

# First Quarter Report

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Saskatchewan Telecommunications  
Holding Corporation

First Quarter Report 2008  
For the Period Ending March 31, 2008

**Saskatchewan Telecommunications Holding Corporation** (SaskTel) is a Saskatchewan Crown corporation. We are the leading full service communications provider in Saskatchewan, offering competitive voice, data, dial-up and high speed internet, entertainment and multimedia services, security, web hosting, text and messaging services, and cellular and wireless data services over our digital networks. We also provide security monitoring services through SecurTek, directory services through DirectWest, in-room communications services to the healthcare sector through Hospitality Network, telecommunications consulting service and software solutions through SaskTel International and deliver SaskTel products and services outside of the province. Our subsidiaries have significant points of presence throughout Canada and internationally. This

presence provides another means to bring back their profits and expertise to Saskatchewan.

SaskTel and our wholly-owned subsidiaries have a workforce of approximately 5,200 permanent, part-time, casual, and temporary employees including all interns, co-op and summer students.

Our vision is *“To improve the lives of everyone we serve each and every time”* and our mission is *“We will go beyond in delivering innovative information, communication and entertainment solutions to our customers in Saskatchewan and other select markets. We will be a socially and environmentally responsible organization that delivers sound financial returns. Our focus is our Customer. Our strength is our People”*.

## Financial Highlights

### Consolidated Net Income

Quarter ended March 31, (\$ millions)	2008	2007	% Change
Operating revenues	\$277.7	\$256.8	8.1
Operating expenses	234.8	212.0	10.8
Income from operations	42.9	44.8	(4.2)
Other items	0.4	1.4	(71.4)
Interest and related items	(5.2)	(6.6)	(21.2)
Net income	\$38.1	\$39.6	(3.8)

SaskTel’s consolidated net income for the first quarter of 2008 was \$38.1 million, down \$1.5 million from the same period in 2007. Continued strong growth in cellular, *Max<sup>TM</sup>* Entertainment and Internet services was more than offset by increases in depreciation and salaries and benefits.

# 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 2008. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the year ended December 31, 2007. 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 can not 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 2007 annual report. These interim statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook section 1751, "Interim Financial Statements." These interim statements have been approved by the SaskTel Board of Directors.

## Results of Operations

### Operating revenues

(\$ millions)	2008	2007	Change	%
Quarter ended March 31,	\$277.7	\$256.8	\$20.9	8.1

Operating revenues for the first quarter of 2008 increased to \$277.7 million, up \$20.9 million or 8.1% from the same period in 2007. This increase was driven primarily by continued growth in cellular, *Max* Entertainment and Internet services.

### Operating expenses

(\$ millions)	2008	2007	Change	%
Quarter ended March 31,	\$234.8	\$212.0	\$22.8	10.8

Operating expenses for the first quarter of 2008 increased to \$234.8 million, up \$22.8 million from the same period in 2007. This increase was primarily to support revenue growth in cellular, *Max* Entertainment and Internet services. Also included in the first quarter of 2008 results are salary and benefits increases to all employees resulting from ratification of a new collective agreement in 2007 and increases to depreciation and amortization expenses due to increased plant in service.

## Interest and related items

Interest and related items for the first quarter of 2008 were \$5.2 million, \$1.4 million lower than the same period in 2007 primarily due to the change in fair value of financial instruments, reduced interest costs and increased sinking fund earnings.

## Liquidity and Capital Resources

### Cash provided by operating activities

(\$ millions)	2008	2007	Change	%
Quarter ended March 31,	\$55.3	\$44.2	\$11.1	25.1

Cash provided by operating activities in the first quarter of 2008 increased to \$55.3 million, up \$11.1 million from the same period in 2007, primarily due to a decrease in working capital requirements. Accounts payable and accrued liabilities decreased by \$12.0 million in the first quarter of 2008 due to the timing of payments to suppliers.

### Cash used in investing activities

(\$ millions)	2008	2007	Change	%
Quarter ended March 31,	\$23.7	\$25.1	\$(1.4)	(5.6)

Cash used in investing activities in the first quarter of 2008 decreased to \$23.7 million, down \$1.4 million from the same period in 2007. SaskTel's net spending on property, plant and equipment for the first quarter of 2008 was \$22.8 million, down \$2.2 million from the same period in 2007. Spending decreased primarily due to reduced spending on the Next Generation Access Infrastructure (NGAI) Program. Investment in 2008 is focused on supporting the telecommunications networks, increasing efficiency, and meeting customer demand, as well as growth and diversification including initiatives such as *Max* Entertainment Services and cellular expansion.

### Cash used in financing activities

(\$ millions)	2008	2007	Change	%
Quarter ended March 31,	\$8.9	\$13.7	\$(4.8)	(35.0)

Cash used in financing activities in the first quarter of 2008 decreased to \$8.9 million, down \$4.8 million from the same period in 2007. Dividend payments were \$7.5 million in 2008 compared to \$12.5 million in 2007. The 2008 payment is the final installment of the agreed upon 2007 annual dividend of \$30 million. Debt repayment activities were consistent with 2007.

## Liquidity and capital resource ratios

### Debt ratio

	March 31, 2008	December 31, 2007
Debt ratio	25.2%	27.7%

The debt ratio after the first quarter of 2008 decreased to 25.2%, down from 27.7% at December 31, 2007. The overall level of net debt decreased \$25.4 million during the first quarter due to increased cash and short-term investments and sinking fund assets. SaskTel continues to self-finance its capital and dividend requirements.

Retained earnings increased by \$25.8 million in the first quarter of 2008 after recording net income \$38.1 million and dividends of \$12.3 million.

### 2008 Outlook

The 2007 SaskTel Annual Report identified a consolidated net income target for 2008 of \$75.8 million. Results to March 31, 2008 are favourable and we see this trend continuing throughout the year. At this time SaskTel believes that it will exceed the established 2008 net income target.

### Risk Assessment

The 2007 Annual Report discusses the risks and uncertainties in SaskTel's business environment. They include developments in the economic and regulatory environments, challenges faced by the defined benefit pension plan, competitive activity and more. SaskTel's basic risk profile remains unchanged as at March 31, 2008. 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.

## Consolidated Statement of Operations and Comprehensive Income

For the three months ended March 31, Thousands of dollars	2008	(Unaudited) 2007
<b>Operating revenues</b>	<b>\$277,693</b>	<b>\$256,764</b>
<b>Operating expenses</b>		
Operations	192,473	172,871
Depreciation and amortization	42,356	39,157
	<b>234,829</b>	<b>212,028</b>
<b>Income from operations</b>	<b>42,864</b>	<b>44,736</b>
<b>Other items</b>	<b>440</b>	<b>1,425</b>
<b>Interest and related items (Note 3)</b>	<b>(5,159)</b>	<b>(6,553)</b>
<b>Net income</b>	<b>38,145</b>	<b>39,608</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>\$38,145</b>	<b>\$39,608</b>

## Consolidated Statement of Retained Earnings

For the three months ended March 31, Thousands of dollars	2008	(Unaudited) 2007
<b>Retained earnings, beginning of period</b>	<b>\$492,660</b>	<b>\$438,495</b>
<b>Net income</b>	<b>38,145</b>	<b>39,608</b>
	<b>530,805</b>	<b>478,103</b>
<b>Dividends</b>	<b>12,319</b>	<b>7,500</b>
<b>Retained earnings, end of period</b>	<b>\$518,486</b>	<b>\$470,603</b>

*See Accompanying Notes*

## Consolidated Statement of Financial Position

As at	(Unaudited)	(Audited)
Thousands of dollars	March 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$34,752	\$12,046
Accounts receivable (Note 6a)	101,740	105,340
Inventories	9,200	10,662
Prepaid expenses (Note 6a)	29,250	22,302
	<b>174,942</b>	<b>150,350</b>
<b>Property, plant and equipment</b>	<b>2,903,446</b>	<b>2,895,108</b>
Less accumulated depreciation	<b>1,954,307</b>	<b>1,928,012</b>
	<b>949,139</b>	<b>967,096</b>
<b>Intangible assets</b>	<b>56,300</b>	<b>55,409</b>
Less accumulated amortization	<b>28,492</b>	<b>27,120</b>
	<b>27,808</b>	<b>28,289</b>
<b>Goodwill</b>	<b>18,360</b>	<b>18,360</b>
<b>Sinking fund – held for trading</b>	<b>58,968</b>	<b>56,408</b>
<b>Deferred pension costs</b>	<b>73,933</b>	<b>60,761</b>
<b>Other assets</b>	<b>15,344</b>	<b>15,224</b>
	<b>\$1,318,494</b>	<b>\$1,296,488</b>
<b>Liabilities and Province's equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6a)	\$119,507	\$131,606
Dividend payable	12,319	7,500
Services billed in advance (Note 6a)	53,575	50,073
Current portion of long-term debt	24,575	24,573
	<b>209,976</b>	<b>213,752</b>
<b>Deferred revenue</b>	<b>12,347</b>	<b>12,274</b>
<b>Long-term debt</b>	<b>327,685</b>	<b>327,802</b>
	<b>550,008</b>	<b>553,828</b>
<b>Province of Saskatchewan's equity</b>		
Equity advance (Note 4)	250,000	250,000
Retained earnings	518,486	492,660
	<b>768,486</b>	<b>742,660</b>
	<b>\$1,318,494</b>	<b>\$1,296,488</b>

*See Accompanying Notes*

## Consolidated Statement of Cash Flows

For the three months ended March 31, Thousands of dollars	2008	(Unaudited) 2007
<b>Operating activities</b>		
Net income	\$38,145	\$39,608
Adjustments to reconcile net income to cash provided by operations		
Depreciation and amortization	42,356	39,157
Contributions to defined benefit pension plans	(9,859)	(8,737)
Pension expense (income) of defined benefit plans	(3,445)	(1,600)
Net share of loss from significantly influenced companies	-	(140)
Sinking fund earnings	(1,008)	(724)
Gain on sale of investments	-	(571)
Change in fair value of financial instruments	(452)	302
Other	(329)	237
Net change in non-cash working capital (Note 6b)	(10,098)	(23,306)
Cash provided by operating activities	55,310	44,226
<b>Investing activities</b>		
Property, plant and equipment expenditures	(22,845)	(25,058)
Proceeds on sale of investment	-	1,100
Investments acquired	-	(460)
Customer accounts	(891)	(664)
Cash used in investing activities	(23,736)	(25,082)
<b>Financing activities</b>		
Sinking fund installments	(1,163)	(1,160)
Capital lease obligations	(35)	-
Dividends paid	(7,500)	(12,500)
Financing leases	(170)	(15)
Cash used in financing activities	(8,868)	(13,675)
<b>Increase in cash</b>	<b>22,706</b>	<b>5,469</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>12,046</b>	<b>16,110</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$34,752</b>	<b>\$21,579</b>
<b>Comprised of:</b>		
Cash	\$2,299	\$3,945
Short-term investments	32,453	17,634
Cash and cash equivalents	\$34,752	\$21,579

*See Accompanying Notes*

# Notes to Consolidated Financial Statements (Unaudited)

## As at March 31, 2008

### Note 1 – Interim consolidated financial statements

The unaudited interim consolidated financial statements should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) December 31, 2007 audited consolidated financial statements. The interim consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles in Canada. The accounting policies and methods for interim reporting purposes are consistent with those used in the preparation of the Corporation's audited consolidated financial statements for the year ended December 31, 2007, except as described in note 2.

### Note 2 – Summary of significant accounting policies

#### Change in accounting policies and recent accounting pronouncements

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for inventories (CICA Handbook 3031). The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. There is no material impact on the Corporation's operating results as a result of implementing the new recommendations.

### Note 3 – Interest and related items

For the three months ended March 31,	2008	2007
		Thousands of dollars
Interest on long-term debt	\$6,755	\$7,143
Sinking fund earnings – held for trading	(1,008)	(724)
Change in fair value of sinking fund	(452)	304
Interest income	(136)	(170)
	<b>\$5,159</b>	<b>\$6,553</b>

# Notes to Consolidated Financial Statements (Unaudited)

## As at March 31, 2008

### Note 4 – Equity advance and capital disclosures

a) Equity advance

As a Saskatchewan Provincial Crown corporation, the Corporation's equity financing is in the form of equity advances of \$250,000,000 from Crown Investments Corporation of Saskatchewan.

b) Additional capital disclosures

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 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 less sinking funds, and cash and cash equivalents. Capitalization includes net debt, equity advances and retained earnings at the period end.

The Corporation's strategy, which is unchanged from 2007, is to maintain a debt to equity ratio of below 45%.

The debt ratio is as follows:

	<b>March 31, 2008</b>	December 31, 2007
		Thousands of dollars
Total debt	<b>\$352,260</b>	\$352,375
Less: Sinking fund	<b>58,968</b>	56,408
Cash and short-term investments	<b>34,752</b>	12,046
Net debt	<b>258,540</b>	283,921
Equity	<b>768,486</b>	742,660
Capitalization	<b>\$1,027,026</b>	\$1,026,581
Debt ratio	<b>25.2%</b>	27.7%

## Notes to Consolidated Financial Statements (Unaudited) As at March 31, 2008

### Note 5 – Contingencies

#### 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 July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the Plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only. The Corporation, together with all other defendants in the proceedings, have filed motions with the Saskatchewan Court of Appeal seeking leave to appeal the decision of the court certifying the action as a class action. The Corporation believes that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding. The Corporation's leave to appeal application is presently before the Court of Appeal. No specific date has yet been set for the hearing of that application.

On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against Saskatchewan Telecommunications Holding Corporation, Saskatchewan Telecommunications and several current and former officers and employees of Saskatchewan Telecommunications. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communication Systems (MCS) licence in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of alleged breach of contract, intentional interference with trade or business, deceit, misrepresentation and breach of the *Competition Act*. The Plaintiff claims damages in excess of \$87 million. The Corporation believes that it has strong defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff has appealed the decision to the Saskatchewan Court of Appeal.

Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

## Notes to Consolidated Financial Statements (Unaudited)

### As at March 31, 2008

#### Note 6 – Additional financial information

##### a) Balance sheet

	March 31, 2008	December 31, 2007
		Thousands of dollars
Accounts receivable		
Customer accounts receivable	\$85,828	\$84,152
Accrued receivables - customer	5,403	5,166
Allowance for doubtful accounts (Note 7d)	(4,797)	(4,941)
	<b>86,434</b>	84,377
High cost serving area subsidy	5,649	5,651
Other	9,657	15,312
	<b>\$101,740</b>	\$105,340
Prepaid expenses		
Prepaid expenses	\$22,386	\$15,989
Deferred service connection charges	6,864	6,313
	<b>\$29,250</b>	\$22,302
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	\$55,875	\$68,192
Payroll and other employee-related liabilities	51,754	52,421
Taxes payable	5,938	5,730
Interest payable	5,482	4,809
Other	458	454
	<b>\$119,507</b>	\$131,606
Services billed in advance		
Advance billings	\$41,905	\$38,126
Deferred customer activation and connection fees	8,260	8,612
Customer deposits	3,410	3,335
	<b>\$53,575</b>	\$50,073

## Notes to Consolidated Financial Statements (Unaudited) As at March 31, 2008

### Note 6 – Additional financial information, continued

#### b) Supplementary cash flow information

Periods ended March 31,	Three months	
	2008	2007
Thousands of dollars		
Net change in non-cash working capital		
Accounts receivable	\$3,134	\$6,174
Inventories	1,461	(436)
Prepaid expenses	(6,948)	(8,229)
Accounts payable and accrued liabilities	(11,994)	(26,533)
Services billed in advance	3,502	5,698
Deferred revenues	61	(89)
Deferred expenses	686	109
	<b>\$(10,098)</b>	<b>\$(23,306)</b>
Interest paid	\$5,992	\$6,480

### Note 7– Financial instruments

The Corporation's financial instruments include cash and short-term investments, accounts receivable, sinking funds, accounts payable, accrued liabilities, dividend payable and long-term debt, which by their nature are subject to risks.

#### a) Currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remained constant at March 31, 2008, only currency fluctuations in excess of 10% would have a material impact on budgeted net income. Specifically, a 10% weakening in the Canadian dollar versus US dollar exchange rate would have a 6.8% unfavourable effect on budgeted net income while a 10% strengthening would have a 6.8% favourable effect on budgeted net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. At March 31, 2008 and December 31, 2007, there were no derivative financial instruments outstanding.

#### b) Interest rate risk

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on short-term investments, short-term obligations and long-term debt. The most significant of these is interest rate risk related to issuance of long-term debt. However, assuming all other variables remained constant at March 31, 2008, a 10% (46 basis point) increase or decrease in interest rates would not have a material impact on budgeted net income. Interest rate risk on short and long-term liabilities are managed based on the refinancing needs of the Corporation using derivative financial instruments when deemed appropriate.

The average effective interest rate on the Corporation's long-term debt was 7.67% while the average interest rate on long-term debt was 7.68%.

## Notes to Consolidated Financial Statements (Unaudited) As at March 31, 2008

### Note 7– Financial instruments, continued

#### c) Market risk

The Corporation is exposed to market risk primarily through the sinking funds. Fair value adjustments will fluctuate based on changes in market prices. The sinking funds consist of mostly Provincial government and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. Fair value adjustments similar to those experienced in 2007 would not have a material impact on budgeted net income.

#### d) Credit risk

The Corporation is exposed to credit risk through its short-term investments, accounts receivable and sinking fund assets. Credit risk related to short-term investments and sinking fund assets is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized because of the large and diverse customer base covering many consumer and business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	<b>March 31, 2008</b>	December 31, 2007
		Thousands of dollars
Cash and short-term investments	<b>\$34,752</b>	\$12,046
Accounts receivable	<b>101,740</b>	105,340
Sinking fund – held for trading assets	<b>58,968</b>	56,408
	<b>\$195,460</b>	\$173,794

Provisions for credit losses are maintained and regularly reviewed by the Corporation, based on an analysis of the aging of customer accounts. Amounts are written off once reasonable collection efforts have been exhausted. Details of the allowance account are as follows:

	<b>March 31, 2008</b>	December 31, 2007
		Thousands of dollars
Allowance for doubtful accounts, opening balance	<b>\$4,941</b>	\$5,162
Accounts written off	<b>(2,732)</b>	(12,585)
Recoveries	<b>932</b>	4,513
Provision for losses	<b>1,656</b>	7,851
Allowance for doubtful accounts, closing balance	<b>\$4,797</b>	\$4,941

## Notes to Consolidated Financial Statements (Unaudited) As at March 31, 2008

### Note 7– Financial instruments, continued

#### e) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and sinking fund installments:

#### March 31, 2008

Thousands of dollars	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years	3-5 years	More than 5 years
Long-term debt, Saskatchewan	\$344,949	(\$597,457)	(\$15,963)	(\$34,659)	(\$27,835)	(\$147,126)	(\$371,874)
Other long-term debt	6,732	(8,894)	(336)	(336)	(673)	(2,018)	(5,531)
Dividend payable	12,319	(12,319)	(12,319)	-	-	-	-
Accounts payable and accrued liabilities	119,507	(119,507)	(119,507)	-	-	-	-
	\$483,507	(\$738,177)	(\$148,125)	(\$34,995)	(\$28,508)	(\$149,144)	(\$377,405)

#### December 31, 2007

Thousands of dollars	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years	3-5 years	More than 5 years
Long-term debt, Saskatchewan	\$344,964	(\$609,831)	(\$14,433)	(\$36,278)	(\$27,835)	(\$149,894)	(\$381,391)
Other long-term debt	6,694	(9,063)	(336)	(336)	(673)	(2,018)	(5,700)
Dividend payable	7,500	(7,500)	(7,500)	-	-	-	-
Accounts payable and accrued liabilities	131,606	(131,606)	(131,606)	-	-	-	-
	\$490,764	(\$758,000)	(\$153,875)	(\$36,614)	(\$28,508)	(\$151,912)	(\$387,091)

Sufficient operating cash flows are expected to be generated to fund these contractual obligations. In addition, the Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows.

#### f) Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and dividend payable approximates their fair values due to the short-term maturity of these financial instruments.

## Notes to Consolidated Financial Statements (Unaudited) As at March 31, 2008

### Note 7– Financial instruments, continued

Sinking funds are recorded at fair value based on quoted market prices for the securities held by the fund.

The fair values of the Corporation's long-term debt are estimated based on quoted market prices for the issues or for similar issues.

Thousands of dollars	March 31, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, Province of Saskatchewan	\$344,949	\$439,091	\$344,964	\$436,908
Other long-term debt	\$6,732	\$7,139	\$6,694	\$7,475

### Note 8 – Pension costs

The table below shows the cost components of the defined benefit pension plan.

For the three months ended March 31,	2008	2007
		Thousands of dollars
Current service cost - defined benefit plan	\$(652)	\$(1,111)
Interest cost	(13,482)	(13,078)
Expected return on pension plan assets	15,897	15,119
Amortization of net transitional asset	2,913	2,913
Amortization of past service costs	(881)	(952)
Amortization of actuarial loss	(350)	(1,291)
Net pension income	\$3,445	\$1,600

### Note 9 – Comparative figures

Certain of the 2007 figures have been reclassified to conform to the current period's presentation.