

Third Quarter Financial Report
September 30, 2005



Crown Investments Corporation
of Saskatchewan
www.cicorp.sk.ca





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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding company for its commercial Crown corporations. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations. CIC also holds the Province's investment in NewGrade Energy Inc. (NewGrade).

The purpose of the following discussion is to provide users of CIC's financial statements, with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2005 third quarter financial results should be read in conjunction with the 2004 audited consolidated and non-consolidated 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 Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

What are the financial results for the CIC Crown sector as a whole?

	September 30, 2005	September 30, 2004
ASSETS		
Cash	\$ 148,000	\$ 18,000
Accounts receivable	29,000	40,000
Prepaid expenses	571,200	50,000
Property, plant and equipment	358,000	127,000
Long-term investments (Note 4)	773,200	240,000
Financial assets and liabilities	6,400,000	6,400,000
Other assets	400,000	400,000
Total assets	\$ 8,307,400	\$ 7,175,000
LIABILITIES AND PROVIDER'S EQUITY		
Accounts payable	\$ 75,000	\$ 22,000
Accounts receivable from providers	642,000	67,000
Accounts payable to providers	50,000	21,000
Deferred revenue	388,700	17,000
Other liabilities	200,000	200,000
Long-term debt	1,228,000	1,000,000
Financial liabilities and liabilities	3,983,700	3,927,000
Provider's equity	4,323,700	3,248,000
Total liabilities and provider's equity	\$ 8,307,400	\$ 7,175,000

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations (ISC, ISI, SaskEnergy, SDFC, SGGF MC, SGI, SOCO, SaskPower, SaskTel, STC and SaskWater)
- CIC's share of NewGrade financial results
- Costs incurred from its wholly-owned share capital subsidiary Gradworks Inc.
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest income on cash balances.

CIC Non-Consolidated Financial Statements

How is CIC performing as a holding company?

How do Crown dividends compare to CIC's dividend to the General Revenue Fund?

	September 30, 2005	September 30, 2004
ASSETS		
Cash and short-term investments	\$ 148,000	\$ 240,000
Accounts receivable	29,000	40,000
Prepaid expenses	571,200	50,000
Property, plant and equipment	358,000	127,000
Long-term investments (Note 4)	773,200	240,000
Financial assets and liabilities	6,400,000	6,400,000
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Financial liabilities and liabilities	3,983,700	3,927,000
Provider's equity	4,323,700	3,248,000
Total liabilities and provider's equity	\$ 8,307,400	\$ 7,175,000

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. The Non-Consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. These financial statements include:

- Dividends of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI and ISI);
- Dividends received from NewGrade;
- Dividends paid by CIC to the GRF; and,
- CIC's interest income on cash balances, operating costs and grants to subsidiary corporations.



Consolidated Financial Statements

Management's Discussion and Analysis

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 joint ventures, partnerships and loans, held either directly by CIC or through its 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 interim consolidated financial statements and supporting notes for the nine months ended September 30, 2005. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook Section 1751.

The unaudited interim consolidated financial statements do not contain all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual financial statements released on April 28, 2005.

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

Investment	Major Business Line	Form of investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Investment Saskatchewan Inc.	Several	wholly-owned subsidiary
NewGrade Energy Inc. (NewGrade)	Heavy Oil	50.0 per cent equity interest
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

■ Utilities
 ■ Insurance
 ■ Commodity Based Investments
 ■ Economic Growth
 ■ Transportation

Management's Discussion and Analysis (continued)

RESULTS OF OPERATIONS

Losses for the third quarter beginning July 1, 2005 and ending September 30, 2005 were \$34.3 million (2004 - earnings of \$114.6 million). Excluding income tax expense of \$15.2 million (2004 - \$6.8 million) and non-recurring expenses of \$125.2 million (2004 - \$Nil), earnings from ongoing operations were \$106.1 million (2004 - \$121.4 million). Year to date earnings for the nine months ending September 30, 2005 were \$202.7 million (2004 - \$303.4 million).

REVENUE

Revenues for the first nine months of 2005 were \$3,073.8 million (2004 - \$2,894.8 million), an increase of \$179.0 million. The increase was due to a \$185.7 million increase in operating revenues, offset by a decrease in interest and other revenue of \$6.7 million.

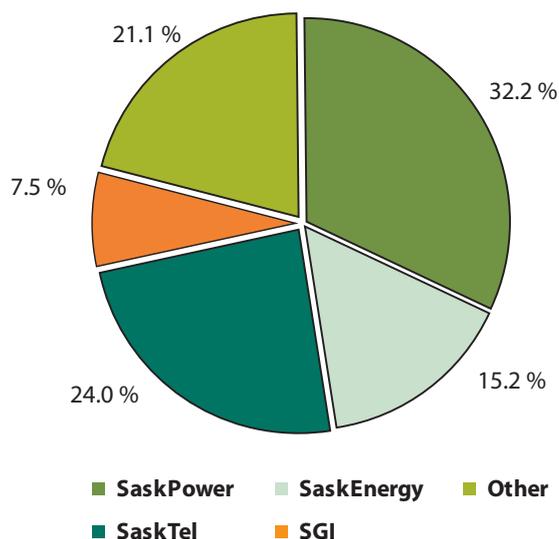
Operating revenues for the first nine months of 2005 were \$3,002.0 million (2004 - \$2,816.3 million). The \$185.7 million increase was mainly due to increased utility sales; increased sales prices for commodity based investments, and increased insurance premiums. Utility sales for the first nine months of 2005 were \$2,221.9 million (2004 - \$2,160.6 million) an increase of \$61.3 million primarily from SaskTel (\$36.5 million). SaskTel revenue growth is derived from a favorable CRTC decision, which finalized the terms and conditions, under which the Corporation is to provide digital network services to other telecommunication companies and growth from cellular services. Commodity based revenue increased by \$123.5 million due almost entirely to increased crude oil prices driving up revenue at NewGrade by \$126.6 million.

Investment earnings for the first nine months of 2005 were \$67.1 million (2004 - \$72.9 million). The \$5.8 million decrease mainly reflects lower investment earnings at SaskTel, which recorded a gain on sale of Austar United Communications Limited shares (\$4.4 million) in 2004.

EXPENSES

Expenses for the first nine months of 2005 were \$2,703.0 million (2004 - \$2,578.5 million), an increase of \$124.5 million. The increase was due primarily to increased operating costs of \$134.8 million. Operating expenses primarily increased due to increased input costs at NewGrade, SaskTel, SaskEnergy and SGI. Due to rapidly increasing feedstock prices, because of world market demand for oil, operating costs increased at NewGrade by \$65.2 million.

Revenue Contribution by Corporation



Crown Corporation Earnings (unaudited)		(millions of dollars)
for the nine months ended September 30, 2005		
SaskPower		\$ 114.3
SaskTel		95.8
SaskEnergy		7.9
SGI		25.2
Investment Saskatchewan		(101.6)
ISC		6.4
SaskWater		(0.6)
STC		0.2
SOCO		4.9
CIC (non-consolidated) and Other		50.2
Total		\$ 202.7



Management's Discussion and Analysis (continued)

EXPENSES (CONTINUED)

SaskTel's operating costs increased by \$42.8 million due mainly to restructuring costs of \$17.2 million, a \$7.5 million expense regarding the curtailment of the service recognition defined benefit pension plan and increased operating costs from mobility operations to support the growing customer base. Operating costs at SaskEnergy increased by \$38.5 million due to higher costs for natural gas. Operating costs at SGI increased \$22.1 million as a result of claims incurred due to some extreme weather conditions in Saskatchewan during the spring and summer months. Offsetting these increases in operating costs were decreased costs at SaskPower of \$20.2 million primarily due to a change in the generation mix as the result of dramatically improved hydro conditions.

Offsetting the increase in operating costs was a decrease in interest costs of \$10.9 million. The decrease in interest costs reflects, in part, the transfer of SOCO's debt to the GRF in 2004, as part of the transfer of SOCO's research park assets to the GRF. There was also a reduction of interest costs at SaskPower as interest costs on new borrowings are being capitalized as part of the capital cost of projects under construction.

Amortization costs of \$309.9 million (2004 - \$312.4 million) are \$2.5 million lower than the same period in 2004. The decrease reflects lower depreciation costs at NewGrade as the plant becomes fully depreciated.

In the first nine months of 2005, CIC spent \$1,106.9 million (2004 - \$757.5 million) on investment and capital acquisitions. The \$349.4 million increase reflects a \$196.0 million increase in capital spending due to the 150 MW Centennial Wind Power Project at Rushlake Creek and a \$170.0 million increase in investment spending due mainly to SGI turning over its investment portfolio.

NON-RECURRING ITEMS

In the third quarter the Corporation recorded a provision of \$124.9 million on its investment in Meadow Lake Pulp Limited Partnership (MLPLP), reducing the carrying value of MLPLP to \$Nil. During the third quarter MLPLP experienced deteriorating market conditions including a high Canadian dollar, increasing transportation costs, low pulp prices and rising energy costs. The Corporation is exploring options with its partner in MLPLP in order to address the financial situation of this investment.

DEBT

Debt at September 30, 2005 was \$3,576.9 million (December 31, 2004 - \$3,361.1 million), an increase of \$215.8 million. The increase in debt was attributable to SaskPower (\$237.0 million), ISI (\$19.8 million) and SaskWater (\$1.6 million) partially offset by decreases at SaskEnergy (\$23.1 million), ISC (\$8.0 million), SaskTel (\$7.1 million), NewGrade (\$4.3 million) and SDFC (\$0.1 million).

UTILITY BUNDLE REBATE

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including residential electricity, residential natural gas, basic telephone rates and auto insurance at a total annual cost that is lower than the same package in any other province in Canada. Subsequent to quarter end the Saskatchewan government announced the "Saskatchewan Energy Share Plan" which will cap the consumer price for natural gas. As a result, CIC is projecting Saskatchewan to have the lowest bundle of basic utilities for 2005, eliminating the need for a utility bundle rebate.



Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	for the nine months ended	
	September 30 2005	September 30 2004
Cash from operations	\$ 734.5	\$ 463.8
Cash used in investing activities	(509.3)	(186.3)
Dividends paid	(263.0)	(205.0)
Debt proceeds received	376.9	205.4
Debt repaid	(204.5)	(237.1)
Other financing activities	1.3	28.3
Increase in cash	\$ 135.9	\$ 69.1

Liquidity

CIC and its subsidiary Crowns finance their 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, 2005

Moody's Investor Service	Aa2
Standard & Poor's	AA-
Dominion Bond Rating Service	A

Operating, Investing and Financing Activities

Cash from operations for the nine months ending September 30, 2005 was \$734.5 million (2004 - \$463.8 million). The \$270.7 million increase was primarily due to higher non-cash expenses including the write-down of MLPLP, future income tax expense, and losses from foreign exchange.

Cash used in investing activities for the nine months ending September 30, 2005 was \$509.3 million (2004 - \$186.3 million). The \$323.0 million increase reflects an increase in capital spending from the 2004 due mainly to SaskPower's Rushlake Creek Wind Power Project.

Cash used in financing activities for the nine months ending September 30, 2005 was \$89.4 million (2004 - \$208.4 million). The \$119.0 million decrease is mainly due to SaskPower's increased borrowing to fund the Rushlake Creek Wind Power Project.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their 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.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)
(thousands of dollars)

	September 30 2005	December 31 2004
ASSETS		
Current		
Cash	\$ 148,465	\$ 18,923
Short-term investments	541,482	695,928
Accounts receivable	571,252	565,294
Inventories	209,483	180,067
Prepaid expenses	108,349	101,505
	1,579,031	1,561,717
Long-term investments	774,240	758,947
Property, plant and equipment	5,484,559	5,424,622
Other assets	455,613	394,379
	\$ 8,293,443	\$ 8,139,665
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	\$ 16,048	\$ 22,368
Accounts payable and accrued liabilities	642,336	648,294
Notes payable	34,786	115,400
Dividend payable to General Revenue Fund	-	263,000
Deferred revenue	188,748	178,591
Long-term debt due within one year	344,502	228,296
	1,226,420	1,455,949
Long-term debt	3,197,645	3,017,374
Deferred revenue and other liabilities	401,767	401,263
	4,825,832	4,874,586
Province of Saskatchewan's Equity		
Equity advances	1,181,152	1,181,152
Contributed surplus	2,258	2,427
Retained earnings	2,284,201	2,081,500
	3,467,611	3,265,079
	\$ 8,293,443	\$ 8,139,665

Commitments and contingencies (Note 3)
(See accompanying notes)

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)
For The Period
(thousands of dollars)

	2005		2004	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
REVENUE				
Sales of products and services	\$ 981,766	\$ 3,002,042	\$ 926,495	\$ 2,816,345
Investment	18,557	67,131	15,636	72,893
Other	1,347	4,670	2,976	5,587
	1,001,670	3,073,843	945,107	2,894,825
EXPENSES				
Operating costs other than those listed below	709,968	2,139,799	641,020	2,004,990
Interest	58,433	183,691	48,100	194,635
Depreciation of property, plant and equipment	105,837	309,878	101,049	312,358
Saskatchewan taxes and resource payments	21,329	69,620	33,556	66,518
	895,567	2,702,988	823,725	2,578,501
Earnings before the following	106,103	370,855	121,382	316,324
Future income tax expense	15,171	39,792	6,764	12,952
Non-recurring items (Note 4)	125,192	128,362	-	-
NET (LOSS) EARNINGS	(34,260)	202,701	114,618	303,372
RETAINED EARNINGS, BEGINNING OF PERIOD	2,318,461	2,081,500	2,225,155	2,041,401
DIVIDEND TO GENERAL REVENUE FUND	-	-	-	5,000
REINVESTED EARNINGS, END OF PERIOD	\$ 2,284,201	\$ 2,284,201	\$ 2,339,773	\$ 2,339,773

(See accompanying notes)



CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For The Period

(thousands of dollars)

	2005		2004	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
OPERATING ACTIVITIES				
Net (loss) earnings	\$ (34,260)	\$ 202,701	\$ 114,618	\$ 303,372
Items not affecting cash from operations	147,604	358,488	89,438	126,179
	113,344	561,189	204,056	429,551
Net change in non-cash working capital balances related to operations	156,828	173,353	(53,845)	34,294
Cash provided by operating activities	270,172	734,542	150,211	463,845
INVESTING ACTIVITIES				
Purchase of investments	(256,662)	(660,651)	(231,760)	(490,673)
Proceeds from sales and collections of investments	262,641	657,589	210,530	488,412
Purchase of property, plant and equipment	(175,119)	(446,259)	(113,384)	(266,874)
Proceeds from sale of property, plant and equipment	755	936	1,474	3,426
(Increase) decrease in other assets	(10,073)	(60,937)	(19,685)	79,419
Cash used in investing activities	(178,458)	(509,322)	(152,825)	(186,290)
FINANCING ACTIVITIES				
Increase (decrease) in notes payable	6,195	(80,614)	18,168	(95,187)
Decrease (increase) in deferred revenue and other liabilities	(10,229)	1,300	39,281	28,286
Long-term debt proceeds from General Revenue Fund	150	373,076	-	205,442
Long-term debt proceeds from other lenders	3,808	3,808	-	-
Long-term debt repayments to General Revenue Fund	(42,641)	(105,483)	(45,157)	(123,936)
Long-term debt repayments to other lenders	(5,264)	(18,445)	(2,637)	(18,012)
Dividend paid to General Revenue Fund	-	(263,000)	-	(205,000)
Cash (used in) provided by financing activities	(47,981)	(89,358)	9,655	(208,407)
NET INCREASE IN CASH DURING PERIOD	43,733	135,862	7,041	69,148
CASH POSITION, BEGINNING OF PERIOD	88,684	(3,445)	67,786	5,679
CASH POSITION, END OF PERIOD	\$ 132,417	\$ 132,417	\$ 74,827	\$ 74,827
Cash position consists of:				
Cash	\$ 148,465	\$ 148,465	\$ 111,300	\$ 111,300
Bank indebtedness	(16,048)	(16,048)	(36,473)	(36,473)
	\$ 132,417	\$ 132,417	\$ 74,827	\$ 74,827

(See accompanying notes)



Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2005

1. Summary of Significant Accounting Policies

The interim consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 28, 2005.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual amounts could differ from these estimates.

The accounting policies used in the preparation of these interim financial statements conform with those used in the most recent annual statements.

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the accounts of Gradworks Inc., a wholly-owned share capital subsidiary of CIC, is consolidated in these financial statements.

Separate unaudited interim financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate unaudited interim financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these interim financial statements:

Information Services Corporation of Saskatchewan	Saskatchewan Opportunities Corporation
Investment Saskatchewan Inc.	Saskatchewan Power Corporation
SaskEnergy Incorporated	Saskatchewan Telecommunications
Saskatchewan Development Fund Corporation	Holding Corporation
Saskatchewan Government Growth Fund	Saskatchewan Transportation Company
Management Corporation	Saskatchewan Water Corporation
Saskatchewan Government Insurance	

Throughout these interim financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.



Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's shares of jointly controlled enterprises included in these interim financial statements are as follows:

Canadian Power Consultants	14%
Centennial Foods Partnership	35%
Cory Cogeneration Funding Corporation	50%
Cory Cogeneration Joint Venture	50%
Foragen Technologies Limited Partnership	33%
Heritage Gas Limited	50%
Hypor B.V.	50%
Hypor LP	50%
Meadow Lake Pulp Limited Partnership	50%
NewGrade Energy Inc.	50%

c) Revenue recognition

Revenue from utility and other services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable. Revenue from long distance, wireless airtime and directory services are recognized based on usage or rate plans over the period the services are provided. Revenues from insurance premiums written are taken into income over the terms of the related policies. Revenue from sales of reconstituted and synthetic crude is recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collection of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

d) Competitive gas sales

Where the Corporation purchases natural gas in the open market at a fixed purchase price and simultaneously enters into agreements to sell this natural gas at a fixed selling price, the gain or loss is recorded at the time the transaction is settled.

In addition, the Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. Contracts may be structured so that the settlement price is determined in the future at the time of delivery or receipt. Changes in the value of the contract due to a change in market prices up to the date of settlement, are recorded as gains or losses in the period of change.



Notes to Consolidated Financial Statements

(Unaudited)

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

e) Electrical trading sales

Electricity trading revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or broker, in which case revenues are recorded net of purchases. The Corporation acts as a principal in electricity trading transactions taking title to the electricity purchased for resale and assuming the risks and rewards of ownership. Therefore, electricity trading revenues are recorded on a gross basis.

f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation 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 are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Contingencies

- a) The Corporation has committed to invest up to \$14.0 million in Foragen Technologies Limited Partnership by January 1, 2006. The Corporation has provided \$11.0 million of this commitment to September 30, 2005 (December 31, 2004 - \$10.0 million).
- b) The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations.
- c) On August 9, 2004, a proceeding under the **Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, and breach of statutory obligations concerning system administration fees. The plaintiffs seek unquantified damages from the defendant wireless communications service providers. The Corporation believes that it has strong defenses to the allegations. While the certification hearing has been held, it is not currently known whether the proceeding will be certified as a class action and the outcome of this matter is not determinable at this time.



Notes to Consolidated Financial Statements

(Unaudited)
September 30, 2005

4. Non-recurring Items

The Corporation's assets in Meadow Lake Pulp Limited Partnership (MLPLP) are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a provision of \$124.9 million in the third quarter.

The provision has been allocated to reduce the carrying value as follows:
(thousands of dollars)

Current assets	\$	1,503
Loans and investments		51,264
Property, plant and equipment		<u>72,149</u>
	\$	<u>124,916</u>

5. Comparative Figures

Certain of the 2004 comparative figures have been reclassified to conform to the current year's presentation.



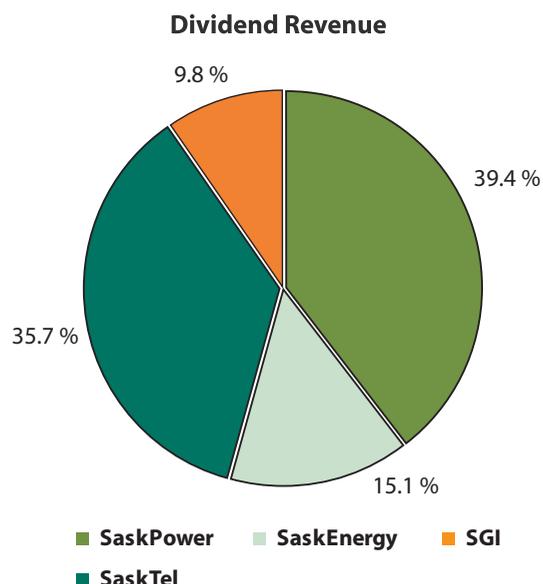
Non-Consolidated Financial Statements

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. CIC also holds the Province's investment in NewGrade Energy Inc.

This narrative on CIC's non-consolidated September 30, 2005 third quarter results should be read in conjunction with the September 30, 2005 unaudited non-consolidated financial statements.

The unaudited interim non-consolidated financial statements do not contain all the disclosures included in CIC's annual audited non-consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual non-consolidated financial statements released on April 28, 2005.



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

CIC Non-Consolidated Third Quarter Earnings (unaudited)		(millions of dollars)
Dividend revenue from Crown corporations		\$ 159.9
Add: Interest and other revenue		3.0
Less: General, administrative, and other expenses		(6.5)
Amortization		(0.2)
Grants to subsidiaries		(6.0)
Total Non-Consolidated Earnings		\$ 150.2

Equity Advances to Crown Corporations

During the third quarter of 2005, CIC provided SGI with \$25.0 million primarily to fund SGI's expansion into Alberta.

Earnings

Earnings for the third quarter of 2005 (July 1, 2005 to September 30, 2005) were \$34.2 million (2004 - \$70.4 million). Year to date earnings in 2005 (January 1, 2005 to September 30, 2005) were \$150.2 million (2004 - \$158.9 million). Year to date earnings decreased \$8.7 million from the same period in 2004 is primarily due to a decrease in dividend revenue from CIC's subsidiary Crown corporations of \$7.1 million, an increase in grants of \$1.9 million, offset by an increase in interest revenue of \$0.9 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the nine months ended September 30, 2005 was \$159.9 million (2004 - \$167.0 million). The \$7.1 million decrease was due to lower dividends from SaskEnergy (\$19.4 million) and SGI (\$5.6 million) partially offset by higher dividends from SaskPower (\$17.6 million) and SaskTel (\$0.3 million).

Dividends from subsidiary Crown corporations, for the third quarter of each year, are based on 75 percent of their forecast dividend 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. For the remaining fourth quarter dividend payment, the amount is adjusted to a percentage of actual earnings. For the current year CIC has assumed payouts of 90 percent of earnings at SaskTel as the corporation reached its industry benchmarked capital structure. SaskPower, SaskEnergy and SGI dividend payouts are forecasted for 65 percent of net earnings reflecting their need to retain capital to move to their industry benchmarked financial structure, to upgrade infrastructure, and finance growth and diversification programs.

Administrative Expenses

Expenses were \$6.7 million for the nine months ended September 30, 2005 (2004 - \$6.1 million). The increase of \$0.6 million was due mainly to increased salary costs because of recent hiring.

During the first nine months of 2005, CIC provided \$4.7 million in grants to STC (2004 - \$3.4 million) and \$1.3 million in grants to Gradworks Inc. (Gradworks), a non-profit wholly-owned subsidiary of CIC. Formally launched in February 2005, Gradworks provides recent post-secondary graduates with internships in CIC subsidiary Crown corporations.

During 2005, CIC has budgeted \$4.1 million in operating grants and \$3.9 million in capital grants to STC. Included in the STC capital grants is \$2.2 million for purchase of land for a new bus terminal in Regina.

Liquidity and Capital Resources

Cash Flow Highlights

(thousands of dollars)

	for the nine months ended	
	September 30 2005	September 30 2004
Cash from operations	\$ 230.3	\$ 215.2
Purchase of Investments	(25.1)	-
Dividends paid	(263.0)	(205.0)
(Decrease) increase in cash	\$ (57.8)	\$ 10.2



Management's Discussion and Analysis (continued)

Liquidity and Capital Resources (continued)

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

Cash from operations for the nine months ended September 30, 2005 was \$230.3 million (2004 - \$215.2 million). The \$15.1 million increase was primarily due mainly to higher dividends collected in the third quarter of 2005 compared to 2004.

Cash used in investing activities for the nine months ended September 30, 2005 was \$25.0 million (2004 - Nil). CIC provided \$25.0 million in new equity to SGI which is primarily for their expansion into Alberta.

Cash used in financing activities was \$263.0 million (2004 - \$205.0 million). Financing activities in 2005 consisted of dividends paid to the GRF.

Debt Management

Currently CIC has no debt. As a separate legal entity CIC does not expect to borrow in 2005.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and its joint venture NewGrade.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. 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 expects aggregate dividends declared by its commercial subsidiaries in 2005 to be lower than in 2004.

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates and auto insurance at a total annual cost that is lower than the same package in any other province in Canada. Subsequent to quarter end the Saskatchewan government announced the "Saskatchewan Energy Share Plan" which will cap the consumer price for natural gas. As a result, CIC is projecting Saskatchewan to have the lowest bundle of basic utilities for 2005, eliminating the need for a utility bundle rebate.

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.



NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)
(thousands of dollars)

	September 30 2005	December 31 2004
ASSETS		
Current		
Cash and short-term investments	\$ 187,548	\$ 245,337
Interest and accounts receivable	223	286
Dividends receivable	38,371	120,261
	226,142	365,884
Equity advances to Crown corporations (Note 3)	1,075,382	1,050,382
Investments in share capital corporations	377,469	377,469
Equipment	472	538
	\$ 1,679,465	\$ 1,794,273
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	\$ 1,262	\$ 3,301
Dividend payable to General Revenue Fund	-	263,000
	1,262	266,301
Province of Saskatchewan's Equity		
Equity advances	1,181,152	1,181,152
Retained earnings	497,051	346,820
	1,678,203	1,527,972
	\$ 1,679,465	\$ 1,794,273

Commitments (Note 4)
(See accompanying notes)



NON-CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)
For The Period
(thousands of dollars)

	2005		2004	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
REVENUE				
Dividend (Note 5)	\$ 38,371	\$ 159,897	\$ 72,720	\$ 166,951
Interest	924	3,053	677	2,169
Other	3	21	4	32
	39,298	162,971	73,401	169,152
EXPENSES				
General, administrative and other	2,562	6,514	1,903	5,956
Depreciation	71	204	56	169
	2,633	6,718	1,959	6,125
Earnings before the following	36,665	156,253	71,442	163,027
Grant to Gradworks	(550)	(1,322)	-	-
Grant to Saskatchewan Water Corporation	-	-	(378)	(753)
Grant to Saskatchewan Transportation Company	(1,900)	(4,700)	(700)	(3,400)
NET EARNINGS	34,215	150,231	70,364	158,874
RETAINED EARNINGS, BEGINNING OF PERIOD	462,836	346,820	423,355	339,845
	497,051	497,051	493,719	498,719
DIVIDEND TO GENERAL REVENUE FUND	-	-	-	5,000
RETAINED EARNINGS, END OF PERIOD	\$ 497,051	\$ 497,051	\$ 493,719	\$ 493,719

(See accompanying notes)



NON-CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)
For The Period
(thousands of dollars)

	2005		2004	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
OPERATING ACTIVITIES				
Net earnings	\$ 34,215	\$ 150,231	\$ 70,364	\$ 158,874
Add (deduct) non-cash items:				
Depreciation	71	203	56	169
	34,286	150,434	70,420	159,043
Net change in non-cash working capital balances related to operations	21,840	79,914	(30,830)	56,108
Cash provided by operating activities	56,126	230,348	39,590	215,151
INVESTING ACTIVITIES				
Purchase of investments	(25,000)	(25,000)	-	-
Purchase of equipment	(62)	(137)	(6)	(30)
Proceeds from sale of equipment	-	-	24	24
Cash (used in) provided by investing activities	(25,062)	(25,137)	18	(6)
FINANCING ACTIVITIES				
Dividend paid	-	(263,000)	-	(205,000)
Cash used in financing activities	-	(263,000)	-	(205,000)
NET CHANGE IN CASH DURING PERIOD	31,064	(57,789)	39,608	10,145
CASH POSITION, BEGINNING OF PERIOD	156,484	245,337	130,556	160,019
CASH POSITION, END OF PERIOD	\$ 187,548	\$ 187,548	\$ 170,164	\$ 170,164

(See accompanying notes)



Notes To Non-Consolidated Financial Statements

(Unaudited)

September 30, 2005

1. Summary of Significant Accounting Policies

The interim non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual non-consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 28, 2005.

The accounting policies used in the preparation of these interim financial statements conform with those used in the most recent annual statements.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. 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.

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 corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

3. Equity Advances to Crown Corporations

On August 30, 2005 CIC provided Saskatchewan Government Insurance \$25.0 million in equity advances.

4. Commitments

CIC has agreed to fund, through capital grants, Saskatchewan Transportation Company's new terminal facilities in Regina. CIC is expecting to fund \$2.2 million of the commitment in 2005.



Notes To Non-Consolidated Financial Statements

(Unaudited)

September 30, 2005

5. Dividend Revenue

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

	2005		2004
Saskatchewan Telecommunications Holding Corporation	\$ 57,104	\$	56,794
Saskatchewan Power Corporation	63,082		45,495
SaskEnergy Incorporated	24,100		43,500
Saskatchewan Government Insurance	15,611		21,162
	\$ 159,897	\$	166,951



