



**Crown Investments Corporation
of Saskatchewan**

**First Quarter Financial Report
March 31, 2008**



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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding company for its commercial Crown corporations. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements, with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2008 first quarter financial results should be read in conjunction with the 2007 audited consolidated and non-consolidated financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Information Services Corporation of Saskatchewan (ISC)
- Investment Saskatchewan Inc. (IS)
- SaskEnergy Incorporated (SaskEnergy)
- Saskatchewan Development Fund Corporation (SDFC)
- Saskatchewan Government Growth Fund Management Corporation (SGGFMC)
- Saskatchewan Government Insurance (SGI)
- Saskatchewan Opportunities Corporation (SOCO)
- Saskatchewan Power Corporation (SaskPower)
- Saskatchewan Telecommunications Holding Corporation (SaskTel)
- Saskatchewan Telecommunications
- Saskatchewan Transportation Company (STC)
- Saskatchewan Water Corporation (SaskWater)

- CIC's wholly-owned share capital subsidiary CIC Economic Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary CIC Apex Equity Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary First Nations and Métis Fund Inc.;
- Costs incurred from its wholly-owned non-profit subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest income on cash balances.

CIC Non-Consolidated Financial Statements

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. These financial statements include:

- Dividends of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, IS and ISC);
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's interest income on cash balances, operating costs and public policy expenditures.

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

Throughout the quarterly report are forward-looking statements. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward looking-statements are not a guarantee about future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in forward-looking statements may or may not occur.

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited interim consolidated financial statements and supporting notes for the three months ended March 31, 2008. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook Section 1751.

The unaudited interim consolidated financial statements do not contain all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual financial statements released on April 30, 2008.

Management's Discussion and Analysis (continued)

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. The following table lists the subsidiaries and investments, including the respective business line that CIC consolidates in its financial statements.

| Investment | Major Business Line | Form of Investment |
|--|---|-------------------------|
| Saskatchewan Power Corporation (SaskPower) | Electricity | wholly-owned subsidiary |
| Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel) | Telecommunications | wholly-owned subsidiary |
| SaskEnergy Incorporated (SaskEnergy) | Natural Gas | wholly-owned subsidiary |
| Saskatchewan Water Corporation (SaskWater) | Water and Wastewater | wholly-owned subsidiary |
| Information Services Corporation of Saskatchewan (ISC) | Land and Property Registration Services | wholly-owned subsidiary |
| Saskatchewan Government Insurance (SGI) | Property and Casualty | wholly-owned subsidiary |
| Investment Saskatchewan Inc. (IS) | Several Investments | wholly-owned subsidiary |
| Saskatchewan Opportunities Corporation (SOCO) | Infrastructure | wholly-owned subsidiary |
| Saskatchewan Development Fund Corporation (SDFC) | Mutual Fund | wholly-owned subsidiary |
| Saskatchewan Government Growth Fund Management Corporation (SGGF MC) | Immigrant Investor Program | wholly-owned subsidiary |
| Saskatchewan Transportation Company (STC) | Passenger and Freight Transportation | wholly-owned subsidiary |

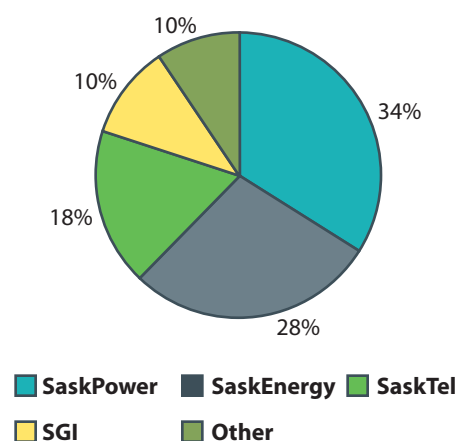
■ Utilities
 ■ Insurance
 ■ Commodity Based Investments
 ■ Economic Growth
 ■ Transportation

Results of Operations

Crown Corporation Earnings (unaudited)

| (millions of dollars) | March 31, 2008 | March 31, 2007 |
|----------------------------------|-----------------|-----------------|
| SaskPower | \$ 71.5 | \$ 42.8 |
| SaskTel | 38.1 | 39.6 |
| SaskEnergy | 59.9 | 47.1 |
| SGI | 21.6 | 21.8 |
| Investment Saskatchewan | 12.2 | 6.0 |
| ISC | 4.6 | 2.0 |
| SaskWater | (0.5) | (0.1) |
| STC | (0.4) | (0.6) |
| SOCO | 1.0 | 1.2 |
| CIC (non-consolidated) and Other | 4.1 | 15.3 |
| Total | \$ 212.1 | \$ 175.1 |

Total Assets by Corporation



Management's Discussion and Analysis (continued)

The Corporation's consolidated earnings for the three months ended March 31, 2008 were \$212.1 million (2007 - \$175.1 million). Excluding income tax recovery of \$1.8 million (2007 - \$0.1 million), non-recurring gains of \$ 8.3 million (2007 - \$ Nil) and net earnings from NewGrade Energy of \$Nil (2007 - \$21.1 million), earnings from ongoing operations were \$202.0 million (2007 - \$153.7 million). First quarter results from ongoing operations in 2008 increased by \$48.3 million due mainly to increased investment revenue and lower operation costs compared to the previous period.

Revenue

Revenues for the first three months of 2008 were \$1,164.6 million (2007 - \$1,181.5 million), a decrease of \$16.9 million. The decrease was due to a \$34.3 million decrease in operating revenue, and other revenue of \$0.3 million offset by an increase in investment revenue of \$17.7 million.

Operating revenues for the first three months of 2008 were \$1,118.7 million (2007 - \$1,153.0 million). The \$34.3 million decrease was mainly attributable to two factors. First, revenue decreased at Investment Saskatchewan by \$38.2 million due to the sale of its operations in Meadow Lake Pulp Mill Limited Partnership (MLPLP) in 2007. Secondly, SaskEnergy revenue decreased \$60.7 million due to lower revenue from commodity sales due to a lower average cost of gas and lower revenue from gas marketing sales. Decreased revenue at SaskEnergy and Investment Saskatchewan was offset by modest increases in revenue at SaskTel, SaskPower and SGI.

Investment earnings for the first three months of 2008 were \$44.3 million (2007 - \$26.5 million). The \$17.8 million increase mainly reflects higher earnings from equity investments at Investment Saskatchewan and interest earned on cash balances held by CIC.

Expenses

Expenses for the first three months of 2008 were \$962.7 million (2007 - \$1,027.8 million), a decrease of \$65.1 million. The decrease was due to decreased operating expenses of \$74.0 million due mainly to the following factors: decreased expenditures at Investment Saskatchewan of \$27.6 was due to the sale of its operations in MLPLP in early 2007; decreased expenditures at SaskEnergy of \$73.5 million was due to lower cost of gas decreasing commodity cost of gas sold by \$60.8 million and lower gas marketing cost of gas due to lower sales; and a decrease in expenditures at SaskPower of \$18.0 million due to lower costs for fuel and purchased power due to a decrease in the cost of natural gas compared to the previous period. These decreases were offset by increases in operating costs at SGI and SaskTel, as well as increased depreciation expense, and Saskatchewan taxes and resource payments.

Other

The Corporation had an \$8.3 million gain in non-recurring items in the quarter (2007 - \$Nil).

Capital Spending

In the first three months of 2008, the Corporation spent \$358.2 million (2007 - \$231.6 million) on investment and capital acquisitions. The \$126.6 million increase reflects a \$107.6 million increase in investing activity, due mainly to decreased turnover of SGI's investment portfolio, and increased capital spending of \$18.9 million.

Debt

Debt at March 31, 2008 was \$3,721.8 million (December 31, 2007 - \$3,858.0 million), a decrease of \$136.2 million. The decrease is due primarily to debt repayments by SaskPower.

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

| Cash Flow Highlights (millions of dollars) | for the three months ended | |
|---|----------------------------|----------------|
| | March 31, 2008 | March 31, 2007 |
| Cash from operations | \$ 174.0 | \$ 629.9 |
| Cash provided by (used in) investing activities | 187.8 | (36.6) |
| Dividends paid | (200.0) | (167.0) |
| Debt proceeds received | 186.2 | 117.7 |
| Debt repaid | (322.6) | (85.1) |
| Other financing activities | 51.2 | 19.0 |
| Increase in cash | \$ 76.6 | \$ 477.9 |

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt as at March 31, 2008

| | |
|-------------------------------------|----------|
| Moody's Investor Service (Moody's) | Aa1 |
| Standard & Poor's (S&P) | AA |
| Dominion Bond Rating Service (DBRS) | AA (low) |

Operating, Investing and Financing Activities

Cash from operations for the three months ended March 31, 2008 was \$174.0 million (2007 - \$629.9 million). The \$455.9 million decrease was primarily due to a decrease in non-cash working capital.

Cash provided by investing activities for the three months ended March 31, 2008 was \$187.8 million (2007 - used in investing activities \$36.6 million). The \$224.4 million decrease reflects the movement of short-term investments to cash and cash equivalents in the quarter.

Cash used in financing activities for the three months ended March 31, 2008 was \$285.2 million (2007 - \$115.4 million). The \$169.8 million decrease is mainly due to long-term debt maturing in the first quarter of 2008.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

Consolidated Statement of Financial Position

| (unaudited) (thousands of dollars) | March 31, 2008 | December 31, 2007 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 926,440 | \$ 848,238 |
| Investments | 62,167 | 356,824 |
| Accounts receivable | 667,010 | 586,349 |
| Inventories | 283,895 | 338,868 |
| Prepaid expenses | 125,127 | 124,790 |
| | 2,064,639 | 2,255,069 |
| Investments | 1,171,973 | 1,164,715 |
| Property, plant, and equipment | 5,953,169 | 5,952,489 |
| Other assets | 253,209 | 256,705 |
| | \$ 9,442,990 | \$ 9,628,978 |
| LIABILITIES AND PROVINCE'S EQUITY | | |
| Current | | |
| Bank indebtedness | \$ 30,657 | \$ 29,082 |
| Accounts payable and accrued liabilities | 544,554 | 606,677 |
| Notes payable | 316,702 | 140,484 |
| Dividend payable to General Revenue Fund | - | 200,000 |
| Deferred revenue | 221,830 | 223,559 |
| Income taxes payable | - | 8,092 |
| Long-term debt due within one year | 169,318 | 490,520 |
| | 1,283,061 | 1,698,414 |
| Long-term debt | 3,235,777 | 3,226,998 |
| Other liabilities | 529,344 | 521,945 |
| | 5,048,182 | 5,447,357 |
| Province of Saskatchewan's Equity | | |
| Equity advances | 1,181,152 | 1,181,152 |
| Contributed surplus | 605 | 605 |
| Retained earnings | 3,183,867 | 2,973,441 |
| Accumulated other comprehensive income | 29,184 | 26,423 |
| | 4,394,808 | 4,181,621 |
| | \$ 9,442,990 | \$ 9,628,978 |

Commitments and contingencies (Note 4 and Note 5)

(See accompanying notes)

Consolidated Statement of Operations and Retained Earnings

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|--|-----------------------------|-----------------------------|
| REVENUE | | |
| Sales of products and services | \$ 1,118,672 | \$ 1,153,049 |
| Investment | 44,252 | 26,514 |
| Other | 1,672 | 1,938 |
| | 1,164,596 | 1,181,501 |
| EXPENSES | | |
| Operating costs other than those listed below | 752,771 | 826,811 |
| Interest | 61,956 | 63,325 |
| Amortization of capital assets | 117,963 | 113,315 |
| Saskatchewan taxes and resource payments | 29,963 | 24,360 |
| | 962,653 | 1,027,811 |
| Earnings before the following | 201,943 | 153,690 |
| Income tax recovery | 1,815 | 74 |
| Gain from discontinued operations | - | 237 |
| NewGrade Energy Inc. net earnings | - | 21,080 |
| Non-recurring items | 8,298 | - |
| NET EARNINGS | 212,056 | 175,081 |
| RETAINED EARNINGS, BEGINNING OF PERIOD | 2,973,441 | 2,471,351 |
| ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (Note 1(c)) | (1,630) | 3,961 |
| DIVIDEND TO GENERAL REVENUE FUND | - | - |
| RETAINED EARNINGS, END OF PERIOD | \$ 3,183,867 | \$ 2,650,393 |

(See accompanying notes)

Consolidated Statement of Comprehensive Income

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|---|-----------------------------|-----------------------------|
| NET EARNINGS | \$ 212,056 | \$ 175,081 |
| Foreign currency translation adjustments | 3,567 | (545) |
| Net derivative adjustment | 146 | - |
| Unrealized gain on cash flow hedges | 3,297 | 13,633 |
| Unrealized gain on available-for-sale investments | (4,249) | 2,686 |
| Other comprehensive income | 2,761 | 15,774 |
| Comprehensive net income | \$ 214,817 | \$ 190,855 |

(See accompanying notes)

Consolidated Statement of Accumulated Other Comprehensive Income

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|---|-----------------------------|-----------------------------|
| Accumulated other comprehensive income beginning of period | \$ 26,423 | \$ 13,313 |
| Other comprehensive income | 2,761 | 15,774 |
| Accumulated other comprehensive income end of period | \$ 29,184 | \$ 29,087 |

(See accompanying notes)

Consolidated Statement of Cash Flows

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|---|-----------------------------|-----------------------------|
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 212,056 | \$ 175,081 |
| Items not affecting cash from operations | 16,777 | 116,280 |
| | 228,833 | 291,361 |
| Net change in non-cash working capital balances related to operations | (54,806) | 328,628 |
| Cash provided by operating activities from continuing operations | 174,027 | 619,989 |
| Cash used in NewGrade Energy Inc. | - | (17,122) |
| Cash provided by operating activities from discontinued operations | - | 27,091 |
| Cash provided by operating activities | 174,027 | 629,958 |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (248,210) | (140,580) |
| Proceeds from sales and collections of investments | 543,517 | 163,744 |
| Purchase of property, plant, and equipment | (109,994) | (91,064) |
| Proceeds from sale of property, plant, and equipment | 510 | 52 |
| Decrease in other assets | 1,950 | 31,203 |
| Cash provided by (used in) investing activities | 187,773 | (36,645) |
| FINANCING ACTIVITIES | | |
| Increase (decrease) in notes payable | 176,218 | (28,342) |
| Increase in deferred revenue and other liabilities | 3,100 | 30,035 |
| Debt proceeds from General Revenue Fund | 5,000 | 117,705 |
| Debt repayments to General Revenue Fund | (320,800) | (8,825) |
| Debt proceeds from other lenders | 5,014 | - |
| Debt repayments to other lenders | (1,807) | (47,898) |
| Sinking fund instalments | (11,238) | (11,072) |
| Sinking fund redemptions | 59,340 | - |
| Dividend paid to General Revenue Fund | (200,000) | (167,000) |
| Cash used in financing activities | (285,173) | (115,397) |
| NET INCREASE IN CASH DURING PERIOD | 76,627 | 477,916 |
| CASH POSITION, BEGINNING OF PERIOD | 819,156 | 62,230 |
| CASH POSITION, END OF PERIOD | \$ 895,783 | \$ 540,146 |
| Cash position consists of: | | |
| Cash from continuing operations | \$ 926,440 | \$ 440,022 |
| Bank indebtedness from continuing operations | (30,657) | (19,556) |
| | 895,783 | 420,466 |
| Cash from NewGrade Energy Inc. | - | 22,546 |
| Cash from discontinued operations | - | 97,134 |
| | \$ 895,783 | \$ 540,146 |

(See accompanying notes)

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

1. Summary of Significant Accounting Policies

The interim consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 30, 2008.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual amounts could differ from these estimates.

The accounting policies used in the preparation of these interim financial statements conform to those used in the most recent annual statements.

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of CIC under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and its wholly-owned share capital subsidiaries First Nations and Métis Fund Inc., CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd.

Separate unaudited interim financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate unaudited interim financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these interim financial statements:

| | |
|---|---|
| Information Services Corporation of Saskatchewan (ISC), | Saskatchewan Government Insurance (SGI), |
| Investment Saskatchewan Inc. (IS), | Saskatchewan Opportunities Corporation (SOCO), |
| SaskEnergy Incorporated (SaskEnergy), | Saskatchewan Power Corporation (SaskPower), |
| Saskatchewan Development Fund Corporation (SDFC), | Saskatchewan Telecommunications Holding Corporation (SaskTel), |
| Saskatchewan Government Growth Fund Management Corporation (SGGFMC), | Saskatchewan Telecommunications |
| | Saskatchewan Transportation Company (STC), |
| | Saskatchewan Water Corporation (SaskWater) |

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

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's shares of jointly controlled enterprises included in these interim financial statements are as follows:

| | |
|---|-----|
| Apex Investment Fund Partnership | 57% |
| Centennial Foods Partnership | 33% |
| Cory Cogeneration Funding Corporation | 50% |
| Cory Cogeneration Joint Venture | 50% |
| Foragen Technologies Limited Partnership | 33% |
| Heritage Gas Limited | 50% |
| Kisbey Gas Gathering and Processing Facility | 50% |
| Saskatchewan Entrepreneurial Fund Joint Venture | 45% |

c) Change in accounting policy

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 CICA Handbook Section 3031 - Inventories. 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. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year results. Upon the adoption of the new standard, the impact of applying this change in accounting policy effective January 1, 2008 was as follows (thousands of dollars):

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

1. Summary of Significant Accounting Policies (continued)

c) Change in accounting policy (continued)

| | January 1, 2008 |
|------------------------------|-----------------|
| Inventory | \$ (4,569) |
| Total assets | \$ (4,569) |
| Accounts payable | \$ (2,939) |
| Retained earnings | (1,630) |
| Total liabilities and equity | \$ (4,569) |

d) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the financial statements upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding marketing sales contracts are recorded as gains or losses in the period of change.

Natural gas commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to the customers.

Telecommunications

Revenues are recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

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

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

1. Summary of Significant Accounting Policies (continued)

d) Revenue recognition (continued)

Property and casualty insurance

Premiums written are taken into income over the terms of the related policies; no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Investment income

Interest earned on long-term investments classified as held-to-maturity is recognized based on the effective interest method except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

e) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan, and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Capital Disclosures

The Corporation closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates an excessive debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by end of period capitalization. Net debt is defined as total debt less sinking funds. Capitalization includes net debt, equity advances, and contributed surplus and retained earnings at the period end.

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

3. Capital Disclosures (continued)

The Corporation does not have share capital. However, the Corporation has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown Corporation's plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation compiles a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2008 is 53%.

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

The debt ratio is as follows:

| (thousands of dollars) | March 31, 2008 | December 31, 2007 |
|------------------------|----------------|-------------------|
| Total debt | \$ 3,721,797 | \$ 3,858,002 |
| Less: Sinking funds | 297,329 | 337,400 |
| Net debt | 3,424,468 | 3,520,602 |
| Equity | 4,365,624 | 4,155,198 |
| Capitalization | \$ 7,790,092 | \$ 7,675,800 |
| Debt ratio | 44.0% | 45.9% |

4. Contingencies

- The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations.
- On August 9, 2004, a proceeding under the **Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. 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.

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

4. Contingencies (continued)

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 defences 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.

- c) On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against the Corporation, and several current and former officers and employees of the Corporation. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communications Systems license in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of the 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 \$87.0 million.

The Corporation believes that it has strong defence to the allegations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operation could result.

5. Commitments

- a) CIC has committed to fund TransCanada Energy Inc. a forgivable loan up to \$26.0 million. The funding is expected to occur through 2008, and is expected to provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstock.
- b) The Corporation is committed to fund \$6.6 million for a new bus terminal in Regina in 2008.

6. Financial Instruments and Risk Management

The Corporation is exposed to fluctuations in commodity prices including natural gas, electricity, hog sales and feed component purchases, foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

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

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

6. Financial Instruments and Risk Management (continued)

| (thousands of dollars) | | March 31, 2008 | | December 31, 2007 | |
|--|-----------------|-----------------|------------|-------------------|------------|
| Financial Instruments | Classification* | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | | |
| Cash and cash equivalents | HFT | \$ 926,440 | \$ 926,440 | \$ 848,238 | \$ 848,238 |
| Accounts receivable | LAR | 667,010 | 667,010 | 586,349 | 586,349 |
| Investments - fair value | HTM | 3,238 | 3,238 | 4,706 | 4,706 |
| Investments - sinking funds - fair value | HFT | 297,329 | 297,329 | 337,400 | 337,400 |
| Investments - fair value | HFT | 91,160 | 91,160 | 326,208 | 326,208 |
| Investments - cost | AFS | 43,581 | (i) | 32,388 | (i) |
| Investments - fair value | AFS | 493,573 | 493,573 | 513,836 | 513,836 |
| Investments - loans | LAR | 57,923 | (i) | 56,810 | (i) |
| Financial Liabilities | | | | | |
| Bank indebtedness | HFT | \$ 30,657 | \$ 30,657 | \$ 29,082 | \$ 29,082 |
| Accounts payable and accrued liabilities | OL | 544,554 | 544,554 | 606,677 | 606,677 |
| Notes payable | OL | 316,702 | 316,702 | 140,484 | 140,484 |
| Income taxes payable | OL | - | - | 8,092 | 8,092 |
| Dividend payable to the GRF | OL | - | - | 200,000 | 200,000 |
| Long-term debt | OL | 3,405,095 | 4,159,251 | 3,717,518 | 4,454,808 |

| (thousands of dollars) | | March 31, 2008 | | December 31, 2007 | |
|---------------------------------------|-----------------|----------------|-------------|-------------------|-------------|
| Derivative Instruments | Classification* | Asset | (Liability) | Asset | (Liability) |
| Physical natural gas contracts | HFT | \$ 9,345 | \$ (10,603) | \$ 11,872 | \$ (15,298) |
| Natural gas price swaps | HFT | 54,465 | - | 21,053 | (18,153) |
| Natural gas price options | HFT | 602 | - | 3,651 | (16,718) |
| Physical electricity forwards | HFT | 2,004 | (1,776) | 91 | (134) |
| Electricity contracts for differences | HFT | 297 | (2,364) | 41 | - |
| Interest rate swap | HFT | - | (322) | - | (54) |
| Foreign exchange forward contracts | HFT | 164 | - | - | (223) |
| Commodity forward contracts | HFT | 1,687 | - | 1,728 | - |

*Classification details are:

HFT - held-for-trading

LAR - loans and receivables

AFS - available-for-sale

OL - other liabilities

- (i) The uncertainty and potentially broad range of fair values for Investments - cost and investments - loans renders the disclosure of a fair value with appropriate reliability impractical.

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

6. Financial Instruments and Risk Management (continued)

a) Commodity price risk management

Power generation

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through certain gas price-based power purchase agreements which have a cost component based on the price of natural gas. As at March 31, 2008, the Corporation had entered into natural gas contracts to hedge approximately 40 percent of its natural gas purchases for 2008 and 17 percent for 2009 for purposes of electrical generation. Based on the Corporation's March 31, 2008 closing positions on its fixed price swap instruments a \$1 dollar per gigajoule increase in price of natural gas would have resulted in a \$13 million increase in the unrealized market value gains recognized in net income in the quarter.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. Fluctuations in electricity prices on outstanding trading contracts would not be significant to these financial statements.

Natural gas sales

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation uses for price risk management include natural gas price swaps, options, swaptions and futures contracts. An increase of \$1 in natural gas prices would increase net income by \$10 million, while a decrease of \$1 would decrease net income by \$10 million.

Hog marketing

The Corporation is exposed to price risk on future hog sales and feed component purchases. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). Fluctuations in hog market prices would not be significant to these financial statements.

b) Market risk

Market risk represents potential the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at March 31, 2008 was \$90.6 million. A 10 per cent change in these markets would have the following effects on the Corporations comprehensive income and other comprehensive income at March 31, 2008:

- S&P / TSX Composite Index - \$5.5 million
- S&P 500 Index - \$1.9 million
- MSCI EAFE Index - \$1.6 million

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

6. Financial Instruments and Risk Management (continued)

b) Market risk (continued)

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, \$297.3 million in sinking funds which is required for certain long-term debt issues. At March 31, 2008 the Ministry of Finance has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low.

c) Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. 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.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, money market investments, interest and dividends receivable, debentures, loans and other advances and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

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

| (thousands of dollars) | March 31, 2008 | December 31, 2007 |
|-------------------------------------|----------------|-------------------|
| Cash and cash equivalents | \$ 926,440 | \$ 848,238 |
| Short-term investments | 62,167 | 356,824 |
| Accounts receivable | 667,010 | 586,349 |
| Investments - held for trading | 352,958 | 356,981 |
| Investments - available for sale | 510,518 | 465,688 |
| Investments - loans and receivables | 57,923 | 56,810 |
| | \$ 2,577,016 | \$ 2,670,890 |

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

6. Financial Instruments and Risk Management (continued)

d) Credit risk (continued)

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At March 31, 2008 the Corporation had a balance of \$13.8 million recorded in the allowance for doubtful accounts.

e) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of March 31, 2008. The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and mortgage investments. Duration is a measure used to estimate the extent market values of fixed income investments change with the changes in interest rates. Using this measure, it is estimated that a 100 basis point increase would decrease other comprehensive income and accumulated comprehensive income by \$15.1 million at March 31, 2008.

f) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation through its diversified holdings and through its capital allocation and dividend policies can allocate resources to ensure that all financial commitments made are met. Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants or be provided or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of the Corporation's financial liabilities at March 31, 2008:

| (thousands of dollars) | Carrying Amount | 2008 | 2009 | 2010 | 2011 | 2012 and Beyond |
|------------------------|---------------------|-------------------|------------------|-------------------|------------------|---------------------|
| Accounts payable | \$ 544,554 | \$ 544,554 | \$ - | \$ - | \$ - | \$ - |
| Long-term debt | 3,405,095 | 169,318 | 62,239 | 175,106 | 27,522 | 2,970,910 |
| | \$ 3,949,649 | \$ 713,872 | \$ 62,239 | \$ 175,106 | \$ 27,522 | \$ 2,970,910 |

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2008

7. Subsequent Event

On February 6, 2008 it was proclaimed by Order in Council 83/2008 that the **Saskatchewan Gaming Corporation Amendment Act, 2007** will come into force on April 1, 2008. The Act designates Saskatchewan Gaming Corporation as a CIC Crown corporation and therefore the Saskatchewan Gaming Corporation will be consolidated into the financial statements of the Corporation.

8. Comparative Figures

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

Non-Consolidated Financial Statements

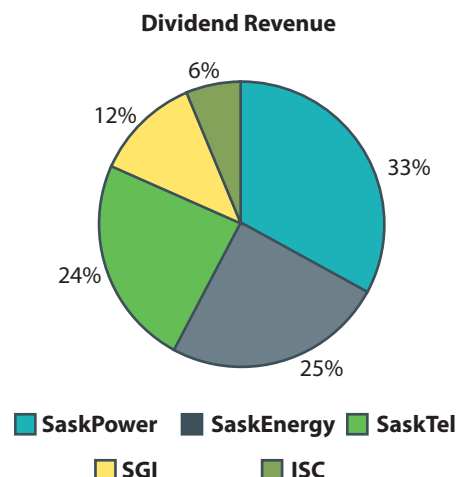
Management's Discussion and Analysis

CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability.

This narrative on CIC's non-consolidated March 31, 2008 first quarter results should be read in conjunction with the March 31, 2008 unaudited non-consolidated financial statements.

The unaudited interim non-consolidated financial statements do not contain all the disclosures included in CIC's annual audited non-consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual non-consolidated financial statements released on April 30, 2008.

For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.



| CIC Non-Consolidated First Quarter Earnings (unaudited) (millions of dollars) | |
|---|----------------|
| Dividend revenue from Crown corporations | \$ 51.1 |
| Add: Interest and other revenue | 8.8 |
| Less: General, administrative, and other expenses | (4.1) |
| Grants to subsidiaries | (6.5) |
| Total Non-Consolidated Earnings | \$ 49.3 |

Earnings

Earnings for the first quarter of 2008 were \$49.3 million (2007 - \$41.7 million). First quarter earnings increased \$7.6 million from the same period in 2007. The \$7.6 million increase is primarily due to an increase in dividend revenue of \$2.1 million, interest and other revenue of \$5.6 million and a decrease in grants to subsidiary Crown corporations of \$0.5 million, offset by an increase in operating expenses of \$0.6 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the three months ended March 31, 2008 was \$51.1 million (2007 - \$49.0 million). The \$2.1 million increase was due to higher dividends from SaskTel (\$4.8 million), SGI (\$0.1 million) and ISC (\$2.7 million) partially offset by decreased dividends from SaskPower (\$5.4 million) and SaskEnergy (\$0.1 million).

For the first quarter of each year, dividends from subsidiary Crown corporations are based on 25 percent of their budgeted dividend for the year. The budgeted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. For the remaining three quarters, dividend payments will be adjusted based on actual earnings and projections to year end. For the current year, CIC has assumed payout rates of 50 percent of earnings at SaskPower, 65 percent of earnings at SaskTel and SGI, 80 percent at SaskEnergy and Saskatchewan Gaming Corporation (SGC), 90 percent at ISC and 30 percent at Investment Saskatchewan. These payout rates reflect the need of these subsidiary corporations to retain capital to move to their respective industry benchmarked financial structures and to upgrade infrastructure.

Administrative Expenses

Expenses were \$4.1 million for the three months ended March 31, 2008 (2007 - \$3.5 million). The increase of \$0.6 million was due mainly to increased loan funding to TransCanada Energy Inc. and increased costs for salaries and benefits offset by decreased consulting and legal costs.

During the first three months of 2008, CIC provided \$4.6 million (2007 - \$4.2 million), in grants to STC, which included \$3.1 million for the construction of the Regina terminal and head office, \$1.9 million (2007 - \$2.1 million) in grants to SaskEnergy to fund the EnerGuide for Houses Matching Grant Program and \$Nil (2007 - \$0.7 million) to Gradworks Inc., a non-profit subsidiary of CIC which provides recent post-secondary graduates with internships in CIC subsidiary Crown corporations.

CIC's 2008 budget includes public policy and grant funding expenditures as follows: \$7.0 million in operating grants and \$8.9 million in capital grants to STC, of which \$6.6 million of the capital grants is allocated for funding the new bus terminal in Regina; \$8.2 million of funding to SaskEnergy for the EnerGuide for Houses Matching Grant Program; and, \$2.1 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights

| for the three months ended (thousands of dollars) | March 31, 2008 | December 31, 2007 |
|---|----------------|-------------------|
| Cash from operations | \$ 65.9 | \$ 105.3 |
| Investing activities | 305.7 | 18.9 |
| Dividends paid | (200.0) | (167.0) |
| Change in cash | \$ 171.6 | \$ (42.8) |

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources (continued)

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations for the three months ended March 31, 2008 was \$65.9 million (2007 - \$105.3 million). The \$39.4 million decrease was due mainly to substantially lower dividends collected in the first quarter of 2008 compared to 2007.

Cash provided by investing activities for the three months ended March 31, 2008 was \$305.7 million (2007 - \$18.9 million). During the quarter, CIC had \$306.5 million of its short-term investments mature.

Cash used in financing activities was \$200.0 million (2007 - \$167.0 million). Financing activities in 2008 consisted of dividends paid to the GRF.

Debt Management

CIC as a legal entity has no debt. Currently, CIC has no borrowing requirements.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2008 to be slightly lower than dividends declared in 2007.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Non-Consolidated Statement of Financial Position

| (unaudited) (thousands of dollars) | March 31, 2008 | December 31, 2007 |
|---|---------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 729,609 | \$ 558,030 |
| Short-term investments | - | 306,460 |
| Interest and accounts receivable | 3,662 | 3,285 |
| Dividends receivable | 51,093 | 67,721 |
| | 784,364 | 935,496 |
| Equity advances to Crown corporations | 1,075,382 | 1,075,382 |
| Investments in share capital corporations | 278,046 | 277,297 |
| Equipment | 322 | 336 |
| | \$ 2,138,114 | \$ 2,288,511 |
| LIABILITIES AND PROVINCE'S EQUITY | | |
| Interest and accounts payable | \$ 1,482 | \$ 1,187 |
| Dividend payable to General Revenue Fund | - | 200,000 |
| | 1,482 | 201,187 |
| Province of Saskatchewan's Equity | | |
| Equity advances | 1,181,152 | 1,181,152 |
| Retained earnings | 955,480 | 906,172 |
| | 2,136,632 | 2,087,324 |
| | \$ 2,138,114 | \$ 2,288,511 |

Commitments (Note 5)

(See accompanying notes)

Non-Consolidated Statement of Operations and Comprehensive Income

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|---|-----------------------------|-----------------------------|
| REVENUE | | |
| Dividend (Note 6) | \$ 51,093 | \$ 48,978 |
| Interest | 8,786 | 3,209 |
| Other | 6 | 4 |
| | 59,885 | 52,191 |
| EXPENSES | | |
| General, administrative and other | 4,090 | 3,469 |
| Depreciation | 34 | 32 |
| | 4,124 | 3,501 |
| Earnings before the following | 55,761 | 48,690 |
| Grant to Saskatchewan Transportation Company | (4,600) | (4,250) |
| Grant to SaskEnergy | (1,853) | (2,054) |
| Grant to Gradworks Inc. | - | (690) |
| NET EARNINGS | 49,308 | 41,696 |
| OTHER COMPREHENSIVE INCOME | - | - |
| COMPREHENSIVE INCOME | \$ 49,308 | \$ 41,696 |

(See accompanying notes)

Non-Consolidated Statement of Retained Earnings

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|---|-----------------------------|-----------------------------|
| RETAINED EARNINGS, BEGINNING OF PERIOD | \$ 906,172 | \$ 529,265 |
| NET EARNINGS | 49,308 | 41,696 |
| DIVIDEND TO GENERAL REVENUE FUND | - | - |
| RETAINED EARNINGS, END OF PERIOD | \$ 955,480 | \$ 570,961 |

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

| For The Period (unaudited) (thousands of dollars) | January 1 to March 31, 2008 | January 1 to March 31, 2007 |
|--|-----------------------------|-----------------------------|
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 49,308 | \$ 41,696 |
| Add (deduct) non-cash items: | | |
| Depreciation | 34 | 32 |
| | 49,342 | 41,728 |
| Net change in non-cash working capital balances related to operations | 16,547 | 63,583 |
| Cash provided by operating activities | 65,889 | 105,311 |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (749) | (1,781) |
| Proceeds from the sale of investments | 306,460 | - |
| Proceeds from redemption of Investment Saskatchewan shares | - | 20,677 |
| Purchase of equipment | (21) | (2) |
| Cash provided by investing activities | 305,690 | 18,894 |
| FINANCING ACTIVITIES | | |
| Dividend paid | (200,000) | (167,000) |
| Cash used in financing activities | (200,000) | (167,000) |
| NET CHANGE IN CASH DURING PERIOD | 171,579 | (42,795) |
| CASH POSITION, BEGINNING OF PERIOD | 558,030 | 310,472 |
| CASH POSITION, END OF PERIOD | \$ 729,609 | \$ 267,677 |

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

(unaudited)

March 31, 2008

1. Summary of Significant Accounting Policies

The interim non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual non-consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 30, 2008.

The accounting policies used in the preparation of these interim financial statements conform to those used in the most recent annual statements.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

| | |
|--|---|
| Information Services Corporation of Saskatchewan | Saskatchewan Opportunities Corporation |
| Investment Saskatchewan Inc. | Saskatchewan Power Corporation |
| SaskEnergy Incorporated | Saskatchewan Telecommunications |
| Saskatchewan Development Fund Corporation | Saskatchewan Telecommunications Holding Corporation |
| Saskatchewan Government Growth Fund Management Corporation | Saskatchewan Transportation Company |
| Saskatchewan Government Insurance | Saskatchewan Water Corporation |

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation, and a sole shareholder of First Nations and Métis Fund Inc., CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd., which are wholly-owned share capital subsidiaries.

Notes to Non-Consolidated Financial Statements

(unaudited)

March 31, 2008

3. Change in Accounting Policies

Effective January 1, 2008, CIC 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 CIC's operating results.

Effective January 1, 2008, CIC 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 CIC'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 CIC's operating results.

4. Capital Disclosures

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt. Equity advances from the GRF have been invested in subsidiary Crown corporations.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

5. Commitments

- a) CIC has agreed to fund, through capital grants, Saskatchewan Transportation Company's new terminal facilities in Regina. CIC is expecting to fund \$6.6 million of the commitment in 2008.
- b) CIC has committed to fund TransCanada Energy Inc. a forgivable loan up to \$26 million. The funding is expected to occur through 2008, and is expected to provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstock.

Notes to Non-Consolidated Financial Statements

(unaudited)

March 31, 2008

6. Dividend Revenue

Dividend revenue consists of the following:

| (thousands of dollars) | 2008 | 2007 |
|---|------------------|------------------|
| Saskatchewan Power Corporation | \$ 16,430 | \$ 21,889 |
| Saskatchewan Telecommunications Holding Corporation | 12,319 | 7,500 |
| SaskEnergy Incorporated | 12,875 | 12,951 |
| Saskatchewan Government Insurance | 6,274 | 6,138 |
| Information Services Corporation | 3,195 | 500 |
| | \$ 51,093 | \$ 48,978 |

7. Subsequent Event

On February 6, 2008 it was proclaimed by Order in Council 83/2008 that the **Saskatchewan Gaming Corporation Amendment Act, 2007** will come into force on April 1, 2008. The Act designates Saskatchewan Gaming Corporation as a CIC Crown corporation and therefore the Saskatchewan Gaming Corporation will be consolidated into the financial statements of CIC.