First
Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2011

For the Period Ending March 31, 2011

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 4,200 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 networks, exceptional service advanced solutions and applications"*.

Financial Highlights

Consolidated Net Earnings

Quarter ended March 31, **($ millions)**	**2011**	2010	% Change
Revenues	**$268.3**	$267.3	0.4
Other income	**1.0**	4.8	(79.2)
	269.3	272.1	(1.0)
Expenses	**244.7**	236.1	3.6
Results from operating activities	**24.6**	36.0	(31.7)
Net finance expense	**(5.3)**	(2.2)	140.9
Earnings from continuing operations	**19.3**	33.8	(42.9)
Net earnings from discontinued operations	**30.8**	1.3	*nmf*[1]
Net earnings	**$50.1**	$35.1	42.7

SaskTel's net earnings for the first quarter of 2011 were $50.1 million, up $15.0 million from the same period in 2010. This was driven primarily by gains on the sale of discontinued operations, partially offset by increased operating and financing expenses.

[1] *nmf – no meaningful figure*

Management Discussion and Analysis

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter 2011. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the year ended December 31, 2010. 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 2010 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.

Adoption of International Financial Reporting Standards (IFRS)

Effective January 1, 2011, SaskTel has adopted IFRS as the basis for preparing consolidated financial statements. The condensed consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34: "Interim Financial Reporting". These are the Corporation's first International Financial Reporting Standards (IFRS) condensed consolidated financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1: "First-time Adoption of International Financial Reporting Standards" has been applied. When preparing this financial report SaskTel has amended certain accounting and valuation methods applied in previous Canadian Generally Accepted Accounting Principles (Canadian GAAP) financial statements to comply with IFRS as discussed in Note 12 Transition to IFRS. Except for first time adoption exemptions and elections taken to transition to IFRS, all accounting policies are applied consistently throughout all periods presented in the interim financial statements. The comparative figures have been restated to reflect these adjustments.

Note 12 of the interim financial statements contains a detailed description of SaskTel's conversion to IFRS, including reconciliations of the financial statements previously prepared under Canadian GAAP to those prepared under IFRS for the three months ended March 31, 2010 and for the year ended December 31, 2010, as well as a reconciliation of opening equity as of the date of transition to IFRS, January 1, 2010.

Results of Operations

Revenues

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$268.3**	$267.3	$1.0	0.4

Revenues for the first quarter of 2011 increased to $268.3 million, up $1.0 million or 0.4% from the same period in 2010. This increase is primarily driven by *Max*™ due to increased number of customers and increased revenue per customer, wireless due to increased number of customers and increased data usage and internet due to increased average revenue per unit from customers moving to more expensive plans, partially offset by decreased High Cost Serving Area subsidy revenue due to new rates and access revenue due to residential access decreases related to competition and wireless replacement.

Other income

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$1.0**	$4.8	$(3.8)	(79.2)

Other income for the first quarter of 2011 decreased to $1.0 million down $3.8 million from the same period in 2010 primarily due to PST refunds received in 2010 and reduced government funding amortization in 2011.

Expenses

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$244.7**	$236.1	$8.6	3.6

Expenses for the first quarter of 2011 increased to $244.7 million, up $8.6 million from the same period in 2010. Goods and services purchased have increased $3.8 million primarily due to increased network maintenance costs and project related expenses. Depreciation and amortization has increased $4.4 million due to increased plant in service.

Net financing expense

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$5.3**	$2.2	$3.1	140.9

Net financing expense for the first quarter of 2011 was $5.3 million up $3.1 million over the same period in 2010. This is driven by reduced capitalized interest in the current period resulting from significantly lower plant under construction during the first quarter of 2011 compared to the first quarter of 2010 as well as increased borrowings to fund the 2010 construction program and declines in the fair value of the sinking funds compared to the same period in 2010.

Net earnings from discontinued operations

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$30.8**	$1.3	$29.5	*nmf*

Net earnings from discontinued operations for the first quarter of 2011 was $30.8 million, up $29.5 million over the same period in 2010. In early 2010 plans were approved for the divestiture of Hospitality Network Canada Inc. and Saskatoon 2 Properties Partnership. These operations were classified as discontinued operations at that time and the operating activities were retroactively reclassified to net earnings from discontinued operations. During the first quarter of 2011, both entities were sold and the resulting gains reported in net earnings from discontinued operations as disclosed in Note 5 of the interim financial statements.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$59.0**	$60.8	$(1.8)	(3.0)

Cash provided by operating activities in the first quarter of 2011 decreased to $59.0 million, down $1.8 million from the same period in 2010, primarily due to reduced earnings from continuing operations partially offset by decreased working capital requirements.

Cash used in investing activities

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$41.6**	$50.0	$(8.4)	(16.8)

Cash used in investing activities in the first quarter of 2011 decreased to $41.6 million, down $8.4 million from the same period in 2010. SaskTel's net spending on property, plant and equipment for the first quarter of 2011 was $37.5 million, down $9.0 million from the same period in 2010 primarily due to planned spending reductions on the cellular network upgrade to Universal Mobile Telecommunications System (UMTS)/High Speed Packet Access (HSPA) technology and the Saskatchewan Infrastructure Improvement Program. SaskTel's net spending on intangible assets was $4.1 million, up $0.6 million from the same period in 2010.

Capital expenditures in 2011 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 investment in Fiber to the Premise, which will significantly increases access speeds, as well as, the completion of the cellular network upgrade to UMTS/HSPA technology, network growth and refurbishment, further investment in *Max* Interactive Services, and improved high speed internet quality.

Cash used in financing activities

Millions of dollars	**2011**	2010	Change	%
Quarter ended March 31,	**$77.2**	$11.3	$65.9	583.2

Cash used in financing activities in the first quarter of 2011 increased to $77.2 million, up $65.9 million from the same period in 2010 primarily due to the repayment of notes payable, partially offset by reduced dividend payments.

Liquidity and capital resource ratios

Debt ratio

	March 31, 2011	December 31, 2010
Debt ratio	**32.7%**	37.5%

The debt ratio decreased to 32.7%, down from 37.5% at December 31, 2010. The overall level of net debt decreased $71.3 million during the first quarter due to reduced short-term borrowings and increased cash and short-term investments.

Retained earnings increased by $13.9 million in the first quarter of 2011 after recording net income of $50.1 million and dividends of $36.2 million.

2011 Outlook

The 2010 SaskTel Annual Report identified a consolidated net income target for 2011 of $161.0 million. At this time SaskTel believes that it may fall short of the established 2011 net income target due to higher levels of depreciation and net finance expense.

Risk Assessment

The 2010 Annual Report discusses the risks and uncertainties in SaskTel's business environment. They include developments in the technological, economic and regulatory environments, challenges faced by the defined benefit pension plan, competitive activity, cost management initiatives and more. SaskTel's basic risk profile remains unchanged as at March 31, 2011. 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.

Condensed Consolidated Statement of Comprehensive Income

		(Unaudited) Three months ended March 31,	
Thousands of dollars	Note	**2011**	2010
Revenue	3	**$268,309**	$267,307
Other income	3	**966**	4,760
		269,275	272,067
Expenses			
Goods and services purchased		**120,286**	116,520
Salaries, wages and benefits		**86,664**	86,148
Depreciation and amortization		**41,032**	36,666
Internal labour and overheads capitalized		**(3,322)**	(3,229)
		244,660	236,105
Results of operating activities		**24,615**	35,962
Finance income	4	**1,202**	1,372
Finance expense	4	**(6,528)**	(3,623)
Net finance expense	4	**(5,326)**	(2,251)
Earnings from continuing operations		**19,289**	33,711
Net earnings from discontinued operations	5	**30,802**	1,340
Net earnings		**50,091**	35,051
Other comprehensive income		**-**	-
Total comprehensive income		**$50,091**	$35,051

All earnings and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan.

See Accompanying Notes

Condensed Consolidated Statement of Financial Position

As at Thousands of dollars	Note	**March 31, 2011**	(Unaudited) December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents		**$23,571**	$12,886	$8,998
Trade and other receivables	10a	**85,686**	105,316	111,163
Inventories	10a	**6,399**	5,810	8,020
Prepaid expenses	10a	**16,013**	8,907	10,285
Current portion of sinking funds		**-**	-	10,519
Assets classified as held for sale	5	**477**	41,729	43
		132,146	174,648	149,028
Investments accounted for using the equity method		**-**	-	1,523
Sinking funds		**65,403**	64,769	57,744
Property, plant and equipment	6	**1,165,033**	1,162,143	1,034,891
Intangible assets	7	**134,609**	137,151	151,506
Other assets		**9,201**	8,692	12,006
		$1,506,392	$1,547,403	$1,406,698
Liabilities and Province's equity				
Current liabilities				
Trade and other payables	10a	**$137,171**	$129,173	$147,330
Notes payable		**-**	59,900	8,700
Services billed in advance	10a	**61,492**	55,657	48,687
Current portion of long-term debt		**-**	-	90,109
Liabilities classified as held for sale	5	**-**	1,635	262
		198,663	246,365	295,088
Employee benefits		**119,808**	126,047	100,522
Deferred revenue		**8,526**	8,801	9,146
Deferred revenue – government funding	8	**40,330**	41,053	42,400
Long-term debt		**432,808**	432,756	233,945
		800,135	855,022	681,101
Province of Saskatchewan's equity				
Equity advance		**250,000**	250,000	250,000
Retained earnings		**456,257**	442,381	475,597
		706,257	692,381	725,597
		$1,506,392	$1,547,403	$1,406,698

See Accompanying Notes

On behalf of the Board:

Grant Kook
May 10, 2011

Blair Davidson

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the three months ended March 31

Thousands of dollars	Equity advances	Retained earnings	Total equity
Balance at January 1, 2010	$250,000	$475,597	$725,597
Net earnings	-	35,051	35,051
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	35,051	35,051
Transactions with owners, recorded directly in equity			
Dividends	-	29,558	29,558
Total contributions by and distributions to owners	-	29,558	29,558
Balance March 31, 2010	$250,000	$481,090	$731,090
Balance at January 1, 2011	$250,000	$442,381	$692,381
Net earnings	-	50,091	50,091
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	50,091	50,091
Transactions with owners, recorded directly in equity			
Dividends	-	36,215	36,215
Total contributions by and distributions to owners	-	36,215	36,215
Balance March 31, 2011	$250,000	$456,257	$706,257

See Accompanying Notes

Condensed Consolidated Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Three months ended March 31, 2011	2010
Operating activities			
Earnings from continuing operations		**$19,289**	$33,711
Adjustments to reconcile net income to cash provided by operations			
Depreciation and amortization		**41,032**	36,666
Contributions to defined benefit pension plans		**(4,040)**	(4,139)
Pension income of defined benefit plans		**(1,939)**	(194)
Net financing expense	4	**5,326**	2,251
Interest paid		**(5,259)**	(3,407)
Interest received		**1,189**	1,283
Amortization of government funding	8	**(723)**	(1,726)
Other		**(823)**	547
Net change in non- cash working capital	10b	**4,978**	(4,144)
Cash provided by operating activities		**59,030**	60,848
Investing activities			
Property, plant and equipment expenditures		**(37,486)**	(46,475)
Intangible assets – finite life		**(4,122)**	(3,482)
Cash used in investing activities		**(41,608)**	(49,957)
Financing activities			
Proceeds from (repayment of) notes payable		**(59,900)**	20,800
Sinking fund installments		**(1,100)**	(1,104)
Dividends paid		**(16,157)**	(31,026)
Cash used in financing activities		**(77,157)**	(11,330)
Decrease in cash from continuing operations		**(59,735)**	(439)
Increase in cash from discontinued operations	5	**64,393**	3,038
Cash and cash equivalents, beginning of period		**18,913**	8,998
Cash and cash equivalents, end of period		**$23,571**	$11,597
Comprised of:			
Cash of continuing operations		**$21,571**	$4,730
Short-term investments of continuing operations		**2,000**	-
Cash and short-term investments of discontinued operations	5	**-**	6,867
Cash and cash equivalents		**$23,571**	$11,597

See Accompanying Notes

Notes to Condensed Consolidated Financial Statements (Unaudited)
As at March 31, 2011

Note 1 – Basis of preparation

The unaudited condensed consolidated financial statements for March 31, 2011 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) December 31, 2010 audited consolidated financial statements prepared under Canadian Generally Accepted Accounting Principles (Canadian GAAP). The condensed consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34: "Interim Financial Reporting". These are the Corporation's first International Financial Reporting Standards (IFRS) condensed consolidated financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1: "First-time Adoption of International Financial Reporting Standards" has been applied. These condensed consolidated financial statements do not include all of the information required for full annual financial statements.

When preparing this financial report the Corporation has amended certain accounting and valuation methods applied in previous Canadian GAAP financial statements to comply with IFRS as discussed in Note 12 - Transition to IFRS. Except for IFRS 1 exemptions and elections taken to transition to IFRS, all accounting policies are applied consistently throughout all periods presented in the interim financial statements. The comparative figures have been restated to reflect these adjustments.

a) Basis of measurement

The 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 defined benefit liability is recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

b) Functional and presentation currency

These 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 condensed consolidated financial statements in conformity with 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 condensed consolidated financial statements includes the following:

- 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 include the measurement of defined benefit obligations.

Note 2 – Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

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

a. Basis of consolidation

i. Business combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP (see Note 12 Transition to IFRS).

ii. Subsidiaries

A subsidiary is an entity that is controlled by another entity, known as the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements of the Corporation from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Corporation.

Separate audited financial statements for each of the undernoted wholly owned corporations, which are consolidated in these financial statements, are prepared and released publicly:

Subsidiary	**Principal activity**
Saskatchewan Telecommunications (SaskTel)	Telecommunications
Saskatchewan Telecommunications International, Inc. (SaskTel International)	Telecommunications consulting & software solutions
DirectWest Corporation (DirectWest)	Directory publishing
SecurTek Monitoring Solutions Inc (SecurTek)	Security monitoring

Note 2 – Summary of significant accounting policies, continued

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

iii. Jointly controlled entities (equity accounted for investees)

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

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

iv. Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated financial statements. Unrealized gains arising from transactions with equity accounted for investees are eliminated against the investment to the extent of the Corporation'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. Revenue

Revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the rendering of services and sale of equipment is recognized in the period the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Note 2 – Summary of significant accounting policies, continued

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

When the Corporation receives no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising and on-line advertising. Print directory advertising revenues are recognized at the delivery date of the directory. Electronic directory advertising revenues are recognized commencing with the display date. Amounts billed in advance for directory advertising are deferred and recognized at the delivery date of the directory.

Operating revenues for perpetual licenses are recognized on delivery or according to the terms of the license agreement. Revenues related to customized software contracts are recognized upon customer acceptance or when customer acceptance provisions of the contract are satisfied. Where the arrangement includes multiple elements, perpetual license revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the license, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. If payment is subject to customer acceptance, revenue is not recognized until customer acceptance or expiration of the acceptance period. Fees for professional services, other than in the context of multiple element arrangements, are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the period in HCSAs.

c. Customer contributions

Customer contributions specifically related to access to the Corporation's network, based on standard terms and conditions, are recognized as revenue when the customer is connected to the network. Other contributions, either related to access to the Corporation's network based on non-standard terms or conditions, or based on specifically contracted products or services, are assessed to determine the appropriate revenue recognition for the products or services provided, based on the Corporation's revenue recognition policies.

d. Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

e. Inventories

Inventories for resale are valued at the lower of weighted average cost and net realizable value. Other supplies inventories are valued at the lower of average cost and replacement cost. In establishing the

Note 2 – Summary of significant accounting policies, continued

appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

f. Property, plant and equipment

Property, plant and equipment are recorded at cost or elected fair value, as disclosed in Note 12 – Transition to IFRS, less accumulated depreciation and any provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Interest costs associated with major capital and development projects are capitalized during the construction period. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

When property, plant and equipment is disposed of or retired, the related cost and accumulated amortization is eliminated from the accounts. Any resulting gain or loss is reflected in net earnings for the year.

g. Depreciation and amortization of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation and amortization is recognized in earnings on the straight-line basis over the estimated useful life of each part of an item of property, plant and equipment as follows:

Asset	Estimated useful life
Buildings and improvements	
Equipment and storage buildings	20 - 35 years
Warehouses, garages and parkades	50 years
Administrative buildings	60 years
Switching centres	70 years
Towers	35 and 75 years
Plant and equipment	2 - 50 years
Office furniture and equipment	3 - 17 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 2 – Summary of significant accounting policies, continued

h. Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Corporation's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, and employee benefit assets, which continue to be measured in accordance with the Corporation's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

i. Discontinued operations

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

j. Intangible assets

i. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 2(a)(i).

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

ii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Interest costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in profit or loss as incurred.

Note 2 – Summary of significant accounting policies, continued

iii. Finite life intangibles

Software is recorded at the cost of acquisition or development, which may include direct development costs, overhead costs directly attributable to development activity and betterment costs, less accumulated amortization and any impairment losses.

Customer accounts, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost less accumulated amortization and any impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated useful life
Software	1 - 5 years
Customer accounts	3 - 10 years

iv. Spectrum licenses

Spectrum licenses have been recorded at cost less accumulated impairment losses.

Spectrum licenses have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material license revocation. Should these factors change, the classification of indefinite-life will be reassessed.

k. Impairment

i. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Note 2 – Summary of significant accounting policies, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to earnings. The cumulative loss that is removed from other comprehensive income and recognized in earnings is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in earnings. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in earnings, then the impairment loss is reversed, with the amount of the reversal recognized in earnings. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

ii. Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Note 2 – Summary of significant accounting policies, continued

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

l. Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in the condensed consolidated statement of comprehensive income on a systematic basis in the same period in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in the condensed consolidated statement of comprehensive income on a systematic basis over the useful life of the asset.

m. Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Corporation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

n. Employee benefits

The Corporation has a defined benefit pension plan, a defined contribution pension plan, and a service recognition defined benefit plan that provide retirement benefits for its employees.

i. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is determined using high quality debt instruments with cash flows that match the timing and amount of Corporation's expected benefit payments. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in

Note 2 – Summary of significant accounting policies, continued

the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in earnings.

Upon transition to IFRS the Corporation has elected to recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the date of transition (see Note 12 – Transition to IFRS)

The Corporation recognizes all actuarial gains and losses arising from the defined benefit plans directly in other comprehensive income immediately and reports them in retained earnings.

ii. Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the condensed consolidated statement of comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

iii. Service recognition defined benefit plan

The Corporation's net obligation in respect of the service recognition defined benefit plan is the amount of future benefit that employees have earned in return for their service in the prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is determined using high quality debt instruments with cash flows that match the timing and amount of Corporation's expected obligations. The calculation is performed using the projected unit credit method prorated on service. Any actuarial gains and losses are recognized in other comprehensive income immediately and reported in retained earnings.

iv. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

o. Financial instruments

i. Non-derivative financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset

Note 2 – Summary of significant accounting policies, continued

are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss
Financial assets are classified as fair value through profit or loss if they are held-for-trading (purchased and incurred with the intention of generating profits in the near term or are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking) or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. The Corporation has designated sinking funds at fair value through profit and loss. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net earnings in the period in which the gains and losses arise.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for- sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2(k)(i)) are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to earnings.

ii. Non-derivative financial liabilities
The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Note 2 – Summary of significant accounting policies, continued

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation has the following non-derivative financial liabilities: bank indebtedness, trade and other payables, notes payable and long-term debt.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii. Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation had no contracts with embedded derivatives as at March 31, 2011.

p. Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in the condensed consolidated statement of comprehensive income, using the effective interest method.

Finance expense is comprised of interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

q. Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, Crown Investments Corporation of Saskatchewan. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, i.e. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 2(l)).

r. New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after December 31, 2011 or later periods. The Corporation is assessing the impact of these pronouncements on its results and financial position. These include:

- IFRS 9 Financial Instruments – establishes principles for the financial reporting of financial assets.

Note 3 – Revenue

Thousands of dollars	Note	Three months ended March 31, **2011**	2010
Services revenue			
Local service		**$68,348**	$71,873
Wireless		**97,980**	95,598
Max, internet and data services		**61,437**	56,873
Long distance services		**15,930**	16,578
Advertising and directory services		**5,038**	5,187
Security monitoring services		**5,002**	4,608
Telecommunication software		**3,403**	3,345
Other revenue		**11,171**	13,245
		268,309	267,307
Other income			
Net loss on retirement or disposal of property, plant and equipment		**(415)**	(397)
Amortization of government funding	8	**723**	2,538
Provincial sales tax refund		**-**	2,207
Other		**658**	412
		966	4,760
Total revenue		**$269,275**	$272,067

Note 4 – Finance income and expenses

Thousands of dollars	Three months ended March 31, **2011**	2010
Recognized in consolidated net earnings		
Interest income on unimpaired financial assets at fair value through net earnings	**$878**	$1,031
Interest income on loans and receivables	**324**	341
Finance income	**1,202**	1,372
Interest expense on financial liabilities measured at amortized cost	**(6,860)**	(6,135)
Interest capitalized	**1,676**	3,402
Net interest expense	**(5,184)**	(2,733)
Net change in fair value of financial assets at fair value through net earnings	**(1,344)**	(890)
Finance expense	**(6,528)**	(3,623)
Net finance expense	**$(5,326)**	$(2,251)
Interest capitalization rate	**5.59%**	7.39%

Note 5 – Discontinued operations

During the second quarter of 2010, the Corporation, approved plans whereby the operations of Hospitality Network Canada, Inc. (Hospitality Network) and Saskatoon 2 Properties Limited Partnership (Saskatoon Square) were to be divested and the criteria for classification as discontinued operations had been met. In addition, the Corporation had previously classified the operations of DirectWest Canada, Inc. (DirectWest Canada) as discontinued operations.

On January 4, 2011 the Corporation, through its subsidiaries, Saskatoon 2 Management Ltd. and Saskatoon 2 Properties Limited Partnership, sold its interest in the property known as Saskatoon Square for cash consideration of $34,440,075 resulting in a gain of $27,035,967 which has been included in net earnings from discontinued operations in the Condensed Consolidated Statement of Comprehensive Income.

In addition, on January 31, 2011, the Corporation, through its subsidiary Hospitality Network Canada Inc. (Hospitality Network), disposed of the net assets of Hospitality Network for cash consideration of $36,044,038, resulting in a gain of $3,731,292 which has been included in net earnings from discontinued operations in the Condensed Consolidated Statement of Comprehensive Income. Active operations of Hospitality Network have ceased as of that date.

The results of discontinued operations are as follows:

	Three months ended March 31,	
Thousands of dollars	**2011**	2010
Hospitality Network		
Revenue	**$2,530**	$7,937
Expenses	**2,495**	6,880
Results of operating activities	**35**	1,057
Gain on sale of discontinued operation	**3,731**	-
Saskatoon Square		
Share of operating earnings of equity accounted investee	**-**	283
Gain on sale of discontinued operation	**27,036**	-
Net earnings from discontinued operations	**$30,802**	$1,340

The assets and liabilities of discontinued operations are as follows:

	March 31, 2011			December 31, 2010	January 1, 2010
Thousands of dollars	**Hospitality Network**	**Saskatoon Square**	**Total**	Total	Total
Assets					
Cash and short-term investments	**$-**	**$-**	**$-**	$6,027	$-
Trade and other receivables	**476**	**-**	**476**	2,334	43
Prepaid expenses	**-**	**-**	**-**	310	-
Investments accounted for using the equity method	**-**	**1**	**1**	1,707	-
Property, plant and equipment	**-**	**-**	**-**	17,015	-
Intangible assets	**-**	**-**	**-**	2,498	-
Goodwill	**-**	**-**	**-**	11,838	-
Assets of discontinued operations	**$476**	**$1**	**$477**	$41,729	$43

Note 5 – Discontinued operations, continued

Thousands of dollars	March 31 2011 Hospitality Network	March 31 2011 Saskatoon Square	March 31 2011 Total	December 31 2010 Total	January 1, 2010 Total
Liabilities					
Trade and other payables	**$-**	**-**	**$-**	$1,635	$262
Liabilities of discontinued operations	**$-**	**-**	**$-**	$1,635	$262

The cash flows from discontinued operations are as follows:

Thousands of dollars	Three months ended March 31, 2011	2010
Cash provided by operating activities	**$43**	$3,533
Cash provided by (used in) investing activities	**64,350**	(485)
Cash used in financing activities	**-**	(10)
	$64,393	$3,038

Note 6 - Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost or deemed cost						
Balance at January 1, 2011	**$2,583,018**	**$360,338**	**$93,891**	**$134,570**	**$31,584**	**$3,203,401**
Additions	**2,291**	**-**	**2,063**	**35,303**	**-**	**39,657**
Transfers	**21,387**	**2,567**	**2,972**	**(26,926)**	**-**	**-**
Retirements and Disposals	**(14,476)**	**(81)**	**(14,763)**	**-**	**(1)**	**(29,321)**
Balance at March 31, 2011	**$2,592,220**	**$362,824**	**$84,163**	**$142,947**	**$31,583**	**$3,213,737**
Balance at January 1, 2010	$2,398,858	$301,308	$73,615	$178,876	$30,942	$2,983,599
Additions	20,244	1,031	16,410	252,390	-	290,075
Transfer to assets held for sale	(28,732)	-	(1,417)	(803)	-	(30,952)
Transfers	224,374	59,766	11,110	(295,893)	643	-
Retirements and Disposals	(31,726)	(1,767)	(5,827)	-	(1)	(39,321)
Balance December 31, 2010	$2,583,018	$360,338	$93,891	$134,570	$31,584	$3,203,401
Depreciation						
Balance at January 1, 2011	**$1,898,230**	**$98,325**	**$44,703**	**$-**	**$-**	**$2,041,258**
Depreciation for the period	**28,827**	**2,043**	**5,154**	**-**	**-**	**36,024**
Retirements and Disposals	**(13,753)**	**(63)**	**(14,762)**	**-**	**-**	**(28,578)**
Balance at March 31, 2011	**$1,913,304**	**$100,305**	**$35,095**	**$-**	**$-**	**$2,048,704**
Balance at January 1, 2010	$1,818,786	$91,415	$38,507	$-	$-	$1,948,708
Depreciation for the year	116,123	6,982	12,903	-	-	136,008
Retirements and Disposals	(23,112)	(72)	(5,820)	-	-	(29,004)
Transfer to assets held for sale	(13,567)	-	(887)	-	-	(14,454)
Balance December 31, 2010	$1,898,230	$98,325	$44,703	$-	$-	$2,041,258
Carrying Amounts						
At January 1, 2011	**$684,788**	**$262,013**	**$49,188**	**$134,570**	**$31,584**	**$1,162,143**
At March 31, 2011	**$678,916**	**$262,519**	**$49,068**	**$142,947**	**$31,583**	**$1,165,033**
At January 1, 2010	$580,072	$209,893	$35,108	$178,876	$30,942	$1,034,891
At December 31, 2010	$684,788	$262,013	$49,188	$134,570	$31,584	$1,162,143

Note 6 - Property, plant and equipment, continued

At March 31, 2011 the Corporation had property, plant and equipment that was fully depreciated and still in use with a cost of $1,576,511,396 (December 31, 2010 - $1,510,539,267).

Note 7 – Intangible assets

Thousands of dollars	Goodwill	Intangible assets – finite life	Spectrum	Total
Cost				
Balance at January 1, 2011	**$5,976**	**$177,077**	**$65,981**	**$249,034**
Additions – acquired	**-**	**2,557**	**-**	**2,557**
Retirements and Disposals	**-**	**(16,942)**	**-**	**(16,942)**
Balance at March 31, 2011	**$5,976**	**$162,692**	**$65,981**	**$234,649**
Balance at January 1, 2010	$17,914	$166,424	$65,981	$250,319
Additions – acquired	-	21,451	-	21,451
Transferred to assets held for sale	(11,838)	(5,191)	-	(17,029)
Retirements and Disposals	(100)	(5,607)	-	(5,707)
Balance December 31, 2010	$5,976	$177,077	$65,981	$249,034
Amortization				
Balance at January 1, 2011	**$-**	**$111,883**	**$-**	**$111,883**
Amortization for the period	**-**	**4,988**	**-**	**4,988**
Retirements and Disposals	**-**	**(16,830)**	**-**	**(16,830)**
Balance at March 31, 2011	**$-**	**$100,041**	**$-**	**$100,041**
Balance at January 1, 2010	$-	$98,813	$-	$98,813
Amortization for the period	-	20,954	-	20,954
Transferred to assets held for sale	-	(2,276)	-	(2,276)
Retirements and Disposals	-	(5,608)	-	(5,608)
Balance December 31, 2010	$-	$111,883	$-	$111,883
Carrying Amounts				
At January 1, 2011	**$5,976**	**$65,194**	**$65,981**	**$137,151**
At March 31, 2011	**$5,976**	**$62,652**	**$65,981**	**$134,609**
At January 1, 2010	$17,914	$67,611	$65,981	$151,506
At December 31, 2010	$5,976	$65,194	$65,981	$137,151

Note 8 – Deferred income – government funding

The Corporation received $45,000,000 in funding from the Province of Saskatchewan through Crown Investments Corporation of Saskatchewan as partial funding of the Rural Infrastructure Program (RIP). The funded expenditures have been completed and the funding has been applied as follows; $40,822,184 to capital expenditures and $4,177,816 to operating expenditures.

In addition, as part of the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation (SCN) to the Corporation, the Province of Saskatchewan through the Ministry of Education has provided $1,321,230 in funding for distance education hardware upgrades. To date $66,912 has been applied to capital expenditures and $817 to operating expenditures. Funded expenditures are planned for the balance of 2011.

Note 8 – Deferred income – government funding, continued

Funding related to operating expenditures has been included in the determination of net earnings for the relevant period. Funding related to capital expenditures has been deferred and is being amortized over the estimated useful life of the related assets.

	March 31, 2011			December 31, 2010
Thousands of dollars	**RIP**	**SCN**	**Total**	Total
Balance, January 1	**$39,733**	**$1,320**	**$41,053**	$42,400
Funding received	**-**	**-**	**-**	1,321
	39,733	**1,320**	**41,053**	43,721
Amortization	**722**	**1**	**723**	2,668
Balance, end of period	**$39,011**	**$1,319**	**$40,330**	$41,053

Note 9 – Commitments and contingencies

Commitments

As at March 31, 2011, the Corporation has committed to spend $38.7 million on property, plant, equipment and $3.2 million on intangible assets and $203.6 million related to future operations.

Leases

The future minimum lease payments under non-cancellable operating leases are as follows:

Thousands of dollars	
One year or less	**$5,860**
2 to 5 years	**11,409**
More than 5 years	**5,901**
	$23,170

Contingencies

On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiffs' proceeding as a class action with respect to an allegation of unjust enrichment only. The appeal from this decision by the Corporation, together with all other defendants was heard by the Court of Appeal on December 13 and 14, 2010 and a decision was reserved by the Court. The Corporation awaits

Note 9 – Commitments and contingencies, continued

receipt of the decision of the Court of Appeal. On July 24, 2009 a second proceeding under the Class Actions Act (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Corporation believes this second action involves substantially the same allegations as the 2004 claim and on December 23, 2009 the second action was conditionally stayed as an abuse of process by the Court of Queen's Bench. The Plaintiffs have applied to obtain leave of the Court of Appeal to appeal the stay of the second action. The Plaintiff's application to obtain leave is adjourned indefinitely on the condition that it cannot be dealt with until after the Court of Appeal has issued its decision in the 2004 claim. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the Court in the certification proceeding of the 2004 claim and that it has strong defenses to the allegations contained in the 2009 action.

On June 26th, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. On September 27, 2010 the Corporation was advised that a case management judge has been appointed in this matter. The Corporation is not aware that any other step or action has been taken in this action.

Note 10 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	**March 31, 2011**	December 31, 2010	January 1, 2010
Trade and other receivables			
Customer accounts receivable	**$61,005**	$68,906	$79,522
Accrued receivables - customer	**17,998**	23,060	23,321
Allowance for doubtful accounts	**(2,685)**	(2,840)	(3,622)
	76,318	89,126	99,221
High cost serving area subsidy	**5,020**	5,344	5,446
Other	**4,348**	10,846	6,496
	$85,686	$105,316	$111,163
Inventories			
Inventories for resale	**$4,302**	$4,376	$6,157
Work in progress	**1,967**	1,194	1,643
Raw materials	**130**	240	220
	$6,399	$5,810	$8,020

Note 10 – Additional financial information, continued

As at Thousands of dollars	**March 31, 2011**	December 31, 2010	January 1, 2010
Prepaid expenses			
Prepaid expenses	**$6,765**	$3,869	$4,561
Prepaid salaries – Centennial Plan	**4,390**	-	-
Deferred service connection charges	**4,858**	5,038	5,724
	$16,013	$8,907	$10,285
Trade and other payables			
Trade accounts payable and accrued liabilities	**$64,614**	$74,871	$77,771
Payroll and other employee-related liabilities	**26,612**	29,681	32,464
Dividend payable	**36,215**	16,157	31,026
Other	**9,730**	8,464	6,069
	$137,171	$129,173	$147,330
Services billed in advance			
Advance billings	**$49,143**	$43,306	$35,799
Deferred customer activation and connection fees	**7,015**	7,229	7,967
Customer deposits	**5,334**	5,122	4,921
	$61,492	$55,657	$48,687

b) Supplementary cash flow information

	Three months ended March 31,	
Thousands of dollars	**2011**	2010
Net change in non-cash working capital		
Trade and other receivables	**$18,917**	$14,003
Inventories	**(589)**	(2,917)
Prepaid expenses	**(7,106)**	(7,932)
Trade and other payables	**(12,062)**	(12,402)
Services billed in advance	**5,835**	5,249
Deferred revenues	**(275)**	(699)
Deferred expenses	**258**	554
	$4,978	$(4,144)

Note 11 – Related party transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, Crown Investments Corporation of Saskatchewan (CIC). Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence

Note 11 – Related party transactions, continued

by the Government of Saskatchewan (collectively referred to as “government-related entities”). The Corporation has elected to take a partial exemption under IAS 24 Related Party Disclosures which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the three months ended March 31, 2011, the aggregate amount of the Corporation’s transactions with other government-related entities are approximately 7.51% of revenues, 11.13% of operating expenses and 1.65% of property, plant and equipment expenditures.

Key management personnel compensation
In addition to their salaries, the Corporation also provides non-cash benefits to directors and executive officers, either a defined benefit pension or a defined contribution pension, and a service recognition defined benefit pension.

Key management personnel compensation comprised:

	Three months ended March 31,	
Thousands of dollars	**2011**	2010
Short-term employee benefits	**$955**	$828
Post-employment benefits		
Defined contribution	**45**	55
Defined benefit	**8**	15
	$1,008	$898

Note 12 – Transition to IFRS

The Corporation’s financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed financial statements were prepared as described in Notes 1 and 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Corporation will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Corporation has applied IFRS was January 1, 2010, the date of transition. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Corporation will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first –time adopters.

Below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS:

A. IFRS 1 elections

i. Employee benefits
IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, “Employee Benefits”, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under

Note 12 – Transition to IFRS, continued

previous Canadian GAAP in opening retained earnings at the date of transition. The Corporation elected to recognize all cumulative actuarial gains and losses that existed at its date of transition in opening retained earnings for all of its defined benefit plans resulting in a decrease in deferred pension costs of $108,145, a decrease in trade and other payables of $15,107, an increase in employee benefit liability of $100,522, and a corresponding decrease in retained earnings of $193,560.

ii. Fair value or revaluation as deemed cost

IFRS 1 provides the option to measure an item of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date. The Corporation elected to revalue certain items of property, plant and equipment at its date of transition. The election resulted in an increase in property, plant and equipment of $109,280 and a corresponding increase in retained earnings.

iii. Transfer of assets from customers

IFRIC 18, "Transfers of Assets from Customers", requires an entity to apply the Interpretation to transfers of assets from customers received on or after July 1, 2009. Early application is permitted. IFRS 1 provides the option to apply the Interpretation as of the date of transition. The Corporation has elected to apply the Interpretation as of the date of transition, therefore transfers of assets from customers received prior to January 1, 2010 have not been reclassified in accordance with the Interpretation.

iv. Business combinations

IFRS 1 provides the option to apply IFRS 3, "Business Combinations", retrospectively to all combinations, to combinations from a specified date prior to the date of transition, or prospectively from the date of transition only. The Corporation elected not to retrospectively apply IFRS 3 to business combinations, jointly controlled entities and associates that occurred prior to the date of transition to IFRS, and as such business combinations have not been restated. Any goodwill arising on business combinations prior to the date of transition was tested for impairment at January 1, 2010 resulting in no goodwill impairment. Accordingly goodwill has not been adjusted from the carrying value determined under previous Canadian GAAP as a result of applying this exemption.

B. Changes in accounting policy

In addition to the exemptions and exceptions, the following are the significant differences between previous Canadian GAAP accounting policies and the current IFRS policies applied by the Corporation for which adjustments have been made to these financial statements:

i. Property, plant and equipment

a. Under previous Canadian GAAP the Corporation capitalized overheads attributable to construction and development activities. Under IAS 16 Property, Plant and Equipment only directly attributable costs can be capitalized to an item of property plant and equipment.

This adjustment resulted in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Property, plant and equipment	$(42,596)	$(44,091)	$(50,966)
Intangible assets	(2,174)	(2,253)	(2,225)
Assets classified as held for sale	-	-	(428)
Deferred revenue – government funding	-	(354)	(110)
Retained earnings	(44,770)	(45,990)	(53,509)

Note 12 – Transition to IFRS, continued

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Other income	$354	$110
Goods and services purchased	1,547	8,673
Net earnings for discontinued operations	(27)	(176)

b. Under previous Canadian GAAP the Corporation was not required to capitalize borrowing costs related to qualifying assets. Under IAS 23 "Borrowing Costs" these costs are required to be capitalized. The Corporation has applied IAS 23 retroactively.

This adjustment resulted in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Property, plant and equipment	$26,562	$29,964	$37,594
Retained earnings	26,562	29,964	37,594

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Finance expense	($3,402)	($11,032)

c. Under previous Canadian GAAP depreciation and amortization on the majority of property, plant and equipment was computed on the straight-line basis using rates determined by a continuing program of engineering studies for each class of property in service. Under IFRS depreciation and amortization is recognized in income on the straight-line basis over the estimated useful life of each item of property, plant and equipment.

The impact of this change combined with deemed cost elections, changes to overhead capitalization and capitalization of borrowing costs has resulted in the following

Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Property, plant and equipment	$240	$(3,432)
Intangible assets	342	1,466
Assets classified as held for sale	-	40
Retained earnings	582	(1,926)

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Other income	$(982)	$(2,576)
Depreciation and amortization	(1,556)	(610)
Net earnings for discontinued operations	8	40

d. Under IFRS each part of an item of property, plant and equipment with a cost that is significant to the total cost of the item is to be depreciated separately. Upon conversion, additional components were identified, some of which had been recorded as normal repairs and maintenance under previous Canadian GAAP.

Note 12 – Transition to IFRS, continued

These adjustments resulted in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Investment accounted for using the equity method	$294	$313	$-
Assets classified as held for sale	-	-	374
Retained earnings	294	313	374

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Net earnings for discontinued operations	19	80

ii. Revenue

a. Under previous Canadian GAAP directory advertising revenues were recognized in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory. Under IFRS print directory revenues must be recognized when each directory is distributed to the public.

The Corporation has adopted this policy effective January 1, 2010 resulting in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Trade and other receivables	$18,447	$13,374	$18,333
Services billed in advance	(3,075)	(2,399)	(2,942)
Retained earnings	21,522	15,773	21,275

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Revenue	$(5,749)	$(247)

b. Under previous Canadian GAAP services contract incentives were recorded as an expense. Under IFRS these incentives must be deducted from revenue.

The Corporation has adopted this policy effective January 1, 2010 resulting in decreases in revenue and corresponding decreases in goods and services purchased for the three months end March 31, 2010 and the year ended December 31, 2010 of $95 and $317 respectively.

iii. Prepaid publishing expenses

Under previous Canadian GAAP expenses directly related to directory publications were deferred and amortized over the life of the related directory. Under IFRS these expenses must be recognized when the related directory is distributed to the public.

The Corporation has adopted this policy effective January 1, 2010 resulting in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Prepaid expenses	$(5,127)	$(4,598)	$(5,193)
Retained earnings	(5,127)	(4,598)	(5,193)

Note 12 – Transition to IFRS, continued

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Goods and services purchased	$(529)	$66

iv. Provisions

Certain capital provisions related to health care and senior care contracts are accrued at the inception of a service provision contract. Under Canadian GAAP these provisions were recorded as incurred.

The Corporation has adopted this policy effective January 1, 2010 resulting in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Property, plant and equipment	$(228)	$(229)	$-
Assets classified as held for sale	-	-	(227)
Trade and other payables	175	162	-
Liabilities classified as held for sale	-	-	94
Retained earnings	(403)	(391)	(321)

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Net earnings for discontinued operations	$12	$82

v. Discontinued operations

Under IFRS prior years comparative figures in the statement of financial position are not restated for reclassification of discontinued operations. The Corporation has adjusted the opening statement of financial position to reclassify discontinued operations reported under Canadian GAAP to continuing operations under IFRS. In addition, in the year operations are designated as discontinued, under IFRS noncurrent assets and liabilities of discontinued operations are classified as current assets and liabilities respectively. Under Canadian GAAP these items are classified as noncurrent assets and liabilities respectively. The specific impacts are highlighted as discontinued operations adjustments in the reconciliations of financial position at January1, March 31, and December 31, 2010.

vi. Joint venture accounting

Under IFRS the equity method of accounting is used to account for joint ventures. SaskTel has deconsolidated its joint venture interest. While IFRS currently permits the use of proportionate consolidation, this method is not allowed for annual periods beginning on or after July 1, 2010.

The Corporation has adopted this policy effective January 1, 2010 resulting in the following:

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Cash and cash equivalents	$(315)	$(396)	$-
Trade and other receivables	(77)	(7)	-
Prepaid expenses	(31)	(20)	-
Assets classified as held for sale	-	-	(6,103)
Investment accounted for using the equity method	1,229	1,353	-
Property, plant and equipment	(6,139)	(6,199)	-
Intangible assets	(1,062)	(1,006)	-

Note 12 – Transition to IFRS, continued

Thousands of dollars	January 1, 2010	March 31, 2010	December 31, 2010
Increase (decrease)			
Trade and other payables	(180)	(132)	-
Services billed in advance	(12)	(8)	-
Liabilities classified as held for sale	-	-	(6,103)
Current portion of long-term debt	(294)	(299)	-
Long-term debt	(5,909)	(5,836)	-

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Goods and services purchased	$173	$669
Net earnings for discontinued operations	173	669

vii. Employee benefits

Under previous Canadian GAAP actuarial gains and losses were recognized in income based on the corridor approach. IFRS provide an option to charge actuarial gains and losses directly to other comprehensive income. The Corporation has adopted this method of recognizing actuarial gains and losses effective January 1, 2010.

In addition to the impact upon transition, the impact of employee benefits adjustments is as follows:

Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Deferred pension costs	$(6,158)	$(24,548)
Trade and other payables	238	27
Employee benefits	(4,629)	25,525
Retained earnings	(1,767)	(50,100)

Period ending Thousands of dollars	March 31, 2010	December 31, 2010
Increase (decrease)		
Salaries wages and benefits	$1,767	$7,067
Other comprehensive income	-	(43,033)

viii. Customer contributions

Under previous Canadian GAAP transfers of assets from customers (i.e. customer contributions) were recorded as property, plant and equipment with a corresponding reduction in the cost of the related asset. Under IFRIC 18 Transfer of Assets from Customers, the corresponding adjustment on receipt of the asset is recognized as revenue when the customer is connected to the network. This accounting policy has been adopted prospectively effective January 1, 2010.

The impact of customer contributions adjustments is an increase to revenue, property, plant and equipment and retained earnings for the three months ended March 31, 2010 and the year ended December 31, 2010 of $216 and $1,148 respectively.

C. Presentation

IFRS requires that expenses be classified either by nature or by function for presentation. SaskTel has selected classification by nature. In addition, other reclassifications were required to conform with disclosure requirements for other income and net finance expense.

Note 12 – Transition to IFRS, continued

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. Reconciliations from Canadian GAAP to IFRS for the respective periods are as follows:

Reconciliation of Province of Saskatchewan's equity

Thousands of dollars

	Reference	January 1, 2010	March 31, 2010	December 31, 2010
Province's equity under Canadian GAAP		$811,799	$821,268	$827,319
Employee benefits	A(i),B(vii)	(193,560)	(195,327)	(243,660)
Deemed cost	A(ii)	109,280	109,280	109,280
Directly attributable costs	B(i)(a)	(44,770)	(45,990)	(53,509)
Borrowing costs	B(i)(b)	26,562	29,964	37,594
Revenue recognition	B(ii)(a)	21,522	15,773	21,275
Prepaid publishing costs	B(iii)	(5,127)	(4,598)	(5,193)
Componentization	B(i)(d)	294	313	374
Provisions	B(iv)	(403)	(391)	(321)
Customer contributions	B(viii)	-	216	1,148
Depreciation	B(i)(c)	-	582	(1,926)
Province's equity under IFRS		$725,597	$731,090	$692,381

Reconciliation of net earnings

Thousands of dollars

	Reference	Three months ended March 31, 2010	Year ended December 31, 2010
Net earnings under Canadian GAAP		$39,027	$155,202
Employee benefits expenses	B(vii)	(1,767)	(7,067)
Directly attributable costs	B(i)(a)	(1,220)	(8,739)
Borrowing costs	B(i)(b)	3,402	11,032
Revenue recognition	B(ii)(a)	(5,749)	(247)
Prepaid publishing costs	B(iii)	529	(66)
Componentization	B(i)(d)	19	80
Provisions	B(iv)	12	82
Customer contributions	B(viii)	216	1,148
Depreciation	B(i)(c)	582	(1,926)
Net earnings under IFRS		$35,051	$149,499

Reconciliation of comprehensive income

Thousands of dollars

	Reference	Three months ended March 31, 2010	Year ended December 31, 2010
Comprehensive income under Canadian GAAP		$39,027	$155,202
Differences in net earnings		(3,976)	(5,703)
Employee benefits expenses	B(vii)	-	(43,033)
Comprehensive income under IFRS		$35,051	$106,466

Note 12 – Transition to IFRS, continued

Reconciliation of cash flow

Thousands of dollars

	Three months ended March 31, 2010	Year ended December 31, 2010
Net change in cash under Canadian GAAP	$2,680	$9,975
Differences increasing (decreasing) reported net change in cash:		
Net earnings	(4,158)	(6,397)
Cash from operating activities	6,590	8,415
Cash from investing activities	(2,072)	(3,508)
Cash from financing activities	(199)	819
Cash from discontinued operations	(242)	611
Net change in cash under IFRS	$2,599	$9,915

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS

Reconciliation of the consolidated statement of comprehensive income for the three months ended March 31, 2010

Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP balance	IFRS Adjustments: Mandatory	IFRS Adjustments: Elective	IFRS Adjustments: Other[C]	IFRS balance	IFRS accounts
Operating revenues	B(ii)(a,b),B(viii)	$272,935	$(5,628)	$-	$-	$267,307	Revenue
	B(i)(a,c)	-	(628)	-	5,388	4,760	Other income
		272,935	(6,256)	-	5,388	272,067	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	196,576	1,096	-	(81,152)	116,520	Goods and services purchased
	B(vii)	-	-	1,767	84,381	86,148	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	38,222	(1,556)	-	-	36,666	Depreciation and amortization
		-	-	-	(3,229)	(3,229)	Internal labour capitalized
		234,798	(460)	1,767	-	236,105	
Income from operations		38,137	(5,796)	(1,767)	5,388	35,962	Results of operating activities
Other items		5,727	-	-	(5,727)	-	
Interest and related items		(5,992)	-	-	7,364	1,372	Finance income
	B(i)(b)	-	3,402	-	(7,025)	(3,623)	Finance expense
		(5,992)	3,402	-	339	(2,251)	Net finance expense
Income from continuing operations		37,872	(2,394)	(1,767)	-	33,711	Earnings from continuing operations
Net earnings from discontinued operations	B(i)(a,c,d), B(iv),B(vi)	1,155	185	-	-	1,340	Net earnings from discontinued operations
Net income		39,027	(2,209)	(1,767)	-	35,051	Net earnings
Other comprehensive income		-	-	-	-	-	Other comprehensive income
Comprehensive income		$39,027	$(2,209)	$(1,767)	$-	$35,051	Total comprehensive income

Note 12 – Transition to IFRS, continued

Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2010

Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP balance	IFRS Adjustments: Mandatory	IFRS Adjustments: Elective	IFRS Adjustments: Other[C]	IFRS balance	IFRS accounts
Operating revenues	B(ii)(a,b),B(viii)	$1,112,362	$584	$-	$-	$1,112,946	Revenue
	B(i)(a,c)	-	(2,466)	-	11,089	8,623	Other income
		1,112,362	(1,882)	-	11,089	1,121,569	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	795,759	9,091	-	(314,743)	490,107	Goods and services purchased
	B(vii)	-	-	7,067	331,787	338,854	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	157,646	(610)	-	-	157,036	Depreciation and amortization
		-	-	-	(17,044)	(17,044)	Internal labour capitalized
		953,405	8,481	7,067	-	968,953	
Income from operations		158,957	(10,363)	(7,067)	11,089	152,616	Results of operating activities
Other items		12,303	-	-	(12,303)	-	
Interest and related items		(20,185)	-	-	26,871	6,686	Finance income
	B(i)(b)	-	11,032	-	(25,657)	(14,625)	Finance expense
		(20,185)	11,032	-	1,214	(7,939)	Net finance expense
Income from continuing operations		151,075	669	(7,067)	-	144,677	Earnings from continuing operations
Net earnings from discontinued operations	B(i)(a,c,d),B(iv),B(vi)	4,127	695	-	-	4,822	Net earnings from discontinued operations
Net income		155,202	1,364	(7,067)	-	149,499	Net earnings
Other comprehensive income							Other comprehensive income
	B(vii)	-	-	(43,033)	-	(43,033)	Defined benefit plan actuarial losses
Comprehensive income		$155,202	$1,364	$(50,100)	$-	$106,466	Total comprehensive income

Note 12 – Transition to IFRS, continued

Reconciliation of the consolidated statement of financial position as of January 1, 2010

Thousands of dollars

			IFRS Adjustments				
Canadian GAAP accounts	**Reference**	**Canadian GAAP**	**Discontinued operations B(v)**	**Mandatory**	**Elective**	**IFRS**	**IFRS accounts**
Assets							Assets
Current assets							Current assets
Cash	B(vi)	$2,904	$6,409	$(315)	$-	$8,998	Cash and cash equivalents
Accounts receivable	B(ii)(a), B(vi)	90,749	2,044	18,370	-	111,163	Trade and other receivables
Inventories		8,020	-	-	-	8,020	Inventories
Prepaid expenses	B(iii), B(vi)	15,117	326	(5,158)	-	10,285	Prepaid expenses
Current portion of sinking funds		10,519	-	-	-	10,519	Current portion of sinking funds
Current assets of discontinued operations		8,822	(8,779)	-	-	43	Assets classified as held for sale
		136,131	-	12,897	-	149,028	
	B(i)(d), B(vi)	-	-	1,523	-	1,523	Investments accounted for using the equity method
Property, plant and equipment	A(ii),B(i)(a, b), B(iv),B(vi)	924,895	23,117	(22,401)	109,280	1,034,891	Property, plant and equipment
Intangible assets – finite-life	B(i)(a), B(vi)	66,870	3,977	(3,236)	83,895	151,506	Intangible assets
Long-lived assets of discontinued operations		38,932	(38,932)	-	-	-	
Intangible assets – indefinite-life		65,981	-	-	(65,981)	-	
Goodwill		6,076	11,838	-	(17,914)	-	
Sinking funds		57,744	-	-	-	57,744	Sinking funds
Deferred pension costs	A(i)	108,145	-	-	(108,145)	-	
Other assets		12,006	-	-	-	12,006	Other assets
		$1,416,780	$-	$(11,217)	$1,135	$1,406,698	
Liabilities and Province's equity							Liabilities and Province's equity
Current liabilities							Current liabilities
Accounts payable and accrued liabilities	A(i),B(iv), B(vi)	$129,310	$2,106	$(5)	$15,919	$147,330	Trade and other payables
Notes payable		8,700	-	-	-	8,700	Notes payable
Dividend payable		31,026	-	-	(31,026)	-	
Services billed in advance	B(ii)(a), B(vi)	51,762	12	(3,087)	-	48,687	Services billed in advance
Current portion of long-term debt	B(vi)	90,109	294	(294)	-	90,109	Current portion of long-term debt
Current liabilities of discontinued operations		2,674	(2,412)	-	-	262	Liabilities classified as held for sale
		313,581	-	(3,386)	(15,107)	295,088	
Non-current liabilities of discontinued operations		5,909	(5,909)	-	-	-	
Deferred revenue		9,146	-	-	-	9,146	Deferred revenue
Deferred revenue - Government funding		42,400	-	-	-	42,400	Deferred income – Government funding
	A(i)	-	-	-	100,522	100,522	Employee benefits
Long-term debt	B(vi)	233,945	5,909	(5,909)	-	233,945	Long-term debt
		604,981	-	(9,295)	85,415	681,101	
Province of Saskatchewan's equity							Province of Saskatchewan's equity
Equity advance		250,000	-	-	-	250,000	Equity advance
Retained earnings		561,799	-	(1,922)	(84,280)	475,597	Retained earnings
Accumulated other comprehensive income		-	-	-	-	-	Accumulated other comprehensive income
		811,799	-	(1,922)	(84,280)	725,597	
		$1,416,780	$-	$(11,217)	$1,135	$1,406,698	

Note 12 – Transition to IFRS, continued

Reconciliation of the consolidated statement of financial position as of March 31, 2010

Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP	IFRS Adjustments: Discontinued operations[B(v)]	IFRS Adjustments: Mandatory	IFRS Adjustments: Elective	IFRS	IFRS accounts
Assets							Assets
Current assets							Current assets
Cash	B(vi)	$4,730	$7,263	$(396)	$-	$11,597	Cash and cash equivalents
Accounts receivable	B(ii)(a), B(vi)	81,159	1,770	13,367	-	96,296	Trade and other receivables
Inventories		10,939	-	-	-	10,939	Inventories
Prepaid expenses	B(iii), B(vi)	22,519	391	(4,618)	-	18,292	Prepaid expenses
Current portion of sinking funds		10,544	-	-	-	10,544	Current portion of sinking funds
Current assets of discontinued operations		9,424	(9,424)	-	-	-	
		139,315	-	8,353	-	147,668	
	B(i)(d), B(vi)	-	-	1,666	-	1,666	Investments accounted for using the equity method
Property, plant and equipment	A(ii),B(i)(a, b,c),B(iv), B(vi), B(viii)	939,314	22,508	(20,099)	109,280	1,051,003	Property, plant and equipment
Intangible assets – finite-life	B(i) (a,c), B(vi)	62,557	3,826	(2,917)	83,895	147,361	Intangible assets
Long-lived assets of discontinued operations		38,172	(38,172)	-	-	-	
Intangible assets – indefinite-life		65,981	-	-	(65,981)	-	
Goodwill		6,076	11,838	-	(17,914)	-	
Sinking funds		58,961	-	-	-	58,961	Sinking funds
Deferred pension costs	A(i),B(vii)	114,303	-	-	(114,303)	-	
Other assets		11,997	-	-	-	11,997	Other assets
		$1,436,676	$-	$(12,997)	$(5,023)	$1,418,656	
Liabilities and Province's equity							Liabilities and Province's equity
Current liabilities							Current liabilities
Accounts payable and accrued liabilities	A(i),B(iv), B(vi),B(vii)	$116,501	$3,700	$30	$14,689	$134,920	Trade and other payables
Notes payable		29,500	-	-	-	29,500	Notes payable
Dividend payable		29,558	-	-	(29,558)	-	
Services billed in advance	B(ii)(a), B(vi)	56,337	166	(2,407)	-	54,096	Services billed in advance
Current portion of long-term debt	B(vi)	90,069	299	(299)	-	90,069	Current portion of long-term debt
Current liabilities of discontinued operations		4,165	(4,165)	-	-	-	
		326,130	-	(2,676)	(14,869)	308,585	
Non-current liabilities of discontinued operations		5,836	(5,836)	-	-	-	
Deferred revenue		8,445	-	-	-	8,445	Deferred revenue
Deferred revenue - Government funding	B(i)(a)	41,029	-	(354)	-	40,675	Deferred income – Government funding
	A(i),B(vii)	-	-	-	95,893	95,893	Employee benefits
Long-term debt	B(vi)	233,968	5,836	(5,836)	-	233,968	Long-term debt
		615,408	-	(8,866)	81,024	687,566	
Province of Saskatchewan's equity							Province of Saskatchewan's equity
Equity advance		250,000	-	-	-	250,000	Equity advance
Retained earnings		571,268	-	(4,131)	(86,047)	481,090	Retained earnings
Accumulated other comprehensive income		-	-	-	-	-	Accumulated other comprehensive income
		821,268	-	(4,131)	(86,047)	731,090	
		$1,436,676	$-	$(12,997)	$(5,023)	$1,418,656	

Note 12 – Transition to IFRS, continued

Reconciliation of the consolidated statement of financial position as of December 31, 2010

Thousands of dollars

		Canadian	IFRS Adjustments				
Canadian GAAP accounts	**Reference**	**GAAP**	**Discontinued operations[B(v)]**	**Mandatory**	**Elective**	**IFRS**	**IFRS accounts**
Assets							Assets
Current assets							Current assets
Cash		$12,886	$-	$-	$-	$12,886	Cash and cash equivalents
Accounts receivable	B(ii)(a)	86,983	-	18,333	-	105,316	Trade and other receivables
Inventories		5,810	-	-	-	5,810	Inventories
Prepaid expenses	B(iii)	14,100	-	(5,193)	-	8,907	Prepaid expenses
Current assets of discontinued operations	B(i)(a,c,d), B(iv), B(vi)	9,195	38,878	(6,344)	-	41,729	Assets classified as held for sale
		128,974	38,878	6,796	-	174,648	
Property, plant and equipment	A(ii),B(i)(a, b,c),B(viii)	1,068,519	-	(15,656)	109,280	1,162,143	Property, plant and equipment
Intangible assets – finite-life	B(i)(a,c)	65,954	-	(759)	71,956	137,151	Intangible assets
Long-lived assets of discontinued operations		38,878	(38,878)	-	-	-	
Intangible assets – indefinite-life		65,981	-	-	(65,981)	-	
Goodwill		5,976	-	-	(5,976)		
Sinking funds		64,769	-	-	-	64,769	Sinking funds
Deferred pension costs	A(i),B(vii)	132,693	-	-	(132,693)	-	
Other assets		8,692	-	-	-	8,692	Other assets
		$1,580,436	$-	$(9,619)	$(23,414)	$1,547,403	
Liabilities and Province's equity							Liabilities and Province's equity
Current liabilities							Current liabilities
Accounts payable and accrued liabilities	A(i),B(vii)	$128,097	$-	$-	$1,076	$129,173	Trade and other payables
Notes payable		59,900	-	-	-	59,900	Notes payable
Dividend payable		16,157	-	-	(16,157)	-	
Services billed in advance	B(ii)(a)	58,599	-	(2,942)	-	55,657	Services billed in advance
Current liabilities of discontinued operations	B(iv),B(vi)	2,037	5,607	(6,009)	-	1,635	Liabilities classified as held for sale
		264,790	5,607	(8,951)	(15,081)	246,365	
Non-current liabilities of discontinued operations		5,607	(5,607)	-	-	-	
Deferred revenue		8,801	-	-	-	8,801	Deferred revenue
Deferred revenue - Government funding	B(i)(a)	41,163	-	(110)	-	41,053	Deferred income – Government funding
	A(i),B(vii)	-	-	-	126,047	126,047	Employee benefits
Long-term debt		432,756	-	-	-	432,756	Long-term debt
		753,117	-	(9,061)	110,966	855,022	
Province of Saskatchewan's equity							Province of Saskatchewan's equity
Equity advance		250,000	-	-	-	250,000	Equity advance
Retained earnings	All items	577,319	-	(558)	(134,380)	442,381	Retained earnings
		827.319	-	(558)	(134,380)	692,381	
		$1,580,436	$-	$(9,619)	$(23,414)	$1,547,403	