

# Quarter 3 Financial Report

## For the period ended September 30, 2014

Introduction .....	1
CIC Consolidated Management's Discussion and Analysis .....	2
CIC Condensed Consolidated Financial Statements.....	10
CIC Separate Management's Discussion and Analysis.....	24
CIC Condensed Separate Financial Statements .....	27





## 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 2014 third quarter financial results should be read in conjunction with the December 31, 2013 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 December 31, 2013 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 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)	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 and operating support for certain subsidiary corporations. These financial statements include:

- Dividends from subsidiary Crown corporations (SaskTel, SaskEnergy, SGI, SGC, 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 interest revenue on cash and cash equivalents, short-term investment balances and operating costs.

## 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. As a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary 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. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. Given these uncertainties, assumptions contained in 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 unaudited condensed consolidated interim financial statements and supporting notes for the period ended September 30, 2014. These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The unaudited condensed consolidated interim financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with CIC's December 31, 2013 audited consolidated 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 December 31, 2013 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim 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 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)	Telecommunications
	SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
	Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
Insurance	Saskatchewan Government Insurance (SGI)	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

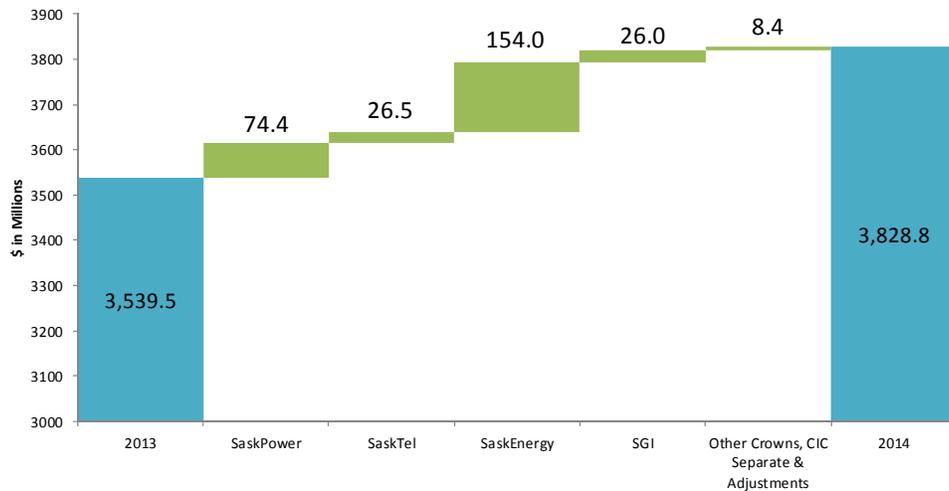
Subsidiary Corporation Earnings (Losses) (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2014	September 30 2013 (Restated)
SaskPower	\$ 98.3	\$ 129.4
SaskTel	72.0	61.0
SaskEnergy	39.0	31.7
SGC	18.9	17.3
SGI	18.5	17.2
SaskWater	4.7	3.5
SOCO	2.4	3.2
STC	0.3	0.3
SIIF	(1.4)	1.4
CIC AMI	(2.1)	(2.9)
CIC (separate), Consolidation Adjustments and Other <sup>1</sup>	<u>(15.8)</u>	<u>199.9</u>
<b>Net earnings</b>	<b><u>\$ 234.8</u></b>	<b><u>\$ 462.0</u></b>

<sup>1</sup> 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's consolidated net earnings for the nine months ended September 30, 2014 were \$234.8 million (2013 - \$462.0 million) or \$227.2 million lower than the same period in 2013. The decrease is primarily related to a gain on the sale of ISC shares in 2013, an increase in earnings at SaskTel and SaskEnergy partially offset by a decrease in earnings at SaskPower.

## Management's Discussion and Analysis (continued)

### Revenue

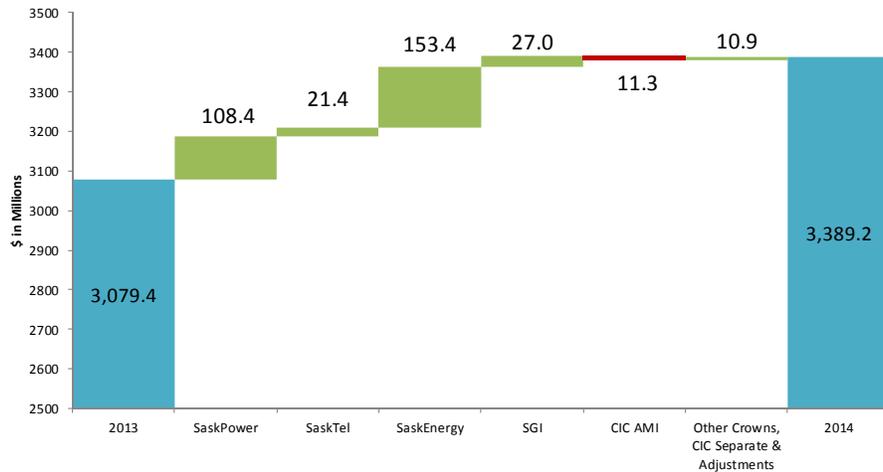


Revenue for the first nine months of 2014 was \$3,828.8 million (2013 - \$3,539.5 million) or a \$289.3 million increase over the same period in 2013 primarily related to:

- A \$154.0 million increase in SaskEnergy revenue primarily due to an increase in gas marketing activity and higher gas prices. The average revenue in 2014 was \$3.98 per Gigajoule (GJ) compared to \$3.80 per GJ during the same period in 2013. Also, SaskEnergy experienced higher revenue from increased sales volumes due to colder weather than the same period in 2013, a September 1, 2013 delivery rate increase and growth in customers;
- A \$74.4 million increase in SaskPower revenue primarily due to a system-wide average interim rate increase of 5.5 per cent that became effective January 1, 2014, 503 GWh in higher Saskatchewan sales volumes and higher gas and electrical inspection revenue and customer contributions. This was partially offset by a decrease in exports and electricity trading primarily due to 375 GWh in lower export sales volumes as a result of fewer opportunities to sell into Alberta, coupled with maintenance on the Saskatchewan/Alberta interconnection;
- A \$26.5 million increase in SaskTel revenue driven by growth of the wireless customer base and increased usage of wireless data services, growth in internet subscribers, and increased customers and revenue per customer for *Max*<sup>TM</sup>. This was partially offset by a decrease in long distance and enhanced service as a result of customers moving from wireline to wireless; and
- A \$26.0 million increase in SGI revenue primarily from increases in Saskatchewan in all lines of business and increases in Alberta premiums written driven by business automobiles and personal lines. This was slightly offset by lower Ontario premiums due to a decline in auto policies.

## Management's Discussion and Analysis (continued)

### Expenses



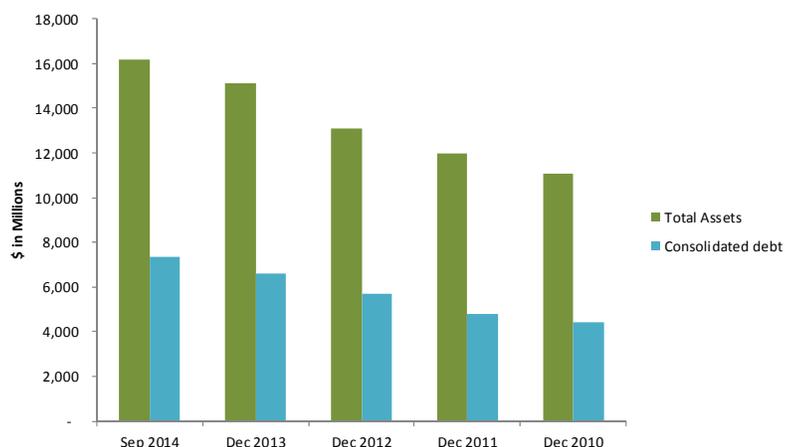
Expenses for the first nine months of 2014 were \$3,389.2 million (2013 - \$3,079.4 million) or a \$309.8 million increase from the same period in 2013 primarily related to:

- A \$153.4 million increase in SaskEnergy expenses mainly related to increases in gas marketing activity at SaskEnergy, a higher average cost of natural gas sold which increased to \$4.06 per GJ during the first nine months of 2014 compared to \$3.64 per GJ during the same period in 2013, and higher natural gas purchases attributed to the weather being colder than the same period in 2013;
- An increase of \$108.4 million in SaskPower expenses primarily related to a change in the mix of power generation from less expensive coal to higher priced natural gas, increased maintenance and materials and supplies costs related to the number of major overhauls performed at generation facilities, an impairment loss from the decision to replace advanced metering infrastructure meters with legacy meters, and increased depreciation as a result of significant capital investments;
- An increase of \$27.0 million in SGI expenses primarily driven by increases in claims incurred from storms, as well as higher commissions and premium taxes, which is mostly related to premium growth; and
- An increase of \$21.4 million in SaskTel expenses primarily related to an increase in salaries, wages and benefits resulting from economic increases, increase in direct expenses resulting from increased cost of sales and roaming costs, and an increase in depreciation as a result of significant capital investments.

This is slightly offset by a \$11.3 million decrease in CIC AMI expenses primarily a result of \$2.8 million in impairment losses on investments during the first nine months of 2014 compared to \$15.0 million in impairment losses during the same period in 2013.

## Management's Discussion and Analysis (continued)

### Capital Spending



In the first nine months of 2014, property, plant and equipment, intangible asset and investment property purchases were \$1,282.5 million (2013 - \$1,240.7 million). Major 2014 capital expenditures included:

- \$863.7 million at SaskPower related to the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, renewing other generation assets such as repowering the Queen Elizabeth Power Station and a major overhaul of Boundary Dam Power Station Unit #4, connecting customers to the electric system, increasing capacity and sustaining transmission and distribution infrastructure, and Information Technology projects;
- \$184.9 million at SaskTel on growth initiatives such as Fibre to the Premises, upgrades to the 4G and Long Term Evolution wireless networks, further investment in *Max*<sup>TM</sup>, and improved high speed internet quality; and
- \$184.5 million at SaskEnergy primarily on system expansion to meet growth and enable more natural gas to be imported from Alberta and add operational flexibility, as well as capital to ensure the safety and integrity of its extensive distribution and transmission systems.

In the first nine months of 2014, investment purchases were \$853.1 million (2013 - \$1,019.7 million), a decrease of \$166.6 million. The majority of the decrease is related to:

- A \$216.5 million decrease in purchases at SGI attributed to efforts to manage its short and long-term investment portfolio asset mix during the period; and
- A \$53.6 million decrease at CIC AMI as investment purchases in the first nine months of 2013 were related to bond investments to match the environmental liability.

This is partially offset by:

- A \$106.5 million increase in purchases of investments related to CIC Separate, which is mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more.

## Management's Discussion and Analysis (continued)

Consolidated debt at September 30, 2014 was \$7,366.5 million (December 31, 2013 - \$6,624.0 million), an increase of \$742.5 million. The increase in debt is primarily due to:

- A \$646.4 million increase in SaskPower debt to fund a portion of its \$863.7 million in capital expenditures during the period;
- A \$48.3 million increase in SaskEnergy debt to fund a portion of its \$184.5 million in capital expenditures during the period;
- A \$32.1 million increase in SaskTel debt to fund a portion of its \$184.9 million in capital expenditures during the period; and
- A \$26.9 million increase in SIIF debt reflecting further amounts received from the Government of Canada's Immigrant Investor Program which is used in the Saskatchewan's HeadStart on a Home program.

This was partially offset by a \$10.2 million decrease in SaskWater debt reflecting a reduction in its notes payable due to timing of capital expenditures.

### Liquidity

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 September 30, 2014

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

### Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2014	September 30 2013 (Restated)
Net cash from operating activities	\$ 717.8	\$ 829.8
Net cash used in investing activities	(1,383.6)	(946.9)
Dividends paid	-	(164.8)
Repayment of equity advances	-	(143.0)
Debt proceeds received	1,040.5	244.4
Debt repaid	(59.2)	(104.8)
(Decrease) increase in notes payable	(245.1)	409.0
Other financing activities	(39.3)	4.1
Change in cash and cash equivalents	<u>\$ 31.1</u>	<u>\$ 127.8</u>

## Management's Discussion and Analysis (continued)

### Operating, Investing and Financing Activities

Net cash from operating activities for the nine months ended September 30, 2014 was \$715.8 million (2013 - \$829.8 million) or a decrease of \$114.0 million. The decrease relates to:

- A \$227.2 million decrease to net earnings;
- A \$62.6 million increase in interest paid, attributed to higher consolidated debt balances; and
- A \$41.5 million decrease from changes in non-cash working capital balances.

This was partially offset by:

- A \$199.8 million increase in adjustments to reconcile net earnings to cash from operating activities (see details in Note 11 to the unaudited condensed consolidated interim financial statements); and
- A \$17.5 million decrease in cash from operating activities from discontinued operations primarily due to CIC selling 69.0 per cent of its interest in Information Services Corporation (ISC) in 2013.

Net cash used in investing activities for the nine months ended September 30, 2014 was \$1,381.7 million (2013 - \$946.9 million). The \$434.8 million increase in cash outflows is primarily related to:

- A \$339.7 million decrease in cash from an increase in purchase of investments and a decrease in proceeds from sale and collection of investments related to CIC Separate, which is mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more;
- A decrease of \$66.4 million in cash from investing activities at SGI primarily related to a decrease in proceeds from sale and collection of investments partially offset by a decrease in purchase of investments due to turning over its investment portfolio to change its asset mix during the period; and
- A \$41.8 million increase in capital expenditures.

This was partially offset by:

- A \$16.9 million change year over year in restricted cash as a result of a \$15.9 million increase in 2014 compared to an increase of \$32.8 million for the same period in 2013.

Net cash from financing activities for the nine months ended September 30, 2014 was \$696.9 million (2013 - \$244.9 million). The incremental cash inflow of \$452.0 million was due to:

- A \$796.2 million increase in debt proceeds; and
- No repayment of equity advances to the GRF, compared to a \$143.0 million repayment of equity advances to the GRF for the same period in 2013;
- No dividend payments to the GRF, compared to a \$164.8 million in dividends to the GRF for the same period in 2013; and
- A \$2.1 million increase in cash outflows from debt repaid and other financing activities.

These cash inflows were partially offset by:

- A \$654.1 million change in cash year over year from notes payable.

## **Management's Discussion and Analysis (continued)**

### **Operating, Investing and Financing Activities (continued)**

#### **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.

#### **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 and SaskEnergy, 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.

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

	September 30 2014	December 31 2013 (Restated Note 3)	January 1 2013 (Restated Note 3)
<b>Note</b>			
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 442,325	\$ 412,583	\$ 328,027
Short-term investments	300,448	229,918	448,188
Accounts receivable	712,398	745,250	690,328
Restricted cash and cash equivalents	139,916	124,014	70,940
Derivative financial assets	27,881	36,361	56,428
Inventories	425,794	412,430	411,662
Prepaid expenses	150,905	129,627	125,412
Assets held for sale	6 -	4,554	-
	<b>2,199,667</b>	2,094,737	2,130,985
Restricted cash and cash equivalents	4,809	4,823	4,872
Long-term investments	1,407,271	1,274,792	1,230,124
Investments in equity accounted investees	142,284	143,864	85,914
Property, plant and equipment	11,872,067	11,043,249	9,112,247
Investment property	172,327	173,128	175,694
Intangible assets	381,127	383,821	328,531
Other assets	14,512	18,350	23,609
	<b>\$ 16,194,064</b>	<b>\$ 15,136,764</b>	<b>\$ 13,091,976</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Bank indebtedness	\$ 13,146	\$ 14,462	\$ 5,724
Trade and other payables	804,217	838,231	716,784
Derivative financial liabilities	84,709	102,157	96,767
Notes payable	1,216,685	1,461,802	1,149,319
Deferred revenue	524,397	479,454	439,677
Provisions	203,572	194,288	150,645
Current portion of finance lease obligations	8,048	7,341	5,680
Long-term debt due within one year	12,224	61,994	157,701
Liabilities held for sale	6 -	57	-
	<b>2,866,998</b>	3,159,786	2,722,297
Provisions	577,184	521,596	464,683
Finance lease obligations	1,137,721	1,137,138	436,690
Long-term debt	6,137,634	5,100,250	4,402,718
Employee future benefits	389,553	281,726	641,238
Other liabilities	152,685	120,543	103,077
	<b>11,261,775</b>	10,321,039	8,770,703
Province of Saskatchewan's Equity			
Equity advances	908,889	908,889	1,051,839
Contributed surplus	85	125	125
Retained earnings	4,037,444	3,802,660	3,597,189
Accumulated other comprehensive (loss) income	8 (14,129)	104,051	(327,880)
	<b>4,932,289</b>	4,815,725	4,321,273
	<b>\$ 16,194,064</b>	<b>\$ 15,136,764</b>	<b>\$ 13,091,976</b>
Commitments and contingencies	9		
(See accompanying notes)			

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

	2014 July 1 to September 30	2014 January 1 to September 30	2013 July 1 to September 30 (Restated Note 3)	2013 January 1 to September 30 (Restated Note 3)
<b>INCOME FROM OPERATIONS</b>				
Revenue	\$ 1,215,519	\$ 3,828,806	\$ 1,124,291	\$ 3,539,459
Other income	<u>5,025</u>	<u>6,789</u>	<u>2,086</u>	<u>8,023</u>
	<u>1,220,544</u>	<u>3,835,595</u>	<u>1,126,377</u>	<u>3,547,482</u>
<b>EXPENSES</b>				
Operating	677,553	2,022,672	619,757	1,798,716
Salaries, wages and short-term employee benefits	216,506	671,039	209,157	642,006
Employee future benefits	9,769	29,813	9,037	27,333
Depreciation and amortization	177,523	520,966	163,869	477,020
Loss on disposal of property, plant and equipment	6,832	7,978	8,339	11,285
Impairment (gain) loss of property, plant and equipment	10 (20,808)	17,296	-	-
Impairment losses	2,479	5,521	3,175	14,993
Research and development	90	179	135	466
Provision for environmental remediation liabilities	-	1,000	2,039	2,039
Saskatchewan taxes and fees	<u>39,013</u>	<u>112,714</u>	<u>37,633</u>	<u>105,589</u>
	<u>1,108,957</u>	<u>3,389,178</u>	<u>1,053,141</u>	<u>3,079,447</u>
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<u>111,587</u>	<u>446,417</u>	<u>73,236</u>	<u>468,035</u>
Finance income	32,176	127,445	22,240	61,511
Finance expenses	<u>(119,098)</u>	<u>(344,602)</u>	<u>(108,451)</u>	<u>(303,301)</u>
<b>NET FINANCE EXPENSES</b>	<u>(86,922)</u>	<u>(217,157)</u>	<u>(86,211)</u>	<u>(241,790)</u>
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	24,665	229,260	(12,975)	226,245
Share of net earnings (loss) from equity accounted investees	<u>2,317</u>	<u>5,438</u>	<u>(89)</u>	<u>7,414</u>
<b>EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>	26,982	234,698	(13,064)	233,659
Net earnings (loss) on sale of equity accounted investees	-	901	(1)	4,926
Net (loss) earnings from discontinued operations	6 <u>-</u>	<u>(815)</u>	<u>212,917</u>	<u>223,401</u>
<b>NET EARNINGS</b>	<u>26,982</u>	<u>234,784</u>	<u>199,852</u>	<u>461,986</u>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
Defined benefit plan actuarial (losses) gains	(38,739)	(103,886)	105,775	228,410
Share of changes in comprehensive income recognized by associates	-	2	3	6
Unrealized (loss) gain on cash flow hedges	(6,901)	(13,154)	9,420	44,033
Realized gain on cash flow hedges	-	-	-	9,192
Amounts amortized to net earnings and included in net finance expenses	<u>(378)</u>	<u>(1,142)</u>	<u>(61)</u>	<u>(137)</u>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>	<u>(46,018)</u>	<u>(118,180)</u>	<u>115,137</u>	<u>281,504</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>	<u>\$ (19,036)</u>	<u>\$ 116,604</u>	<u>\$ 314,989</u>	<u>\$ 743,490</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 (Restated Note 3)	Accumulated Other Comprehensive (Loss) income (Note 8)	Total Equity (Restated Note 3)
Balance at January 1, 2013	\$ 1,051,839	\$ 125	\$ 3,597,189	\$ (327,880)	\$ 4,321,273
Total comprehensive income	-	-	461,986	281,504	743,490
Repayment of equity advances to the GRF	(142,950)	-	-	-	(142,950)
Dividends to the GRF	-	-	(164,829)	-	(164,829)
Balance at September 30, 2013	<u>\$ 908,889</u>	<u>\$ 125</u>	<u>\$ 3,894,346</u>	<u>\$ (46,376)</u>	<u>\$ 4,756,984</u>
Balance at October 1, 2013	\$ 908,889	\$ 125	\$ 3,894,346	\$ (46,376)	\$ 4,756,984
Total comprehensive income	-	-	104,864	150,427	255,291
Dividends to the GRF	-	-	(196,550)	-	(196,550)
Balance at December 31, 2013	<u>\$ 908,889</u>	<u>\$ 125</u>	<u>\$ 3,802,660</u>	<u>\$ 104,051</u>	<u>\$ 4,815,725</u>
<b>Balance at January 1, 2014</b>	<b>\$ 908,889</b>	<b>\$ 125</b>	<b>\$ 3,802,660</b>	<b>\$ 104,051</b>	<b>\$ 4,815,725</b>
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>234,784</b>	<b>(118,180)</b>	<b>116,604</b>
<b>Dividends to the GRF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>(40)</b>
<b>Balance at September 30, 2014</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 85</u></b>	<b><u>\$ 4,037,444</u></b>	<b><u>\$ (14,129)</u></b>	<b><u>\$ 4,932,289</u></b>

(See accompanying notes)

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

	<b>Note</b>	<b>2014 January 1 to September 30</b>	<b>2013 January 1 to September 30 (Restated Note 3)</b>
<b>OPERATING ACTIVITIES</b>			
Net earnings		\$ 234,784	\$ 461,986
Adjustments to reconcile net earnings to cash from operating activities	11	<u>734,785</u>	<u>534,986</u>
		<b>969,569</b>	996,972
Net change in non-cash working capital balances related to operations		<b>116,881</b>	158,392
Interest paid		<u>(368,685)</u>	<u>(306,133)</u>
Cash from operating activities from continuing operations		<b>717,765</b>	849,231
Cash used in operating activities from discontinued operations	6	<u>(1,927)</u>	<u>(19,407)</u>
Net cash from operating activities		<u><b>715,838</b></u>	<u>829,824</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>20,049</b>	19,594
Dividends received		<b>3,833</b>	6,917
Purchase of investments		<u>(853,055)</u>	<u>(1,019,717)</u>
Proceeds from sale and collection of investments		<b>743,819</b>	1,153,879
Proceeds from sale of Information Services Corporation shares		-	156,199
Purchase of property, plant and equipment		<u>(1,227,911)</u>	<u>(1,164,971)</u>
Costs related to sale of property, plant and equipment		<u>(685)</u>	<u>(9)</u>
Purchase of intangible assets		<u>(50,905)</u>	<u>(72,517)</u>
Purchase of investment property		<u>(3,642)</u>	<u>(3,198)</u>
Proceeds from the sale of investment property		-	-
Increase in restricted cash and cash equivalents		<u>(15,888)</u>	<u>(32,828)</u>
Increase in other assets		<u>2,694</u>	<u>9,713</u>
Net cash used in investing activities		<u><b>(1,381,691)</b></u>	<u>(946,938)</u>
<b>FINANCING ACTIVITIES</b>			
(Decrease) increase in notes payable		<u>(245,117)</u>	408,975
Increase in other liabilities		<u>6,419</u>	9,409
Debt proceeds from the GRF		<b>1,015,409</b>	195,120
Debt repayments to the GRF		<u>(50,000)</u>	<u>(97,148)</u>
Debt proceeds from other lenders		<b>25,154</b>	49,248
Debt repayments to other lenders		<u>(9,208)</u>	<u>(7,638)</u>
Sinking fund instalments		<u>(52,107)</u>	<u>(39,443)</u>
Sinking fund redemptions		<b>6,361</b>	34,173
Repayment of equity advances to the GRF		-	(142,950)
Dividend paid to the GRF		<u>-</u>	<u>(164,829)</u>
Net cash from financing activities		<u><b>696,911</b></u>	<u>244,917</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>		<b>31,058</b>	127,803
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<u><b>398,121</b></u>	<u>322,303</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<u><b>\$ 429,179</b></u>	<u>\$ 450,106</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		<u>\$ 442,325</u>	<u>\$ 455,702</u>
Bank indebtedness from continuing operations		<u>(13,146)</u>	<u>(10,014)</u>
		<b>429,179</b>	445,688
Cash and cash equivalents from discontinued operations		<u>-</u>	<u>4,418</u>
		<u><b>\$ 429,179</b></u>	<u>\$ 450,106</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 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 December 31, 2013 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 24, 2014.

### b) Functional and presentation currency

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

## 3. Changes in accounting policy and adoption of other standards

### a) Revenue recognition

Effective January 1, 2014, the Corporation changed its revenue recognition policy related to advertising and directory services. Revenues are now recognized over the term of the contract, previously revenue was recognized when directories were issued. The change was made as the new policy more reliably reports and better reflects the marketing strategy and resulting revenues from these services. The impact of the change in accounting policy is as follows:

#### Condensed Consolidated Interim Statement of Financial Position

	December 31 2013	January 1 2013
Decrease in accounts receivable	\$ (18,738)	\$ (19,183)
Increase in prepaid expenses	<u>2,839</u>	<u>2,860</u>
Decrease in total assets	<u>\$ (15,899)</u>	<u>\$ (16,323)</u>
Increase in deferred revenue	\$ 2,303	\$ 2,544
Decrease in retained earnings	<u>(18,202)</u>	<u>(18,867)</u>
Decrease in total liabilities and Province's equity	<u>\$ (15,899)</u>	<u>\$ (16,323)</u>

#### Condensed Consolidated Interim Statement of Comprehensive Income

	2013 January 1 to September 30	2013 January 1 to December 31
Increase in revenue	\$ 9,015	\$ 686
Decrease (increase) in operating expense	1,286	(84)
(Increase) decrease in salaries, wages and short-term employee benefits	<u>(2,484)</u>	<u>63</u>
Increase in total comprehensive income	<u>\$ 7,817</u>	<u>\$ 665</u>

**3. Changes in accounting policy and adoption of other standards (continued)**

**b) IFRS 13, *Fair Value Measurement***

Effective January 1, 2013, the Corporation prospectively adopted IFRS 13, *Fair Value Measurement*. This new standard establishes a single framework for measuring fair value. Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price). The fair value measurement of certain electricity contracts was revised upon adoption of the new standard. The impact of applying the new standard is as follows:

**Condensed Consolidated Interim Statement of Comprehensive Income**

	2013 July 1 to September 30	2013 January 1 to September 30
(Decrease) increase in revenue	\$ <u>(2,077)</u>	\$ <u>2,018</u>
(Decrease) increase in total comprehensive income	\$ <u>(2,077)</u>	\$ <u>2,018</u>

**c) New standards and amendments**

The following new standards and amendments to standards, effective for annual periods beginning on or after January 1, 2014, have been applied in preparing these interim condensed consolidated financial statements:

- IFRIC 21, *Levies*;
- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 27, *Separate Financial Statements*;
- Amendments to IAS 32, *Financial Instruments: Presentation*;
- Amendments to IAS 36, *Impairment of Assets*; and
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*.

The adoption of these standards had no material impact on the condensed consolidated interim 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 December 31, 2013 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, CIC 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:

<b>Wholly-owned subsidiaries domiciled in Canada</b>	<b>Principal activity</b>
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Water Corporation (SaskWater)	Water and wastewater management
Saskatchewan Government Insurance (SGI)	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.

#### 4. Significant accounting policies (continued)

##### a) Basis of consolidation (continued)

###### 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 and the Cory Cogeneration Station as joint operations.

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

###### 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 September 30, 2014, and have not been applied in preparing these condensed consolidated interim 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 built 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 2015 with implementation not expected before 2018.

#### 4. Significant accounting policies (continued)

##### b) New standards not yet adopted (continued)

###### **IFRS 9, Financial Instruments**

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standards are to be applied prospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the consolidated financial statements.

###### **IFRS 15, Revenue from Contracts with Customers**

On May 28, 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:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard also provides guidance relating to contract costs and for 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, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective 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 financial statements.

###### **Annual Improvements Cycles**

In 2012, the IASB issued two exposure drafts for *Annual Improvements Cycles 2010 - 2012* and *2011 - 2013*, which include minor amendments to a number of IFRS. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are all effective for annual periods beginning on July 1, 2014. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The Corporation is in the process of assessing the impact of the amendments.

#### 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. Discontinued operations and assets held-for-sale

The Corporation had previously classified several natural gas storage assets as well as distribution assets of its subsidiary, Swan Valley Gas Corporation, as held for sale. During the second quarter of 2014, the Corporation sold these assets resulting in a gain on sale of \$3.1 million.

**6. Discontinued operations and assets held-for-sale (continued)**

In March 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75 per cent owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI), to a third party for a purchase price equal to ICPEI's book value as at the transaction closing date of June 30, 2014. The ICPEI operations represented a separate line of business for the Corporation in the Maritimes. Following receipt of regulatory approval, the sale closed on June 30, 2014 for total proceeds of \$8.8 million representing the book value as at June 30, 2014, resulting in no gain or loss on the sale. ICPEI has been treated as a discontinued operation.

Effective April 1, 2014, the Corporation entered into an agreement with a third party that resulted in the transfer of bio processing operations to that party. As part of the agreement, all processing equipment and inventory will be sold to the third party. The Corporation retained ownership of the building housing the processing facility which will be leased to the third party through a long-term lease arrangement.

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act*. Until July 9, 2013, CIC continued to control ISC through ownership of 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting Shares and therefore ISC operations have been consolidated to that date.

Effective July 9, 2013, pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, CIC sold 10,500,000 of the Class A Limited Voting Shares of ISC at \$14.00 per share. Effective July 17, 2013, pursuant to an over-allotment option included in the IPO, CIC sold a further 1,575,000 Class A Limited Voting Shares of ISC at \$14.00 per share. As a result of these transactions, CIC no longer controls ISC, and has initially recorded the remaining 5,425,000 Class A Limited Voting Shares as an investment in equity accounted investees on the unaudited condensed consolidated interim statement of financial position at a fair market value of \$14.00 per share or \$76.0 million. This investment is accounted for using the equity method of accounting. On a combined basis, these transactions resulted in the sale of 69.0 per cent of CIC's interest in ISC for net proceeds of \$156.2 million and a gain on sale of \$211.8 million.

Assets classified as held-for-sale are comprised of the following:

	<b>September 30 2014</b>	December 31 2013
Property, plant and equipment	\$ -	\$ 6,362
Amounts written down on transfer	<u>-</u>	<u>(1,808)</u>
	<u>\$ -</u>	<u>\$ 4,554</u>

Liabilities classified as held-for-sale are comprised of the following:

	<b>September 30 2014</b>	December 31 2013
Other liabilities	<u>\$ -</u>	<u>\$ 57</u>

## 6. Discontinued operations and assets held-for-sale (continued)

The impact of discontinued operations on net earnings and cash flows was comprised of the following:

	<b>2014</b> <b>January 1</b> <b>to September 30</b>	2013 January 1 to September 30
Revenue	<u>\$ 12,929</u>	<u>\$ 58,370</u>
Operating expenses	<b>14,127</b>	26,788
Salaries, wages and short-term employee benefits	<b>404</b>	12,714
Employee future benefits	-	759
Depreciation and amortization	<b>4</b>	3,080
Research and development	<u>-</u>	<u>4,346</u>
Expenses	<u><b>14,535</b></u>	<u>47,687</u>
Results from operating activities	<u><b>(1,606)</b></u>	<u>10,683</u>
Finance income	<b>950</b>	1,153
Finance expense	<u><b>(159)</b></u>	<u>(268)</u>
Net finance expense	<u><b>791</b></u>	<u>885</u>
Net (loss) earnings from discontinued operations	<u><b>\$ (815)</b></u>	<u>\$ 11,568</u>
Cash used in operating activities	<b>(7,026)</b>	(17,251)
Cash provided by (used in) investing activities	<b>7,395</b>	(2,123)
Cash used in financing activities	<u><b>(2,296)</b></u>	<u>(33)</u>
Net change in cash and cash equivalents	<u><b>\$ (1,927)</b></u>	<u>\$ (19,407)</u>

## 7. 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 2014 is 57.1 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.

**7. Equity advances and capital disclosures (continued)**

The debt ratio is as follows:

	<b>September 30 2014</b>	December 31 2013 (Restated Note 3)
Total debt (a)	<b>\$ 7,366,543</b>	\$ 6,624,046
Less: Sinking funds	<u><b>(651,320)</b></u>	<u>(551,161)</u>
Net debt	<b>6,715,223</b>	6,072,885
Equity (b)	<u><b>4,946,418</b></u>	<u>4,711,674</u>
Capitalization	<u><b>\$ 11,661,641</b></u>	<u>\$ 10,784,559</u>
Debt ratio	<b>57.6%</b>	56.3%

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.

**8. Accumulated other comprehensive (loss) income**

	<b>September 30 2014</b>	December 31 2013
Items that may be reclassified to net earnings:		
Foreign currency translation adjustments	<b>\$ 1</b>	\$ 1
Unrealized (losses) gains on cash flow hedges	<b>(13,051)</b>	103
Realized gains on cash flow hedges	<b>45,606</b>	46,748
Share of changes in comprehensive income recognized by associates	<u><b>(1)</b></u>	<u>(3)</u>
	<b>32,555</b>	46,849
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial (losses) gains	<u><b>(46,684)</b></u>	<u>57,202</u>
	<u><b>\$ (14,129)</b></u>	<u>\$ 104,051</u>

## 9. 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.

## 10. Impairment (gain) loss on property, plant and equipment

In the first nine months of 2014, the Corporation recognized a \$17.3 million impairment loss on property, plant and equipment as a result of a decision to replace all Advanced Metering Infrastructure (AMI) meters with legacy meters. The Corporation recorded a \$3.5 million impairment loss on property, plant and equipment in the third quarter in addition to the \$38.1 million recognized in the second quarter, resulting in a total \$41.6 million write-down of the entire net book value of all AMI meters. The Corporation negotiated a financial settlement with the supplier for reimbursement of all purchased AMI meters. The total amount of the reimbursement is estimated at \$24.3 million and has been recognized as a reversal of the impairment loss on property, plant and equipment. The net \$17.3 million loss is included in impairment (gains) losses on property, plant and equipment on the Condensed Consolidated Interim Statement of Comprehensive Income.

## 11. Condensed consolidated interim statement of cash flows

	2014 January 1 to September 30	2013 January 1 to September 30 (Restated Notes 3 and 6)
	Note	
<b>Adjustments to reconcile net earnings to cash provided from operating activities</b>		
Depreciation and amortization	\$ 520,966	\$ 477,020
Share of earnings from investments in equity accounted investees	(5,438)	(7,414)
Net loss (earnings) from discontinued operations	6 815	(223,401)
Net gain from sale of investments in equity accounted investees	(901)	(4,926)
Defined benefit pension plan expense	1,024	890
Provision for decommissioning and environmental remediation liabilities	-	2,039
Unrealized (gains) losses on derivative financial instruments	(22,080)	21,404
Inventory (recovery) expense	(6,652)	161
Loss on disposal of property, plant and equipment	7,978	11,285
Impairment losses	22,817	14,993
Net finance expenses	217,157	241,790
Other non-cash items	(901)	1,145
	<u>\$ 734,785</u>	<u>\$ 534,986</u>

## 12. 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:

	September 30 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 442,325	\$ -	\$ -	\$ 442,325
Restricted cash and cash equivalents	144,725	-	-	144,725
Bank indebtedness	13,146	-	-	13,146
Notes payable	1,216,685	-	-	1,216,685
Investments carried at fair value through profit or loss	451,066	1,043,201	102,662	1,596,929
Loans and receivables - Immigrant Investor Program	-	55,049	-	55,049
Finance lease obligations	-	1,263,140	-	1,263,140
Long-term debt	-	7,382,674	-	7,382,674
Physical natural gas contracts - net	-	(6,711)	-	(6,711)
Natural gas price swaps - net	-	(43,659)	-	(43,659)
Physical electricity forwards - net	-	6,470	-	6,470
Electricity contracts for differences - net	-	59	-	59
Foreign exchange forward contracts - net	-	124	-	124
Bond forwards - net	-	(13,111)	-	(13,111)

## 13. Comparative figures

Certain of the 2013 comparative figures have been reclassified to conform to the current period's presentation.

## Separate Financial Statements

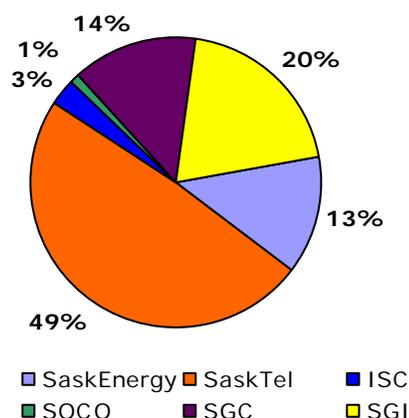
### Management's Discussion and Analysis

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 September 30, 2014 third quarter results should be read in conjunction with the December 31, 2013 audited separate financial statements.

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

### Dividend Revenue



### Financial Results

CIC Separate Third Quarter Earnings (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2014	September 30 2013
Dividend revenue	\$ 108.2	\$ 114.7
Add: Finance and other revenue	2.8	2.2
Gain on sale of Information Services Corporation (ISC) shares	-	156.2
Less: Operating, salaries and other expenses	(8.0)	(8.6)
Grants to subsidiary corporations	(10.7)	(13.0)
<b>Total Separate Earnings</b>	<b>\$ 92.3</b>	<b>\$ 251.5</b>

### Net Earnings

Net earnings for the first nine months of 2014 were \$92.3 million (2013 - \$251.5 million), a decrease of \$159.2 million from the same period in 2013. The decrease in earnings is primarily due to the sale of ISC shares which generated a gain on sale of \$156.2 million in 2013 and a decrease in dividend revenue of \$6.5 million in 2014. These decreases in earnings were offset by a decrease in grants to subsidiary corporations of \$2.3 million, an increase in finance and other revenue of \$0.6 million and a decrease in operating, salaries and other expenses of \$0.6 million.

## **Management's Discussion and Analysis (continued)**

### **Dividend Revenue**

Dividend revenue for the nine months ended September 30, 2014 was \$108.2 million (2013 - \$114.7 million). The \$6.5 million decrease is due to decreased dividends from ISC (\$8.1 million), SaskEnergy (\$6.4 million) and SOCO (\$0.3 million) partially offset by increased dividends from SGI (\$5.4 million), SaskTel (\$2.6 million) and SGC \$(0.3 million).

For the first nine months of each year, dividends from subsidiary Crown corporations are based on 75 per cent of forecasted dividends for the year. The forecasted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings 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 year if there is a significant change in circumstances. For the current year, the dividend at SaskTel is based on 90 per cent of net earnings, SGC is based on 80 per cent of net earnings, SGI is based on 77 per cent of net earnings, SOCO is based on 90 per cent of net earnings and SaskEnergy is based on 38 per cent of net earnings. CIC AMI's dividend is calculated on cash availability, which is determined at year end.

### **Operating, Salaries and Other Expenses**

Operating, salaries and other expenses were \$8.0 million for the nine months ended September 30, 2014 (2013 - \$8.6 million). These expenses decreased by \$0.6 million, primarily due to lower salaries and benefit costs as a result of staffing vacancies.

### **Grants to Subsidiary Corporations**

During the first nine months of 2014, CIC provided \$10.7 million (2013 - \$13.0 million) in grants to subsidiary corporations. STC received \$9.2 million (2013 - \$10.4 million) in grants to support ongoing operations. SaskEnergy received \$1.2 million (2013 - \$2.2 million) to fund the EnerGuide for Houses program. Gradworks Inc. received \$0.3 million (2013 - \$0.4 million) to fund its internship program.

CIC projects public policy and grant funding expenditures to be as follows: \$16.1 million to support ongoing operations at STC; \$1.2 million of funding to SaskEnergy for the EnerGuide for Houses program and \$0.4 million of operating grants to Gradworks.

## Management's Discussion and Analysis (continued)

### Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the nine months ended	
	September 30 2014	September 30 2013
Net cash from operating activities	\$ 97.6	\$ 146.9
Net cash (used in) from investing activities	(100.7)	236.4
Net cash used in financing activities	<u>-</u>	<u>(307.8)</u>
Net change in cash	<u>\$ (3.1)</u>	<u>\$ 75.5</u>

### Liquidity

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

### Operating, Investing and Financing Activities

Net cash from operating activities for the nine months ended September 30, 2014 was \$97.6 million (2013 - \$146.9 million). The \$49.3 million decrease is due mainly to a decrease in net change in non-cash working capital balances related to operations as a result of lower dividends collected in 2014 as compared to the same period in 2013.

Net cash used in investing activities for the nine months ended September 30, 2014 was \$100.7 million (2013 - net cash from investing activities of \$236.4 million). The decrease in cash inflows of \$337.1 million is mainly due to:

- One-time proceeds from the sale of ISC shares of \$156.2 million realized in 2013; and
- A \$187.9 million decrease in cash from an increase in purchase of investments, which is the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term money market investments are classified as cash and cash equivalents if the maturity of the investment is 90 days or less and classified as short-term investments if the maturity date is 91 days or more.

Net cash used in financing activities for the nine months ended September 30, 2014 was Nil (2013 - \$307.8 million). In 2013, financing activities consisted of an equity repayment to the GRF of \$143.0 million and dividends paid to the GRF of \$164.8 million.

### Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2014.

### 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	September 30 2014	December 31 2013
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 255,276	\$ 258,356
Short-term investments		136,510	30,000
Interest and accounts receivable		950	818
Dividends receivable		<u>42,688</u>	<u>51,828</u>
		435,424	341,002
Equity advances to Crown corporations	5	1,192,918	1,194,918
Investments in share capital corporations		45,697	46,837
Equipment		<u>247</u>	<u>314</u>
		<u>\$ 1,674,286</u>	<u>\$ 1,583,071</u>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Interest and accounts payable		<u>\$ 1,654</u>	<u>\$ 2,783</u>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Retained earnings		<u>763,743</u>	<u>671,399</u>
		<u>1,672,632</u>	<u>1,580,288</u>
		<u>\$ 1,674,286</u>	<u>\$ 1,583,071</u>

(See accompanying notes)

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

		2014 July 1 to September 30	2014 January 1 to September 30	2013 July 1 to September 30	2013 January 1 to September 30
	Note				
<b>INCOME FROM OPERATIONS</b>					
Dividend	6	\$ 43,773	\$ 108,225	\$ 34,447	\$ 114,767
Gain on sale of Information Services Corporation (ISC) shares	7	-	-	156,199	156,199
Other income		<u>-</u>	<u>129</u>	<u>1</u>	<u>48</u>
		<u>43,773</u>	<u>108,354</u>	<u>190,647</u>	<u>271,014</u>
<b>EXPENSES</b>					
Operating		641	3,444	795	3,472
Salaries and short-term employee benefits		1,404	4,170	1,472	4,735
Employee future benefits		80	288	85	332
Depreciation and amortization		<u>25</u>	<u>74</u>	<u>30</u>	<u>85</u>
		<u>2,150</u>	<u>7,976</u>	<u>2,382</u>	<u>8,624</u>
<b>EARNINGS FROM OPERATIONS</b>		<u>41,623</u>	<u>100,378</u>	<u>188,265</u>	<u>262,390</u>
Finance income		983	2,670	954	2,160
Finance expenses		<u>(1)</u>	<u>(6)</u>	<u>(2)</u>	<u>(7)</u>
<b>NET FINANCE INCOME</b>		<u>982</u>	<u>2,664</u>	<u>952</u>	<u>2,153</u>
<b>EARNINGS BEFORE PUBLIC POLICY INITIATIVES</b>		42,605	103,042	189,217	264,543
Grants to subsidiary corporations	8	<u>(2,179)</u>	<u>(10,698)</u>	<u>(5,375)</u>	<u>(13,015)</u>
<b>NET EARNINGS</b>		40,426	92,344	183,842	251,528
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>		<u>\$ 40,426</u>	<u>\$ 92,344</u>	<u>\$ 183,842</u>	<u>\$ 251,528</u>

(See accompanying notes)

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

	<b>2014</b> <b>January 1</b> <b>to</b> <b>September 30</b>	2013 January 1 to September 30
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of period	\$ 671,399	\$ 702,320
Total comprehensive income	92,344	251,528
Dividend to the General Revenue Fund	<u>-</u>	<u>(164,829)</u>
Retained earnings - end of period	<u>763,743</u>	<u>789,019</u>
<b>EQUITY ADVANCE</b>		
Equity advances - beginning of period	908,889	1,051,839
Equity advances received	-	-
Equity advances repaid	<u>-</u>	<u>(142,950)</u>
Equity advances - end of period	<u>908,889</u>	<u>908,889</u>
<b>EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>	<b><u>\$ 1,672,632</u></b>	<b><u>\$ 1,697,908</u></b>

(See accompanying notes)

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

	<b>2014</b>	2013
	<b>January 1</b>	January 1
	<b>to</b>	to
<b>Note</b>	<b>September 30</b>	September 30
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 92,344	\$ 251,528
Items not affecting cash from operations		
Gain on sale of ISC shares	-	(156,199)
Amortization of discounts and premiums	-	123
Depreciation and amortization	74	85
Net finance income	<u>(2,664)</u>	<u>(2,153)</u>
	<b>89,754</b>	93,384
Net change in non-cash working capital		
balances related to operations	9 <b>7,879</b>	53,533
Interest paid	<u>(6)</u>	<u>(7)</u>
Net cash from operating activities	<u><b>97,627</b></u>	<u>146,910</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from the sale of ISC shares	7 -	156,199
Interest received	<b>2,670</b>	2,160
Purchase of investments	-	(3,750)
(Increase) decrease in short-term investments	<b>(106,510)</b>	81,422
Repayment of due from CIC Economic Equity Holdco Ltd.	<b>1,140</b>	427
Proceeds from retraction of equity advances	5 <b>2,000</b>	-
Purchase of equipment	<u>(7)</u>	<u>(38)</u>
Net cash (used in) from investing activities	<u><b>(100,707)</b></u>	<u>236,420</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of equity advances	-	(142,950)
Dividend paid to General Revenue Fund	<u>-</u>	<u>(164,829)</u>
Net cash used in financing activities	<u>-</u>	<u>(307,779)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>	<b>(3,080)</b>	75,551
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u><b>258,356</b></u>	<u>173,836</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><b>\$ 255,276</b></u>	<u>\$ 249,387</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 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 December 31, 2013 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on November 24, 2014.

### b) 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. (FNMF), Saskatchewan Immigrant Investor Fund Inc. (SIIF), and CIC Economic Holdco Ltd., which are wholly-owned share capital subsidiaries.

As described in Note 7, ISC ceased being a Crown corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act*, as a wholly-owned share capital subsidiary effective May 30, 2013. In July 2013, CIC sold 69.0 per cent of the outstanding voting shares of ISC and it therefore ceased being a wholly-owned share capital subsidiary effective July 9, 2013.

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 December 31, 2013 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 on November 24, 2014. 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)

	September 30 2014	December 31 2013
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation <sup>(a)</sup>	118,687	120,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	8,700	8,700
Saskatchewan Gaming Corporation	<u>4,000</u>	<u>4,000</u>
	<u>\$ 1,192,918</u>	<u>\$ 1,194,918</u>

(a) On June 27, 2014, CIC retracted \$2.0 million (2013 – Nil) in equity advances from Saskatchewan Opportunities Corporation.

#### 6. Dividend revenue

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

	2014 January 1 to September 30	2013 January 1 to September 30
Saskatchewan Telecommunications Holding Corporation	\$ 53,292	\$ 50,693
Saskatchewan Government Insurance	21,017	15,667
Saskatchewan Gaming Corporation	15,120	14,859
SaskEnergy Incorporated	14,097	20,520
Information Services Corporation	3,255	11,330
Saskatchewan Opportunities Corporation	<u>1,444</u>	<u>1,698</u>
	<u>\$ 108,225</u>	<u>\$ 114,767</u>

## 7. Sale of ISC shares

Pursuant to *The Information Services Corporation Act*, effective May 30, 2013, ISC ceased being a subsidiary Crown Corporation under *The Crown Corporations Act, 1993*, and was continued under *The Business Corporations Act*. Until July 9, 2013, CIC held 100.0 per cent of the 17,500,000 outstanding Class A Limited Voting Shares of ISC.

Effective July 9, 2013 and pursuant to an Initial Public Offering (IPO) on the Toronto Stock Exchange, CIC sold 10,500,000 of the Class A Limited Voting Shares of ISC at \$14.00 per share. Effective July 17, 2013, and pursuant to an over-allotment option included in the IPO, CIC sold a further 1,575,000 Class A Limited Voting Shares of ISC at \$14.00 per share. On a combined basis, these transactions resulted in the sale of 69.0 per cent of CIC's interest in ISC for net proceeds and resulting gain on sale of \$156.2 million.

## 8. Grants to subsidiary corporations

(thousands of dollars)

	2014 January 1 to September 30	2013 January 1 to September 30
Saskatchewan Transportation Company	\$ 9,200	\$ 10,400
SaskEnergy Incorporated	1,200	2,219
Gradworks Inc.	<u>298</u>	<u>396</u>
	<u>\$ 10,698</u>	<u>\$ 13,015</u>

## 9. Net change in non-cash working capital balances related to operations

(thousands of dollars)

	2014 January 1 to September 30	2013 January 1 to September 30
(Increase) decrease in interest and accounts receivable	\$ (132)	\$ 957
Decrease in dividends receivable	9,140	53,317
Decrease in interest and accounts payable	<u>(1,129)</u>	<u>(741)</u>
	<u>\$ 7,879</u>	<u>\$ 53,533</u>