Government of Canada pursuant to the Immigrant Investor Program.

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

CIC and its subsidiary Crowns finance capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt as at June 30, 2016

Moody's Investor Service	Aaa
Standard & Poor's	AA+ ¹
Dominion Bond Rating Service	AA

¹ On June 24, 2016, Standard & Poor's downgraded Saskatchewan's credit rating from AAA to AA+. The downgrade is consistent with Standard & Poor's treatment of other resource-based economies.

Cash Flow Highlights (millions of dollars) (unaudited)	For the three months ended	
	June 30 2016	June 30 2015
Net cash from operating activities	\$ 204.7	\$ 323.3
Net cash used in investing activities	(314.7)	(449.1)
Debt proceeds received	22.3	184.3
Debt repaid	(38.3)	(3.4)
Increase (decrease) in notes payable	63.3	(107.9)
Other financing activities	<u>(20.0)</u>	<u>(19.8)</u>
Change in cash and cash equivalents	<u>\$ (82.7)</u>	<u>\$ (72.6)</u>

Operating, Investing and Financing Activities

Net cash from operating activities for the three months ended June 30, 2016 was \$204.7 million (June 2015 - \$323.3 million) or a decrease of \$118.6 million. Cash from operating activities declined primarily due to a \$7.2 million increase in interest paid, attributed to higher consolidated debt balances and a \$94.9 million decrease from changes in non-cash working capital balances.

Net cash used in investing activities for the three months ended June 30, 2016 was \$314.7 million (June 2015 - \$449.1 million). The \$134.4 million decrease in cash outflows is primarily related to a decrease in capital expenditures at SaskPower and SaskEnergy due to the completion of major capital projects.

Net cash from financing activities for the three months ended June 30, 2016 was \$27.3 million (June 2015 - \$53.2 million). The decreased cash inflow of \$25.9 million was due to a \$162.0 million decrease in debt proceeds and a \$34.9 million increase in debt repayments, partially offset by a \$171.2 million increase in notes payable. The overall decrease in net cash from financing activities is primarily related to the decrease in capital expenditures noted above.

Debt Management

CIC and its subsidiary Crowns prudently manage debt to maintain and enhance financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

Management's Discussion and Analysis (continued)

Outlook

The Corporation's outlook related to net earnings is highly dependent upon the performance and management of the subsidiary corporations. Earnings expectations are also subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition, and the regulatory environment.

The Corporation projects continued strong operating performance. Net earnings are largely driven by utility Crowns that have relatively stable operating environments, stable or growing customer demand, and rates that are set in accordance with commercial principles. The Corporation anticipates significant ongoing challenges including maintaining and expanding utility infrastructure at SaskPower, SaskEnergy and SaskWater, as well as keeping pace with industry technological change at SaskTel. Significant capital expenditures in these companies are expected in the medium term.

In addition, continued volatility in financial markets may further affect valuation of pension liabilities, portfolio investments, and natural gas price management instruments and inventory.

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Interim Statement of Financial Position
As at
(thousands of dollars)
(unaudited)

	June 30 2016	March 31 2016
Note		
ASSETS		
Current		
Cash and cash equivalents	\$ 187,752	\$ 270,491
Short-term investments	361,862	246,359
Short-term investments under securities lending program	27,969	63,768
Accounts receivable	779,146	848,295
Restricted cash and cash equivalents	62,799	71,270
Derivative financial assets	8,714	11,374
Inventories	367,785	323,324
Prepaid expenses	<u>177,886</u>	<u>178,736</u>
	1,973,913	2,013,617
Restricted cash and cash equivalents	4,717	4,724
Long-term investments	1,517,575	1,418,289
Long-term investments under securities lending program	66,519	94,289
Investments in equity accounted investees	122,058	120,464
Property, plant and equipment	13,216,354	13,160,220
Investment property	165,633	166,424
Intangible assets	403,465	412,123
Other assets	<u>11,657</u>	<u>12,230</u>
	\$ 17,481,891	\$ 17,402,380
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Trade and other payables	\$ 633,887	\$ 718,426
Derivative financial liabilities	199,670	266,086
Notes payable	1,586,420	1,523,083
Deferred revenue	539,992	509,657
Provisions	193,160	195,058
Finance lease obligations	12,649	12,019
Long-term debt due within one year	<u>363,268</u>	<u>263,935</u>
	3,529,046	3,488,264
Provisions	636,952	625,578
Finance lease obligations	1,130,919	1,132,497
Long-term debt	6,772,050	6,884,256
Employee future benefits	515,854	464,085
Other liabilities	<u>221,168</u>	<u>218,445</u>
	12,805,989	12,813,125
Province of Saskatchewan's Equity		
Equity advances	908,889	908,889
Contributed surplus	85	85
Retained earnings	3,948,739	3,804,178
Accumulated other comprehensive loss	7 <u>(181,811)</u>	<u>(123,897)</u>
	4,675,902	4,589,255
	\$ 17,481,891	\$ 17,402,380
Commitments and contingencies	8	
(See accompanying notes)		

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Interim Statement of Comprehensive Income
For the Period
(thousands of dollars)
(unaudited)

	2016	2015
	April 1	April 1
	to	to
	June 30	June 30
INCOME FROM OPERATIONS		
Revenue	\$ 1,169,510	\$ 1,208,651
Other income	<u>2,049</u>	<u>1,452</u>
	<u>1,171,559</u>	<u>1,210,103</u>
EXPENSES		
Operating	455,590	564,373
Salaries, wages and short-term employee benefits	229,168	220,637
Employee future benefits	10,731	10,371
Depreciation and amortization	204,761	194,010
Loss on disposal of property, plant and equipment	2,528	3,081
Impairment losses	139	15,494
Research and development	3	48
Saskatchewan taxes and fees	<u>42,668</u>	<u>40,951</u>
	<u>945,588</u>	<u>1,048,965</u>
RESULTS FROM OPERATING ACTIVITIES	<u>225,971</u>	<u>161,138</u>
Finance income	51,955	11,681
Finance expenses	<u>(136,044)</u>	<u>(143,799)</u>
NET FINANCE EXPENSES	<u>(84,089)</u>	<u>(132,118)</u>
EARNINGS FROM OPERATIONS	141,882	29,020
Share of net earnings from equity accounted investees	<u>2,679</u>	<u>1,649</u>
NET EARNINGS	144,561	30,669
OTHER COMPREHENSIVE (LOSS) INCOME		
Defined benefit plan actuarial (losses) gains	(48,595)	74,402
Unrealized (loss) gain on cash flow hedges	(9,418)	41,424
Realized loss on cash flow hedges	-	(7,004)
Amounts amortized to net earnings and included in net finance expenses	<u>99</u>	<u>(21)</u>
OTHER COMPREHENSIVE (LOSS) INCOME	<u>(57,914)</u>	<u>108,801</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN	<u>\$ 86,647</u>	<u>\$ 139,470</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Interim Statement of Changes in Equity
For the Period
(thousands of dollars)
(unaudited)

	Attributable to the Province of Saskatchewan				
	Equity Advances	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Note 7)	Total Equity
Balance at April 1, 2015	\$ 908,889	\$ 85	\$ 3,927,818	\$ (125,802)	\$ 4,710,990
Total comprehensive income	-	-	30,669	108,801	139,470
Dividends to General Revenue Fund (GRF)	-	-	-	-	-
Balance at June 30, 2015	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,958,487</u>	<u>\$ (17,001)</u>	<u>\$ 4,850,460</u>
Balance at July 1, 2015	\$ 908,889	\$ 85	\$ 3,958,487	\$ (17,001)	\$ 4,850,460
Total comprehensive income (loss)	-	-	142,890	(106,896)	35,994
Dividends to GRF	-	-	(297,199)	-	(297,199)
Balance at March 31, 2016	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,804,178</u>	<u>\$ (123,897)</u>	<u>\$ 4,589,255</u>
Balance at April 1, 2016	\$ 908,889	\$ 85	\$ 3,804,178	\$ (123,897)	\$ 4,589,255
Total comprehensive income (loss)	-	-	144,561	(57,914)	86,647
Dividends to GRF	-	-	-	-	-
Balance at June 30, 2016	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,948,739</u>	<u>\$ (181,811)</u>	<u>\$ 4,675,902</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Interim Statement of Cash Flows
For the Period
(thousands of dollars)
(unaudited)

	Note	2016 April 1 to June 30	2015 April 1 to June 30
OPERATING ACTIVITIES			
Net earnings		\$ 144,561	\$ 30,669
Adjustments to reconcile net earnings to cash from operating activities	9	<u>203,414</u>	<u>333,658</u>
		347,975	364,327
Net change in non-cash working capital balances related to operations		(20,177)	74,732
Interest paid		<u>(123,065)</u>	<u>(115,767)</u>
Net cash from operating activities		<u>204,733</u>	<u>323,292</u>
INVESTING ACTIVITIES			
Interest received		7,224	7,951
Dividends received		305	366
Purchase of investments		(298,702)	(439,966)
Proceeds from sale and collection of investments		204,681	338,686
Purchase of property, plant and equipment		(225,383)	(346,488)
(Costs) proceeds related to sale of property, plant and equipment		(355)	164
Purchase of intangible assets		(9,594)	(17,325)
Purchase of investment property		(1,427)	(530)
Decrease in restricted cash and cash equivalents		8,478	7,893
Decrease in other assets		<u>6</u>	<u>107</u>
Net cash used in investing activities		<u>(314,767)</u>	<u>(449,142)</u>
FINANCING ACTIVITIES			
Increase (decrease) in notes payable		63,337	(107,872)
Increase in other liabilities		1,280	4,466
Debt proceeds from GRF		22,010	183,978
Debt repayments to GRF		(22,010)	-
Debt proceeds from other lenders		320	325
Debt repayments to other lenders		(16,278)	(3,465)
Sinking fund instalments		(24,169)	(24,168)
Sinking fund redemptions		<u>2,805</u>	<u>-</u>
Net cash provided by financing activities		<u>27,295</u>	<u>53,264</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD		(82,739)	(72,586)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>270,491</u>	<u>398,844</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 187,752</u>	<u>\$ 326,258</u>
Cash and cash equivalents consist of:			
Cash and cash equivalents		\$ 187,752	\$ 335,563
Bank indebtedness		<u>-</u>	<u>(9,305)</u>
		<u>\$ 187,752</u>	<u>\$ 326,258</u>

(See accompanying notes)

1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The condensed consolidated interim financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and CIC's interest in associates, joint ventures and joint operations with principal activities as described in Note 4 (a).

The results included in these condensed consolidated interim financial statements should not be taken as indicative of the performance to be expected for a full fiscal year due to the seasonal nature of corporate operations.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2016 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 14, 2016.

b) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. Information included in the condensed consolidated interim financial statements reflects the first fiscal quarter consisting of the three months ended June 30, 2016 as compared to the three months ended June 30, 2015.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is CIC's functional currency.

3. Application of revised accounting standards

The following amendments to standards, effective for annual periods beginning on or after April 1, 2016, have been applied in preparing these interim condensed consolidated financial statements:

- IAS 1, *Presentation of Financial Statements*
- IAS 16, *Property Plant and Equipment* and IAS 38, *Intangible Assets*
- IFRS 11, *Joint Arrangements*
- *Annual Improvements Cycle 2012-2014*

The adoption of these amended standards had no material impact on the interim condensed consolidated financial statements.

4. Significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those disclosed in CIC's March 31, 2016 audited consolidated financial statements, except as described in Note 3.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements and have been consistently applied by CIC's subsidiaries.

a) Basis of consolidation

Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the Corporation also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and Saskatchewan Immigrant Investor Fund Inc., all of which are domiciled in Canada.

Unaudited condensed separate interim financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, condensed interim financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

Wholly-owned subsidiaries domiciled in Canada	Principal activity
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Information and communications technology
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Water Corporation (SaskWater)	Water and wastewater management
Saskatchewan Government Insurance (SGI CANADA)	Property and casualty insurance
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Transportation Company (STC)	Passenger and freight transportation

Associates and joint ventures (investments in equity accounted investees)

Associates are those entities in which CIC has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when CIC holds between 20.0 and 50.0 per cent of the voting power of another entity.

Joint ventures are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide CIC with rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The condensed consolidated interim financial statements include CIC's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CIC, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When CIC's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced and the recognition of further losses is discontinued except to the extent that CIC has an obligation or has made payments on behalf of the investee.

Joint operations

Joint operations are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide CIC with rights to the assets and obligations for the liabilities, related to the arrangement. CIC has classified its 50.0 per cent interest in the Kisbey Gas Gathering and Processing Facility, the Totnes Natural Gas Storage Facility, the Cory Cogeneration Station and BHP Billiton SaskPower Carbon Capture and Storage Knowledge Centre Inc. as joint operations.

The condensed consolidated interim financial statements include CIC's proportionate share of joint operation assets, incurred liabilities, income and expenses.

4. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Special purpose entities

CIC has established certain special purpose entities (SPEs) for trading and investment purposes. CIC does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with CIC and the SPE's risks and rewards, CIC concludes that it controls the SPE. SPEs controlled by CIC were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in CIC receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

CIC has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to CIC's consolidated results.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the condensed consolidated interim financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of CIC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) New standards not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2016, and have not been applied in preparing these condensed consolidated interim financial statements.

IAS 7, *Statement of Cash Flows*

In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows* to require a reconciliation of opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for reporting periods beginning on or after January 1, 2017 and will be applied prospectively. The Corporation is currently evaluating the impact of these amendments on the consolidated financial statements.

IFRS 4, *Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which was based on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2016 with implementation not expected before 2020. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

In July 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments*, before the new insurance contracts standard is issued. Insurers who meet certain criteria will be permitted to exclude from net income and recognize in other comprehensive income the difference between the amounts that would be recognized in net income in accordance with IFRS 9 and the amounts recognized in net income in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

4. Significant accounting policies (continued)

b) New standards not yet adopted (continued)

IFRS 9, *Financial Instruments*

In July 2014, the final version of IFRS 9, *Financial Instruments* was issued. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It has also modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. IFRS 9 may affect the classification, measurement and valuation of certain assets and liabilities. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance on contract costs and on the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2018 using a full retrospective approach for all periods presented in the period of adoption, a modified retrospective approach or a retrospective cumulative effect approach.

IFRS 15 will affect how the Corporation accounts for revenues and contract costs for certain operations and segments. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

IFRS 16, *Leases*

In January 2016, IFRS 16, *Leases* was issued. IFRS 16 replaces IAS 17, *Leases*. Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases. IFRS 16 must be adopted for annual periods beginning on or after January 1, 2019. IFRS 16 will affect the classification, measurement and valuation of leases. The Corporation is currently assessing the impact of the standard on the consolidated financial statements.

5. Status of CIC

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain associates, joint ventures, joint operations and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

6. Equity advances and capital disclosures

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

Due to its ownership structure, CIC has no access to capital markets for equity. Equity advances in CIC are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

CIC closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in CIC's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair CIC's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector. The target ratio for 2016-17 is 62.7 per cent.

CIC raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows CIC to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

CIC made no changes to its approach to capital management during the period.

The debt ratio is as follows:

	June 30 2016	March 31 2016
Total debt (a)	\$ 8,721,738	\$ 8,671,274
Less: Sinking funds	<u>(831,153)</u>	<u>(780,762)</u>
Net debt	7,890,585	7,890,512
Equity (b)	<u>4,857,713</u>	<u>4,713,152</u>
Capitalization	<u>\$ 12,748,298</u>	<u>\$ 12,603,664</u>
Debt ratio	61.9%	62.6%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

7. Accumulated other comprehensive loss

	June 30 2016	March 31 2016
Items that may be reclassified to net earnings:		
Unrealized losses on cash flow hedges	\$ (12,683)	\$ (3,265)
Realized losses on cash flow hedges	<u>(13,043)</u>	<u>(13,142)</u>
	(25,726)	(16,407)
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial losses	<u>(156,085)</u>	<u>(107,490)</u>
	<u>\$ (181,811)</u>	<u>\$ (123,897)</u>

8. Commitments and contingencies

CIC has various legal matters pending which, in the opinion of management, will not have a material effect on CIC's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to CIC's financial position or results of operations could result.

9. Condensed consolidated interim statement of cash flows

	2016 April 1 to June 30	2015 April 1 to June 30
Adjustments to reconcile net earnings to cash provided from operating activities		
Depreciation and amortization	\$ 204,761	\$ 194,010
Share of earnings from investments in equity accounted investees	(2,679)	(1,649)
Defined benefit pension plan expense (income)	297	(375)
Unrealized gains on derivative financial instruments	(73,041)	(8,289)
Inventory recovery	(12,840)	(40)
Loss on disposal of property, plant and equipment	2,528	3,081
Impairment losses	139	15,494
Net finance expenses	84,089	132,118
Other non-cash items	<u>160</u>	<u>(692)</u>
	<u>\$ 203,414</u>	<u>\$ 333,658</u>

10. Fair value of financial instruments

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.

Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 - Inputs are not based on observable market data.

CIC's financial instruments are categorized within this hierarchy as follows:

	June 30 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 187,752	\$ -	\$ -	\$ 187,752
Restricted cash and cash equivalents	67,516	-	-	67,516
Notes payable	1,586,420	-	-	1,586,420
Investments carried at fair value through profit or loss	493,788	1,163,319	152,788	1,809,895
Investments - amortized cost	-	53,878	-	53,878
Loans and receivables - Immigrant Investor Program	-	106,685	-	106,685
Finance lease obligations	-	1,304,307	-	1,304,307
Long-term debt	-	8,755,159	-	8,755,159
Physical natural gas contracts - net	-	(42,697)	-	(42,697)
Natural gas price swaps - net	-	(134,532)	-	(134,532)
Physical electricity forwards - net	-	(1,002)	-	(1,002)
Electricity contracts for differences - net	-	(69)	-	(69)
Commodity forward contracts - net	-	(12,656)	-	(12,656)

	March 31 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 270,491	\$ -	\$ -	\$ 270,491
Restricted cash and cash equivalents	75,994	-	-	75,994
Notes payable	1,523,083	-	-	1,523,083
Investments carried at fair value through profit or loss	407,564	1,102,695	142,375	1,652,634
Investments - amortized cost	-	53,858	-	53,858
Loans and receivables - Immigrant Investor Program	-	112,838	-	112,838
Finance lease obligations	-	1,287,176	-	1,287,176
Long-term debt	-	8,476,830	-	8,476,830
Physical natural gas contracts - net	-	(76,208)	-	(76,208)
Natural gas price swaps - net	-	(174,725)	-	(174,725)
Physical electricity forwards - net	-	(137)	-	(137)
Electricity contracts for differences - net	-	(397)	-	(397)
Commodity forward contracts - net	-	(3,245)	-	(3,245)

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

Separate Financial Statements

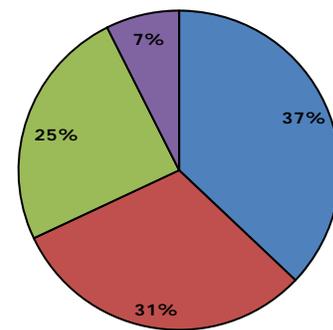
Management's Discussion and Analysis

CIC is the Provincial Government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability and financial condition.

This narrative on CIC's separate June 30, 2016 first quarter results should be read in conjunction with the March 31, 2016 audited separate financial statements.

For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

Dividend Revenue



■ SaskTel ■ SGI ■ SGC ■ Other

Financial Results

CIC Separate First quarter Earnings (thousands of dollars) (unaudited)	For the three months ended	
	June 30 2016	June 30 2015
Dividend revenue	\$ 20,208	\$ 30,519
Add: Finance and other revenue	267	556
Less: Operating, salaries and other expenses	(2,311)	(2,644)
Grants to subsidiary corporations	<u>(2,579)</u>	<u>(4,778)</u>
Total Separate Earnings	<u>\$ 15,585</u>	<u>\$ 23,653</u>

Net Earnings

Net earnings for three months ended June 30, 2016 were \$15.6 million (June 2015 – \$23.7 million), a decrease of \$8.1 million from the same period in 2015. The decrease in earnings is primarily due to lower dividend revenue of \$10.3 million and a decrease in finance and other revenue of \$0.3 million. The unfavourable change in revenue was offset by lower expenses consisting of a reduction in grants to subsidiary corporations of \$2.2 million and a decrease in operating, salaries and other expenses of \$0.3 million. A more detailed discussion of the net earnings is included on the pages following.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for three months ended June 30, 2016 was \$20.2 million (June 2015 - \$30.5 million). The \$10.3 million decrease is primarily due to decreased dividends from SaskEnergy (\$10.0 million), SGC (\$0.2 million) and SOCO (\$0.1 million).

For the first three months of each fiscal period, dividends from subsidiary Crown corporations are based on 25 per cent of forecasted dividends for the period. The forecasted dividend is calculated in accordance with CIC's dividend policy and is typically a percentage payout of earnings from operations, but can be an absolute value. The percentage is based on the overall financial health of the subsidiary Crown and its need for capital investment. These dividend targets are subject to change during the period if there is a significant change in circumstances.

For the current fiscal period, the budgeted dividend at SaskTel is \$30.0 million, SGI CANADA is \$25.0 million, SaskWater is based on 25.0 per cent of earnings from operations, SGC is based on 80.0 per cent of earnings from operations, SOCO is based on 90.0 per cent of earnings from operations and SaskEnergy is based on 35% of earnings from operations. SaskEnergy deferred its first quarter dividend payment to CIC as a result of lower cash available from operations.

Operating, Salaries and Other Expenses

Operating, salaries and other expenses for the three months ended June 30, 2016 was \$2.3 million (June 2015 - \$2.6 million), a \$0.3 million decrease from the same period in 2015. This decrease is primarily due to timing differences.

Grants to Subsidiary Corporations

During the first three months of 2016-17, CIC provided \$2.6 million (June 2015 - \$4.8 million) in grants to subsidiary corporations. STC received \$2.5 million (June 2015 - \$4.7 million) in grants to support ongoing operations. Gradworks Inc. received \$0.1 million (June 2015 - \$0.1 million) to fund its Internship Development Program.

CIC projects public policy and grant funding expenditures to be as follows: \$14.2 million to support ongoing operations at STC and \$0.3 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the three months ended	
	June 30 2016	June 30 2015
Net cash from operating activities	\$ 51.9	\$ 22.9
Net cash used in investing activities	(75.0)	(107.4)
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash	<u>\$ (23.1)</u>	<u>\$ (84.5)</u>

Liquidity

CIC finances its capital requirements through internally-generated cash flow and in rare circumstances, through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Management's Discussion and Analysis (continued)

Operating, Investing and Financing Activities

Net cash from operating activities for the three months ended June 30, 2016 was \$51.9 million (June 2015 - \$22.9 million). This \$29.0 million increase is due mainly to a \$36.9 million increase from net changes in non-cash working capital balances related to operations as a result of a year over year change in dividends receivable from subsidiary Crown corporations. This increase was partially offset by an \$8.1 million decrease in net earnings resulting mainly from lower dividend revenue in the current period as compared to the same period of 2015.

Net cash used in investing activities for the three months ended June 30, 2016 was \$75.0 million (June 2015 - \$107.4 million), a decrease of \$32.4 million. The decrease in cash flows is mainly due to reclassifications of \$32.6 million of cash between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents.

Net cash used in financing activities for the three months ended June 30, 2016 was Nil (June 2015 - Nil).

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2016-17.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of net earnings and, in turn, dividends from commercial subsidiary Crown corporations. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Financial Position
As at
(thousands of dollars)
(unaudited)

	Note	June 30 2016	March 31 2016
ASSETS			
Current			
Cash and cash equivalents		\$ 109,799	\$ 132,880
Short-term investments		75,294	-
Interest and accounts receivable		137	740
Dividends receivable		<u>19,123</u>	<u>55,654</u>
		204,353	189,274
Equity advances to Crown corporations	5	1,186,918	1,186,918
Investments in share capital corporations		6,306	6,306
Equipment		<u>141</u>	<u>148</u>
		<u>\$ 1,397,718</u>	<u>\$ 1,382,646</u>
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		<u>\$ 1,863</u>	<u>\$ 2,376</u>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Retained earnings		<u>486,966</u>	<u>471,381</u>
		<u>1,395,855</u>	<u>1,380,270</u>
		<u>\$ 1,397,718</u>	<u>\$ 1,382,646</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Comprehensive Income
For the Period
(thousands of dollars)
(unaudited)

	Note	2016 April 1 to June 30	2015 April 1 to June 30
INCOME FROM OPERATIONS			
Dividend	6	\$ 20,208	\$ 30,519
Other income		<u>-</u>	<u>10</u>
		<u>20,208</u>	<u>30,529</u>
EXPENSES			
Operating		888	1,320
Salaries and short term employee benefits		1,270	1,225
Employee future benefits		144	75
Depreciation and amortization		<u>7</u>	<u>22</u>
		<u>2,309</u>	<u>2,642</u>
EARNINGS FROM OPERATIONS			
		<u>17,899</u>	<u>27,887</u>
Finance income		267	546
Finance expenses		<u>(2)</u>	<u>(2)</u>
NET FINANCE INCOME			
		<u>265</u>	<u>544</u>
EARNINGS BEFORE PUBLIC POLICY INITIATIVES			
		18,164	28,431
Grants to subsidiary corporations	7	<u>(2,579)</u>	<u>(4,778)</u>
NET EARNINGS			
		15,585	23,653
OTHER COMPREHENSIVE INCOME			
		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN			
		<u>\$ 15,585</u>	<u>\$ 23,653</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
 Condensed Separate Statement of Changes in Equity
 For the period
 (thousands of dollars)
 (unaudited)

	2016	2015
	April 1	April 1
	to	to
	June 30	June 30
RETAINED EARNINGS		
Retained earnings - beginning of period	\$ 471,381	\$ 641,658
Total comprehensive income	15,585	23,653
Dividend to General Revenue Fund	<u>-</u>	<u>-</u>
Retained earnings - end of period	<u>486,966</u>	<u>665,311</u>
EQUITY ADVANCES	<u>908,889</u>	<u>908,889</u>
EQUITY ATTRIBUTED TO THE PROVINCE OF SASKATCHEWAN	<u>\$ 1,395,855</u>	<u>\$ 1,574,200</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Cash Flows
For the Period
(thousands of dollars)
(unaudited)

	2016 April 1 to June 30	2015 April 1 to June 30
Note		
OPERATING ACTIVITIES		
Net earnings	\$ 15,585	\$ 23,653
Items not affecting cash from operations		
Depreciation	7	22
Net finance income	<u>(265)</u>	<u>(544)</u>
	15,327	23,131
Net change in non-cash working capital balances related to operations	8 <u>36,621</u>	(237)
Interest paid	<u>(2)</u>	<u>(2)</u>
Net cash from operating activities	<u>51,946</u>	<u>22,892</u>
INVESTING ACTIVITIES		
Interest received	267	546
Increase in short-term investments	(75,294)	(107,902)
Purchase of equipment	<u>-</u>	<u>(1)</u>
Net cash used in investing activities	<u>(75,027)</u>	<u>(107,357)</u>
FINANCING ACTIVITIES		
Dividend paid to General Revenue Fund	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
NET CHANGE IN CASH DURING PERIOD	(23,081)	(84,465)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>132,880</u>	<u>317,993</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 109,799</u>	<u>\$ 233,528</u>

(See accompanying notes)

1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the Province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the Province's General Revenue Fund (GRF). A list of CIC's subsidiaries is contained in Note 3.

2. Basis of preparation

a) Statement of compliance

The condensed separate interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The policies set out have been consistently applied to all the periods presented unless otherwise noted. CIC's condensed separate interim financial statements are prepared at the request of the Legislative Assembly of Saskatchewan. The condensed separate interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2016 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors September 14, 2016.

b) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. Information included in the condensed separate interim financial statements reflects the first fiscal quarter consisting of the three months ended June 30, 2016 as compared to the three months ended June 30, 2015.

c) Functional and presentation currency

These condensed separate interim financial statements are presented in Canadian dollars, which is CIC's functional currency.

3. Status of Crown Investments Corporation of Saskatchewan

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provision of *The Crown Corporations Act, 1993* (the Act). CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

Saskatchewan Power Corporation	Saskatchewan Telecommunications
SaskEnergy Incorporated	Saskatchewan Telecommunications
Saskatchewan Water Corporation	Holding Corporation
Saskatchewan Government Insurance	Saskatchewan Gaming Corporation
Saskatchewan Opportunities Corporation	Saskatchewan Transportation Company

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMFI), Saskatchewan Immigrant Investor Fund Inc. (SIIF), and CIC Economic Holdco Ltd., which are wholly-owned share capital subsidiaries. All subsidiary Corporations are domiciled in Canada.

4. Summary of significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed separate interim financial statements are consistent with those disclosed in CIC's March 31, 2016 audited separate financial statements.

CIC's condensed separate interim financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been authorized by the CIC Board of Directors September 14, 2016. CIC's condensed consolidated interim financial statements should be referenced for further information.

5. Equity advances to Crown corporations

Equity advances to Crown corporations are as follows:
(thousands of dollars)

	June 30 2016	March 31 2016
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	116,687	116,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	<u>8,700</u>	<u>8,700</u>
	<u>\$ 1,186,918</u>	<u>\$ 1,186,918</u>

6. Dividend revenue

Dividend revenue consists of the following:
(thousands of dollars)

	2016 April 1 to June 30	2015 April 1 to June 30
Saskatchewan Telecommunications Holding Corporation	\$ 7,500	\$ 7,500
Saskatchewan Government Insurance	6,250	6,250
Saskatchewan Gaming Corporation	4,974	5,190
Information Services Corporation	1,085	1,085
Saskatchewan Water Corporation	381	365
Saskatchewan Opportunities Corporation	18	174
SaskEnergy Incorporated	<u>-</u>	<u>9,955</u>
	<u>\$ 20,208</u>	<u>\$ 30,519</u>

7. Grants to subsidiary corporations (thousands of dollars)

	2016 April 1 to June 30	2015 April 1 to June 30
Saskatchewan Transportation Company	\$ 2,500	\$ 4,700
Gradworks Inc.	<u>79</u>	<u>78</u>
	<u>\$ 2,579</u>	<u>\$ 4,778</u>

8. Net change in non-cash working capital balances related to operations
(thousands of dollars)

	2016	2015
	April 1	April 1
	to June 30	to June 30
Decrease (increase) in interest and accounts receivable	\$ 603	\$ (73)
Decrease in dividends receivable	36,531	137
Decrease in interest and accounts payable	<u>(513)</u>	<u>(301)</u>
	<u>\$ 36,621</u>	<u>\$ (237)</u>