

# 2006 Annual Report Technical Briefing

April 30, 2007



**Crown Investments Corporation  
of Saskatchewan**

[www.cicorp.sk.ca](http://www.cicorp.sk.ca)

# Introduction

- CIC:
  - is the holding company for the Crown sector.
  - Crowns are accountable to the CIC Board.
- Two sets of financial statements:
  - Consolidated:
    - Use generally accepted accounting principles (GAAP); and,
    - Crown sector viewed as a single company.
  - Non-consolidated:
    - Special purpose statements;
    - Prepared at the direction of the Legislature; and,
    - Primarily reflects the cash inflows (e.g., dividends from Crown corporations) and outflows of the holding company.
- Results of all subsidiary Crowns have been tabled.

# CIC Crown Sector



Saskatchewan  
Opportunities  
Corporation



Saskatchewan  
Development  
Fund

# Significant Accounting Estimates

- Discontinued Operations
  - Discontinued operations refers to operations that are held for sale in the current operating period and are expected to be disposed of in the following year.
  - Centennial Foods Partnership, Hypor, MLPLP and HARO were classified as discontinued.
- Provision for Unpaid Insurance Claims
- Environmental Remediation Liabilities
- Deferred Pension Costs
- Goodwill
- Income Taxes
  - Certain investments are taxable, the most significant being NewGrade.
  - During the year, CIC recorded \$48.1 million in current and future taxes.

# Public Policy Initiatives

- Saskatchewan Energy Share
- CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)
- First Nations and Métis Fund Inc.
- Gradworks Inc.
- STC routes
- STC head office and bus terminal capital expenditure

## 2006 Utility Bundle Cost Rankings

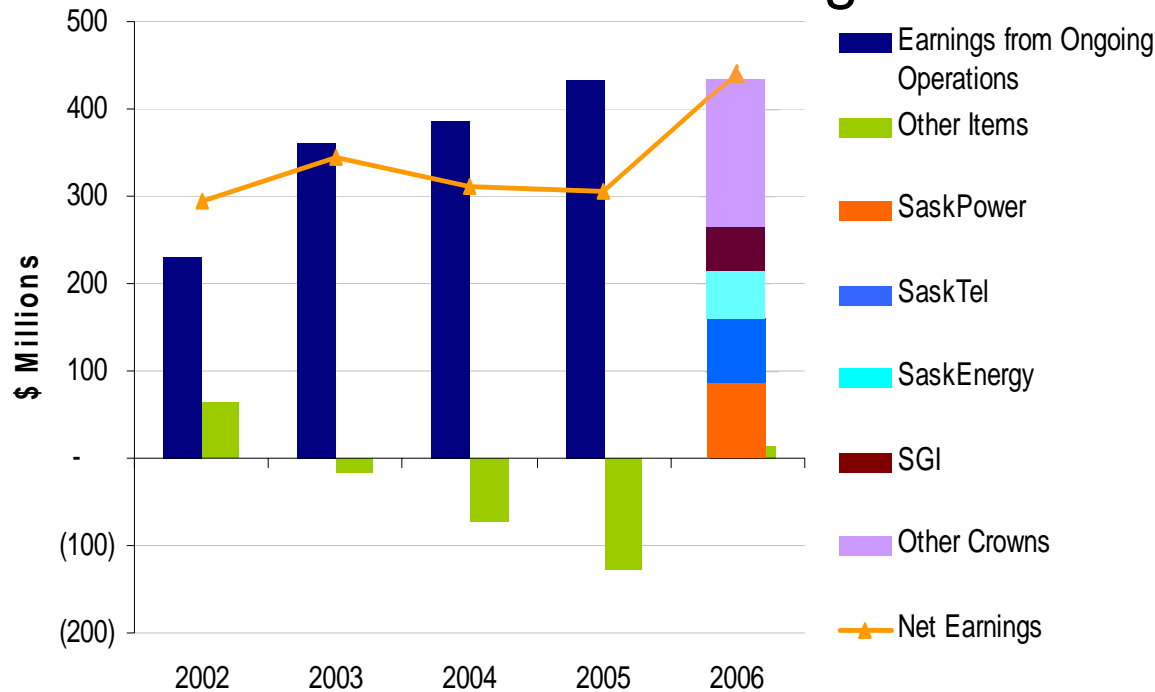
Province	Total Bundle Cost	Variance to SK	Rank
British Columbia	\$ 3,994.17	\$ 575.86	3
Alberta	4,479.08	1,060.77	5
<b>Saskatchewan</b>	<b>3,418.31</b>	<b>-</b>	<b>1</b>
Manitoba	3,453.95	35.64	2
Ontario	6,599.35	3,181.04	10
Quebec	4,152.84	734.53	4
New Brunswick	5,325.50	1,907.19	6
Nova Scotia	5,725.18	2,306.87	8
Prince Edward Island	5,530.35	2,112.04	7
Newfoundland	5,974.86	2,556.55	9

- Saskatchewan had the lowest cost utility bundle in 2006.

# Consolidated Financial Statements

	\$ Millions			
	2006 Earnings		2006 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	102.8	92.7	66.3	60.2
SaskTel	70.5	72.5	50.0	50.0
SaskEnergy	78.3	53.2	50.6	34.5
SGI	33.8	52.1	22.0	33.9
Investment Saskatchewan	38.5	72.9	N/A	59.1
Information Services Corporation	5.4	8.7	--	--
SaskWater	(0.5)	0.3	--	--
STC	(6.8)	(5.7)	--	--
SOCO	4.9	4.9	--	--
NewGrade	61.4	102.9	76.7	105.0
CIC, Other, Adjustments	(71.5)	(13.4)	--	--
<b>Consolidated Earnings</b>	<b>316.8</b>	<b>441.1</b>	<b>265.6</b>	<b>342.7</b>

# Consolidated Earnings



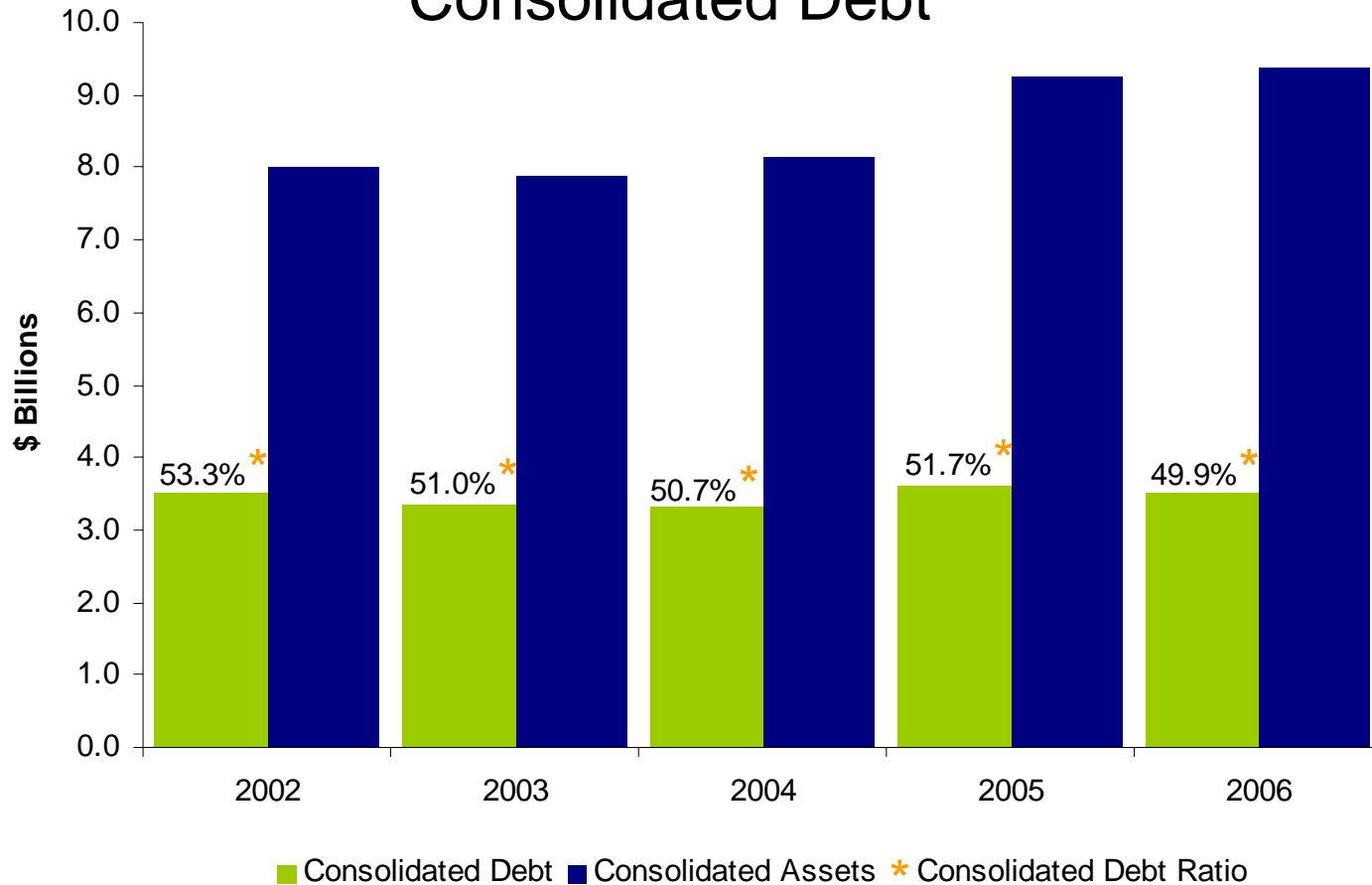
- Analysis of earnings:

- Continued strong earnings from core operations;
- NewGrade had significant impact on 2006 performance; and,
- Fluctuations in net earnings related to non-operating items.

- Other factors affecting earnings:

- Gains on discontinued operations of \$44.7M;
- Current and future income tax expense of \$48.1M; and,
- Non-recurring items of \$19M.

# Consolidated Debt



- Debt to equity ratio decreased to 50% from 52%.
- Debt ratio has remained relatively constant over prior five years.
- Debt ratio is calculated as  $(\text{total debt}) \div (\text{total debt} + \text{equity})$ .

# Non-Consolidated Financial Results

- These statements:
  - isolate the holding company's cash flow, subsidy support for certain Crowns, and public policy expenditures; and,
  - determine dividend capacity to the GRF.

	\$ Millions		
	2006 Earnings		
	Budget	Actual	Dividend (% of earnings)
Dividends to CIC			
SaskPower	66.3	60.2	65%
SaskTel	50.0	50.0	69%
SaskEnergy	50.6	34.5	65%
SGI	22.0	33.9	65%
Investment Saskatchewan <sup>1</sup>	-	59.1	81%
NewGrade	76.7	105.0	102%
<b>Total Dividend Revenue</b>	<b>265.6</b>	<b>342.7</b>	
Grant Funding	(20.4)	(10.1)	
Public Policy Expenditure	(63.6)	(4.1)	
Other Income & Expenses	(33.7)	(6.2)	
<b>Non-Consolidated Earnings</b>	<b>147.9</b>	<b>322.3</b>	
<b>Dividend to the GRF</b>	<b>160.0</b>	<b>167.0</b>	

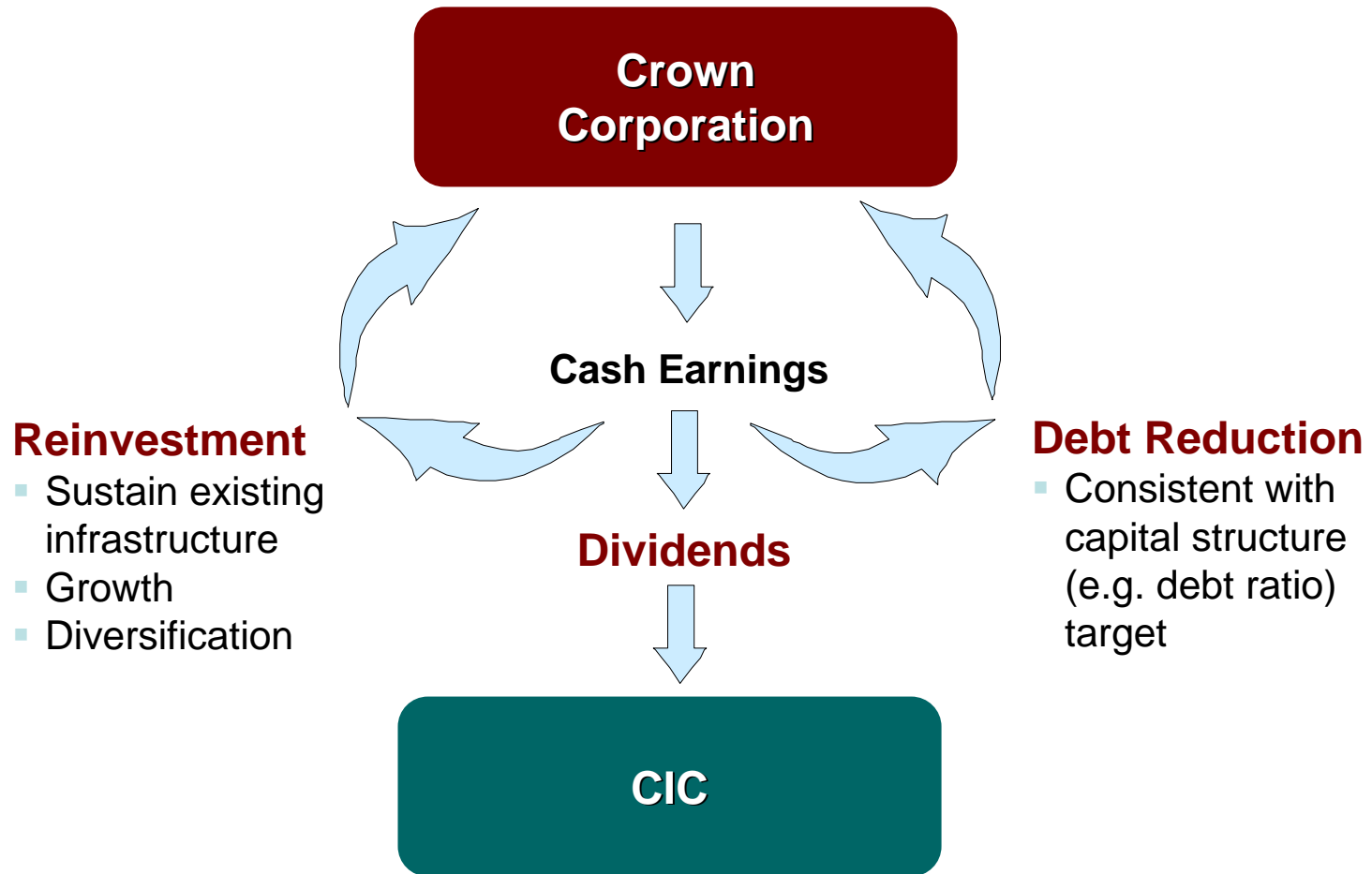
<sup>1</sup> During the 2006 budget cycle, Investment Saskatchewan reviewed its budget dividend targets.

# 2006 GRF Dividend

- CIC has paid dividends to the GRF of almost \$1.1B in the last five years.
- Saskatchewan had the lowest cost utility bundle in Canada for 2006. CIC was not required to make a rebate to Saskatchewan households, enabling it to increase its 2006 dividend to the GRF to \$167.0M, compared to its budget of \$160M.



# Capital Allocation Framework





# Capital Structure: Industry Comparisons

	Debt Ratio	Dividend Rate <sup>1</sup>
<b>SaskPower</b>	<b>61.0%</b>	<b>65.0%</b>
Integrated Gov't owned and Guaranteed <sup>2</sup>	<b>77.6%</b>	<b>40.8%<sup>3</sup></b>
Integrated/Investor Owned/No Guarantee <sup>2</sup>	<b>53.1%</b>	<b>59.5%</b>
<b>SaskTel</b>	<b>30.5%</b>	<b>69.0%<sup>4</sup></b>
Industry Average <sup>5</sup>	<b>43.5%</b>	<b>52.0%</b>
<b>SaskEnergy</b>	<b>63.4%</b>	<b>65.0%</b>
Industry Average <sup>6</sup>	<b>63.3%</b>	<b>56.6%</b>
<b>SGI – Net Risk Ratio</b>	<b>1.9</b>	<b>65.0%</b>
Industry Forecast	<b>1.4<sup>7</sup></b>	<b>N/A</b>

1. Dividend payout rates in the private sector are not directly comparable to those in the CIC subsidiary Crown corporation sector. Private sector companies pay dividends out of after tax net earnings whereas the CIC Crowns are exempt from income tax and therefore pay dividends out of total net earnings.
2. Based on 2004 information.
3. Calculated as an after tax equivalent.
4. Based on a flat \$50.0 million dividend payment.
5. Based on 2006 information.
6. Substantially based on 2006 information, with 2005 and 2004 also included.
7. Based on 2005 information.

# Dividend History

	2002		2003		2004		2005		2006	
	Debt Ratio	Dividend Rate	Debt Ratio	Dividend Rate	Debt Ratio	Dividend Rate	Debt Ratio	Dividend Rate	Debt Ratio	Dividend Rate
SaskPower	60%	65%	57%	90%	58%	90%	61%	65%	61%	65%
SaskTel	38%	90%	33%	90%	26%	90%	28%	90%	30%	69%
SaskEnergy	73%	65%	72%	65%	68%	65%	65%	65%	63%	65%
SGI <sup>1</sup>	2.8%	0%	2.7	65%	2.7	65%	2.0	65%	1.9%	65%
Investment SK	N/A		N/A		11%	90%	13%	0%	N/A	81%

-  Crown is at target capital structure
-  Crown is not at target capital structure

- Target capital structures are based on industry factors and may change over time.

1. SGI does not have debt. Its capital structure is measured by Net Risk Ratio. A lower number indicates stronger financial health.

# Summary

- Strong Crown sector earnings result in higher than budgeted dividends to the GRF.
- Saskatchewan had the lowest cost utility bundle in Canada.
- Debt continues to be maintained at a prudent level.

## Outlook for 2007

- Consolidated earnings budget of \$344.3M.
- Dividend to the GRF of \$200M targeted for 2007.
- Capital spending in the Crown sector projected to increase in the medium to longer term.

# Significant Accounting 2007 Changes

- Accounting Changes
- Capital Disclosures
- Comprehensive Income
- Financial Instruments – recognition and measurement
- Financial Instruments – disclosures
- Financial Instruments – presentation
- Business Combinations

Questions?