

Quarter 4 Financial Report

For the period ended December 31, 2015

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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 2015 fourth quarter financial results should be read in conjunction with the December 31, 2014 audited consolidated and separate financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those disclosed in CIC’s December 31, 2014 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim financial statements.

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

CIC Consolidated Financial Statements

CIC’s consolidated financial statements include CIC’s results consolidated with the results of its subsidiary corporations. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations:

Wholly-owned subsidiaries domiciled in Canada	Principal Activity
SaskEnergy Incorporated	Natural gas storage and delivery
Saskatchewan Gaming Corporation	Entertainment
Saskatchewan Government Insurance	Property and casualty insurance
Saskatchewan Opportunities Corporation	Research parks
Saskatchewan Power Corporation	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications	Telecommunications
Saskatchewan Transportation Company	Passenger and freight transportation
Saskatchewan Water Corporation	Water and wastewater management

- 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, funding support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

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

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

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

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

Major Lines of Business

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

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited condensed consolidated interim financial statements and supporting notes for the period ended December 31, 2015. These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The unaudited condensed consolidated interim financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with CIC's December 31, 2014 audited consolidated financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those disclosed in CIC's

Management's Discussion and Analysis (continued)

Major Lines of Business (continued)

December 31, 2014 audited consolidated financial statements, except as described in Note 3 to the unaudited condensed consolidated interim financial statements.

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

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

Change of Year-end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. The first complete audited fiscal period will consist of the fifteen months ending March 31, 2016. This change has resulted in the preparation of the fourth quarter public report for the twelve months ended December 31, 2015. Information included in the following discussion focuses on the unaudited twelve months of the current fiscal period as compared to the audited twelve month period ending December 31, 2014. The Management Discussion and Analysis and the unaudited condensed consolidated interim financial statements are consistent with previous public quarterly reports.

Management's Discussion and Analysis (continued)

Subsidiary Corporation Earnings (millions of dollars)	For the twelve months ended	
	December 31 2015 (unaudited)	December 31 2014 (audited)
SaskTel	\$ 97.7	\$ 76.4
SaskEnergy	85.3	(33.0)
SGI	61.7	40.7
SaskPower	39.7	59.6
SGC	26.9	24.9
SaskWater	6.4	5.5
CIC AMI	3.6	13.0
SOCO	1.3	2.3
STC	0.7	(0.4)
SIIF	(0.7)	(4.0)
Other¹	<u>(44.6)</u>	<u>(22.3)</u>
Net earnings	<u>\$ 278.0</u>	<u>\$ 162.7</u>

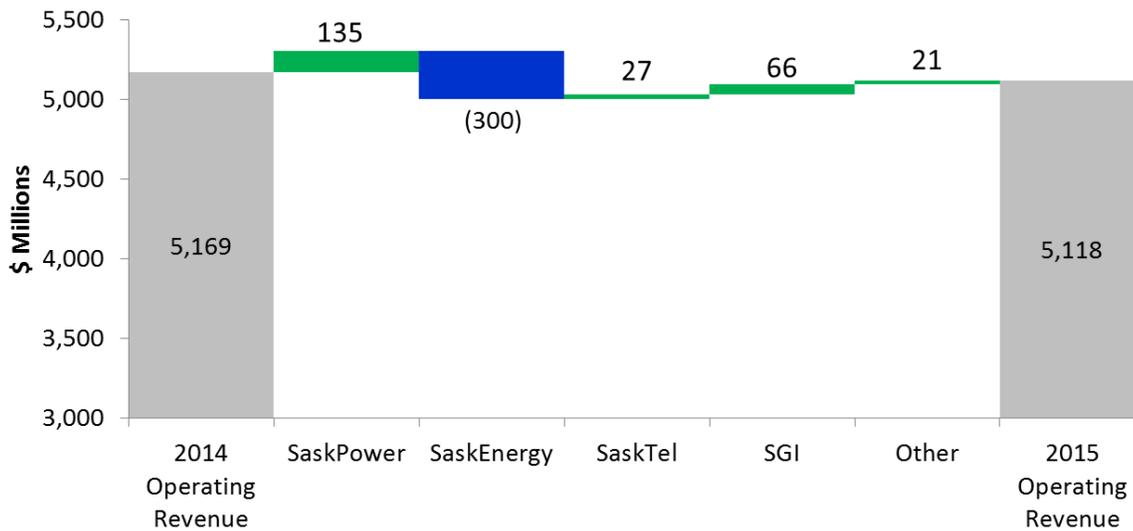
¹ Includes CIC separate, First Nations and Metis Fund, Gradworks, CIC Economic Holdco. and consolidation adjustments. Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown corporations, revenues and expenses between Crown corporations and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

The Corporation's consolidated net earnings for the twelve months ended December 31, 2015 were \$278.0 million (2014 - \$162.7 million) or \$115.3 million higher than the same period in 2014. The increase was primarily related to an increase in earnings at SaskTel, SaskEnergy and SGI partially offset by a decrease in earnings at SaskPower and CIC AMI combined with an impairment loss on CIC's investment in Information Services Corporation (ISC). A more detailed discussion of the change is included on the pages following.

Management's Discussion and Analysis (continued)

Revenue

Changes in Operating Revenue for the twelve months ended



Revenue for the first twelve months of 2015 was \$5,118.0 million (2014 - \$5,169.0 million), a \$51.0 million decrease over the same period in 2014 primarily related to:

- A \$299.8 million decrease in SaskEnergy revenue primarily due to a large decrease in gas marketing activity relating to a narrowing of current and future price differentials.

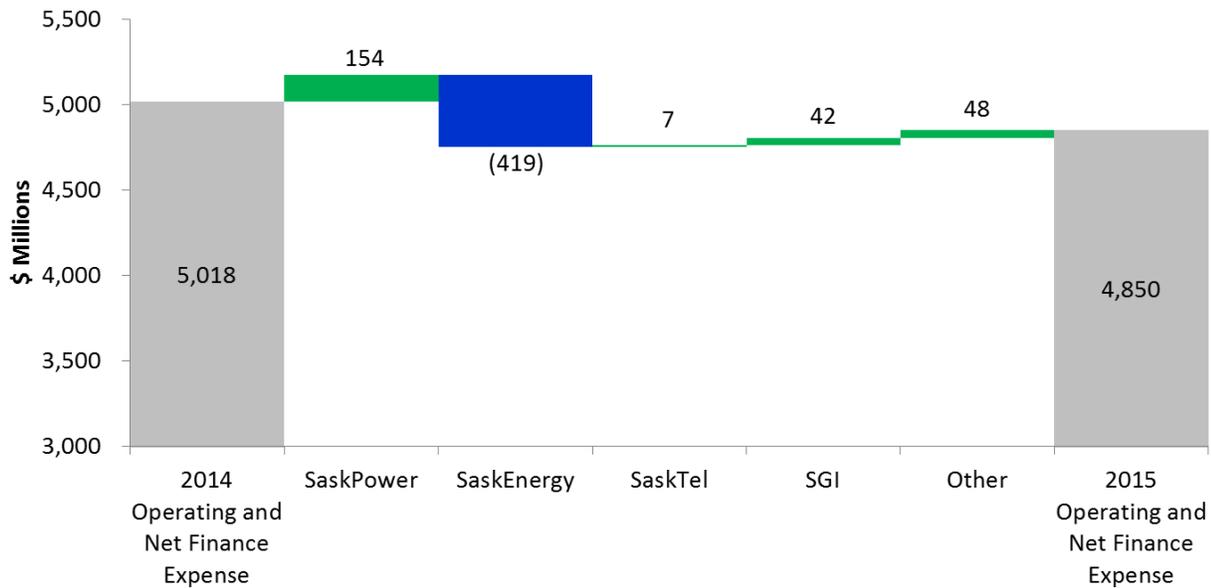
The decrease in revenue was partially offset by:

- A \$134.6 million increase in SaskPower revenue primarily due to an increase in Saskatchewan electricity sales from a 3.0 per cent system-wide average interim rate increase effective January 1, 2015 and a 2.0 per cent rate increase effective September 1, 2015 combined with increased power usage driven by growth. Also, SaskPower had higher customer contributions and carbon dioxide sales and fees for the use of the Shand Carbon Capture Test Facility;
- A \$65.5 million increase in SGI revenue driven from increased revenue in Saskatchewan, Alberta, and Ontario. Saskatchewan revenue increased primarily as a result of personal lines, which include home, condo, tenant, and personal liability insurance. Alberta experienced large increases in personal lines and personal auto insurance, and Ontario had increases primarily related to increased sales volumes in personal auto insurance; and
- A \$26.7 million increase in SaskTel revenue primarily driven by growth in internet subscribers, the wireless customer base, increased revenue per customer related to a shift to two year price plans, maxTV entertainment services due to increased number of customers, and increased equipment and device sales primarily related to wireless devices. These are partially offset by decreased wireless wholesale revenues due to less revenue from all carriers roaming on SaskTel's network and decreased local and enhanced service and long distance revenues as a result of customers moving from wireline to wireless services, commonly referred to as wireless substitution.

Management's Discussion and Analysis (continued)

Operating Expenses and Net Finance Expense

Changes in Operating Expenses and Net Finance Expense for the twelve months ended



Operating expenses and net finance expense for the first twelve months of 2015-16 were \$4,849.8 million (2014 - \$5,018.3 million), a \$168.5 million decrease from the same period in 2014 primarily related to:

- A \$419.4 million decrease in SaskEnergy expenses mainly related to decreases in gas marketing activity relating to a narrowing of current and future price differentials and decreases in commodity purchases due to lower gas volume to customers related to warm weather. Also, SaskEnergy experienced a favourable change in unrealized market value adjustments.

The decrease in operating expenses and net finance expense was partially offset by:

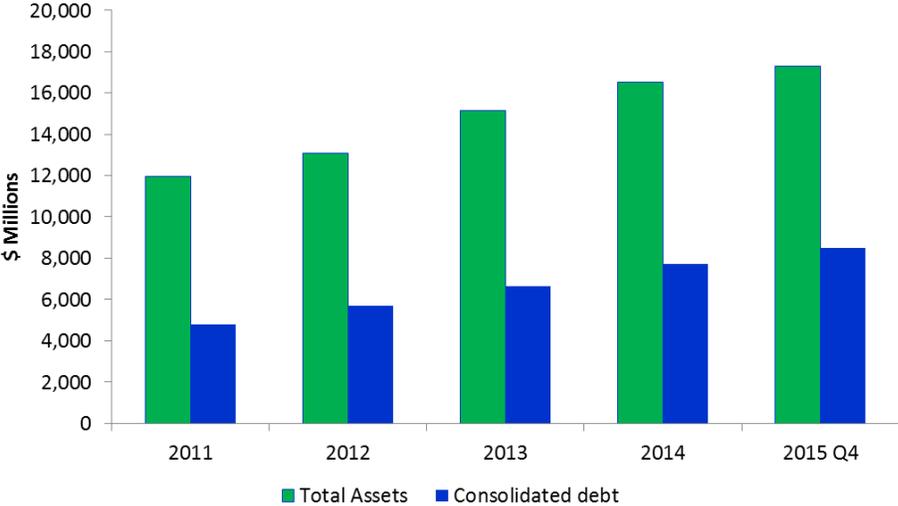
- An increase of \$153.7 million in SaskPower expenses primarily related to unfavourable market value adjustments versus favourable market value adjustments in the same period for 2014, higher fuel costs related to reduced availability of lower cost hydro generation being replaced by more expensive natural gas generation and increased depreciation and net finance expenses as a result of significant capital investments. These increases were partially offset by lower impairment losses and lower operating costs realized through cost constraint measures. The same period in 2014 included impairment losses related to advanced metering infrastructure;
- An increase of \$42.4 million in SGI expenses primarily related to higher commissions and premium taxes correlated with revenue growth and higher claim costs in Alberta and Manitoba related to increased storm activity. These increases were partially offset by a decrease in the number of storm claims in Saskatchewan;
- An impairment loss of \$15.7 million on CIC's 31.0 per cent ownership interest in ISC due to a decrease in the market value of the shares from the Saskatchewan housing market; and
- An increase of \$9.6 million in CIC AMI expenses primarily related to a recovery of decommissioning and environmental remediation liabilities in 2014.

Management’s Discussion and Analysis (continued)

Capital Spending

In the first twelve months of 2015-16, property, plant and equipment, intangible assets and investment property purchases were \$1,541.2 million (2014 - \$1,917.0 million). Major capital expenditures included:

- \$962.0 million at SaskPower related to renewing generation assets such as repowering the Queen Elizabeth Power Station, connecting customers to the electric system, increasing capacity, sustaining transmission and distribution infrastructure, and information technology projects;
- \$307.5 million at SaskTel on growth initiatives such as Fibre to the Premise, wireless network enhancements and network growth and enhancements. These investments will provide increased internet access speeds, enhanced maxTV services, increased roaming capacity and data speeds, enhance customer interface and expand service offerings;
- \$214.0 million at SaskEnergy primarily on system expansion to meet residential and industrial customer growth to ensure the safety and integrity of its extensive distribution and transmission systems; and
- \$45.9 million at SaskWater primarily related to pipeline design and construction, pump station upgrades and canal improvements to provide service to the potash industry.



Over the past five years, the Corporation had significant capital spending. The increase in assets continues to outpace the increase in consolidated debt.

Investment Purchases

In the first twelve months of 2015-16, investment purchases were \$1,182.1 million (2014 - \$1,021.3 million), an increase of \$160.8 million. The majority of the increases were related to:

- An \$81.6 million increase in purchases at SGI attributed to efforts to manage its short and long-term investment portfolio asset mix during the period; and
- An \$87.6 million increase in purchases of investments related to CIC Separate, which is mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents.

Management's Discussion and Analysis (continued)

Consolidated Debt

Consolidated debt at December 31, 2015 was \$8,505.1 million (December 31, 2014 - \$7,716.1 million), an increase of \$789.0 million. The increase in debt is due to:

- A \$659.1 million increase in SaskPower debt to fund a portion of its \$962.0 million in capital expenditures during the period;
- A \$92.2 million increase in SaskTel debt to fund a portion of its \$307.5 million in capital expenditures during the period; and
- A \$37.7 million increase in SaskEnergy debt to fund a portion of its \$214.0 million in capital expenditures during the period.

Liquidity

CIC and its subsidiary Crowns finance capital requirements through internally generated cash flow and if required, 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 December 31, 2015

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

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)	For the twelve months ended	
	December 31 2015 (unaudited)	December 31 2014 (audited)
Net cash from operating activities	\$ 928.6	\$ 967.0
Net cash used in investing activities	(1,625.6)	(1,893.6)
Increase (decrease) in notes payable	179.2	(108.4)
Debt proceeds received	672.6	1,260.2
Debt repaid	(74.2)	(68.6)
Dividends paid to GRF	(262.2)	(206.0)
Other financing activities	(70.5)	27.5
Change in cash and cash equivalents	<u>\$ (252.1)</u>	<u>\$ (21.9)</u>

Operating, Investing and Financing Activities

Net cash from operating activities for the twelve months ended December 31, 2015 was \$928.6 million (2014 - \$967.0 million), a decrease of \$38.4 million. The decrease relates to:

- A \$259.8 million decrease in non-cash working capital balances; and
- A \$24.4 million increase in interest paid, attributed to higher consolidated debt balances.

These decreases were mostly offset by a \$115.3 million increase in net earnings and a \$128.6 million increase in adjustments to reconcile net earnings to cash from operating activities (see details in Note 10 to the unaudited condensed consolidated interim financial statements).

Management's Discussion and Analysis (continued)

Operating, Investing and Financing Activities (continued)

Net cash used in investing activities for the twelve months ended December 31, 2015 was \$1,625.5 million (2014 - \$1,893.6 million). The \$268.0 million decrease in cash outflows is primarily related to:

- A \$375.8 million decrease in capital expenditures primarily at SaskPower and SaskEnergy; and
- A \$19.8 million cash inflow as a result of the change, year-over-year, in restricted cash from a \$29.6 million decrease in the first twelve months of 2015-16 compared to an increase of \$9.7 million for the same period in 2014.

This was partially offset by:

- A net \$127.6 million increase in cash outflows primarily from a \$160.8 million increase in investment purchases primarily related to CIC Separate and SGI partially offset by a \$35.6 million increase in proceeds from sale and collection of investments. The changes, year-over-year, in CIC Separate are mostly the result of reclassifications of cash between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents. SGI changes were related to turning over its investment portfolio to change its asset mix during the period.

Net cash from financing activities for the twelve months ended December 31, 2015 was \$444.9 million (2014 - \$904.8 million). The decrease in cash inflow of \$459.9 million was due to:

- A \$587.6 million decrease in debt proceeds primarily due to reduced capital spending;
- A \$56.2 million increase in dividends to the GRF; and
- A \$103.7 million increase in cash outflows from debt repaid and other financing activities.

This was partially offset by:

- A \$287.6 million change in notes payable as the Corporation increased its notes payable by \$179.2 million in 2015 compared to a decrease of \$108.4 million in the same period in 2014.

Debt Management

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

Outlook

The Corporation's net earnings outlook is highly dependent upon the performance and management of 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 stable or growing customer demand and rates that are set in accordance with commercial principles. The Corporation anticipates significant ongoing challenges including maintaining and expanding utility infrastructure at SaskPower and SaskEnergy, as well as keeping pace with industry technological change at SaskTel. Significant capital expenditures in these companies are expected in the medium term.

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

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

	December 31 2015 (unaudited)	December 31 2014 (audited)
	Note	
ASSETS		
Current		
Cash and cash equivalents	\$ 140,300	\$ 391,604
Short-term investments	369,229	192,575
Accounts receivable	862,228	818,276
Restricted cash and cash equivalents	84,826	114,342
Derivative financial assets	12,812	27,497
Inventories	358,391	374,527
Prepaid expenses	150,134	136,538
Assets held-for-sale	6	6,090
	<u>1,977,920</u>	2,061,449
Restricted cash and cash equivalents	4,724	4,766
Long-term investments	1,547,107	1,467,137
Investments in equity accounted investees	120,577	142,036
Property, plant and equipment	13,054,252	12,295,498
Investment property	166,490	166,401
Intangible assets	416,391	391,666
Other assets	<u>12,488</u>	<u>13,333</u>
	<u>\$ 17,299,949</u>	<u>\$ 16,542,286</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	\$ 16,181	\$ 15,363
Trade and other payables	811,856	917,277
Derivative financial liabilities	211,422	202,692
Notes payable	1,533,066	1,353,369
Deferred revenue	548,089	540,415
Provisions	208,110	218,870
Current portion of finance lease obligations	11,370	8,555
Long-term debt due within one year	<u>244,210</u>	<u>65,523</u>
	3,584,304	3,322,064
Provisions	605,822	571,804
Finance lease obligations	1,136,434	1,136,632
Long-term debt	6,727,882	6,297,225
Employee future benefits	376,566	422,592
Other liabilities	<u>210,915</u>	<u>182,330</u>
	<u>12,641,923</u>	<u>11,932,647</u>
Province of Saskatchewan's Equity		
Equity advances	908,889	908,889
Contributed surplus	85	85
Retained earnings	3,775,246	3,759,399
Accumulated other comprehensive loss	8	(58,734)
	<u>4,658,026</u>	<u>4,609,639</u>
	<u>\$ 17,299,949</u>	<u>\$ 16,542,286</u>
Commitments and contingencies	9	
(See accompanying notes)		

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

	2015 October 1 to December 31 (unaudited)	2015 January 1 to December 31 (unaudited)	2014 October 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
Note				
INCOME FROM OPERATIONS				
Revenue	\$ 1,369,418	\$ 5,118,000	\$ 1,340,193	\$ 5,168,999
Other income	<u>(290)</u>	<u>3,820</u>	<u>(985)</u>	<u>5,804</u>
	1,369,128	5,121,820	1,339,208	5,174,803
EXPENSES				
Operating	681,449	2,543,211	876,744	2,899,416
Salaries, wages and short-term employee benefits	187,939	853,045	195,246	866,285
Employee future benefits	36,894	67,644	35,226	65,039
Depreciation and amortization	202,840	776,408	186,151	707,117
Loss on disposal of property, plant and equipment	14,693	26,465	2,851	10,829
Impairment (reversals) losses	(2,005)	17,448	7,333	30,150
Research and development	92	282	2,058	2,237
Provision for (recovery of) environmental remediation liabilities	328	354	(12,527)	(11,527)
Saskatchewan taxes and fees	37,338	155,602	<u>35,605</u>	<u>148,319</u>
	1,159,568	4,440,459	1,328,687	4,717,865
RESULTS FROM OPERATING ACTIVITIES				
	209,560	681,361	10,521	456,938
Finance income	35,564	134,451	96,847	224,292
Finance expenses	(133,489)	(543,748)	(180,075)	(524,677)
NET FINANCE EXPENSES				
	(97,925)	(409,297)	(83,228)	(300,385)
EARNINGS (LOSS) FROM OPERATIONS				
	111,635	272,064	(72,707)	156,553
Share of net earnings from equity accounted investees	1,563	6,066	836	6,274
EARNINGS (LOSS) FROM CONTINUING OPERATIONS				
	113,198	278,130	(71,871)	162,827
Net (losses) earnings on sale of equity accounted investees	(84)	(84)	-	901
Net loss from discontinued operations	-	-	(174)	(989)
6				
NET EARNINGS (LOSS)				
	113,114	278,046	(72,045)	162,739
OTHER COMPREHENSIVE INCOME (LOSS)				
Defined benefit plan actuarial gains (losses)	45,483	54,032	(26,755)	(130,641)
Share of changes in comprehensive income recognized by associates	-	-	1	3
Unrealized gain (loss) on cash flow hedges	4,413	22,029	(5,317)	(18,471)
Realized loss on cash flow hedges	(7,970)	(43,419)	(12,251)	(12,251)
Amounts amortized to net earnings and included in net finance expenses	66	(102)	(279)	(1,421)
Other	-	-	(4)	(4)
OTHER COMPREHENSIVE INCOME (LOSS)				
	41,992	32,540	(44,605)	(162,785)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN				
	\$ 155,106	\$ 310,586	\$ (116,650)	\$ (46)

(See accompanying notes)

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

Attributable to the Province of Saskatchewan

	Equity Advances (audited)	Contributed Surplus (audited)	Retained Earnings (audited)	Accumulated Other Comprehensive Income (Loss) (Note 8) (audited)	Total Equity (audited)
Balance at January 1, 2014	\$ 908,889	\$ 125	\$ 3,802,660	\$ 104,051	\$ 4,815,725
Total comprehensive income (loss)	-	-	162,739	(162,785)	(46)
Dividends to General Revenue Fund (GRF)	-	-	(206,000)	-	(206,000)
Other	-	(40)	-	-	(40)
Balance at December 31, 2014	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,759,399</u>	<u>\$ (58,734)</u>	<u>\$ 4,609,639</u>

	Equity Advances (unaudited)	Contributed Surplus (unaudited)	Retained Earnings (unaudited)	Accumulated Other Comprehensive (Loss) Income (Note 8) (unaudited)	Total Equity (unaudited)
Balance at January 1, 2015	\$ 908,889	\$ 85	\$ 3,759,399	\$ (58,734)	\$ 4,609,639
Total comprehensive income	-	-	278,046	32,540	310,586
Dividends to GRF	-	-	(262,199)	-	(262,199)
Balance at December 31, 2015	<u>\$ 908,889</u>	<u>\$ 85</u>	<u>\$ 3,775,246</u>	<u>\$ (26,194)</u>	<u>\$ 4,658,026</u>

(See accompanying notes)

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

	Note	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
OPERATING ACTIVITIES			
Net earnings		\$ 278,046	\$ 162,739
Adjustments to reconcile net earnings to cash from operating activities	10	<u>1,274,568</u>	<u>1,145,997</u>
		1,552,614	1,308,736
Net change in non-cash working capital balances related to operations		(121,692)	138,077
Interest paid		(502,285)	(477,920)
Defined benefit pension plan contributions		<u>-</u>	<u>(7)</u>
Cash from operating activities from continuing operations		928,637	968,886
Cash used in operating activities from discontinued operations	6	<u>-</u>	<u>(1,927)</u>
Net cash from operating activities		<u>928,637</u>	<u>966,959</u>
INVESTING ACTIVITIES			
Interest received		39,211	38,476
Dividends received		5,187	4,443
Purchase of investments		(1,182,119)	(1,021,333)
Proceeds from sale and collection of investments		1,022,155	986,536
Purchase of property, plant and equipment		(1,441,700)	(1,828,284)
Proceeds related to sale of property, plant and equipment		193	2,674
Purchase of intangible assets		(96,526)	(82,719)
Purchase of investment property		(2,969)	(5,979)
Decrease in restricted cash and cash equivalents		29,558	9,729
Increase in other assets		<u>1,428</u>	<u>2,825</u>
Net cash used in investing activities		<u>(1,625,582)</u>	<u>(1,893,632)</u>
FINANCING ACTIVITIES			
Increase (decrease) in notes payable		179,180	(108,432)
(Decrease) increase in other liabilities		(16,796)	78,502
Debt proceeds from the GRF		670,637	1,233,110
Debt repayments to the GRF		(52,407)	(50,000)
Debt proceeds from other lenders		1,940	27,085
Debt repayments to other lenders		(21,838)	(18,627)
Sinking fund instalments		(63,007)	(57,206)
Sinking fund redemptions		9,313	6,361
Dividend paid to the GRF		<u>(262,199)</u>	<u>(206,000)</u>
Net cash from financing activities		<u>444,823</u>	<u>904,793</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD		(252,122)	(21,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>376,241</u>	<u>398,121</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 124,119</u>	<u>\$ 376,241</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		\$ 140,300	\$ 391,604
Bank indebtedness from continuing operations		<u>(16,181)</u>	<u>(15,363)</u>
		<u>\$ 124,119</u>	<u>\$ 376,241</u>

(See accompanying notes)

1. General information

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

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

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full fiscal year financial statements, and accordingly should be read in conjunction with the December 31, 2014 audited consolidated financial statements.

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

b) Functional and presentation currency

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

c) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. The first complete audited fiscal period will consist of the fifteen months ending March 31, 2016, which has resulted in a fourth quarter public report. Information included in these condensed consolidated interim financial statements focuses on the unaudited twelve months of the current fiscal period as compared to the audited twelve month period ending December 31, 2014.

3. Changes in accounting policy and adoption of other standards

a) New standards and amendments

The following amendments to standards, effective for annual periods beginning on or after January 1, 2015, have been applied in preparing these interim condensed consolidated financial statements:

- IFRS 3, *Business combinations*
- IFRS 13, *Fair value measurement*
- IAS 16, *Property, plant and equipment*
- IAS 19, *Employee benefits*
- IAS 24, *Related party disclosures*
- IAS 38, *Intangible assets*

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 December 31, 2014 audited consolidated financial statements, except as described in Note 3.

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

a) Basis of consolidation

Subsidiaries

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

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

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

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

Associates and joint ventures (investments in equity accounted investees)

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

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

Associates and joint ventures are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The condensed consolidated interim financial statements include CIC's share of the total comprehensive income and equity changes 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 has rights to the assets and obligations for the liabilities, related to the arrangement. CIC has classified its 50.0 per cent interests in the Kisbey Gas Gathering and Processing Facility, the Totnes Natural Gas Storage Facility and the Cory Cogeneration Station as joint operations.

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

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 risk and incidents 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 fiscal period ended March 31, 2016, and have not been applied in preparing these condensed consolidated interim financial statements.

IAS 1, *Presentation of Financial Statements*

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the financial statements, that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and to provide examples of how to clarify understandability and comparability in the ordering of note disclosures. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

IFRS 4, *Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which was based on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The 2013 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, Insurance Contracts. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2016 with implementation not expected before 2019. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

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. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

4. Significant accounting policies (continued)

b) New standards not yet adopted (continued)

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

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

The new standard also provides guidance 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 from contracts with customers and the related contract costs for wireless telecommunications operations and other 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

On January 13, 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. The Corporation is currently assessing the impact of the standard.

Annual Improvements Cycles

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are effective for annual periods beginning, on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

5. Status of CIC

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

6. Discontinued operations and assets held-for-sale

At the end of 2014, the Corporation committed to a plan to sell a building, located in Prince Albert, during 2015. Accordingly, this asset had been classified as assets held-for-sale. This asset was measured at carrying value, which was less than fair value less cost to sell, and was not depreciated.

Although the building continues to be actively marketed for sale, it is unlikely to generate a sale given current market conditions. Accordingly, each component of the Assets held-for-sale has been restated back to property, plant and equipment and investment property. Twelve months of depreciation was expensed for these assets at December 31, 2015.

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

In March 2014, the Corporation announced that it had entered into an agreement to sell its 75 per cent owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI), to a third party for a purchase price equal to ICPEI's book value as at the transaction closing date of June 30, 2014. The ICPEI operations represented a separate line of business for the Corporation in the Maritimes. Following receipt of regulatory approval, the sale closed on June 30, 2014 for total proceeds of \$8.7 million representing the book value as at June 30, 2014, resulting in no gain or loss on the sale.

As part of the sale agreement, 54 months after the closing date, the purchaser shall deliver to the Corporation a report of the ultimate losses prior to June 30, 2014, certified by the purchaser's appointed actuary. If the amount of the final closing date ultimate loss is greater than the initial closing date ultimate loss, a deficiency, the Corporation shall pay to the purchaser an amount equal to the lesser of \$1.5 million or 75 per cent of the deficiency. Conversely, if the amount of the final closing date ultimate loss is less than the initial closing date ultimate loss, a surplus, the purchaser shall pay to the Corporation an amount equal to the lesser of \$1.5 million or 75 per cent of the surplus. As at December 31, 2014, a surplus of \$0.2 million was estimated, which has not been recorded in the condensed consolidated interim financial statements.

The ICPEI operations represented a separate segment of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations.

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

	December 31 2015 (unaudited)	December 31 2014 (audited)
Property, plant and equipment	\$ -	\$ 11
Investment property	<u>-</u>	<u>6,079</u>
	<u>\$ -</u>	<u>\$ 6,090</u>

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

	January 1 to December 31 2015 (unaudited)	January 1 to December 31 2014 (audited)
Revenue	<u>\$ -</u>	<u>\$ 12,929</u>
Operating expenses	-	14,301
Salaries, wages and short-term employee benefits	-	404
Depreciation and amortization	<u>-</u>	<u>4</u>
Expenses	<u>-</u>	<u>14,709</u>
Results from operating activities	<u>-</u>	<u>(1,780)</u>
Finance income	-	950
Finance expense	<u>-</u>	<u>(159)</u>
Net finance income	<u>-</u>	<u>791</u>
Net loss from discontinued operations	<u>\$ -</u>	<u>\$ (989)</u>
Cash used in operating activities	-	(7,026)
Cash provided by investing activities	-	7,395
Cash used in financing activities	<u>-</u>	<u>(2,296)</u>
Net change in cash and cash equivalents	<u>\$ -</u>	<u>\$ (1,927)</u>

7. Equity advances and capital disclosures

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

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

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

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

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector. The target ratio for 2015 is 61.6 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:

	December 31 2015 (unaudited)	December 31 2014 (audited)
Total debt (a)	\$ 8,505,158	\$ 7,716,117
Less: Sinking funds	<u>(752,762)</u>	<u>(681,096)</u>
Net debt	7,752,396	7,035,021
Equity (b)	<u>4,684,220</u>	<u>4,668,373</u>
Capitalization	<u>\$ 12,436,616</u>	<u>\$ 11,703,394</u>
Debt ratio	62.3%	60.1%

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

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

8. Accumulated other comprehensive loss

	December 31 2015 (unaudited)	December 31 2014 (audited)
Items that may be reclassified to net earnings:		
Foreign currency translation adjustments	\$ 1	\$ 1
Unrealized gains (losses) on cash flow hedges	3,661	(18,368)
Realized (losses) gains on cash flow hedges	<u>(10,445)</u>	<u>33,076</u>
	(6,783)	14,709
Items that will not be reclassified to net earnings:		
Defined benefit plan actuarial losses	<u>(19,411)</u>	<u>(73,443)</u>
	<u>\$ (26,194)</u>	<u>\$ (58,734)</u>

9. Commitments and contingencies

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

10. Condensed consolidated interim statement of cash flows

	Note	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
Adjustments to reconcile net earnings to cash provided from operating activities			
Depreciation and amortization		\$ 776,408	\$ 707,117
Share of earnings from investments in equity accounted investees		(6,066)	(6,274)
Net loss from discontinued operations	6	-	989
Net loss (gain) from sale of investments in equity accounted investees		84	(901)
Defined benefit pension plan expense		1,410	7,821
Provision for (recovery of) decommissioning and environmental remediation liabilities		354	(11,527)
Unrealized losses on derivative financial instruments		44,471	90,983
Inventory expense		6,137	16,926
Loss on disposal of property, plant and equipment		26,465	10,829
Impairment losses		17,448	30,150
Net finance expenses		409,297	300,385
Other non-cash items		<u>(1,440)</u>	<u>(501)</u>
		<u>\$ 1,274,568</u>	<u>\$ 1,145,997</u>

12. Fair value of financial instruments

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

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

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

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

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

	December 31 2015 (unaudited)			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 140,300	\$ -	\$ -	\$ 140,300
Restricted cash and cash equivalents	89,550	-	-	89,550
Bank indebtedness	16,181	-	-	16,181
Notes payable	1,533,066	-	-	1,533,066
Investments carried at fair value through profit or loss	481,410	1,130,916	133,124	1,745,450
Investments - amortized cost	-	53,869	-	53,869
Loans and receivables - Immigrant Investor Program	-	113,829	-	113,829
Finance lease obligations	-	1,280,442	-	1,280,442
Long-term debt	-	8,294,643	-	8,294,643
Physical natural gas contracts - net	-	(64,575)	-	(64,575)
Natural gas price swaps - net	-	(136,934)	-	(136,934)
Physical electricity forwards - net	-	(848)	-	(848)
Electricity contracts for differences - net	-	79	-	79
Commodity forward contracts - net	-	3,668	-	3,668

	December 31 2014 (audited)			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 391,604	\$ -	\$ -	\$ 391,604
Restricted cash and cash equivalents	119,108	-	-	119,108
Bank indebtedness	15,363	-	-	15,363
Notes payable	1,353,369	-	-	1,353,369
Investments carried at fair value through profit or loss	355,112	1,053,167	106,440	1,514,719
Investments - amortized cost	-	53,763	-	53,763
Loans and receivables - Immigrant Investor Program	-	90,659	-	90,659
Finance lease obligations	-	1,282,233	-	1,282,233
Long-term debt	-	7,837,714	-	7,837,714
Physical natural gas contracts - net	-	(60,631)	-	(60,631)
Natural gas price swaps - net	-	(99,722)	-	(99,722)
Physical electricity forwards - net	-	86	-	86
Electricity contracts for differences - net	-	3,487	-	3,487
Commodity forward contracts - net	-	(18,415)	-	(18,415)

13. Comparative figures

Certain of the 2014 comparative figures have been reclassified to conform to the current period's presentation.

Separate Financial Statements

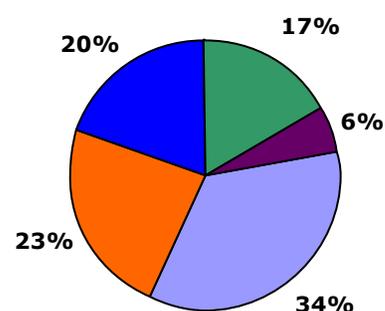
Management's Discussion and Analysis

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

This narrative on CIC's separate December 31, 2015 fourth quarter results should be read in conjunction with the December 31, 2014 audited separate financial statements.

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

Dividend Revenue



■ SaskEnergy ■ SaskTel ■ SGI ■ SGC ■ Other

Change of Year-end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. The first complete audited fiscal period will consist of the fifteen months ending March 31, 2016. This change has resulted in the preparation of the fourth quarter public report for the twelve months ended December 31, 2015. Information included in the following discussion focuses on the unaudited twelve months of the current fiscal period as compared to the audited twelve month period ending December 31, 2014. The Management Discussion and Analysis and the unaudited condensed separate financial statements are consistent with previous public quarterly reports.

Financial Results

CIC Separate Fourth Quarter Earnings (millions of dollars)	For the twelve months ended	
	December 31 2015 (unaudited)	December 31 2014 (audited)
Dividend revenue	\$ 127.7	\$ 173.6
Add: Finance and other revenue	3.1	3.9
Less: Operating, salaries and other expenses	(10.7)	(12.2)
Grants to subsidiary corporations	(13.3)	(15.6)
Total Separate Earnings	<u>\$ 106.8</u>	<u>\$ 149.7</u>

Net Earnings

Net earnings for the first twelve months of 2015-16 were \$106.8 million (2014 - \$149.7 million), a decrease of \$42.9 million from the same period in 2014. The decrease in earnings is primarily due to a decrease in dividend revenue of \$45.9 million (further explained on next page) and a decrease in finance and other revenue of \$0.8 million. The decrease in revenue was partially offset by a decrease in operating, salaries and other expenses of \$1.5 million and a decrease in grants to subsidiary corporations of \$2.3 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the twelve months ended December 31, 2015 was \$127.7 million (2014 - \$173.6 million). The \$45.9 million decrease is primarily due to:

- CIC AMI did not pay a dividend in 2015, compared to \$45.0 million in 2014. CIC AMI's dividend is based on cash flow availability.
- SaskTel's dividend of \$30.0 million decreased by \$23.3 million from its 2014 dividend of \$53.3 million. The decrease in dividends was due to cash required for capital reinvestment.
- SGI's dividend of \$25.0 million decreased by \$6.6 million from its 2014 dividend of \$31.6 million. The decrease in dividends is due mainly to cash required to strengthen the minimum capital test, which is a capital adequacy test that indicates capital available to pay claims compared to capital required.

Partially offset by:

- SaskEnergy's dividend of \$44.0 million increased by \$26.6 million from its 2014 dividend of \$17.4 million. The increase in dividend is primarily due to a higher dividend rate of 55 per cent in 2015 compared to 38 per cent in 2014.

The dividend is calculated in accordance with CIC's dividend policy and is typically a percentage 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 year if there is a significant change in circumstances. For the 15 months ending March 31, 2016, the forecasted dividend at SaskTel is \$37.5 million, SGI is \$47.3 million, SaskWater is based on 25 per cent of earnings from operations, SGC is based on 80 per cent of earnings from operations, SOCO is based on 90 per cent of earnings from operations and SaskEnergy is based on 55 per cent of earnings from operations for the 12 months of 2015 and 35 per cent for the first three months of 2016.

Operating, Salaries and Other Expenses

Operating, salaries and other expenses were \$10.7 million for the twelve months ended December 31, 2015 (2014 - \$12.2 million). These expenses decreased by \$1.5 million, primarily due to lower travel costs and lower consulting costs.

Grants to Subsidiary Corporations

During the first twelve months of 2015-16, CIC provided \$13.3 million (2014 - \$15.6 million) in grants to subsidiary corporations. STC received \$13.0 million (2014 - \$14.0 million) in grants to support ongoing operations. Gradworks Inc. received \$0.3 million (2014 - \$0.4 million) to fund its internship program. CIC completed the funding to SaskEnergy for the EnerGuide for Houses program in 2014. The funding for 2014 was \$1.2 million.

CIC projects public policy and grant funding expenditures in 2015-16 to be as follows: \$17.1 million to support ongoing operations at STC and \$0.4 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)	For the twelve months ended	
	December 31 2015 (unaudited)	December 31 2014 (audited)
Net cash from operating activities	\$ 87.9	\$ 178.4
Net cash (used in) from investing activities	(81.4)	75.7
Net cash used in financing activities	<u>(262.2)</u>	<u>(206.0)</u>
Net change in cash	<u>\$ (255.7)</u>	<u>\$ 48.1</u>

Liquidity

CIC finances its capital requirements through internally-generated cash flow and if required, through borrowing from the GRF. The GRF is authorized to borrow on behalf of government agencies, such as CIC, in the capital markets.

Operating, Investing and Financing Activities

Net cash from operating activities for the twelve months ended December 31, 2015 was \$87.9 million (2014 - \$178.4 million). The \$90.5 million decrease is primarily the result of a decrease in earnings of \$42.9 million and a decrease in the net change in non-cash working capital balances related to operations of \$48.3 million as a result of higher dividends receivable in 2015 compared to the same period in 2014.

Net cash used in investing activities for the twelve months ended December 31, 2015 was \$81.4 million (2014 - net cash from investing activities of \$75.7 million). The decrease in cash flows is mainly due to reclassifications of cash between cash and cash equivalents and short-term investments. Short-term investments that have a maturity date of 90 days or less are classified as cash and cash equivalents. Additionally, CIC did not retract CIC AMI shares in 2015 compared to a \$35.0 million share retraction in 2014.

Net cash used in financing activities relates solely to CIC's dividend payments to the GRF and for the twelve months ended December 31, 2015 was \$262.2 million (2014 - \$206.0 million). In 2015, CIC declared and paid a regular dividend to the GRF of \$150.0 million; \$106.2 million additional dividend to support government initiatives; and \$6.0 million special dividend to support the Innovation Agenda for a total transfer of \$262.2 million.

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2015-16.

Outlook and Key Factors Affecting Performance

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

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

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

	Note	December 31 2015 (unaudited)	December 31 2014 (audited)
ASSETS			
Current			
Cash and cash equivalents		\$ 50,781	\$ 306,466
Short-term investments		87,904	-
Interest and accounts receivable		499	824
Dividends receivable		<u>35,271</u>	<u>19,309</u>
		174,455	326,599
Equity advances to Crown corporations	5	1,186,918	1,188,918
Investments in share capital corporations		9,551	10,964
Equipment		<u>148</u>	<u>224</u>
		<u>\$ 1,371,072</u>	<u>\$ 1,526,705</u>
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		<u>\$ 2,427</u>	<u>\$ 2,686</u>
Province of Saskatchewan's Equity			
Equity advances		908,889	908,889
Retained earnings		<u>459,756</u>	<u>615,130</u>
		<u>1,368,645</u>	<u>1,524,019</u>
		<u>\$ 1,371,072</u>	<u>\$ 1,526,705</u>

(See accompanying notes)

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

	Note	2015 October 1 to December 31 (unaudited)	2015 January 1 to December 31 (unaudited)	2014 October 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
INCOME FROM OPERATIONS					
Dividend	6	\$ 36,356	\$ 127,734	\$ 65,394	\$ 173,619
Other income		<u>-</u>	<u>13</u>	<u>-</u>	<u>129</u>
		36,356	127,747	65,394	173,748
EXPENSES					
Operating		1,325	4,389	2,611	6,055
Salaries and short-term employee benefits		1,941	5,816	1,447	5,617
Employee future benefits		145	396	126	414
Depreciation and amortization		<u>13</u>	<u>77</u>	<u>24</u>	<u>98</u>
		3,424	10,678	4,208	12,184
EARNINGS FROM OPERATIONS					
		<u>32,932</u>	<u>117,069</u>	<u>61,186</u>	<u>161,564</u>
Finance income		869	3,065	1,136	3,806
Finance expenses		<u>(2)</u>	<u>(8)</u>	<u>(3)</u>	<u>(9)</u>
NET FINANCE INCOME					
		<u>867</u>	<u>3,057</u>	<u>1,133</u>	<u>3,797</u>
EARNINGS BEFORE PUBLIC POLICY INITIATIVES					
		33,799	120,126	62,319	165,361
Grants to subsidiary corporations	7	<u>(2,377)</u>	<u>(13,301)</u>	<u>(4,932)</u>	<u>(15,630)</u>
NET EARNINGS					
		31,422	106,825	57,387	149,731
OTHER COMPREHENSIVE INCOME					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN					
		<u>\$ 31,422</u>	<u>\$ 106,825</u>	<u>\$ 57,387</u>	<u>\$ 149,731</u>

(See accompanying notes)

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

	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
RETAINED EARNINGS		
Retained earnings - beginning of period	\$ 615,130	\$ 671,399
Total comprehensive income	106,825	149,731
Dividend to the General Revenue Fund	<u>(262,199)</u>	<u>(206,000)</u>
Retained earnings - end of period	<u>459,756</u>	<u>615,130</u>
EQUITY ADVANCE		
Equity advances - beginning of period	908,889	908,889
Equity advances received	-	-
Equity advances repaid	<u>-</u>	<u>-</u>
Equity advances - end of period	<u>908,889</u>	<u>908,889</u>
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN	<u>\$ 1,368,645</u>	<u>\$ 1,524,019</u>

(See accompanying notes)

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

	Note	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
OPERATING ACTIVITIES			
Net earnings		\$ 106,825	\$ 149,731
Items not affecting cash from operations			
Depreciation and amortization		77	98
Net finance income		<u>(3,057)</u>	<u>(3,797)</u>
		103,845	146,032
Net change in non-cash working capital			
balances related to operations	8	(15,896)	32,416
Interest paid		<u>(8)</u>	<u>(9)</u>
Net cash from operating activities		<u>87,941</u>	<u>178,439</u>
INVESTING ACTIVITIES			
(Increase) decrease in short-term investments		(87,904)	30,000
Interest received		3,065	3,806
Proceeds from retraction of equity advances		2,000	6,000
Purchase of investments		-	(267)
Proceeds from retraction of CIC Asset Management Inc. shares		-	35,000
Repayment of due from CIC Economic Holdco Ltd.		273	1,140
Repayment of due from First Nations and Metis Fund Inc.		1,140	-
Purchase of equipment		<u>(1)</u>	<u>(8)</u>
Net cash (used in) from investing activities		<u>(81,427)</u>	<u>75,671</u>
FINANCING ACTIVITIES			
Repayment of equity advances		-	-
Dividend paid to General Revenue Fund		<u>(262,199)</u>	<u>(206,000)</u>
Net cash used in financing activities		<u>(262,199)</u>	<u>(206,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD		(255,685)	48,110
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>306,466</u>	<u>258,356</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 50,781</u>	<u>\$ 306,466</u>

(See accompanying notes)

1. General information

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

2. Basis of preparation

a) Statement of compliance

The condensed separate interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The policies set out have been consistently applied to all the periods presented unless otherwise noted. CIC's condensed separate interim financial statements are prepared at the request of the Legislative Assembly of Saskatchewan. The condensed separate interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the December 31, 2014 audited separate financial statements.

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

b) Functional and presentation currency

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

c) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. The first complete audited fiscal period will consist of the fifteen months ending March 31, 2016, which has resulted in a fourth quarter public report. Information included in these condensed separate financial statements focuses on the unaudited twelve months of the current fiscal period as compared to the audited twelve month period ending December 31, 2014.

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.

3. Status of Crown Investments Corporation of Saskatchewan (continued)

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:

Wholly-owned subsidiaries domiciled in Canada	Principal Activity
SaskEnergy Incorporated	Natural gas storage and delivery
Saskatchewan Gaming Corporation	Entertainment
Saskatchewan Government Insurance	Property and casualty insurance
Saskatchewan Opportunities Corporation	Research parks
Saskatchewan Power Corporation	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications	Telecommunications
Saskatchewan Transportation Company	Passenger and freight transportation
Saskatchewan Water Corporation	Water and wastewater management

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.

4. Summary of significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed separate interim financial statements are consistent with those disclosed in CIC's December 31, 2014 audited separate financial statements.

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

CIC prepares condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been authorized by the CIC Board of Directors on February 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)

	December 31 2015 (unaudited)	December 31 2014 (audited)
Saskatchewan Power Corporation	\$ 660,000	\$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	116,687	118,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	<u>8,700</u>	<u>8,700</u>
	<u>\$ 1,186,918</u>	<u>\$ 1,188,918</u>

6. Dividend revenue

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

	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
SaskEnergy Incorporated	\$ 44,000	\$ 17,447
Saskatchewan Telecommunications Holding Corporation	30,000	53,292
Saskatchewan Government Insurance	25,000	31,639
Saskatchewan Gaming Corporation	21,484	19,922
Information Services Corporation	4,340	4,340
Saskatchewan Water Corporation	1,739	-
Saskatchewan Opportunities Corporation	1,171	1,979
CIC Asset Management Inc.	<u>-</u>	<u>45,000</u>
	<u>\$ 127,734</u>	<u>\$ 173,619</u>

7. Grants to subsidiary corporations (thousands of dollars)

	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
Saskatchewan Transportation Company	\$ 13,000	\$ 14,050
SaskEnergy Incorporated	-	1,201
Gradworks Inc.	<u>301</u>	<u>379</u>
	<u>\$ 13,301</u>	<u>\$ 15,630</u>

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

	2015 January 1 to December 31 (unaudited)	2014 January 1 to December 31 (audited)
Decrease (increase) in interest and accounts receivable	\$ 325	\$ (6)
(Increase) decrease in dividends receivable	(15,962)	32,519
Decrease in interest and accounts payable	<u>(259)</u>	<u>(97)</u>
	<u>\$ (15,896)</u>	<u>\$ 32,416</u>