First Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2014

For the Period Ending March 31, 2014

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel is the leading full service communications provider in Saskatchewan, offering a wide range of communications products and services including competitive voice, data, internet, entertainment, security monitoring, messaging, cellular, wireless data and directory services. In addition, SaskTel International offers software solutions and project consulting in countries around the world.

SaskTel and our wholly-owned subsidiaries have a workforce of approximately 4,000 full time equivalent employees.

Our vision is "*Be the best at connecting people to their world.*" and our mission is *"To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications."*

Financial Highlights

Consolidated Net Income

Quarter ended March 31, Millions of dollars	**2014**	2013	% Change
Revenue	**$304.1**	$295.6	2.9
Other income	**0.8**	0.3	166.7
	304.9	295.9	3.0
Expenses	**272.1**	268.2	1.5
Results from operating activities	**32.8**	27.7	18.4
Net finance expense	**5.2**	8.5	(38.8)
Net income	**$27.6**	$19.2	43.8

Net income for the first quarter of 2014 is $27.6 million, up $8.4 million (43.8%) from the same period in 2013. Revenues increased to $304.1 million, up $8.5 million (2.9%) from the same period in 2013 primarily due to increased wireless revenue from customer growth and increased data usage, and *maxTV*™ revenues resulting from increased customer accesses and increased revenue per customer.

Expenses for the first quarter of 2014 increased to $272.1 million, up $3.9 million from the same period in 2013. This increase is primarily driven by increased salaries, wages and benefits partially offset by decreases in direct expenses, software licence and maintenance, and project related expenses. Depreciation and amortization has increased $3.4 million and net finance expense was $5.2 million, down $3.3 million from the same period in 2013. This is primarily driven by sinking fund fair value gains in the current period versus losses in the same period in 2013.

Management Discussion and Analysis

May 7, 2014

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter 2014. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the year ended December 31, 2013. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please consult Management's Discussion & Analysis in SaskTel's 2013 annual report. These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34, "Interim Financial Reporting". These interim statements have been approved by the SaskTel Board of Directors on May 7, 2014.

Results of Operations

Revenue

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$304.1**	$295.6	$8.5	2.9

Revenue for the first quarter of 2014 increased to $304.1 million, up $8.5 million or 2.9% from the same period in 2013. This increase is primarily driven by; growth of the wireless customer base and increased usage of wireless data services, *maxTV* entertainment services due to increased number of customers and increased revenue per customer and Internet due to increased subscribers. These are partially offset by 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 displacement.

Expenses

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$272.1**	$268.2	$3.9	1.5

Expenses for the first quarter of 2014 increased to $272.1 million, up $3.9 million from the same period in 2013. Net salaries, wages and benefits increased $5.4 million due to economic increases. Depreciation and amortization has increased $3.4 million largely due to increased plant in service, primarily 4G and LTE transmission assets. These are offset by decreased goods and services purchased, primarily direct expenses software license and maintenance, materials and consulting services.

Net finance expense

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$5.2**	$8.5	$(3.3)	(38.8)

Net finance expense for the first quarter of 2014 was $5.2 million, down $3.3 million over the same period in 2013. This is driven by sinking fund fair value gains in 2014 compared to losses in the same period in 2013 and reduced net interest on the defined benefit liability due to a lower discount rate, partially offset by increased interest on long-term debt and reduced sinking fund earnings.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$25.1**	$27.1	$(2.0)	(7.4)

Cash provided by operating activities in the first quarter of 2014 decreased to $25.1 million, down $2.0 million from the same period in 2013, primarily due to increased working capital requirements, partially offset by increased earnings.

Cash used in investing activities

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$59.1**	$60.4	$(1.3)	(2.2)

Cash used in investing activities in the first quarter of 2014 decreased to $59.1 million, down $1.3 million from the same period in 2013, primarily due to planned spending reductions.

Capital Spending
Total capital expenditures for the first quarter of 2014 were $60.3 million, down $1.3 million from the same period in 2013.

SaskTel's net spending on property, plant and equipment for the first quarter of 2014 was $43.0 million, down $7.7 million from the same period in 2013 primarily due to planned spending reductions on Fibre to the Premises and the 4G cellular network. SaskTel's net spending on intangible assets was $17.3 million, up $6.4 million from the same period in 2013 primarily due to the purchase of 700 megahertz spectrum (MHz) in the 2014 Mobile Broadband Services – 700 MHz Band Auction.

Capital expenditures in 2014 will focus on further investment in growth initiatives while sustaining current capital assets. A large portion of the growth expenditures will see capital investment to increase bandwidth to our customers. Capital investments will include continued investment in Fiber to the Premises, which will significantly increase access speeds, as well as, the continued cellular network upgrades to 4G technology, continued cellular network upgrade to LTE technology, network growth and refurbishment, further investment in *maxTV*, and improved high speed internet quality.

Cash provided by financing activities

Millions of dollars	**2014**	2013	Change	%
Quarter ended March 31,	**$17.1**	$45.9	$(28.8)	(62.7)

Cash provided by financing activities in the first quarter of 2014 decreased to $17.1 million, down $28.8 million from the same period in 2013. This is primarily due to the repayment of short term borrowings and increased dividend payments partially offset by increased long term borrowing compared to 2013.

Liquidity and capital resource ratios

Debt ratio

	March 31, 2014	December 31, 2013
Debt ratio	**51.5%**	49.1%

The debt ratio increased to 51.5%, up from 49.1% at December 31, 2013. The December 31, 2013 debt ratio has been restated for the impact of the change in accounting policy as discussed in note 2 of the financial statements and the revised calculation methodology which includes accumulated other comprehensive income as part of equity. Previously it was reported as 48.7%.

The overall level of net debt increased $60.9 million during the first quarter due to increased long-term debt and reduced cash partially offset by reduced short-term borrowings and increased sinking funds.

Equity decreased by $11.0 million in the first quarter of 2014 after recording comprehensive income of $2.3 million and dividends of $13.3 million.

The debt ratio is calculated as net debt divided by end of period capitalization. Net debt is defined as total debt, including long-term debt, notes payable and the current portion of long-term debt, less sinking funds, and cash and short-term investments. Capitalization includes net debt, equity advances, accumulated other comprehensive income (loss) and retained earnings at the period end.

2014 Outlook

The 2013 SaskTel Annual Report identified a consolidated net income target for 2014 of $59.2 million. At this time SaskTel believes that it will meet the established 2014 net income target.

Risk Assessment

The 2013 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. The Strategic Risks include risks that may inhibit SaskTel from achieving its Strategic Plan including the following areas: customer, infrastructure, processes and systems, and workforce. The Core Business Risks focus on risks associated with the execution of SaskTel's business functions including the following areas: operational, financial, and compliance and legal.

SaskTel's basic risk profile remains unchanged as at March 31, 2014. Management continues to monitor individual risks as they change and evolve and employs the industry accepted risk management processes of identification, mitigation, transfer, assumption and control of key risks.

Interim Condensed Consolidated Statement of Income and Other Comprehensive Income

Thousands of dollars	Note	(Unaudited) Three months ended March 31, **2014**	2013 (Restated - Note 2)
Revenue	5	**$304,135**	$295,635
Other income	5	**753**	359
		304,888	295,994
Expenses			
Goods and services purchased		**129,993**	134,570
Salaries, wages and benefits		**98,488**	93,121
Depreciation	7	**40,671**	37,530
Amortization		**8,583**	8,295
Internal labour capitalized		**(5,642)**	(5,279)
		272,093	268,237
Results of operating activities		**32,795**	27,757
Net finance expense	6	**5,205**	8,524
Net income		**27,590**	19,233
Other comprehensive loss	9	**(25,249)**	(1,424)
Total comprehensive income		**$2,341**	$17,809

All net income and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan (CIC).

See Accompanying Notes

Interim Condensed Consolidated Statement of Changes in Equity

	(Unaudited)			
Thousands of dollars	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings (Restated - Note 2)	Total equity
Balance at January 1, 2014	**$250,000**	**$8,159**	**$489,056**	**$747,215**
Net income	**-**	**-**	**27,590**	**27,590**
Other comprehensive loss	**-**	**(25,249)**	**-**	**(25,249)**
Total comprehensive income for the period	**-**	**(25,249)**	**27,590**	**2,341**
Dividends	**-**	**-**	**13,323**	**13,323**
Balance at March 31, 2014	**$250,000**	**$(17,090)**	**$503,323**	**$736,233**
Balance at January 1, 2013	$250,000	$(182,427)	$479,380	$546,953
Net income	-	-	19,233	19,233
Other comprehensive loss	-	(1,424)	-	(1,424)
Total comprehensive income for the period	-	(1,424)	19,233	17,809
Dividends	-	-	21,100	21,100
Balance at March 31, 2013	$250,000	$(183,851)	$477,513	$543,662

See Accompanying Notes

Interim Condensed Consolidated Statement of Financial Position

As at Thousands of dollars	Note	March 31, 2014	(Unaudited) December 31, 2013 (Restated - Note 2)	January 1, 2013 (Restated - Note 2)
Assets				
Current assets				
Cash		**$7,477**	$24,365	$3,466
Trade and other receivables	12a	**131,764**	116,526	110,593
Inventories	12a	**19,048**	16,450	8,570
Prepaid expenses	12a	**35,230**	23,817	25,961
		193,519	181,158	148,590
Property, plant and equipment	7	**1,452,270**	1,451,465	1,335,155
Intangible assets	8	**268,832**	260,201	210,520
Sinking funds		**96,847**	90,677	86,695
Other assets		**9,541**	10,206	12,760
		$2,021,009	$1,993,707	$1,793,720
Liabilities and Province's equity				
Current liabilities				
Trade and other payables	12a	**$146,612**	$168,738	$158,874
Dividend payable		**13,323**	30,402	22,881
Notes payable		**158,400**	253,342	85,600
Other liabilities	12a	**68,253**	65,609	65,906
		386,588	518,091	333,261
Deferred revenue		**7,734**	7,860	8,067
Deferred revenue – government funding		**42,526**	43,800	47,985
Long-term debt		**726,308**	581,172	580,881
Employee benefit obligations	9	**121,620**	95,569	276,573
		1,284,776	1,246,492	1,246,767
Commitments	11			
Province of Saskatchewan's equity				
Equity advance		**250,000**	250,000	250,000
Accumulated other comprehensive income (loss)		**(17,090)**	8,159	(182,427)
Retained earnings		**503,323**	489,056	479,380
		736,233	747,215	546,953
		$2,021,009	$1,993,707	$1,793,720

See Accompanying Notes

Interim Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		Three months ended March 31,	
		2014	2013
Thousands of dollars	Note		(Restated - Note 2)
Operating activities			
Net income		**$27,590**	$19,233
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization		**49,254**	45,825
Net financing expense	6	**5,205**	8,524
Interest paid		**(9,210)**	(8,930)
Interest received		**437**	478
Amortization of government funding	5	**(1,266)**	(1,230)
Other		**2,650**	2,410
Net change in non-cash working capital	12b	**(49,534)**	(39,191)
		25,126	27,119
Investing activities			
Property, plant and equipment expenditures		**(42,817)**	(49,800)
Intangible assets expenditures		**(16,295)**	(11,581)
Government funding		**-**	997
		(59,112)	(60,384)
Financing activities			
Proceeds from long-term debt		**145,357**	-
Net proceeds (repayment) of notes payable		**(95,257)**	71,400
Sinking fund installments		**(2,600)**	(2,600)
Dividends paid		**(30,402)**	(22,881)
		17,098	45,919
Increase (decrease) in cash		**(16,888)**	12,654
Cash, beginning of period		**24,365**	3,466
Cash, end of period		**$7,477**	$16,120

See Accompanying Notes

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
As at March 31, 2014

Note 1 – Basis of preparation

The unaudited interim condensed consolidated financial statements for March 31, 2014 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) December 31, 2013 audited consolidated financial statements. The interim condensed consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements.

The interim condensed consolidated financial statements for the three-month period ended March 31, 2014 were approved by the Board of Directors on May 7, 2014.

a) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following:

- Fair value through profit and loss financial instruments are measured at fair value, and
- The employee benefit obligations are recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

b) Functional and presentation currency

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

c) Use of estimates and judgments

The preparation of the interim condensed consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements includes the following:

- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life, and
- Accounting for government funding.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year includes the following:

- Useful lives and depreciation rates for property, plant and equipment,
- Useful lives and amortization rates for intangible assets, and
- The measurement of employee benefit obligations.

Note 2 – Change in accounting policy and adoption of other standards

a. Directory revenue recognition

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

The impacts of the change in accounting policy are as follows:

Impact on net income

For the three months ended March 31, 2013

Thousands of dollars	As previously reported	Adjustment	As restated
Revenue	$289,905	$5,730	$295,635
Goods and services purchased	134,038	532	134,570
Salaries, wages and benefits	92,975	146	93,121
Net income	14,181	5,052	19,233

For the year ended December 31, 2013

Thousands of dollars	As previously reported	Adjustment	As restated
Revenue	$1,205,057	$687	$1,205,744
Goods and services purchased	569,828	84	569,912
Salaries, wages and benefits	361,539	(63)	361,476
Net income	90,105	666	90,771

Impact on the statement of financial position

As at January 1, 2013

Thousands of dollars	As previously reported	Adjustment	As restated
Trade and other receivables	$129,776	$(19,183)	$110,593
Prepaid expenses	23,101	2,860	25,961
Other liabilities	63,362	2,544	65,906
Retained earnings	498,247	(18,867)	479,380

As at December 31, 2013

Thousands of dollars	As previously reported	Adjustment	As restated
Trade and other receivables	$135,264	$(18,738)	$116,526
Prepaid expenses	20,978	2,839	23,817
Other liabilities	63,307	2,302	65,609
Retained earnings	507,257	(18,201)	489,056

Note 2 – Change in accounting policy and adoption of other standards, continued

b. Other new standards

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

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

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

Note 3 – Summary of significant accounting policies

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS. The accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements conform with those used in the Corporation's most recent annual consolidated financial statements except as stated in Note 2 – Change in accounting policy and adoption of other standards, and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements.

The accounting policies have been applied consistently by the Corporation and its subsidiaries.

New standards and interpretations not yet adopted
Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are mandatory for annual accounting periods beginning after December 31, 2014. The Corporation has assessed that there will not be a significant impact of these pronouncements on its results and financial position.

These include:
- IFRS 9 Financial Instruments, was issued in 2009 and amended in 2010. This standard was further amended in November 2013, there is no implementation date at this time.

Note 4 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount

Note 4 – Financial risk management, continued

rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

As at		**March 31, 2014**		December 31, 2013	
Thousands of dollars	Classification (a)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets					
Investments - sinking funds	FVTPL	**$96,847**	**$96,847**	$90,677	$90,677
Financial liabilities					
Long-term debt	OL	**726,308**	**833,469**	581,172	665,057

(a) Classification details are:
FVTPL - fair value through profit or loss   OL - other liabilities

a) Fair value hierarchy

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.
Level 3 – Where valuation is based on unobservable inputs.

There were no items measured at fair value using level 3 during 2013 or 2014 and no items transferred between levels in 2013 or 2014.

As at	**March 31, 2014**			December 31, 2013		
Thousands of dollars	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Sinking funds	**$ -**	**$96,847**	**$96,847**	$ -	$90,677	$90,677
Long-term debt	**$ -**	**$833,469**	**$833,469**	$ -	$665,057	$665,057

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include sinking funds.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Note 4 – Financial risk management, continued

Long-term debt
The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Note 5 – Revenue and other income

	Three months ended March 31,	
Thousands of dollars	**2014**	2013
Services revenue		
Wireless	**$119,728**	$114,453
maxTV , Internet and data services	**75,346**	69,607
Local and enhanced services	**60,944**	63,761
Long distance services	**13,539**	14,793
Equipment	**12,091**	11,655
Advertising and directory services	**10,677**	11,030
Security monitoring services	**5,806**	5,032
Software and consulting services	**2,078**	1,814
Other services	**3,926**	3,490
	304,135	295,635
Other income		
Net loss on retirement or disposal of property, plant and equipment	**(708)**	(769)
Amortization of government funding	**1,266**	1,230
Other	**195**	(102)
	753	359
	$304,888	$295,994

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
As at March 31, 2014

Note 6 – Net finance expense

Thousands of dollars	Three months ended March 31, 2014	2013
Recognized in consolidated net income		
Interest expense on financial liabilities measured at amortized cost	**$9,899**	$8,419
Interest capitalized	**(1,723)**	(1,588)
Net interest expense	**8,176**	6,831
Net change in fair value of financial assets at fair value through profit or loss	**-**	1,161
Net interest on defined benefit liability	**1,036**	2,468
Finance expense	**9,212**	10,460
Net change in fair value of financial assets at fair value through profit or loss	**(2,704)**	-
Interest income on unimpaired financial assets at fair value through profit or loss	**(865)**	(1,458)
Interest income on loans and receivables	**(438)**	(478)
Finance income	**(4,007)**	(1,936)
Net finance expense	**$5,205**	$8,524
Interest capitalization rate	**4.70%**	4.97%

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)
As at March 31, 2014

Note 7 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at January 1, 2014	**$3,014,983**	**$442,137**	**$133,872**	**$148,046**	**$35,725**	**$3,774,763**
Additions	**2,543**	**-**	**2,354**	**38,108**	**32**	**43,037**
Transfers	**43,372**	**5,869**	**6,878**	**(56,282)**	**163**	**-**
Retirements and disposals	**(6,741)**	**(296)**	**(1,091)**	**-**	**-**	**(8,128)**
Balance at March 31, 2014	**$3,054,157**	**$447,710**	**$142,013**	**$129,872**	**$35,920**	**$3,809,672**
Balance at January 1, 2013	$2,814,117	$411,044	$119,612	$143,554	$34,254	$3,522,581
Additions	38,391	1,474	17,899	220,417	-	278,181
Transfers	183,513	29,724	827	(215,925)	1,861	-
Retirements and disposals	(21,038)	(105)	(4,466)	-	(390)	(25,999)
Balance at December 31, 2013	$3,014,983	$442,137	$133,872	$148,046	$35,725	$3,774,763
Accumulated depreciation						
Balance at January 1, 2014	**$2,118,628**	**$125,084**	**$79,586**	**$ -**	**$ -**	**$2,323,298**
Depreciation for the period	**33,275**	**2,549**	**4,847**	**-**	**-**	**40,671**
Retirements and disposals	**(6,281)**	**(208)**	**(78)**	**-**	**-**	**(6,567)**
Balance at March 31, 2014	**$2,145,622**	**$127,425**	**$84,355**	**$ -**	**$ -**	**$2,357,402**
Balance at January 1, 2013	$2,009,398	$115,465	$62,563	$ -	$ -	$2,187,426
Depreciation for the year	127,087	9,621	18,761	-	-	155,469
Retirements, disposals and adjustments	(17,857)	(2)	(1,738)	-	-	(19,597)
Balance at December 31, 2013	$2,118,628	$125,084	$79,586	$ -	$ -	$2,323,298
Carrying amounts						
At January 1, 2014	**$896,355**	**$317,053**	**$54,286**	**$148,046**	**$35,725**	**$1,451,465**
At March 31, 2014	**$908,535**	**$320,285**	**$57,658**	**$129,872**	**$35,920**	**$1,452,270**
At January 1, 2013	$804,719	$295,579	$57,049	$143,554	$34,254	$1,335,155
At December 31, 2013	$896,355	$317,053	$54,286	$148,046	$35,725	$1,451,465

Note 8 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licenses	Under development	Total
Cost						
Balance at January 1, 2014	**$5,976**	**$189,508**	**$81,024**	**$65,981**	**$76,795**	**$419,284**
Acquisitions	**-**	**1,982**	**714**	**7,557**	**5,300**	**15,553**
Acquisitions – internally developed	**-**	**143**	**-**	**-**	**1,578**	**1,721**
Transfers	**-**	**48,796**	**-**	**-**	**(48,796)**	**-**
Balance at March 31, 2014	**$5,976**	**$240,429**	**$81,738**	**$73,538**	**$34,877**	**$436,558**
Balance at January 1, 2013	$5,976	$170,996	$67,539	$65,981	$32,980	$343,472
Acquisitions	-	11,813	13,485	-	24,357	49,655
Acquisitions – internally developed	-	701	-	-	27,288	27,989
Transfers	-	7,830	-	-	(7,830)	-
Retirements, disposals and adjustments	-	(1,832)	-	-	-	(1,832)
Balance at December 31, 2013	$5,976	$189,508	$81,024	$65,981	$76,795	$419,284
Accumulated amortization						
Balance at January 1, 2014	**$ -**	**$111,633**	**$47,450**	**$ -**	**$ -**	**$159,083**
Amortization for the period	**-**	**7,287**	**1,301**	**-**	**-**	**8,588**
Adjustments	**-**	**55**	**-**	**-**	**-**	**55**
Balance at March 31, 2014	**$ -**	**$118,975**	**$48,751**	**$ -**	**$ -**	**$167,726**
Balance at January 1, 2013	$ -	$89,801	$43,151	$ -	$ -	$132,952
Amortization for the year	-	23,253	4,299	-	-	27,552
Retirements and disposals	-	(1,421)	-	-	-	(1,421)
Balance at December 31, 2013	$ -	$111,633	$47,450	$ -	$ -	$159,083
Carrying amounts						
At January 1, 2014	**$5,976**	**$77,875**	**$33,574**	**$65,981**	**$76,795**	**$260,201**
At March 31, 2014	**$5,976**	**$121,454**	**$32,987**	**$73,538**	**$34,877**	**$268,832**
At January 1, 2013	$5,976	$81,195	$24,388	$65,981	$32,980	$210,520
At December 31, 2013	$5,976	$77,875	$33,574	$65,981	$76,795	$260,201

Note 9 – Employee benefit obligations

Other comprehensive loss results from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plans, specifically the discount rate used to calculate the liabilities of the employee defined benefit plan and changes in the fair value of the employee benefit defined plan assets resulting from differences in the actual versus estimated return on these assets. The discount rates used are as follows:

	March 31, 2014	December 31, 2013
March 31	**4.20%**	3.80%
June 30	**n/a**	4.00%
September 30	**n/a**	4.50%
December 31	**n/a**	4.60%

In addition to the other comprehensive loss impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net increase in the employee benefit obligations for the period.

	Three months ended March 31,	
Thousands of dollars	**2014**	2013
Actuarial gain (loss) on accrued benefit obligation	**$(47,098)**	$ -
Actuarial gain (loss) on plan assets	**21,849**	(1,424)
Actuarial losses on employee benefit plans	**$(25,249)**	$(1,424)

Note 10 – Capital management

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

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

The Corporation 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 a corporation's capital structure. The Corporation 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 the Corporation'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.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by the Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The budgeted ratio for 2014 is 54.7%.

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

Note 10 – Capital management, continued

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

The Corporation is not subject to any externally imposed capital requirements.

The debt ratio is as follows:

As at Thousands of dollars	**March 31, 2014**	December 31, 2013 (restated - Note 2)
Total debt (a)	**$884,708**	$834,514
Less: Sinking funds	**96,847**	90,677
Cash and short-term investments	**7,477**	24,365
Net debt	**780,384**	719,472
Equity (b)	**736,233**	747,215
Capitalization	**$1,516,617**	$1,466,687
Debt ratio	**51.5%**	49.1%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.
b) Equity includes equity advances, accumulated other comprehensive income (loss). and retained earnings at the end of the period but excludes

Note 11 – Commitments

Commitments

As at March 31, 2014, the Corporation has committed to spend $15.0 million on property, plant and equipment, $6.8 million on intangible assets and $334.6 million related to future operations.

Note 12 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	**March 31, 2014**	December 31, 2013 (restated - Note 2)
Trade and other receivables		
Customer accounts receivable	**$82,452**	$80,231
Accrued receivables - customer	**4,252**	4,301
Allowance for doubtful accounts	**(2,028)**	(2,082)
	84,676	82,450
High cost serving area subsidy	**3,367**	1,969
Other	**43,721**	32,107
	$131,764	$116,526

Note 12 – Additional financial information, continued

As at Thousands of dollars	March 31, 2014	December 31, 2013 (restated - Note 2)
Inventories		
Inventories for resale	**$14,862**	$11,827
Materials and supplies	**4,186**	4,623
	$19,048	$16,450
Prepaid expenses		
Prepaid expenses	**$28,151**	$16,552
Deferred service connection charges	**4,258**	4,303
Short-term customer incentives	**2,821**	2,962
	$35,230	$23,817
Trade and other payables		
Trade accounts payable and accrued liabilities	**$107,163**	$116,485
Payroll and other employee-related liabilities	**28,273**	35,492
Other	**11,176**	16,761
	$146,612	$168,738
Other liabilities		
Advance billings	**$51,363**	$48,610
Deferred customer activation and connection fees	**5,255**	5,315
Current portion of deferred income - government funding	**4,992**	4,984
Customer deposits	**6,643**	6,700
	$68,253	$65,609

Note 12 – Additional financial information, continued

b) **Supplementary cash flow information**

Thousands of dollars	Three months ended March 31, **2014**	2013 (restated - Note 2)
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(33,682)**	$10,500
Inventories	**(2,598)**	(7,149)
Prepaid expenses	**(11,413)**	(4,425)
Trade and other payables	**(4,657)**	(39,661)
Other liabilities	**2,637**	978
Deferred revenues	**(522)**	(179)
Long-term customer incentives	**611**	635
Deferred expenses	**90**	110
	$(49,534)	$(39,191)