Third Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

Third Quarter Report 2011

For the Period Ending September 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 4,100 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

	Three months ended September 30,			Nine months ended September 30,		
Millions of dollars	**2011**	2010	% Change	**2011**	2010	% Change
Revenues	**$286.8**	$282.8	1.4	**$826.4**	$821.7	0.6
Other income	**1.4**	1.8	(22.2)	**3.1**	8.5	(63.5)
	288.2	284.6	1.3	**829.5**	830.2	(0.1)
Expenses	**248.4**	232.3	6.9	**739.7**	705.4	4.9
Results of operating activities	**39.8**	52.3	(23.9)	**89.8**	124.8	(28.0)
Net finance expense	**(0.7)**	(1.1)	(36.4)	**(8.3)**	(3.3)	151.5
Income from continuing operations	**39.1**	51.2	(23.6)	**81.5**	121.5	(32.9)
Net income from discontinued operations	-	0.9	(100.0)	**30.8**	3.4	*nmf*[1]
Net income	**$39.1**	$52.1	(25.0)	**$112.3**	$124.9	(10.1)

Net income for the nine months ended September 30, 2011 is $112.3 million, down $12.6 million (10.1%) from the same period in 2010. Revenues increased to $826.4 million, up $4.7 million (0.6%) from the same period in 2010 primarily due to increased *Max*™, wireless, data, and internet revenues partially offset by reductions in local access and long distance revenues. Other income is $5.4 million lower than the same period in 2010 primarily due to PST refunds received in 2010, and reduced government funding received in 2011.

Expenses for the nine months ended September 30, 2011 increased to $739.7 million, up $34.3 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 $8.3 million due to increased plant in service. Net finance expense was $8.3 million up $5.0 million from 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 nine months of 2011 as well as increased borrowings to fund the 2010 construction program.

Net income from discontinued operations is up $27.4 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 third 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 nine months ended September 30, 2010.

Results of Operations

Revenues

Millions of dollars	2011	2010	Change	%
Three months ended September 30,	**$286.8**	$282.8	$4.0	1.4
Year-to-date	**$826.4**	$821.7	$4.7	0.6

Revenues for the third quarter were $286.8 million, an increase of $4.0 million from the same period in 2010. Year-to-date operating revenues were $826.4 million which represents a $4.7 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, lower access revenue due to residential access decreases related to competition and wireless replacement, and decreases in long distance revenue.

Other income

Millions of dollars	2011	2010	Change	%
Three months ended September 30,	**$1.4**	$1.8	$(0.4)	(22.2)
Year-to-date	**$3.1**	$8.5	$(5.4)	(63.5)

Other income for the third quarter of 2011 decreased to $1.4 million down $0.4 million from the same period in 2010. Year-to-date other income was $5.4 million lower than the same period in 2010 primarily due to PST refunds received in 2010 and reduced government funding received in 2011.

Expenses

Millions of dollars	2011	2010	Change	%
Three months ended September 30,	**$248.4**	$232.3	$16.1	6.9
Year-to-date	**$739.7**	$705.4	$34.3	4.9

Expenses were $248.4 million for the third quarter, up $16.1 million from the same period in 2010. Year-to-date expenses increased to $739.7 million, up $34.3 million from 2010. 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 $8.3 million due to increased plant in service.

Net financing expense

Millions of dollars	2011	2010	Change	%
Three months ended September 30,	**$0.7**	$1.1	$(0.4)	(36.4)
Year-to-date	**$8.3**	$3.3	$5.0	151.5

Net financing expense for the third quarter of 2011 was $0.7 million down $0.4 million from the same period in 2010. Year-to-date net financing expense increased to $8.3 million from 2010. This is driven by reduced capitalized interest in the current period resulting from significantly lower plant under construction in 2011 compared to the same period in 2010 as well as increased borrowings to fund the 2010 construction program.

Net income from discontinued operations

Millions of dollars	2011	2010	Change	%
Three months ended September 30,	**$-**	$0.9	$(0.9)	(100.0)
Year-to-date	**$30.8**	$3.4	$27.4	*nmf*

Net income from discontinued operations for the third quarter of 2011 was down $0.9 million from the same period in 2010. Year-to-date net income from discontinued operations increased to $30.8 million up $27.4 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	%
Nine months ended September 30,	**$175.8**	$209.6	$(33.8)	(16.1)

Cash provided by operating activities for the nine months ended September 30, 2011 was down $33.8 million from the same period in 2010 primarily due to increased operating expenses.

Cash used in investing activities

Millions of dollars	2011	2010	Change	%
Nine months ended September 30,	**$159.2**	$217.8	$(58.6)	(26.9)

Cash used in investing activities for the nine months ended September 30, 2011 decreased to $159.2 million, down $58.6 million from the same period in 2010 primarily due to planned capital spending reductions partially offset by increased spending on intangible assets.

SaskTel's net capital spending for the nine months ended September 30, 2011 was $129.6 million, down $78.2 million from the same period in 2010. Spending decreased 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 spending on intangible assets was $29.5 million, up $15.8 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: the completion of the cellular network upgrade to UMTS/HSPA technology, which will include significant initiatives to reduce network congestion; investment in Fiber to the Premise, which will significantly increase access speeds; 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	%
Nine months ended September 30,	**$(92.2)**	$11.2	$(103.4)	*nmf*

Cash used in financing activities for the nine months ended September 30, 2011 was $92.2 million compared to cash provided by financing activities of $11.2 million in 2010. During 2011, short-term borrowings decreased by $9.4 million versus a net increase of $48.2 million for the same period in 2010. There was no significant long-term debt activity in 2011 as opposed to 2010, where SaskTel had an increase in long-term debt of $69.9 million due to a debt issue, partially offset by debt repayment net of sinking fund redemptions. In addition, SaskTel paid a dividend of $78.7 million to Crown Investment Corporation of Saskatchewan compared to $105.8 million for the same period in 2010.

Liquidity and capital resource ratios

Debt ratio

	September 30, 2011	December 31, 2010
Debt ratio	**39.2%**	37.1%

The debt ratio as at September 30, 2011 increased to 39.2% from 37.1% at December 31, 2010. The overall level of net debt decreased $7.3 million due to a decrease in notes payable and an increase in sinking funds. In addition, retained earnings decreased by $68.7 million to the end of the third quarter after recording net income of $112.3 million, actuarial losses of $87.2 million and dividends of $93.8 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 will fall short of the established 2011 net income target.

Risk Assessment

The 2010 Annual Report discusses the risks and uncertainties in SaskTel's business environment. They include developments in technology and the 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 September 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 September 30,		**Nine months ended September 30,**	
Thousands of dollars	Note	**2011**	2010	**2011**	2010
Revenue	3	**$286,802**	$282,772	**$826,434**	$821,669
Other income	3	**1,398**	1,752	**3,107**	8,478
		288,200	284,524	**829,541**	830,147
Expenses					
Goods and services purchased		**133,933**	120,393	**379,682**	354,433
Salaries, wages and benefits		**78,899**	77,943	**249,147**	249,957
Depreciation		**34,306**	33,565	**106,899**	98,201
Amortization of intangible assets		**5,193**	5,240	**15,245**	15,626
Internal labour capitalized		**(3,961)**	(4,804)	**(11,303)**	(12,793)
		248,370	232,337	**739,670**	705,424
Results of operating activities		**39,830**	52,187	**89,871**	124,723
Net finance expense	4	**(724)**	(1,083)	**(8,345)**	(3,286)
Income from continuing operations		**39,106**	51,104	**81,526**	121,437
Net income from discontinued operations	5	**-**	966	**30,802**	3,425
Net income		**39,106**	52,070	**112,328**	124,862
Other comprehensive loss					
Actuarial gains (losses) on employee benefit plans	6	**(54,281)**	25,730	**(87,228)**	(100,794)
Comprehensive income (loss)		**$(15,175)**	$77,800	**$25,100**	$24,068

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

For the nine months ended September 30 Thousands of dollars	Equity advances	(Unaudited) Retained earnings	Total equity
Balance at January 1, 2010	$250,000	$475,597	$725,597
Net income	-	124,862	124,862
Other comprehensive loss	-	(100,794)	(100,794)
Total comprehensive income for the period	-	24,068	24,068
Dividends	-	123,525	123,525
Balance September 30, 2010	$250,000	$376,140	$626,140
Balance at January 1, 2011	$250,000	$442,381	$692,381
Net income	-	112,328	112,328
Other comprehensive loss	-	(87,228)	(87,228)
Total comprehensive income for the period	-	25,100	25,100
Dividends	-	93,758	93,758
Balance September 30, 2011	$250,000	$373,723	$623,723

See Accompanying Notes

Condensed Consolidated Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **September 30, 2011**	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents		**$7,820**	$12,886
Trade and other receivables	8a	**91,637**	105,316
Inventories	8a	**11,472**	5,810
Prepaid expenses	8a	**18,271**	8,907
Assets classified as held for sale	5	**-**	41,729
		129,200	174,648
Sinking funds		**73,917**	64,769
Property, plant and equipment		**1,201,562**	1,162,143
Intangible assets		**134,390**	137,151
Other assets		**11,533**	8,692
		$1,550,602	$1,547,403
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	8a	**$111,281**	$113,016
Dividend payable		**31,253**	16,157
Notes payable		**50,500**	59,900
Services billed in advance	8a	**59,328**	55,657
Liabilities classified as held for sale	5	**-**	1,635
		252,362	246,365
Employee benefits	6	**195,034**	126,047
Deferred revenue		**7,797**	8,801
Deferred revenue – government funding		**38,770**	41,053
Long-term debt		**432,916**	432,756
		926,879	855,022
Province of Saskatchewan's equity			
Equity advance		**250,000**	250,000
Retained earnings		**373,723**	442,381
		623,723	692,381
		$1,550,602	$1,547,403

See Accompanying Notes

Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		Nine months ended September 30,	
Thousands of dollars	Note	**2011**	2010
Operating activities			
Income from continuing operations		**$81,526**	$121,437
Adjustments to reconcile net income to cash provided by operations			
Depreciation and amortization		**122,144**	113,827
Contributions to defined benefit pension plans		**(11,990)**	(12,345)
Pension income of defined benefit plans		**(5,816)**	(582)
Net financing expense	4	**8,345**	3,286
Interest paid		**(19,157)**	(18,910)
Interest received		**1,207**	1,015
Amortization of government funding		**(2,731)**	(2,215)
Other		**5,526**	9,198
Net change in non-cash working capital	8b	**(3,208)**	(5,135)
		175,846	209,576
Investing activities			
Property, plant and equipment expenditures		**(130,211)**	(209,204)
Intangible assets		**(29,524)**	(13,695)
Redemption of preferred shares		-	3,733
Government funding		**565**	1,321
		(159,170)	(217,845)
Financing activities			
Proceeds from long-term debt		-	148,670
Repayment of long-term debt		-	(90,000)
Sinking fund redemptions		-	11,260
Proceeds from (repayment of) notes payable		**(9,400)**	48,200
Dividends paid		**(78,662)**	(105,826)
Sinking fund installments		**(4,100)**	(1,100)
		(92,162)	11,204
Increase (decrease) in cash from continuing operations		**(75,486)**	2,935
Increase in cash from discontinued operations	5	**64,393**	3,043
Cash and cash equivalents, beginning of period		**18,913**	8,998
Cash and cash equivalents, end of period		**$7,820**	$14,976
Comprised of:			
Cash of continuing operations		**$7,820**	$9,191
Cash of discontinued operations		**-**	5,785
Cash and cash equivalents		**$7,820**	$14,976

See Accompanying Notes

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

Note 1 – Basis of preparation

The unaudited condensed consolidated financial statements for September 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" (IFRS 1) 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 nine-month period ended September 30, 2011 were approved by the Board of Directors on November 15, 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.

Effective July 1, 2011 the Corporation extended the useful life of certain assets to coincide with the revised exit date for the related technology. The impact is a reduction in depreciation expense of $4.2 million in the current year, a reduction in depreciation expense of $8.4 million in 2012 and 2013, and increases in depreciation expense in 2014 to 2016 of $6.5 million, $11.5 million and $2.9 million respectively.

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, 2011 with 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. The Corporation is assessing the impact of these pronouncements on its results and financial position. These include:

- IFRS 9 "Financial Instruments" (IFRS 9 (2010)) expands on IFRS 9 as issued in 2009. The 2010 version has a significant impact on financial liabilities designated under the fair value option. In addition, IFRS 9 (2010) retains virtually all of the classification and measurement guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2013.
- IFRS 10 "Consolidations" (IFRS 10) establishes a single control model to assess whether to consolidate an investee. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.
- IFRS 11 "Joint Arrangements" (IFRS 11) redefines joint arrangements based on the control concept introduced in IFRS 10. Joint arrangements are classified depending on whether parties have rights to and obligations for underlying assets. In addition the standard requires a single method of accounting for joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.
- IFRS 12 "Disclosure of Interests in Other Entities" (IFRS 12) combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

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

Note 2 – Summary of significant accounting policies. continued

- IFRS 13 "Fair Value Measurement" (IFRS 13) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.
- IAS 19 "Employee Benefits" (IAS 19) was amended to require immediate recognition of actuarial gains and losses, as well as revising the basis for the calculation of net interest on the net defined benefit asset or liability. In addition, disclosure requirements have been expanded. IAS 19 is effective for annual periods beginning on or after January 1, 2013.
- IAS 27 "Separate Financial Statements" (IAS 27) was amended to create one standard that deals with separate financial statements. Requirements related to consolidated financial statements have been moved to IFRS 10, and requirements related to joint ventures and associates have been relocated to this standard. IAS 27 is effective for annual periods beginning on or after January 1, 2013.
- IAS 28 "Investments in Associates and Joint Ventures" (IAS 28) was amended to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. IAS 28 is effective for annual periods beginning on or after January 1, 2013.

Note 3 – Revenue

	Three months ended September 30,		**Nine months ended September 30,**	
Thousands of dollars	**2011**	2010	**2011**	2010
Services revenue				
Local service	**$68,378**	$71,839	**$205,923**	$215,864
Wireless	**107,762**	103,811	**305,181**	299,426
Max, internet and data services	**62,395**	57,461	**186,677**	172,812
Long distance services	**15,917**	16,217	**48,046**	49,748
Advertising and directory services	**13,732**	13,789	**23,643**	23,783
Security monitoring services	**5,017**	4,816	**14,896**	14,125
Telecommunication software	**2,784**	3,654	**9,112**	9,922
Other revenue	**10,817**	11,185	**32,956**	35,989
	286,802	282,772	**826,434**	821,669
Other income				
Net gain (loss) on retirement or disposal of property, plant and equipment	**69**	135	**(1,390)**	(824)
Amortization of government funding	**1,238**	295	**2,731**	2,215
Government funding received	**-**	813	**-**	2,438
Provincial sales tax refund	**-**	-	**-**	2,207
Gain on redemption of preferred shares	**-**	-	**-**	795
Other	**91**	509	**1,766**	1,647
	1,398	1,752	**3,107**	8,478
Total revenue	**$288,200**	$284,524	**$829,541**	$830,147

Note 4 – Net finance expense

Thousands of dollars	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Recognized in consolidated net income				
Interest income on unimpaired financial assets at fair value through net income	**$1,256**	$1,476	**$3,117**	$3,244
Net change in fair value of financial assets at fair value through net income	**2,336**	1,199	**1,930**	2,431
Interest income on loans and receivables	**471**	315	**1,211**	1,010
Finance income	**4,063**	2,990	**6,258**	6,685
Interest expense on financial liabilities measured at amortized cost	**(6,915)**	(6,790)	**(20,588)**	(19,101)
Interest capitalized	**2,128**	2,717	**5,985**	9,130
Finance expense	**(4,787)**	(4,073)	**(14,603)**	(9,971)
Net finance expense	**$(724)**	$(1,083)	**$(8,345)**	$(3,286)
Interest capitalization rate			**5.82%**	6.82%

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.

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.

Note 5 – Discontinued operations, continued

The results of discontinued operations are as follows:

Thousands of dollars	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Hospitality Network				
Revenue	**$-**	$7,112	**$2,530**	$22,841
Expenses	**-**	6,361	**2,495**	20,220
Results of operating activities	**-**	751	**35**	2,621
Gain on sale of discontinued operation	**-**	-	**3,731**	-
Saskatoon Square				
Share of operating income of equity accounted investee	**-**	215	**-**	804
Gain on sale of discontinued operation	**-**	-	**27,036**	-
Net income from discontinued operations	**$-**	$966	**$30,802**	$3,425

The assets and liabilities of discontinued operations are as follows:

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

The cash flows from discontinued operations are as follows:

Thousands of dollars	Nine months ended September 30, 2011	2010
Cash provided by operating activities	**$43**	$6,376
Cash provided by (used in) investing activities	**64,350**	(3,302)
Cash used in financing activities	**-**	(31)
	$64,393	$3,043

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 defined benefit plan and changes in the fair value of the employee benefit defined plan assets resulting from differences in the actual versus estimated return on these assets. The discount rates used are as follows:

	2011	2010	2009
June 30	**5.00%**	5.25%	n/a
September 30	**5.00**	5.00	n/a
December 31	**n/a**	5.25	6.00%

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 September 30,		**Nine months ended September 30,**	
Thousands of dollars	**2011**	2010	**2011**	2010
Actuarial gain (loss) on accrued benefit obligation	**$1,392**	$(26,892)	**$(28,425)**	$(109,517)
Actuarial gain (loss) on plan assets	**(55,673)**	52,622	**(58,803)**	8,723
Actuarial gains (losses) on employee benefit plans	**$(54,281)**	$25,730	**$(87,228)**	$(100,794)

Actuarial losses recognized in other comprehensive income

	Nine months ended September 30,	
Thousands of dollars	**2011**	2010
Cumulative amount, January 1	**$43,033**	$-
Recognized during the period	**87,228**	100,794
Cumulative amount, end of period	**$130,261**	$100,794

Note 7 – Commitments

Commitments

As at September 30, 2011, the Corporation has committed to spend $51.0 million on property, plant, equipment and $4.4 million on intangible assets and $203.0 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	**$5,167**
2 to 5 years	**10,396**
More than 5 years	**5,751**
	$21,314

Note 8 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	September 30, 2011	December 31, 2010
Trade and other receivables		
Customer accounts receivable	**$64,849**	$68,906
Accrued receivables - customer	**15,003**	23,060
Allowance for doubtful accounts	**(2,569)**	(2,840)
	77,283	89,126
High cost serving area subsidy	**5,001**	5,344
Other	**9,353**	10,846
	$91,637	$105,316
Inventories		
Inventories for resale	**$8,742**	$4,376
Work in progress	**2,425**	1,194
Raw materials	**305**	240
	$11,472	$5,810
Prepaid expenses		
Prepaid expenses	**$13,762**	$3,869
Deferred service connection charges	**4,509**	5,038
	$18,271	$8,907
Trade and other payables		
Trade accounts payable and accrued liabilities	**$78,651**	$74,871
Payroll and other employee-related liabilities	**24,511**	29,681
Other	**8,119**	8,464
	$111,281	$113,016
Services billed in advance		
Advance billings	**$46,744**	$43,306
Deferred customer activation and connection fees	**6,533**	7,229
Customer deposits	**6,051**	5,122
	$59,328	$55,657

Note 8 – Additional financial information, continued

b) Supplementary cash flow information

Thousands of dollars	Nine months ended September 30, 2011	2010
Net change in non-cash working capital		
Trade and other receivables	**$12,472**	$8,495
Inventories	**(5,662)**	(816)
Prepaid expenses	**(9,364)**	(4,051)
Trade and other payables	**(3,446)**	(16,315)
Services billed in advance	**3,554**	7,679
Deferred revenue	**(1,004)**	(1,016)
Deferred expenses	**242**	889
	$(3,208)	$(5,135)

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%.

Note 9 – Capital management, continued

The debt ratio is as follows:

As at Thousands of dollars	**September 30, 2011**	December 31, 2010
Total debt	**$483,416**	$492,656
Less: Sinking funds	**73,917**	64,769
Cash and short-term investments	**7,820**	18,913
Net debt	**401,679**	408,974
Equity	**623,723**	692,381
Capitalization	**$1,025,402**	$1,101,355
Debt ratio	**39.2%**	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 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 nine months ended September 30, 2011, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 6.55% of revenues, 10.24% of operating expenses and 1.12% 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 $0.2 million on a cost recovery basis for the nine months ended September 30, 2011 (2010 - $0.2 million), and made employer contributions of $12.0 million (2010 - $12.3 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.

Note 11 – Transition to IFRS, continued

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.

IFRS 1 also provides the option to disclose amounts required by paragraph IAS 19 (120A(p)) as the amounts are determined for each accounting period prospectively from the date of transition to IFRS. The Corporation has elected to disclose these amounts prospectively.

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.

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:

Note 11 – Transition to IFRS, continued

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	September 30, 2010
Increase (decrease)	
Property, plant and equipment	$(48,880)
Intangible assets	(2,227)
Assets classified as held for sale	(371)
Deferred revenue – government funding	(94)
Retained earnings	(51,384)

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Other income	$11	$93
Goods and services purchased	2,554	6,587
Net income from discontinued operations	(39)	(120)

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	September 30, 2010
Increase (decrease)	
Property, plant and equipment	$35,692
Retained earnings	35,692

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Finance expense	$(2,718)	$(9,130)

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.

Note 11 – Transition to IFRS, continued

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	September 30, 2010
Increase (decrease)	
Property, plant and equipment	$(1,254)
Intangible assets	1,560
Assets classified as held for sale	28
Retained earnings	334

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Other income	$(1,152)	$(2,640)
Depreciation	(102)	(1,386)
Amortization	(553)	(1,560)
Net income from discontinued operations	10	28

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	September 30, 2010
Increase (decrease)	
Assets classified as held for sale	$353
Retained earnings	353

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Net income from discontinued operations	$20	$59

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	September 30, 2010
Increase (decrease)	
Trade and other receivables	$10,533
Services billed in advance	(1,868)
Retained earnings	12,401

Note 11 – Transition to IFRS, continued

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Revenue	$2,759	$(9,121)

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 the following:

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Revenue	$(72)	$(241)
Goods and services purchased	(72)	(241)

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	September 30, 2010
Increase (decrease)	
Prepaid expenses	$(4,022)
Retained earnings	(4,022)

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Goods and services purchased	$136	$(1,107)

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	September 30, 2010
Increase (decrease)	
Assets classified as held for sale	$(223)
Liabilities classified as held for sale	118
Retained earnings	(341)

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Net income from discontinued operations	$23	$60

Note 11 – Transition to IFRS, continued

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 September 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	September 30, 2010
Increase (decrease)	
Assets classified as held for sale	$(6,159)
Liabilities classified as held for sale	(6,159)

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Goods and services purchased	$163	$498
Net income from discontinued operations	163	498

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	September 30, 2010
Increase (decrease)	
Deferred pension costs	$(18,411)
Trade and other payables	161
Employee benefits	87,522
Retained earnings	(106,094)

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Salaries wages and benefits	$1,766	$5,300
Other comprehensive income (loss)	25,730	(100,794)

Note 11 – Transition to IFRS, continued

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	September 30, 2010
Increase (decrease)	
Property, plant and equipment	$724
Retained earnings	724

Thousands of dollars	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease)		
Revenue	$286	$724

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.

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	September 30, 2010
Province's equity under Canadian GAAP		$822,757
Employee benefits	A(i),B(vii)	(299,654)
Deemed cost	A(ii)	109,280
Directly attributable costs	B(i)(a)	(51,384)
Borrowing costs	B(i)(b)	35,692
Revenue recognition	B(ii)(a)	12,401
Prepaid publishing costs	B(iii)	(4,022)
Componentization	B(i)(d)	353
Provisions	B(iv)	(341)
Customer contributions	B(viii)	724
Depreciation	B(i)(c)	(1,226)
Amortization	B(i)(c)	1,560
Province's equity under IFRS		$626,140

Note 11 – Transition to IFRS, continued

Reconciliation of net income

Thousands of dollars	Reference	Three months ended September 30, 2010	Nine months ended September 30, 2010
Net income under Canadian GAAP		$51,235	$134,483
Employee benefits expenses	B(vii)	(1,766)	(5,300)
Directly attributable costs	B(i)(a)	(2,582)	(6,614)
Borrowing costs	B(i)(b)	2,718	9,130
Revenue recognition	B(ii)(a)	2,759	(9,121)
Prepaid publishing costs	B(iii)	(136)	1,107
Componentization	B(i)(d)	20	59
Provisions	B(iv)	23	60
Customer contributions	B(viii)	286	724
Depreciation	B(i)(c)	(1,040)	(1,226)
Amortization	B(i)(c)	553	1,560
Net income under IFRS		$52,070	$124,862

Reconciliation of comprehensive income

Thousands of dollars	Reference	Three months ended September 30, 2010	Nine months ended September 30, 2010
Comprehensive income under Canadian GAAP		$51,235	$134,483
Differences in net income		835	(9,621)
Employee benefits expenses	B(vii)	25,730	(100,794)
Comprehensive income under IFRS		$77,800	$24,068

Reconciliation of cash flow

Thousands of dollars	Nine months ended September 30, 2010
Net change in cash under Canadian GAAP	$6,105
Differences increasing (decreasing) reported net change in cash:	
Net income	(10,146)
Cash from operating activities	12,824
Cash from investing activities	(3,264)
Cash from financing activities	88
Cash from discontinued operations	371
Net change in cash under IFRS	$5,978

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

Note 11 – Transition to IFRS, continued

Reconciliation of the consolidated statement of comprehensive income for the three months ended September 30, 2010
Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP balance	IFRS Adjustmetns Mandatory	Elective	Other[C]	IFRS balance	IFRS accounts
Operating revenues	B(ii)(a,b),B(viii)	$279,799	$2,973	$-	$-	$282,772	Revenue
	B(i)(a,c)	-	(1,141)	-	2,893	1,752	Other income
		279,799	1,832	-	2,893	284,524	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	188,985	2,781	-	(71,373)	120,393	Goods and services purchased
	B(vii)	-	-	1,766	76,177	77,943	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	39,460	(102)	-	(5,793)	33,565	Depreciation
	B(i)(c)		(553)	-	5,793	5,240	Amortization
		-	-	-	(4,804)	(4,804)	Internal labour capitalized
		228,445	2,126	1,766	-	232,337	
Income from operations		51,354	(294)	(1,766)	2,893	52,187	Results of operating activities
Other items		3,140	-	-	(3,140)	-	
Interest and related items	B(i)(b)	(4,048)	2,718	-	247	(1,083)	Net finance expense
Income from continuing operations		50,446	2,424	(1,766)	-	51,104	Income from continuing operations
Net income from discontinued operations	B(i)(a,c,d), B(iv),B(vi)	789	177	-	-	966	Net income from discontinued operations
Net income		51,235	2,601	(1,766)	-	52,070	Net income
Other comprehensive income	B(vii)	-	-	25,730	-	25,730	Other comprehensive income Defined benefit plan actuarial gains
Comprehensive income		$51,235	$2,601	$23,964	$-	$77,800	Total comprehensive income

Note 11 – Transition to IFRS, continued

Reconciliation of the consolidated statement of comprehensive income for the nine months ended September 30, 2010
Thousands of dollars

Canadian GAAP accounts	Reference	Canadian GAAP balance	IFRS Adjustments Mandatory	Elective	Other[C]	IFRS balance	IFRS accounts
Operating revenues	B(ii)(a,b),B(viii)	$830,307	$(8,638)	$-	$-	$821,669	Revenue
	B(i)(a,c)	-	(2,547)	-	11,025	8,478	Other income
		830,307	(11,185)	-	11,025	830,147	
Operating expenses							Expenses
Operations	B(i)(a),B(ii)(b),B(iii), B(vi)	580,560	5,737	-	(231,864)	354,433	Goods and services purchased
	B(vii)	-	-	5,300	244,657	249,957	Salaries, wages and benefits
Depreciation and amortization	B(i)(c)	116,773	(1,386)	-	(17,186)	98,201	Depreciation
	B(i)(c)		(1,560)	-	17,186	15,626	Amortization
		-	-	-	(12,793)	(12,793)	Internal labour capitalized
		697,333	2,791	5,300	-	705,424	
Income from operations		132,974	(13,976)	(5,300)	11,025	124,723	Results of operating activities
Other items		11,967	-	-	(11,967)	-	
Interest and related items	B(i)(b)	(13,358)	9,130	-	942	(3,286)	Net finance expense
Income from continuing operations		131,583	(4,846)	(5,300)	-	121,437	Income from continuing operations
Net income from discontinued operations	B(i)(a,c,d),B(iv),B(vi)	2,900	525	-	-	3,425	Net income from discontinued operations
Net income		134,483	(4,321)	(5,300)	-	124,862	Net income
Other comprehensive income	B(vii)	-	-	(100,794)	-	(100,794)	Other comprehensive income Defined benefit plan actuarial losses
Comprehensive income		$134,483	$(4,321)	$(106,094)	$-	$24,068	Total comprehensive income

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

Note 11 – Transition to IFRS, continued

Reconciliation of the consolidated statement of financial position as of September 30, 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		$9,191	$-	$-	$-	$9,191	Cash and cash equivalents
Accounts receivable	B(ii)(a)	88,315	-	10,533	-	98,848	Trade and other receivables
Inventories		8,837	-	-	-	8,837	Inventories
Prepaid expenses	B(iii)	18,063	-	(4,022)	-	14,041	Prepaid expenses
Current assets of discontinued operations	B(i)(a,c,d), B(iv),B(vi)	8,216	39,354	(6,372)	-	41,198	Assets classified as held for sale
		132,622	39,354	139	-	172,115	
Property, plant and equipment	A(ii),B(i)(a, b,c), B(viii)	1,030,806	-	(13,718)	109,280	1,126,368	Property, plant and equipment
Intangible assets – finite-life	B(i)(a,c)	65,060	-	(667)	72,057	136,450	Intangible assets
Long-lived assets of discontinued operations		39,354	(39,354)	-	-	-	
Intangible assets – indefinite-life		65,981	-	-	(65,981)	-	
Goodwill		6,076	-	-	(6,076)	-	
Sinking funds		63,778	-	-	-	63,778	Sinking funds
Deferred pension costs	A(i),B(vii)	126,556	-	-	(126,556)	-	
Other assets		10,146	-	-	-	10,146	Other assets
		$1,540,379	$-	($14,246)	$(17,276)	$1,508,857	
Liabilities and Province's equity							Liabilities and Province's equity
Current liabilities							Current liabilities
Accounts payable and accrued liabilities	A(i),B(vii)	$112,933	$-	$-	$(14,945)	$97,988	Trade and other payables
Notes payable		56,900	-	-	-	56,900	Notes payable
Dividend payable		48,725	-	-	-	48,725	Dividend payable
Services billed in advance	B(ii)(a)	58,235	-	(1,868)	-	56,367	Services billed in advance
Current liabilities of discontinued operations	B(iv),B(vi)	2,447	5,687	(6,041)	-	2,093	Liabilities classified as held for sale
		279,240	5,687	(7,909)	(14,945)	262,073	
Non-current liabilities of discontinued operations		5,687	(5,687)	-	-	-	
Deferred revenue		8,130	-	-	-	8,130	Deferred revenue
Deferred revenue -government funding	B(i)(a)	41,600	-	(94)	-	41,506	Deferred revenue – government funding
	A(i),B(vii)	-	-	-	188,043	188,043	Employee benefits
Long-term debt		382,965	-	-	-	382,965	Long-term debt
		717,622	-	(8,003)	173,098	882,717	
Province of Saskatchewan's equity							Province of Saskatchewan's equity
Equity advance		250,000	-	-	-	250,000	Equity advance
Retained earnings		572,757	-	(6,243)	(190,374)	376,140	Retained earnings
Accumulated other comprehensive income		-	-	-	-	-	Accumulated other comprehensive income
		822,757	-	(6,243)	(190,374)	626,140	
		$1,540,379	$-	$(14,246)	$(17,276)	$1,508,857	