Second Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

Second Quarter Report 2011

For the Period Ending June 30, 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 superior networks, exceptional service, advanced solutions and applications."*

Financial Highlights

Consolidated Net Income

Millions of dollars	Three months ended June 30, **2011**	2010	% Change	Six months ended June 30, **2011**	2010	% Change
Revenue	**$271.3**	$271.6	(0.1)	**$539.6**	$538.9	0.1
Other income	**0.7**	2.0	(65.0)	**1.7**	6.7	(74.6)
	272.0	273.6	(0.6)	**541.3**	545.6	(0.8)
Expenses	**246.6**	237.0	4.1	**491.3**	473.1	3.8
Results of operating activities	**25.4**	36.6	(30.6)	**50.0**	72.5	(31.0)
Net finance expense	**(2.3)**	-	*nmf*[1]	**(7.6)**	(2.2)	245.5
Income from continuing operations	**23.1**	36.6	(36.9)	**42.4**	70.3	(39.7)
Net income from discontinued operations	-	1.1	(100.0)	**30.8**	2.5	*nmf*
Net income	**$23.1**	$37.7	(38.7)	**$73.2**	$72.8	0.5

Net income for the six months ended June 30, 2011 is $73.2 million, up $0.4 million (0.5%) from the same period in 2010. Revenues increased to $539.6 million, up $0.7 million (0.1%) from the same period in 2010 primarily due to increased *Max*™, wireless, and internet revenues resulting from increased customer accesses and increased revenue per access. Other income is $5.0 million lower than the same period in 2010 primarily due to PST refunds received in 2010 and reduced government funding amortization in 2011.

Expenses for the six months ended June 30, 2011 increased to $491.3 million, up $18.2 million from the same period in 2010. This increase is primarily driven by increased hardware subsidies and *Max* content expenses, increased network maintenance costs and project related expenses. Depreciation and amortization has increased $7.6 million due to increased plant in service. Net finance expense was $7.6 million up $5.4 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 six months of 2011, increased borrowings to fund the 2010 construction program and decreases in the fair value of the sinking funds compared to the same period in 2010.

Net income from discontinued operations is up $28.3 million from 2010 due to the gains realized on the sales of Hospitality Network Canada Inc. and Saskatoon 2 Properties Partnership in 2011.

[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 second 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 SaskTel have been prepared in accordance with International Accounting Standard (IAS) 34: "Interim Financial Reporting". As this is SaskTel's first year of reporting under IFRS resulting in the first IFRS annual financial statements, IFRS 1: "First-time Adoption of International Financial Reporting Standards" has been applied in preparing these condensed consolidated financial statements. 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 11 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 11 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 and six months ended June 30, 2010.

Results of Operations

Revenue

Millions of dollars	2011	2010	Change	%
Three months ended June 30,	**$271.3**	$271.6	$(0.3)	(0.1)
Year-to-date	**$539.6**	$538.9	$0.7	0.1

Revenues for the second quarter were $271.3 million, down $0.3 million from the same period in 2010. Year-to-date revenues were $539.6 million which represents a $0.7 million increase from 2010. This increase is primarily driven by *Max*™ revenues due to increased number of customers and increased revenue per customer, wireless revenues due to increased number of customers, increased smartphone sales and data usage and internet revenues 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	%
Three months ended June 30,	**$0.7**	$2.0	$(1.3)	(65.0)
Year-to-date	**$1.7**	$6.7	$(5.0)	(74.6)

Other income for the second quarter of 2011 decreased to $0.7 million down $1.3 million from the same period in 2010. Year-to-date other income was $5.0 million lower than 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	%
Three months ended June 30,	**$246.6**	$237.0	$9.6	4.1
Year-to-date	**$491.3**	$473.1	$18.2	3.8

Expenses for the second quarter of 2011 increased to $246.6 million, up $9.6 million from the same period in 2010. Year-to-date expenses of $491.3 million were $18.2 million higher than the same period in 2010 primarily due to the $11.7 million increase in goods and services purchased. This increase is primarily driven by increased hardware subsidies and *Max* content expenses, increased network maintenance costs and project related expenses, partially offset by decreased roaming expenses due to lower rates and usage. In addition, depreciation and amortization increased $7.6 million due to increased plant in service.

Net finance expense

Millions of dollars	2011	2010	Change	%
Three months ended June 30,	**$2.3**	$-	$2.3	*nmf*
Year-to-date	**$7.6**	$2.2	$5.4	245.5

Net finance expense for the second quarter of 2011 was $2.3 million up over the same period in 2010. Year-to-date net finance expense increased to $7.6 million from $2.2 million in 2010. This is driven by reduced capitalized interest in the current period resulting from significantly lower plant under construction during the first six months of 2011 compared to the same period of 2010, increased borrowings to fund the 2010 construction program and decreases in the fair value of the sinking funds compared to the same period in 2010.

Net income from discontinued operations

Millions of dollars	2011	2010	Change	%
Three months ended June 30,	**$-**	$1.1	$(1.1)	(100.0)
Year-to-date	**$30.8**	$2.5	$28.3	*nmf*

Net income from discontinued operations for the second quarter of 2011 was down $1.1 million over the same period in 2010. Year-to-date net income from discontinued operations increased $28.3 million from 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 income from discontinued operations. During the first quarter of 2011, both entities were sold and the resulting gains reported in net income 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	%
Six months ended June 30,	**$90.9**	$123.3	$(32.4)	(26.3)

Cash provided by operating activities for the six months ended June 30, 2011 was down $32.4 million when compared to the same period in 2010 primarily due to reduced earnings from continuing operations and increased working capital requirements.

Cash used in investing activities

Millions of dollars	2011	2010	Change	%
Six months ended June 30,	**$97.4**	$125.8	$(28.4)	(22.6)

Cash used in investing activities for the six months ended June 30, 2011 decreased to $97.4 million, down $28.4 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 $17.7 million, up $8.6 million from the same period in 2010.

Capital expenditures for the balance of 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 increase 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 provided by (used in) financing activities

Millions of dollars	**2011**	**2010**	**Change**	**%**
Six months ended June 30,	**$(74.7)**	$1.8	$(76.5)	*nmf*

Cash used in financing activities for the six months ended June 30, 2011 was $74.7 million compared to cash provided by financing activities of $1.8 million in 2010. During 2011, short term borrowings decreased by $21.2 million versus a net increase of $63.5 million for the same period in 2010. In addition, SaskTel paid a dividend of $52.4 million to Crown Investment Corporation of Saskatchewan compared to $60.6 million for the same period in 2010.

Liquidity and capital resource ratios

Debt ratio

	June 30, 2011	December 31, 2010
Debt ratio	**37.5%**	37.1%

The debt ratio increased to 37.5%, up from 37.1%, at December 31, 2010. The overall level of net debt decreased $6.9 million during the period primarily due to reduced short-term borrowings partially offset by reduced cash and short-term investments. In addition, retained earnings decreased by $22.2 million to the end of the second quarter after recording net income of $73.2 million, actuarial losses related to employee benefit plans of $32.9 million and dividends of $62.5 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, and lower revenues than expected.

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 June 30, 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 Income and Other Comprehensive Income

		(Unaudited)			
		Three months ended June 30,		**Six months ended June 30,**	
Thousands of dollars	Note	**2011**	2010	**2011**	2010
Revenue	3	**$271,323**	$271,590	**$539,632**	$538,897
Other income	3	**743**	1,966	**1,709**	6,726
		272,066	273,556	**541,341**	545,623
Expenses					
Goods and services purchased		**125,463**	117,522	**245,749**	234,042
Salaries, wages and benefits		**83,584**	85,866	**170,248**	172,014
Depreciation		**36,569**	33,223	**72,593**	64,636
Amortization of intangible assets		**5,044**	5,133	**10,052**	10,386
Internal labour capitalized		**(4,020)**	(4,760)	**(7,342)**	(7,989)
		246,640	236,984	**491,300**	473,089
Results of operating activities		**25,426**	36,572	**50,041**	72,534
Net finance income (expense)	4	**(2,295)**	48	**(7,621)**	(2,203)
Income from continuing operations		**23,131**	36,620	**42,420**	70,331
Net income from discontinued operations	5	**-**	1,119	**30,802**	2,459
Net income		**23,131**	37,739	**73,222**	72,790
Other comprehensive loss					
Actuarial losses on employee benefit plans	6	**(32,947)**	(126,524)	**(32,947)**	(126,524)
Comprehensive income (loss)		**$(9,816)**	$(88,785)	**$40,275**	$(53,734)

All net income and comprehensive income (loss) is attributable to Crown Investments Corporation of Saskatchewan.

See Accompanying Notes

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the six months ended June 30

Thousands of dollars	Equity advances	Retained earnings	Total equity
Balance at January 1, 2010	$250,000	$475,597	$725,597
Net income	-	72,790	72,790
Other comprehensive loss	-	(126,524)	(126,524)
Total comprehensive loss for the period	-	(53,734)	(53,734)
Dividends	-	74,800	74,800
Balance June 30, 2010	$250,000	$347,063	$597,063
Balance at January 1, 2011	$250,000	$442,381	$692,381
Net income	-	73,222	73,222
Other comprehensive loss	-	(32,947)	(32,947)
Total comprehensive income for the period	-	40,275	40,275
Dividends	-	62,505	62,505
Balance June 30, 2011	$250,000	$420,151	$670,151

See Accompanying Notes

Condensed Consolidated Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **June 30, 2011**	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents		**$2,130**	$12,886
Trade and other receivables	8a	**99,402**	105,316
Inventories	8a	**10,064**	5,810
Prepaid expenses	8a	**18,944**	8,907
Assets classified as held for sale	5	**1**	41,729
		130,541	174,648
Sinking funds		**67,325**	64,769
Property, plant and equipment		**1,178,128**	1,162,143
Intangible assets		**134,935**	137,151
Other assets		**10,248**	8,692
		$1,521,177	$1,547,403
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	8a	**$101,273**	$113,016
Dividend payable		**26,290**	16,157
Notes payable		**38,700**	59,900
Services billed in advance	8a	**57,004**	55,657
Liabilities classified as held for sale	5	**-**	1,635
		223,267	246,365
Employee benefit obligations	6	**146,738**	126,047
Deferred revenue		**8,601**	8,801
Deferred income – government funding		**39,559**	41,053
Long-term debt		**432,861**	432,756
		851,026	855,022
Province of Saskatchewan's equity			
Equity advance		**250,000**	250,000
Retained earnings		**420,151**	442,381
		670,151	692,381
		$1,521,177	$1,547,403

See Accompanying Notes

Condensed Consolidated Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Six months ended June 30, 2011	2010
Operating activities			
Income from continuing operations		**$42,420**	$70,331
Adjustments to reconcile net income to cash provided by operations			
Depreciation and amortization		**82,645**	75,022
Contributions to defined benefit pension plans		**(8,040)**	(8,284)
Pension income of defined benefit plans		**(3,877)**	(388)
Net finance expense	4	**7,621**	2,203
Interest paid		**(9,629)**	(4,708)
Interest received		**2,574**	2,274
Amortization of government funding		**(1,493)**	(1,920)
Other		**(2,014)**	(3,473)
Net change in non-cash working capital	8b	**(19,277)**	(7,750)
		90,930	123,307
Investing activities			
Property, plant and equipment expenditures		**(79,761)**	(121,746)
Intangible assets		**(17,673)**	(9,080)
Redemption of preferred shares		-	3,733
Government funding		-	1,321
		(97,434)	(125,772)
Financing activities			
Proceeds from (repayment of) notes payable		**(21,200)**	63,500
Sinking fund installments		**(1,100)**	(1,100)
Dividends paid		**(52,372)**	(60,584)
		(74,672)	1,816
Decrease in cash from continuing operations		**(81,176)**	(649)
Increase in cash from discontinued operations	5	**64,393**	2,526
Cash and cash equivalents, beginning of period		**18,913**	8,998
Cash and cash equivalents, end of period		**$2,130**	$10,875
Comprised of:			
Cash of continuing operations		**$2,130**	$5,280
Cash of discontinued operations		**-**	5,595
Cash and cash equivalents		**$2,130**	$10,875

See Accompanying Notes

Note 1 – Basis of preparation

The unaudited condensed consolidated financial statements for June 30, 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 11 - 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.

The condensed consolidated financial statements for the six-month period ended June 30, 2011 were approved by the Board of Directors on August 17, 2011.

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.

Note 1 – Basis of preparation, continued

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

- Useful lives and depreciation rates for property, plant and equipment,
- Useful lives and amortization rates for intangible assets, and
- Measurement of defined benefit obligations.

Note 2 – Summary of significant accounting policies

The accounting policies, as detailed in Note 2 to the Condensed Consolidated Financial Statements for the period ended March 31, 2011, 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.

The International Accounting Standards Board (IASB) plans to make revisions to or replace existing IFRS standards that may impact the Corporation. As such, the standards used to prepare these condensed consolidated financial statements may differ from those used to prepare the Corporation's consolidated financial statements for the year ended December 31, 2011. It is likely that the majority of the changes will be in effect subsequent to December 31, 2011with the result that the impact to the Corporation of adopting IFRS will extend beyond its transitional year.

New standards and interpretations not yet adopted
Certain new standards, interpretations and amendments to existing standards were issued by the 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.
- IFRS 10 Consolidations – establishes a new approach to determining which investees should be consolidated.

Note 3 – Revenue

	Three months ended June 30,		**Six months ended June 30,**	
Thousands of dollars	**2011**	2010	**2011**	2010
Services revenue				
Local service	**$69,197**	$72,152	**$137,545**	$144,025
Wireless	**99,439**	100,017	**197,419**	195,615
Max, internet and data services	**62,845**	58,478	**124,282**	115,351
Long distance services	**16,199**	16,953	**32,129**	33,531
Advertising and directory services	**4,873**	4,807	**9,911**	9,994
Security monitoring services	**4,877**	4,701	**9,879**	9,309
Telecommunication software	**2,925**	2,923	**6,328**	6,268
Other revenue	**10,968**	11,559	**22,139**	24,804
	271,323	271,590	**539,632**	538,897

Notes to Condensed Consolidated Financial Statements (Unaudited)
As at June 30, 2011

Note 3 – Revenue, continued

Thousands of dollars	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Other income				
Net loss on retirement or disposal of property, plant and equipment	**(1,044)**	(562)	**(1,459)**	(959)
Amortization of government funding	**770**	194	**1,493**	1,920
Government funding received	-	813	-	1,625
Provincial sales tax refund	-	-	-	2,207
Gain on redemption of preferred shares	-	795	-	795
Other	**1,017**	726	**1,675**	1,138
	743	1,966	**1,709**	6,726
Total revenue	**$272,066**	$273,556	**$541,341**	$545,623

Note 4 – Net finance income (expense)

Thousands of dollars	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Recognized in consolidated net income				
Interest income on unimpaired financial assets at fair value through net income	**$984**	$736	**$1,862**	$1,768
Net change in fair value of financial assets at fair value through net income	**938**	2,122	**-**	1,232
Interest income on loans and receivables	**416**	356	**740**	696
Finance income	**2,338**	3,214	**2,602**	3,696
Interest expense on financial liabilities measured at amortized cost	**(6,813)**	(6,176)	**(13,673)**	(12,311)
Interest capitalized	**2,180**	3,010	**3,856**	6,412
Net interest expense	**(4,633)**	(3,166)	**(9,817)**	(5,899)
Net change in fair value of financial assets at fair value through net income	**-**	-	**(406)**	-
Finance expense	**(4,633)**	(3,166)	**(10,223)**	(5,899)
Net finance income (expense)	**$(2,295)**	$48	**$(7,621)**	$(2,203)
Interest capitalization rate			**6.25%**	6.80%

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.

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 $34.4 million resulting in a gain of $27.0 million which has been included in net income from discontinued operations in the Condensed Consolidated Statement of Income and Other Comprehensive Income.

Note 5 – Discontinued operations, continued

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 $35.9 million resulting in a gain of $3.7 million which has been included in net income from discontinued operations in the Condensed Consolidated Statement of Income and Other Comprehensive Income. Active operations of Hospitality Network have ceased as of that date.

The results of discontinued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
Thousands of dollars	**2011**	2010	**2011**	2010
Hospitality Network				
Revenue	**$-**	$7,793	**$2,530**	$15,730
Expenses	**-**	6,979	**2,495**	13,860
Results of operating activities	**-**	814	**35**	1,870
Gain on sale of discontinued operation	**-**	-	**3,731**	-
Saskatoon Square				
Share of operating income of equity accounted investee	**-**	305	**-**	589
Gain on sale of discontinued operation	**-**	-	**27,036**	-
Net income from discontinued operations	**$-**	$1,119	**$30,802**	$2,459

The assets and liabilities of discontinued operations are as follows:

	June 30, 2011			December 31, 2010
Thousands of dollars	**Hospitality Network**	**Saskatoon Square**	**Total**	Total
Assets				
Cash	**$-**	**$-**	**$-**	$6,027
Trade and other receivables	**-**	**-**	**-**	2,334
Prepaid expenses	**-**	**-**	**-**	310
Investments accounted for using the equity method	**-**	**1**	**1**	1,707
Property, plant and equipment	**-**	**-**	**-**	17,015
Intangible assets	**-**	**-**	**-**	2,498
Goodwill	**-**	**-**	**-**	11,838
Assets of discontinued operations	**$-**	**$1**	**$1**	$41,729
Liabilities				
Trade and other payables	$-	$-	$-	$1,635
Liabilities of discontinued operations	$-	$-	$-	$1,635

The cash flows from discontinued operations are as follows:

	Six months ended June 30,	
Thousands of dollars	**2011**	2010
Cash provided by operating activities	**$43**	$3,659
Cash provided by (used in) investing activities	**64,350**	(1,112)
Cash used in financing activities	**-**	(21)
	$64,393	$2,526

Note 6 – Employee benefit obligations

Other comprehensive loss results from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plans, specifically the discount rate used to calculate the liabilities of the employee benefit plans and changes in the fair value of the employee benefit plan assets resulting from differences in the actual versus estimated return on these assets. The discount rate declined from 5.25% at December 31, 2010 to 5.00% at June 30, 2011 and from 6.00% at December 31, 2009 to 5.25% at June 30, 2010.

In addition to the other comprehensive loss impact detailed below, these assumption changes have increased employee benefit obligations, partially offset by the pension income and contributions for the period.

	Three months ended June 30,		**Six months ended June 30,**	
Thousands of dollars	**2011**	2010	**2011**	2010
Actuarial loss on accrued benefit obligation	**$(29,817)**	$(82,625)	**$(29,817)**	$(82,625)
Actuarial loss on plan assets	**(3,130)**	(43,899)	**(3,130)**	(43,899)
Actuarial losses on employee benefit plans	**$(32,947)**	$(126,524)	**$(32,947)**	$(126,524)

Actuarial losses recognized in other comprehensive income

	Six months ended June 30,	
Thousands of dollars	**2011**	2010
Cumulative amount, January 1	**$43,033**	$-
Recognized during the period	**32,947**	126,524
Cumulative amount, end of period	**$75,980**	$126,524

Note 7 – Commitments

As at June 30, 2011, the Corporation has committed to spend $51.3 million on property, plant, equipment, $11.1 million on intangible assets and $194.3 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	**$5,430**
2 to 5 years	**10,691**
More than 5 years	**5,664**
	$21,785

Note 8 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	**June 30, 2011**	December 31, 2010
Trade and other receivables		
Customer accounts receivable	**$75,580**	$68,906
Accrued receivables - customer	**12,629**	23,060
Allowance for doubtful accounts	**(2,303)**	(2,840)
	85,906	89,126
High cost serving area subsidy	**5,101**	5,344
Other	**8,395**	10,846
	$99,402	$105,316
Inventories		
Inventories for resale	**$7,928**	$4,376
Work in progress	**1,959**	1,194
Raw materials	**177**	240
	$10,064	$5,810
Prepaid expenses		
Prepaid expenses	**$14,335**	$3,869
Deferred service connection charges	**4,609**	5,038
	$18,944	$8,907
Trade and other payables		
Trade accounts payable and accrued liabilities	**$64,424**	$74,871
Payroll and other employee-related liabilities	**27,730**	29,681
Other	**9,119**	8,464
	$101,273	$113,016
Services billed in advance		
Advance billings	**$44,668**	$43,306
Deferred customer activation and connection fees	**6,719**	7,229
Customer deposits	**5,617**	5,122
	$57,004	$55,657

b) Supplementary cash flow information

	Six months ended June 30,	
Thousands of dollars	**2011**	2010
Net change in non-cash working capital		
Trade and other receivables	**$5,385**	$10,851
Inventories	**(4,254)**	(2,173)
Prepaid expenses	**(10,037)**	(7,864)
Trade and other payables	**(11,830)**	(12,815)
Services billed in advance	**1,347**	4,417
Deferred revenue	**(200)**	(936)
Deferred expenses	**312**	770
	$(19,277)	$(7,750)

Note 9 – Capital management

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation raises most of its capital through internally generated funds and through funds obtained from the Government of Saskatchewan Ministry of Finance, typically in the form of debt. This allows the Corporation to take advantage of the Government of Saskatchewan's strong credit rating and access to capital markets. The Saskatchewan Telecommunications Holding Corporation Act provides the Corporation with the authority to have outstanding borrowings of up to $1.3 billion, including short-term borrowings of up to $500.0 million either by way of temporary loans through the Government of Saskatchewan or through available lines of credit of $10.0 million at financial institutions.

The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation monitors capital on the basis of the debt ratio. The ratio is calculated as net debt divided by end of period capitalization. Net debt is defined as total debt, including long-term debt, notes payable and the current portion of long-term debt, less sinking funds, and cash and short-term investments. Capitalization includes net debt, equity advances and retained earnings at the period end.

The Corporation's strategy, which is unchanged from 2010, is to maintain a debt to equity ratio below 45%.

The debt ratio is as follows:

As at Thousands of dollars	**June 30, 2011**	December 31, 2010
Total debt	**$471,561**	$492,656
Less: Sinking funds	**67,325**	64,769
Cash and short-term investments	**2,130**	18,913
Net debt	**402,106**	408,974
Equity	**670,151**	692,381
Capitalization	**$1,072,257**	$1,101,355
Debt ratio	**37.5%**	37.1%

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

Note 10 – 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 by the Government of Saskatchewan (collectively referred to as "government-related entities"). The

Note 10 – Related party transactions, continued

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 six months ended June 30, 2011, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 6.79% of revenues, 10.32% of operating expenses and 1.19% of property, plant and equipment expenditures.

In addition, the Corporation provided management and administrative services to the Corporation's defined benefit pension plan in the amount of $0.1 million on a cost recovery basis for the six months ended June 30, 2011 (2010 - $0.1 million), and made employer contributions of $8.0 million (2010 - $8.3 million).

Note 11 – 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 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 $108.1 million, a decrease in trade and other payables of $15.1 million, an increase in employee benefit obligations of $100.5 million, and a corresponding decrease in retained earnings of $193.6 million.

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 $109.3 million and a corresponding increase in retained earnings.

Note 11 – Transition to IFRS, continued

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	June 30, 2010
Increase (decrease)	
Property, plant and equipment	$(46,422)
Intangible assets	(2,129)
Assets classified as held for sale	(333)
Deferred income – government funding	(82)
Retained earnings	(48,802)

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Other income	$(272)	$82
Goods and services purchased	2,486	4,033
Net income from discontinued operations	(54)	(81)

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.

Note 11 – Transition to IFRS, continued

This adjustment resulted in the following:

Thousands of dollars	June 30, 2010
Increase (decrease)	
Property, plant and equipment	$32,974
Retained earnings	32,974

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Finance expense	$(3,010)	$(6,412)

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	June 30, 2010
Increase (decrease)	
Property, plant and equipment	$(204)
Intangible assets	1,007
Assets classified as held for sale	18
Retained earnings	821

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Other income	$(506)	$(1,488)
Depreciation	(70)	(1,284)
Amortization	(665)	(1,007)
Net income from discontinued operations	10	18

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.

These adjustments resulted in the following:

Thousands of dollars	June 30, 2010
Increase (decrease)	
Assets classified as held for sale	$331
Retained earnings	331

Note 11 – Transition to IFRS, continued

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Net income from discontinued operations	$18	$37

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	June 30, 2010
Increase (decrease)	
Trade and other receivables	$7,919
Services billed in advance	(1,723)
Retained earnings	9,642

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Revenue	$(6,131)	$(11,880)

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 the following:

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Revenue	$(74)	$(169)
Goods and services purchased	(74)	(169)

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	June 30, 2010
Increase (decrease)	
Prepaid expenses	$(3,886)
Retained earnings	(3,886)

Note 11 – Transition to IFRS, continued

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Goods and services purchased	$(712)	$(1,241)

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	June 30, 2010
Increase (decrease)	
Assets classified as held for sale	$(231)
Liabilities classified as held for sale	133
Retained earnings	(364)

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Net income from discontinued operations	$27	$39

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 June 30, 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	June 30, 2010
Increase (decrease)	
Assets classified as held for sale	$(6,210)
Liabilities classified as held for sale	(6,210)

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Goods and services purchased	$162	$335
Net income from discontinued operations	162	335

Note 11 – Transition to IFRS, continued

vii. Employee benefit obligations

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	June 30, 2010
Increase (decrease)	
Deferred pension costs	$(12,327)
Trade and other payables	323
Employee benefit obligations	117,408
Retained earnings	(130,058)

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Salaries, wages and benefits	$1,767	$3,534
Other comprehensive loss	(126,524)	(126,524)

viii. Customer contributions

Under previous Canadian GAAP transfers of assets from customers (i.e. customer contributions) were recorded as a reduction of property, plant and equipment. 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.

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

Thousands of dollars	June 30, 2010
Increase (decrease)	
Property, plant and equipment	$438
Retained earnings	438

Thousands of dollars	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase (decrease)		
Revenue	$222	$438

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 11 – 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	June 30, 2010
Province's equity under Canadian GAAP		$820,247
Employee benefits	A(i),B(vii)	(323,618)
Deemed cost	A(ii)	109,280
Directly attributable costs	B(i)(a)	(48,802)
Borrowing costs	B(i)(b)	32,974
Revenue recognition	B(ii)(a)	9,642
Prepaid publishing costs	B(iii)	(3,886)
Componentization	B(i)(d)	331
Provisions	B(iv)	(364)
Customer contributions	B(viii)	438
Depreciation and amortization	B(i)(c)	821
Province's equity under IFRS		$597,063

Reconciliation of net income

Thousands of dollars	Reference	Three months ended June 30, 2010	Six months ended June 30, 2010
Net income under Canadian GAAP		$44,221	$83,248
Employee benefits expenses	B(vii)	(1,767)	(3,534)
Directly attributable costs	B(i)(a)	(2,812)	(4,032)
Borrowing costs	B(i)(b)	3,010	6,412
Revenue recognition	B(ii)(a)	(6,131)	(11,880)
Prepaid publishing costs	B(iii)	712	1,241
Componentization	B(i)(d)	18	37
Provisions	B(iv)	27	39
Customer contributions	B(viii)	222	438
Depreciation and amortization	B(i)(c)	239	821
Net income under IFRS		$37,739	$72,790

Reconciliation of comprehensive income

Thousands of dollars	Reference	Three months ended June 30, 2010	Six months ended June 30, 2010
Comprehensive income under Canadian GAAP		$44,221	$83,248
Differences in net income		(6,482)	(10,458)
Employee benefits expenses	B(vii)	(126,524)	(126,524)
Comprehensive loss under IFRS		$(88,785)	$(53,734)

Note 11 – Transition to IFRS, continued

Reconciliation of cash flow

Thousands of dollars	Six months ended June 30, 2010
Net change in cash under Canadian GAAP	$1,948
Differences increasing (decreasing) reported net change in cash:	
Net income	(10,804)
Cash from operating activities	13,138
Cash from investing activities	(2,816)
Cash from financing activities	147
Cash from discontinued operations	255
Net change in cash under IFRS	$1,868

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 June 30, 2010

Thousands of dollars

			IFRS Adjustments				
Canadian GAAP accounts	**Reference**	**Canadian GAAP balance**	**Mandatory**	**Elective**	**Other[C]**	**IFRS balance**	**IFRS accounts**
Operating revenues	B(ii)(a,b),B(viii)	$277,573	$(5,983)	$-	$-	$271,590	Revenue
	B(i)(a,c)	-	(778)	-	2,744	1,966	Other income
		277,573	(6,761)	-	2,744	273,556	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	194,999	1,862	-	(79,339)	117,522	Goods and services purchased
	B(vii)	-	-	1,767	84,099	85,866	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	39,091	(70)	-	(5,798)	33,223	Depreciation
	B(i)(c)	-	(665)	-	5,798	5,133	Amortization
		-	-	-	(4,760)	(4,760)	Internal labour capitalized
		234,090	1,127	1,767	-	236,984	
Income from operations		43,483	(7,888)	(1,767)	2,744	36,572	Results of operating activities
Other items		3,100	-	-	(3,100)	-	
Interest and related items	B(i)(b)	(3,318)	3,010	-	356	48	Net finance income
Income from continuing operations		43,265	(4,878)	(1,767)	-	36,620	Income from continuing operations
Net income from discontinued operations	B(i)(a,c,d), B(iv),B(vi)	956	163	-	-	1,119	Net income from discontinued operations
Net income		44,221	(4,715)	(1,767)	-	37,739	Net income
Other comprehensive income	B(vii)	-	-	(126,524)	-	(126,524)	Other comprehensive loss Defined benefit plan actuarial losses
Comprehensive income		$44,221	$(4,715)	$(128,291)	$-	$(88,785)	Comprehensive loss

Notes to Condensed Consolidated Financial Statements (Unaudited)
As at June 30, 2011

Note 11 – Transition to IFRS, continued

Reconciliation of the consolidated statement of comprehensive income for the six months ended June 30, 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)	$550,508	$(11,611)	$-	$-	$538,897	Revenue
	B(i)(a,c)	-	(1,406)	-	8,132	6,726	Other income
		550,508	(13,017)	-	8,132	545,623	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	391,575	2,958	-	(160,491)	234,042	Goods and services purchased
	B(vii)	-	-	3,534	168,480	172,014	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	77,313	(1,284)	-	(11,393)	64,636	Depreciation
	B(i)(c)	-	(1,007)		11,393	10,386	Amortization
		-	-	-	(7,989)	(7,989)	Internal labour capitalized
		468,888	667	3,534	-	473,089	
Income from operations		81,620	(13,684)	(3,534)	8,132	72,534	Results of operating activities
Other items		8,827	-	-	(8,827)	-	
Interest and related items	B(i)(b)	(9,310)	6,412	-	695	(2,203)	Net finance expense
Income from continuing operations		81,137	(7,272)	(3,534)	-	70,331	Income from continuing operations
Net income from discontinued operations	B(i)(a,c,d),B(iv),B(vi)	2,111	348	-	-	2,459	Net income from discontinued operations
Net income		83,248	(6,924)	(3,534)	-	72,790	Net income
							Other comprehensive loss
Other comprehensive income	B(vii)	-	-	(126,524)	-	(126,524)	Defined benefit plan actuarial losses
Comprehensive income		$83,248	$(6,924)	$(130,058)	$-	$(53,734)	Comprehensive loss

Note 11 – Transition to IFRS, continued

Reconciliation of the consolidated statement of financial position as of June 30, 2010

Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP	IFRS Adjustmetns Discontinued operations[B(v)]	Mandatory	Elective	IFRS	IFRS accounts
Assets							Assets
Current assets							Current assets
Cash		$5,280	$-	$-	$-	$5,280	Cash and cash equivalents
Accounts receivable	B(ii)(a)	89,147	-	7,919	-	97,066	Trade and other receivables
Inventories		10,194	-	-	-	10,194	Inventories
Prepaid expenses	B(iii)	21,740	-	(3,886)	-	17,854	Prepaid expenses
Current portion of sinking funds		10,977	-	-	-	10,977	Current portion of sinking funds
Current assets of discontinued operations	B(i)(a,c,d), B(iv),B(vi)	7,875	38,597	(6,425)	-	40,047	Assets classified as held for sale
		145,213	38,597	(2,392)	-	181,418	
Property, plant and equipment	A(ii),B(i)(a, b,c), B(viii)	976,776	-	(13,214)	109,280	1,072,842	Property, plant and equipment
Intangible assets – finite-life	B(i)(a,c)	66,880	-	(1,122)	72,057	137,815	Intangible assets
Long-lived assets of discontinued operations		38,597	(38,597)	-	-	-	
Intangible assets – indefinite-life		65,981	-	-	(65,981)	-	
Goodwill		6,076	-	-	(6,076)	-	
Sinking funds		61,385	-	-	-	61,385	Sinking funds
Deferred pension costs	A(i)B(vii)	120,472	-	-	(120,472)	-	
Other assets		9,548	-	-	-	9,548	Other assets
		$1,490,928	$-	$(16,728)	$(11,192)	$1,463,008	
Liabilities and Province's equity							Liabilities and Province's equity
Current liabilities							Current liabilities
Accounts payable and accrued liabilities	A(i),B(vii)	$116,637	$-	$-	$(14,784)	$101,853	Trade and other payables
Notes payable		72,200	-	-	-	72,200	Notes payable
Dividend payable		45,242	-	-	-	45,242	Dividend payable
Services billed in advance	B(ii)(a)	54,828	-	(1,723)	-	53,105	Services billed in advance
Current portion of long-term debt		90,029	-	-	-	90,029	Current portion of long-term debt
Current liabilities of discontinued operations	B(iv),B(vi)	1,898	5,762	(6,077)	-	1,583	Liabilities classified as held for sale
		380,834	5,762	(7,800)	(14,784)	364,012	
Non-current liabilities of discontinued operations		5,762	(5,762)	-	-	-	
Deferred revenue		8,210	-	-	-	8,210	Deferred revenue
Deferred income -government funding	B(i)(a)	41,884	-	(82)	-	41,802	Deferred income – government funding
	A(i),B(vii)	-	-	-	217,930	217,930	Employee benefit obligations
Long-term debt		233,991	-	-	-	233,991	Long-term debt
		670,681	-	(7,882)	203,146	865,945	
Province of Saskatchewan's equity							Province of Saskatchewan's equity
Equity advance		250,000	-	-	-	250,000	Equity advance
Retained earnings		570,247	-	(8,846)	(214,338)	347,063	Retained earnings
		820,247	-	(8,846)	(214,338)	597,063	
		$1,490,928	$-	$(16,728)	$(11,192)	$1,463,008	