

# Quarter 2 Financial Report

## For the period ended September 30, 2016

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## Introduction

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

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

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

### CIC Consolidated Financial Statements

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

- Financial results of subsidiary Crown corporations;

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

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

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

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

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

## CIC Separate Financial Statements

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

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

## Consolidated Financial Statements

### Management's Discussion and Analysis

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

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

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

### Forward-Looking Information

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

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

## Management's Discussion and Analysis (continued)

### 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.

The following table lists significant wholly-owned subsidiaries, including the respective business line, which CIC consolidates in its financial statements:

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

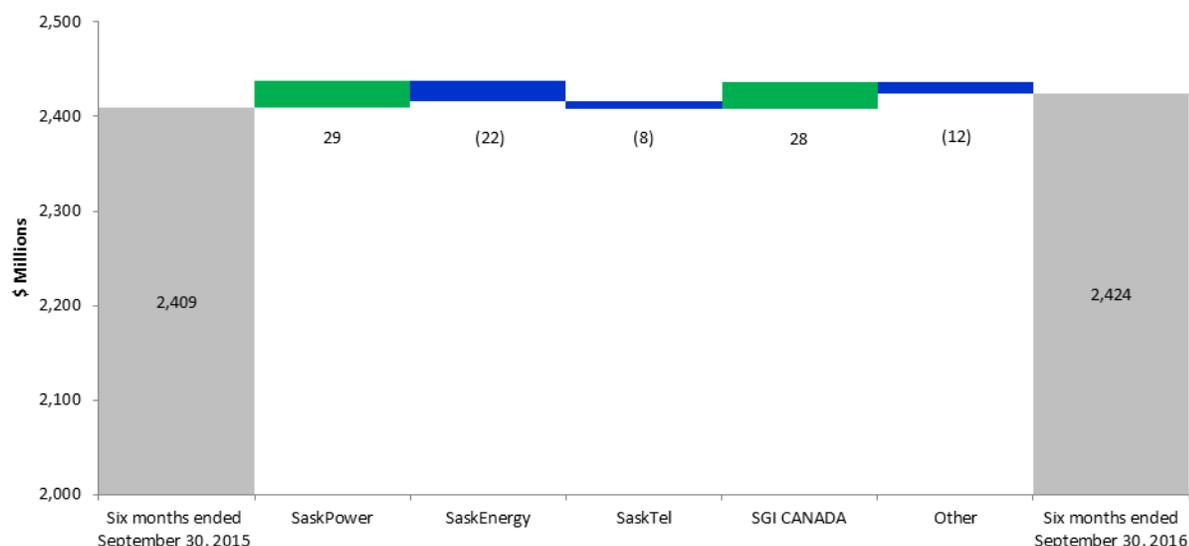
Subsidiary Corporation Earnings		For the six months ended	
(millions of dollars) (unaudited)	September 30 2016	September 30 2015	
SaskTel	\$ 72.0	\$ 64.3	
SaskEnergy	59.8	(21.1)	
SGI CANADA	13.2	(20.3)	
SGC	12.6	14.1	
SaskPower	10.7	(23.0)	
SaskWater	4.5	3.9	
CIC AMI	0.8	2.0	
STC	0.3	2.2	
SIIF	(0.3)	(0.4)	
SOCO	(0.5)	0.7	
CIC (separate)	30.0	48.9	
Other <sup>1</sup>	<u>(40.9)</u>	<u>(74.8)</u>	
<b>Net earnings</b>	<b>\$ <u>162.2</u></b>	<b>\$ <u>(3.5)</u></b>	

<sup>1</sup> Includes First Nations and Métis Fund Inc., Gradworks Inc., CIC Economic Holdco Ltd., CIC's investment in Information Services Corporation and consolidation adjustments. Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

The Corporation experienced strong earnings in the six months ended September 30, 2016 primarily due to favourable non-cash market value adjustments on natural gas contracts and investment earnings. SaskTel, SaskEnergy, SGI CANADA and SaskPower showed growth in net earnings. A prior period impairment in CIC's investment in Information Services Corporation (ISC) reduced earnings in the prior period. The Corporation's consolidated net earnings for the six months ended September 30, 2016 were \$162.2 million (2015 - \$3.5 million loss) or \$165.7 million higher than the same period in 2015. A more detailed discussion of net earnings is included on the pages following.

## Management's Discussion and Analysis (continued)

### Changes in Revenue



Revenue for the six months ended September 30, 2016 was \$2,424.3 million (September 2015 - \$2,409.1 million) or a \$15.2 million increase over the same period in 2015 primarily related to increases at SaskPower and SGI CANADA, partially offset by decreased revenue at SaskEnergy and SaskTel.

SaskPower revenue increased by \$29.2 million primarily due to a 5.0 per cent system-wide average rate increase which became effective July 1, 2016 and a rise in sales volumes from growth in demand from the oilfield and commercial customers. This increase was partially offset by a decrease in wind power incentives received from the Government of Canada and reduced fly ash sales.

SaskEnergy revenue decreased by \$21.9 million primarily due to a decrease in commodity sales. Commodity sales decreased due to a rate decrease effective January 1, 2016 and lower volumes delivered to residential and commercial customers as a result of warmer weather. These decreases were partially offset by increased delivery revenue as a result of a 4.5 per cent rate increase effective January 1, 2016 and increased transportation and storage revenue due to higher industrial customer demand and a 2.5 per cent transportation rate increase effective January 1, 2016.

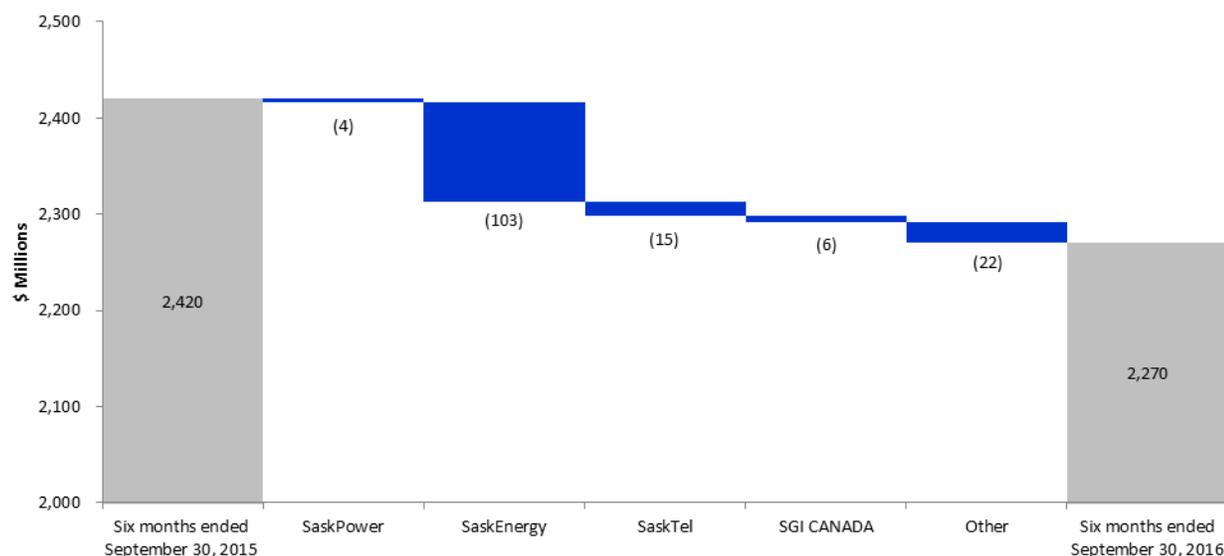
SaskTel revenue decreased by \$7.6 million primarily due to fewer landline customers as a result of customers removing landlines and only using wireless services. The decrease was partially offset by increased internet, wireless and *maxTV*<sup>TM</sup> revenue resulting from increased customers.

SGI CANADA revenue increased by \$27.7 million primarily due to increases in premiums written in Saskatchewan and Alberta. Saskatchewan premiums written increased due to price increases as a result of rate increases that included inflation in personal lines and agriculture. Customer growth in personal lines, commercial lines and personal auto contributed to the majority of the increase in Alberta.

## Management's Discussion and Analysis (continued)

### Operating Expenses and Net Finance Expense

#### Changes in Operating Expenses and Net Finance Expense



Operating expenses and net finance expense for the six months ended September 30, 2016 were \$2,269.7 million (September 2015 - \$2,419.6 million) or a \$149.9 million decrease from the same period in 2015 primarily related to decreases at SaskPower, SaskEnergy, SaskTel and SGI CANADA and a prior period impairment of CIC's investment in ISC that did not occur in 2016.

Operating and net finance expense decreased at SaskPower by \$4.3 million primarily due to favourable non-cash market value adjustments on natural gas contracts and sinking funds. These decreases were partially offset by increased overhaul activity at generation facilities, increased planned and emergency maintenance at distribution facilities and additional customer lighting incentive programs during the period. In addition, SaskPower experienced increased depreciation and finance charges due to capital investment.

Operating and net finance expense decreased at SaskEnergy by \$102.7 million primarily due to favourable non-cash market value adjustments on natural gas derivative instruments, natural gas in storage and sinking funds. In addition, commodity purchases decreased due to lower gas volume to customers related to warm weather.

Operating and net finance expense decreased at SaskTel by \$15.5 million primarily due to favourable non-cash market value adjustments on sinking funds.

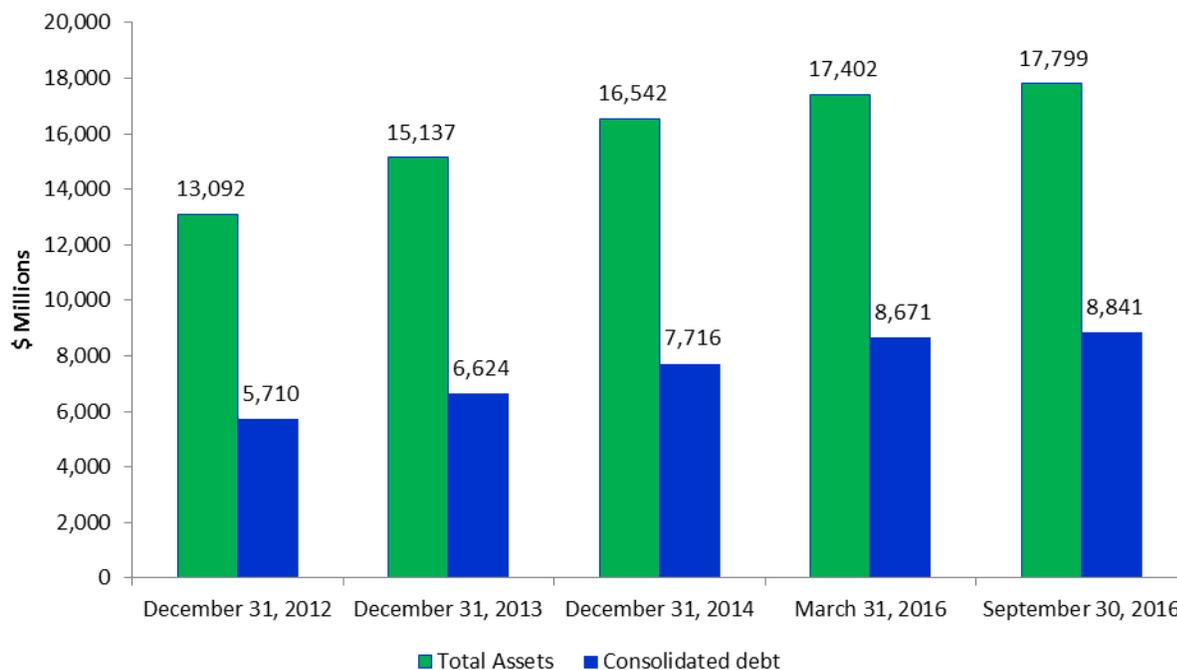
Operating and net finance expense decreased at SGI CANADA by \$5.8 million primarily due to increased investment earnings. Increased equity prices and decreased interest rates on fixed income investments resulted in higher capital gains. This was partially offset by increased storm claims in Alberta and increases in both the frequency and severity of auto claims in Ontario.

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

## Management's Discussion and Analysis (continued)

### Capital Spending

#### Total Assets and Consolidated Debt



In the six months ended September 30, 2016, property, plant and equipment, intangible asset and investment property purchases were \$596.8 million (September 2015 - \$739.1 million) or a \$142.3 million decrease from the same period in 2015. Major capital expenditures included:

- \$354.4 million at SaskPower related to connecting customers to the electric system, sustaining generation facilities and sustaining and expanding transmission and distribution infrastructure;
- \$137.8 million at SaskTel on growth initiatives such as Fibre to the Premises as well as data centre functionality and the Mosaic Stadium infrastructure project;
- \$85.9 million at SaskEnergy primarily related to customer connections, system expansions to meet residential and industrial customer growth and spending to ensure the safety and integrity of its extensive distribution and transmission systems; and
- \$10.6 million at SaskWater primarily related to system expansions to supply new customers within the potash industry and existing customers with growing demands, system upgrades and infrastructure management of existing assets.

Consolidated debt at September 30, 2016 was \$8,840.8 million (March 31, 2016 - \$8,671.3 million), an increase of \$169.5 million. The increase is primarily due to additional debt at SaskPower and SaskEnergy used to fund a portion of their capital expenditures during the period. This was partially offset by a \$23.7 million decrease at SIIF as a result of repayments made to the Government of Canada pursuant to the Immigrant Investor Program.

## Management's Discussion and Analysis (continued)

### Liquidity and Capital Resources

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

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

Moody's Investor Service	Aaa
Standard & Poor's	AA+ <sup>1</sup>
Dominion Bond Rating Service	AA

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

Cash Flow Highlights (millions of dollars) (unaudited)	For the six months ended	
	September 30 2016	September 30 2015
Net cash from operating activities	\$ 487.9	\$ 583.5
Net cash used in investing activities	(598.5)	(876.7)
Debt proceeds received	184.9	184.7
Debt repaid	(116.4)	(6.9)
Increase in notes payable	94.9	82.9
Other financing activities	(26.5)	(47.8)
Change in cash and cash equivalents	<u>\$ 26.3</u>	<u>\$ (80.3)</u>

### Operating, Investing and Financing Activities

Net cash from operating activities for the six months ended September 30, 2016 was \$487.9 million (September 2015 - \$583.5 million) or a decrease of \$95.6 million. Cash from operating activities declined primarily due to an \$85.1 million decrease from changes in non-cash working capital balances.

Net cash used in investing activities for the six months ended September 30, 2016 was \$598.5 million (September 2015 - \$876.7 million). The \$278.2 million decrease in cash outflows is primarily related to a decrease in capital expenditures at SaskPower and SaskEnergy due to the completion of major capital projects. Also contributing to the decrease in cash outflows is decreased investment purchases at SGI due to active portfolio management and at CIC (separate) due to less cash available for investing.

Net cash from financing activities for the six months ended September 30, 2016 was \$136.9 million (September 2015 - \$212.9 million). The decreased cash inflow of \$76.0 million was due to an increase in debt repayments, partially offset by an increase in notes payable and in sinking fund redemptions. The overall decrease in net cash from financing activities is primarily related to the decrease in capital expenditures noted above.

### Debt Management

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

## Management's Discussion and Analysis (continued)

### Outlook

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

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

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

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

	September 30 2016	March 31 2016
	<b>Note</b>	
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 296,845	\$ 270,491
Short-term investments	254,716	246,359
Short-term investments under securities lending program	32,280	63,768
Accounts receivable	837,644	848,295
Restricted cash and cash equivalents	53,970	71,270
Derivative financial assets	6,554	11,374
Inventories	386,026	323,324
Prepaid expenses	<u>178,320</u>	<u>178,736</u>
	<b>2,046,355</b>	<b>2,013,617</b>
Restricted cash and cash equivalents	4,717	4,724
Long-term investments	1,559,550	1,418,289
Long-term investments under securities lending program	99,743	94,289
Investments in equity accounted investees	122,185	120,464
Property, plant and equipment	13,380,094	13,160,220
Investment property	165,305	166,424
Intangible assets	409,244	412,123
Other assets	<u>12,075</u>	<u>12,230</u>
	<b>\$ 17,799,268</b>	<b>\$ 17,402,380</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Current		
Trade and other payables	\$ 691,738	\$ 718,426
Derivative financial liabilities	208,127	266,086
Notes payable	1,618,001	1,523,083
Deferred revenue	572,848	509,657
Provisions	225,652	195,058
Finance lease obligations	13,293	12,019
Long-term debt due within one year	<u>334,773</u>	<u>263,935</u>
	<b>3,664,432</b>	<b>3,488,264</b>
Provisions	682,530	625,578
Finance lease obligations	1,130,410	1,132,497
Long-term debt	6,888,010	6,884,256
Employee future benefits	508,324	464,085
Other liabilities	<u>225,104</u>	<u>218,445</u>
	<b>13,098,810</b>	<b>12,813,125</b>
Province of Saskatchewan's Equity		
Equity advances	908,889	908,889
Contributed surplus	85	85
Retained earnings	3,966,398	3,804,178
Accumulated other comprehensive loss	7 <u>(174,914)</u>	<u>(123,897)</u>
	<b>4,700,458</b>	<b>4,589,255</b>
	<b>\$ 17,799,268</b>	<b>\$ 17,402,380</b>
Commitments and contingencies	8	
(See accompanying notes)		

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

	<b>July 1 to September 30 2016</b>	July 1 to September 30 2015	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
<b>INCOME FROM OPERATIONS</b>				
Revenue	\$ 1,254,797	\$ 1,200,435	\$ 2,424,307	\$ 2,409,086
Other income	<u>1,655</u>	<u>2,149</u>	<u>3,704</u>	<u>3,601</u>
	<u><b>1,256,452</b></u>	<u>1,202,584</u>	<u><b>2,428,011</b></u>	<u>2,412,687</u>
<b>EXPENSES</b>				
Operating	657,750	646,756	1,113,340	1,211,129
Salaries, wages and short-term employee benefits	221,216	210,633	450,384	431,270
Employee future benefits	10,391	9,906	21,122	20,277
Depreciation and amortization	203,788	193,877	408,549	387,887
Loss on disposal of property, plant and equipment	5,295	6,678	7,823	9,759
Impairment losses	1,307	507	1,446	16,001
Research and development	38	73	41	121
Provision for environmental remediation liabilities	-	26	-	26
Saskatchewan taxes and fees	43,919	40,377	86,587	81,328
	<u><b>1,143,704</b></u>	<u>1,108,833</u>	<u><b>2,089,292</b></u>	<u>2,157,798</u>
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<u><b>112,748</b></u>	<u>93,751</u>	<u><b>338,719</b></u>	<u>254,889</u>
Finance income	40,427	11,676	92,382	23,357
Finance expenses	<u>(136,728)</u>	<u>(141,362)</u>	<u>(272,772)</u>	<u>(285,161)</u>
<b>NET FINANCE EXPENSES</b>	<u><b>(96,301)</b></u>	<u>(129,686)</u>	<u><b>(180,390)</b></u>	<u>(261,804)</u>
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>16,447</b>	(35,935)	<b>158,329</b>	(6,915)
Share of net earnings from equity accounted investees	<u>1,212</u>	<u>1,779</u>	<u>3,891</u>	<u>3,428</u>
<b>NET EARNINGS (LOSS)</b>	<b>17,659</b>	(34,156)	<b>162,220</b>	(3,487)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Defined benefit plan actuarial gains (losses)	10,357	(40,512)	(38,238)	33,890
Unrealized (loss) gain on cash flow hedges	(3,558)	(10,685)	(12,976)	30,739
Realized loss on cash flow hedges	-	-	-	(7,004)
Amounts amortized to net earnings and included in net finance expenses	<u>98</u>	<u>12</u>	<u>197</u>	<u>(9)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<u><b>6,897</b></u>	<u>(51,185)</u>	<u><b>(51,017)</b></u>	<u>57,616</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>	<u><b>\$ 24,556</b></u>	<u>\$ (85,341)</u>	<u><b>\$ 111,203</b></u>	<u>\$ 54,129</u>

(See accompanying notes)

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

	<b>Attributable to the Province of Saskatchewan</b>				
	Equity Advances	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at April 1, 2015	\$ 908,889	\$ 85	\$ 3,927,818	\$ (125,802)	\$ 4,710,990
Total comprehensive (loss) income	-	-	(3,487)	57,616	54,129
Dividends to the GRF	-	-	-	-	-
<b>Balance at September 30, 2015</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 85</u></b>	<b><u>\$ 3,924,331</u></b>	<b><u>\$ (68,186)</u></b>	<b><u>\$ 4,765,119</u></b>
Balance at October 1, 2015	\$ 908,889	\$ 85	\$ 3,924,331	\$ (68,186)	\$ 4,765,119
Total comprehensive income (loss)	-	-	177,046	(55,711)	121,335
Dividends to the GRF	-	-	(297,199)	-	(297,199)
<b>Balance at March 31, 2016</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 85</u></b>	<b><u>\$ 3,804,178</u></b>	<b><u>\$ (123,897)</u></b>	<b><u>\$ 4,589,255</u></b>
<b>Balance at April 1, 2016</b>	<b>\$ 908,889</b>	<b>\$ 85</b>	<b>\$ 3,804,178</b>	<b>\$ (123,897)</b>	<b>\$ 4,589,255</b>
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>162,220</b>	<b>(51,017)</b>	<b>111,203</b>
<b>Dividends to the GRF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at September 30, 2016</b>	<b><u>\$ 908,889</u></b>	<b><u>\$ 85</u></b>	<b><u>\$ 3,966,398</u></b>	<b><u>\$ (174,914)</u></b>	<b><u>\$ 4,700,458</u></b>

(See accompanying notes)

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

	Note	April 1 to September 30 2016	April 1 to September 30 2015
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss)		\$ 162,220	\$ (3,487)
Adjustments to reconcile net earnings to cash from operating activities	9	<u>512,181</u>	<u>682,589</u>
		674,401	679,102
Net change in non-cash working capital balances related to operations		68,272	153,336
Interest paid		<u>(254,755)</u>	<u>(248,888)</u>
Net cash from operating activities		<u>487,918</u>	<u>583,550</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		13,970	14,514
Dividends received		585	663
Purchase of investments		(450,143)	(754,638)
Proceeds from sale and collection of investments		416,381	601,990
Purchase of property, plant and equipment		(562,659)	(670,668)
(Costs) proceeds related to sale of property, plant and equipment		(1,515)	1,522
Purchase of intangible assets		(30,700)	(66,953)
Purchase of investment property		(3,425)	(1,481)
Decrease (increase) in restricted cash and cash equivalents		17,307	(1,787)
Decrease in other assets		<u>1,696</u>	<u>119</u>
Net cash used in investing activities		<u>(598,503)</u>	<u>(876,719)</u>
<b>FINANCING ACTIVITIES</b>			
Increase in notes payable		94,918	82,893
Increase (decrease) in other liabilities		3,921	(8,120)
Debt proceeds from the GRF		184,468	183,979
Debt repayments to the GRF		(82,562)	-
Debt proceeds from other lenders		399	769
Debt repayments to other lenders		(33,790)	(6,900)
Sinking fund instalments		(39,709)	(39,709)
Sinking fund redemptions		<u>9,294</u>	<u>-</u>
Net cash from financing activities		<u>136,939</u>	<u>212,912</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>		<b>26,354</b>	<b>(80,257)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<u>270,491</u>	<u>398,844</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<u>\$ 296,845</u>	<u>\$ 318,587</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		\$ 296,845	\$ 331,751
Bank indebtedness from continuing operations		<u>-</u>	<u>(13,164)</u>
		<u>\$ 296,845</u>	<u>\$ 318,587</u>

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**1. General information**

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

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

**2. Basis of preparation**

**a) Statement of compliance**

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

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2016.

**b) Change of year end**

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

**c) Functional and presentation currency**

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

**3. Application of revised accounting standards**

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

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

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

**4. Significant accounting policies**

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

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

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

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

**a) Basis of consolidation**

**Subsidiaries**

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

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

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

<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)	Information and communications technology
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Water Corporation (SaskWater)	Water and wastewater management
Saskatchewan Government Insurance (SGI CANADA)	Property and casualty insurance
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Transportation Company (STC)	Passenger and freight transportation

**Associates and joint ventures (investments in equity accounted investees)**

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

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

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

**Joint operations**

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

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

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

**a) Basis of consolidation (continued)**

**Special purpose entities**

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

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

**Transactions eliminated on consolidation**

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

**b) New standards not yet adopted**

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

**IAS 7, *Statement of Cash Flows***

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

**IFRS 4, *Insurance Contracts***

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which was based on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2017 with implementation not expected before 2020. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

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

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

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

**IFRS 9, *Financial Instruments***

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

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

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

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

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

**IFRS 16, *Leases***

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

**5. Status of CIC**

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

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
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**6. Equity advances and capital disclosures**

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

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

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

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

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

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

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

The debt ratio is as follows:

	<b>September 30 2016</b>	March 31 2016
Total debt (a)	<b>\$ 8,840,784</b>	\$ 8,671,274
Less: Sinking funds	<u>(852,424)</u>	<u>(780,762)</u>
Net debt	<b>7,988,360</b>	7,890,512
Equity (b)	<u><b>4,875,372</b></u>	<u>4,713,152</u>
Capitalization	<u><b>\$ 12,863,732</b></u>	<u>\$ 12,603,664</u>
Debt ratio	<b>62.1%</b>	62.6%

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

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

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**7. Accumulated other comprehensive loss**

	<b>September 30 2016</b>	March 31 2016
Items that may be reclassified to net earnings:		
Unrealized losses on cash flow hedges	\$ (16,241)	\$ (3,265)
Realized losses on cash flow hedges	<u>(12,945)</u>	<u>(13,142)</u>
	<b>(29,186)</b>	<b>(16,407)</b>
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial losses	<u>(145,728)</u>	<u>(107,490)</u>
	<u><b>\$ (174,914)</b></u>	<u><b>\$ (123,897)</b></u>

**8. Commitments and contingencies**

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

**9. Condensed consolidated interim statement of cash flows**

	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
<b>Adjustments to reconcile net earnings to cash provided from operating activities</b>		
Depreciation and amortization	\$ 408,549	\$ 387,887
Share of earnings from investments in equity accounted investees	(3,891)	(3,428)
Defined benefit pension plan expense (income)	594	(271)
Recovery of decommissioning and environmental remediation liabilities	-	(305)
Unrealized (gains) losses on derivative financial instruments	(65,861)	10,238
Inventory (recoveries) write-downs	(15,380)	2,575
Loss on disposal of property, plant and equipment	7,823	9,759
Impairment losses	1,446	16,001
Net finance expenses	180,390	261,804
Other non-cash items	<u>(1,489)</u>	<u>(1,671)</u>
	<u><b>\$ 512,181</b></u>	<u><b>\$ 682,589</b></u>

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**10. Fair value of financial instruments**

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

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

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

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

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

	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 296,845	\$ -	\$ -	\$ 296,845
Restricted cash and cash equivalents	58,687	-	-	58,687
Notes payable	1,618,001	-	-	1,618,001
Investments carried at fair value through profit or loss	400,476	1,229,070	156,618	1,786,164
Investments - amortized cost	-	53,898	-	53,898
Loans and receivables - Immigrant Investor Program	-	102,805	-	102,805
Finance lease obligations	-	1,304,940	-	1,304,940
Long-term debt	-	8,938,205	-	8,938,205
Physical natural gas contracts - net	-	(35,839)	-	(35,839)
Natural gas price swaps - net	-	(148,589)	-	(148,589)
Physical electricity forwards - net	-	(907)	-	(907)
Electricity contracts for differences - net	-	(16)	-	(16)
Bond forwards - net	-	(16,222)	-	(16,222)

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

**11. Comparative figures**

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

# Separate Financial Statements

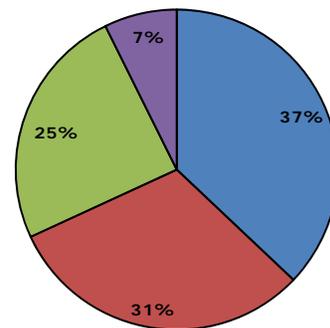
## Management's Discussion and Analysis

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

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

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

## Dividend Revenue



■ SaskTel ■ SGI ■ SGC ■ Other

## Financial Results

CIC Separate Second Quarter Earnings (millions of dollars) (unaudited)	For the six months ended	
	September 30 2016	September 30 2015
Dividend revenue	\$ 40.4	\$ 60.7
Add: Finance and other revenue	0.6	1.5
Less: Operating, salaries and other expenses	(4.8)	(5.0)
Grants to subsidiary corporations	(6.2)	(8.3)
<b>Total Separate Earnings</b>	<b>\$ 30.0</b>	<b>\$ 48.9</b>

## Net Earnings

Net earnings for the six months ended September 30, 2016 were \$30.0 million (September 2015 - \$48.9 million), a decrease of \$18.9 million from the same period in 2015. The decrease in earnings is primarily due to lower dividend revenue of \$20.3 million and a decrease in finance and other revenue of \$0.9 million. The unfavourable change in revenue was offset by lower expenses consisting of lower grants to subsidiary corporations of \$2.1 million and a decrease in operating, salaries and other expenses of \$0.2 million. A more detailed discussion of net earnings is included on the pages following.

## Management's Discussion and Analysis (continued)

### Dividend Revenue

Dividend revenue for the six months ended September 30, 2016 was \$40.4 million (September 2015 - \$60.7 million). The \$20.3 million decrease is primarily due to lower dividends from SaskEnergy (\$20.0 million), SGC (\$0.1 million) and SOCO (\$0.2 million).

For the first six months of each fiscal period, dividends from subsidiary Crown corporations are based on 50.0 per cent of forecasted dividends for the period. The forecasted dividend is calculated in accordance with CIC's dividend policy and is typically a percentage payout of earnings from operations, but can be an absolute value. The percentage is based on the overall financial health of the subsidiary Crown and its need for capital investment. These dividend targets are subject to change during the period if there is a significant change in circumstances.

For the current fiscal period, the budgeted dividend at SaskTel is \$30.0 million, SGI CANADA is \$25.0 million, SaskWater is based on 25.0 per cent of earnings from operations, SGC is based on 80.0 per cent of earnings from operations and SaskEnergy is based on 35.0 per cent of earnings from operations. For the six months ended September 30, 2016, SaskEnergy's dividend payment to CIC was deferred as a result of lower cash available from operations.

### Operating, Salaries and Other Expenses

Operating, salaries and other expenses for the six months ended September 30, 2016 were \$4.8 million (September 2015 - \$5.0 million), a \$0.2 million decrease from the same period in 2015. This decrease is primarily due to cost restraints.

### Grants to Subsidiary Corporations

For the six months ended September 30, 2016, CIC provided \$6.2 million (September 2015 - \$8.3 million) in grants to subsidiary corporations. STC received \$6.1 million (September 2015 - \$8.2 million) in grants to support ongoing operations. Gradworks Inc. received \$0.1 million (September 2015 - \$0.1 million) to fund its Internship Development Program.

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

### Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the six months ended	
	September 30 2016	September 30 2015
Net cash from operating activities	\$ 65.6	\$ 47.5
Net cash used in investing activities	(6.7)	(108.1)
Net cash used in financing activities	-	-
Net change in cash	<u>\$ 58.9</u>	<u>\$ (60.6)</u>

### Liquidity

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

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

### **Operating, Investing and Financing Activities**

Net cash from operating activities for the six months ended September 30, 2016 was \$65.6 million (September 2015 - \$47.5 million). This \$18.1 million increase is due mainly to a \$36.2 million increase from net changes in non-cash working capital balances related to operations as a result of a year over year change in dividends receivable from subsidiary Crown corporations. This increase was partially offset by an \$18.9 million decrease in net earnings resulting mainly from lower dividend revenue in the current period as compared to the same period of 2015.

Net cash used in investing activities for the six months ended September 30, 2016 was \$6.7 million (September 2015 - \$108.1 million), a decrease of \$101.4 million. The decrease in cash flows is mainly due to reclassifications of \$105.6 million between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents.

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

### **Debt Management**

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

### **Outlook and Key Factors Affecting Performance**

Since CIC is a holding company, the key factor affecting its earnings is the level of subsidiary Crown corporation earnings and, in turn, dividends. The CIC Board determines dividends from a commercial subsidiary after considering medium term reinvestment needs 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 of 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 2016	March 31 2016
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 191,828	\$ 132,880
Short-term investments		7,299	-
Interest and accounts receivable		332	740
Dividends receivable		<u>19,118</u>	<u>55,654</u>
		<b>218,577</b>	<b>189,274</b>
Equity advances to Crown corporations	5	<b>1,186,918</b>	1,186,918
Investments in share capital corporations		<b>6,306</b>	6,306
Equipment		<u>135</u>	<u>148</u>
		<b><u>\$ 1,411,936</u></b>	<b><u>\$ 1,382,646</u></b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>			
Current			
Interest and accounts payable		<u>\$ 1,691</u>	<u>\$ 2,376</u>
Province of Saskatchewan's Equity			
Equity advances		<b>908,889</b>	908,889
Retained earnings		<u>501,356</u>	<u>471,381</u>
		<b><u>1,410,245</u></b>	<b><u>1,380,270</u></b>
		<b><u>\$ 1,411,936</u></b>	<b><u>\$ 1,382,646</u></b>

(See accompanying notes)

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

	Note	July 1 to September 30 2016	July 1 to September 30 2015	April 1 to September 30 2016	April 1 to September 30 2015
<b>INCOME FROM OPERATIONS</b>					
Dividend revenue	6	\$ 20,185	\$ 30,204	\$ 40,393	\$ 60,723
Other income		<u>4</u>	<u>3</u>	<u>4</u>	<u>13</u>
		<u>20,189</u>	<u>30,207</u>	<u>40,397</u>	<u>60,736</u>
<b>EXPENSES</b>					
Operating		1,083	905	1,971	2,225
Salaries and short-term employee benefits		1,255	1,339	2,525	2,564
Employee future benefits		136	72	280	147
Depreciation and amortization		<u>8</u>	<u>21</u>	<u>15</u>	<u>43</u>
		<u>2,482</u>	<u>2,337</u>	<u>4,791</u>	<u>4,979</u>
<b>EARNINGS FROM OPERATIONS</b>		<u>17,707</u>	<u>27,870</u>	<u>35,606</u>	<u>55,757</u>
Finance income		353	921	620	1,467
Finance expenses		<u>(2)</u>	<u>(2)</u>	<u>(4)</u>	<u>(4)</u>
<b>NET FINANCE INCOME</b>		<u>351</u>	<u>919</u>	<u>616</u>	<u>1,463</u>
<b>EARNINGS BEFORE PUBLIC POLICY INITIATIVES</b>		<u>18,058</u>	<u>28,789</u>	<u>36,222</u>	<u>57,220</u>
Grants to subsidiary corporations	7	<u>(3,668)</u>	<u>(3,567)</u>	<u>(6,247)</u>	<u>(8,345)</u>
<b>NET EARNINGS</b>		<u>14,390</u>	<u>25,222</u>	<u>29,975</u>	<u>48,875</u>
<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>\$ 14,390</u>	<u>\$ 25,222</u>	<u>\$ 29,975</u>	<u>\$ 48,875</u>

(See accompanying notes)

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

	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
<b>RETAINED EARNINGS</b>		
Retained earnings - beginning of period	\$ 471,381	\$ 641,658
Total comprehensive income	29,975	48,875
Dividend to the General Revenue Fund	<u>-</u>	<u>-</u>
Retained earnings - end of period	<u>501,356</u>	<u>690,533</u>
<b>EQUITY ADVANCE</b>		
Equity advances - beginning of period	908,889	908,889
Equity advances received	<u>-</u>	<u>-</u>
Equity advances - end of period	<u>908,889</u>	<u>908,889</u>
<b>EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN</b>	<u>\$ 1,410,245</u>	<u>\$ 1,599,422</u>

(See accompanying notes)

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

	Note	April 1 to September 30 2016	April 1 to September 30 2015
<b>OPERATING ACTIVITIES</b>			
Net earnings		\$ 29,975	\$ 48,875
Items not affecting cash from operations			
Depreciation and amortization		15	43
Net finance income		<u>(616)</u>	<u>(1,463)</u>
		29,374	47,455
Net change in non-cash working capital balances related to operations	8	36,259	15
Interest paid		<u>(4)</u>	<u>(4)</u>
Net cash from operating activities		<u>65,629</u>	<u>47,466</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		620	1,467
Increase in short-term investments		(7,299)	(112,884)
Repayment of due from First Nations and Metis Fund Inc.		-	1,340
Proceeds from retraction of equity advances		-	2,000
Purchase of equipment		<u>(2)</u>	<u>(2)</u>
Net cash used in investing activities		<u>(6,681)</u>	<u>(108,079)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid to General Revenue Fund		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD</b>		58,948	(60,613)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		<u>132,880</u>	<u>317,993</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<u>\$ 191,828</u>	<u>\$ 257,380</u>

(See accompanying notes)

**Crown Investments Corporation of Saskatchewan  
Notes to Condensed Separate Financial Statements  
September 30, 2016  
(thousands of dollars)  
(unaudited)**

**1. General information**

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

**2. Basis of preparation**

**a) Statement of compliance**

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

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on November 29, 2016.

**b) Change of year end**

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

**c) Functional and presentation currency**

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

**3. Status of Crown Investments Corporation of Saskatchewan**

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

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

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

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

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Separate Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**4. Summary of significant accounting policies**

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

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

CIC prepares condensed consolidated interim financial statements that have been authorized for issue by the CIC Board of Directors on November 29, 2016. CIC's condensed consolidated interim financial statements should be referenced for further information.

**5. Equity advances to Crown corporations**

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

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

**6. Dividend revenue**

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

	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
Saskatchewan Telecommunications Holding Corporation	\$ 15,000	\$ 15,000
Saskatchewan Government Insurance	12,500	12,500
Saskatchewan Gaming Corporation	9,948	10,021
Information Services Corporation	2,170	2,170
Saskatchewan Water Corporation	775	846
SaskEnergy Incorporated	-	19,955
Saskatchewan Opportunities Corporation	<u>-</u>	<u>231</u>
	<b><u>\$ 40,393</u></b>	<b><u>\$ 60,723</u></b>

**Crown Investments Corporation of Saskatchewan**  
**Notes to Condensed Separate Financial Statements**  
**September 30, 2016**  
**(thousands of dollars)**  
**(unaudited)**

**7. Grants to subsidiary corporations**  
(thousands of dollars)

	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
Saskatchewan Transportation Company	\$ 6,100	\$ 8,200
Gradworks Inc.	<u>147</u>	<u>145</u>
	<u>\$ 6,247</u>	<u>\$ 8,345</u>

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

	<b>April 1 to September 30 2016</b>	April 1 to September 30 2015
Decrease (increase) in interest and accounts receivable	\$ 408	\$ (131)
Decrease in dividends receivable	36,536	451
Decrease in interest and accounts payable	<u>(685)</u>	<u>(305)</u>
	<u>\$ 36,259</u>	<u>\$ 15</u>