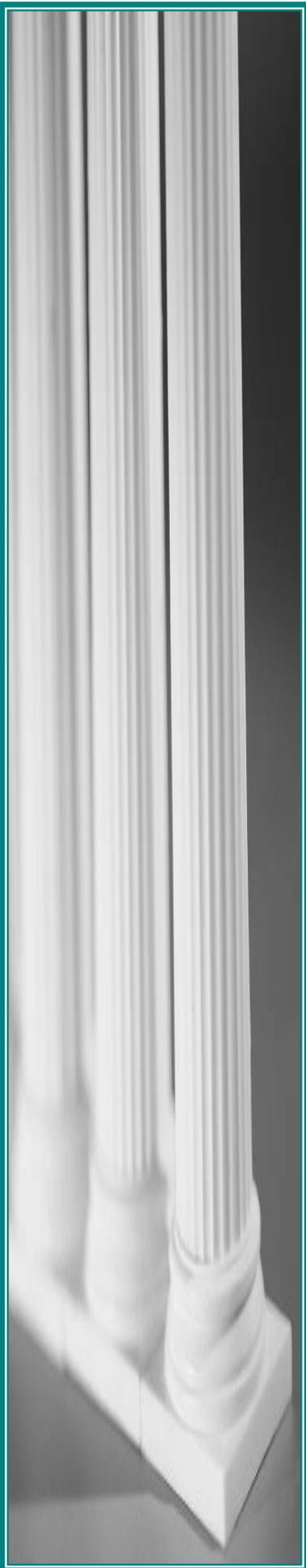


2009

Quarter One Financial Report March 31, 2009

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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 2009 first quarter financial results should be read in conjunction with the December 31, 2008 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:

- Financial results of subsidiary Crown corporations:

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 Gaming Corporation (SGC)	Saskatchewan Telecommunications
Saskatchewan Government Growth Fund Management Corporation (SGGF MC) ¹	Saskatchewan Transportation Company (STC)
	Saskatchewan Water Corporation (SaskWater)

¹ SGGF MC was dissolved effective March 31, 2009.

- 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 and short-term investment balances.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

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 financial statements have not been and are not intended to be prepared in accordance with GAAP. These financial 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 from subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, SGC, IS, SGGF MC and ISC);
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's interest income on cash and short-term investment balances and operating costs.

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

Throughout the quarterly report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue" or other expressions that relate to estimations or future events. 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 the 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 the 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, 2009. These interim financial statements have been prepared in accordance with CICA 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 December 31, 2008 annual audited consolidated financial statements.

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
Saskatchewan Gaming Corporation (SGC)	Entertainment	wholly-owned subsidiary
Investment Saskatchewan Inc. (IS)	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) ¹	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

■ Utilities
 ■ Insurance
 ■ Entertainment
 ■ Investment and Economic Growth
 ■ Transportation

¹ Dissolved effective March 31, 2009.

Crown Corporations Earnings		
For the three months ended (millions of dollars) (unaudited)		
	March 31 2009	March 31 2008
SaskPower	\$ 1.0	\$ 71.5
SaskTel	44.3	38.1
SaskEnergy	31.7	59.9
SGI	13.2	21.6
Investment Saskatchewan	(6.5)	12.2
SGC	6.3	-
ISC	1.5	4.6
SaskWater	(0.3)	(0.5)
STC	(0.2)	(0.4)
SOCO	1.3	1.0
CIC (non-consolidated) and Other	(7.1)	4.2
Total	\$ 85.2	\$ 212.2

Management's Discussion and Analysis (continued)

The Corporation's consolidated earnings for the three months ended March 31, 2009 were \$85.2 million (2008 - \$212.2 million). Excluding the loss from discontinued operations of \$0.6 million (2008 - \$0.4 million), earnings for the three month period were \$85.8 million (2008 - \$212.6 million). Increased earnings at SaskTel, marginal earnings improvements at STC, SaskWater and SOCO, as well as the period over period earnings increase related to the first time inclusion of SGC results subsequent to April 1, 2008, were more than offset by lower earnings from all other subsidiaries.

Revenue

Revenue for the first three months of 2009 was \$1,365.6 million (2008 - \$1,163.7 million), an increase of \$201.9 million compared to the same period in 2008.

Revenue from the sale of products and services for the period was \$1,345.4 million (2008 - \$1,116.5 million). The \$228.9 million increase was due to many factors. SaskEnergy sales of products and services increased by \$163.3 million due primarily to higher natural gas marketing sales, an incremental \$72.7 million increase in unrealized fair value gains on outstanding natural gas contracts, higher average commodity rates for natural gas sold and higher commodity natural gas sales volumes attributed to Saskatchewan weather being an average of eleven per cent colder during the first three months of 2009 versus 2008. SaskPower sales of products and services increased \$6.4 million due to higher electricity sales volumes in the residential, commercial and oilfield sectors. Investment Saskatchewan sales increased \$5.7 million tied to higher hog revenues at Big Sky Farms given improved hog prices and comparatively better US dollar foreign exchange rates. SGI sales increased \$7.6 million due mainly to policy growth and increased premiums related to the Saskatchewan economy and increased property values, as well as premium growth in all out of province jurisdictions. SaskTel sales increased \$4.7 million driven primarily by continued growth in cellular and MAXTM Entertainment Services and higher subsidiary revenues, partially offset by reduced wholesale long distance revenues. The Corporation also consolidated an incremental \$32.2 million in SGC gaming revenues due to SGC being designated a CIC Crown corporation on April 1, 2008.

Investment earnings for the first three months of 2009 were \$18.3 million (2008 - \$45.4 million) or \$27.1 million lower than the same period in 2008. The Corporation experienced an overall \$14.4 million decrease in investment earnings due to a combination of significantly lower available interest rates, lower realized gains on bonds, realized losses on common shares and \$2.4 million in investment writedowns at SGI all tied to the global economic downturn. Equity earnings at Investment Saskatchewan decreased by \$12.7 million primarily related to the sale of Saskferco Products Inc. (Saskferco) in October, 2008.

Expenses

Expenses for the first three months of 2009 were \$1,279.8 million (2008 - \$959.4 million), an increase of \$320.4 million.

The increase in expenses is primarily due to: (1) a \$193.2 million increase in expenses at SaskEnergy resulting from increased gas marketing and commodity cost of gas sold in support of higher sales volumes as well as the unfavourable impact of \$115.8 million in unrealized fair market value losses on its natural gas management activities;

Management's Discussion and Analysis (continued)

Expenses (continued)

(2) a \$74.8 million increase in SaskPower expenses due primarily to \$56.3 million in incremental unrealized losses and \$11.0 million in incremental realized losses on its natural gas management activities, as well as \$17.0 million in increased operating, maintenance and administration expenses due primarily to higher defined benefit pension plan expenses as a result of significant losses on plan assets in 2008 caused by the global economic downturn. These losses were partially offset by reduced fuel and purchased power costs due to favourable fuel mix variances and lower average fuel prices; (3) the consolidation of an incremental \$26.0 million in SGC gaming expenses due to SGC being designated a CIC Crown corporation on April 1, 2008; (4) an increase of \$9.0 million in expenses at SGI due to increased claims incurred, higher commissions and premium taxes, and higher administrative expenses related to increased salary and benefit costs; and (5) an incremental \$10.3 million in Saskatchewan taxes and fees mainly caused by \$6.7 million in gaming fees paid to the GRF as required by gaming profit sharing legislation.

Capital Spending

In the first three months of 2009, CIC spent \$264.1 million (2008 - \$358.6 million) on investment and capital acquisitions. Although the Corporation increased capital spending by \$49.6 million compared to the same period last year, this was more than offset by \$144.1 million in reduced investment purchases. SaskPower incurred \$38.6 million in higher capital spending due mainly to increased customer connections and several electrical generation capital projects including \$21.0 million on the Ermine gas turbine project and \$38.0 million on gas turbines at the Queen Elizabeth Power Station. SaskTel increased capital spending by \$10.4 million compared to the same period in 2008 due primarily to the Saskatchewan Infrastructure Improvement Program, which is intended to provide broadband services to 100.0 per cent of rural Saskatchewan, cellular expansion to 98.0 per cent of the Saskatchewan population and backbone infrastructure upgrades to increase the speed of basic internet services. The Corporation reduced investment purchases by \$144.1 million including a \$104.0 million decrease in SGI purchases due to the downturn in financial markets which resulted in less turnover of the SGI investment portfolio compared to the same period in 2008, and \$15.6 million lower investment purchases by Investment Saskatchewan due mainly to a \$12.0 million investment in Wave Energy made in 2008.

Debt at March 31, 2009 was \$4,014.0 million (December 31, 2008 - \$4,035.7 million), a decrease of \$21.7 million, primarily related to the repayment of SaskEnergy notes payable.

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, 2009

Moody's Investor Service	Aa1
Standard & Poor's	AA+
Dominion Bond Rating Service	AA (low)

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)	For the three months ended	
	March 31 2009	March 31 2008
Cash from operations	\$ 223.6	\$ 174.4
Cash provided by investing activities	481.9	187.4
Dividends paid	(150.0)	(200.0)
Debt proceeds received	50.5	10.0
Debt repaid	(2.2)	(322.6)
Other financing activities	(77.0)	227.4
Increase in cash	\$ 526.8	\$ 76.6

Operating, Investing and Financing Activities

Cash from operations for the three months ended March 31, 2009 was \$223.6 million (2008 - \$174.4 million). Although net earnings for the quarter decreased by \$127.0 million this was more than offset by a \$163.1 million increase in items not affecting cash from operations resulting in an overall cash impact from earnings which was \$36.1 million higher than the same period in 2008. Cash from operations was also positively impacted by a \$12.2 million change in non-cash working capital balances and \$0.9 million in increased cash provided by operating activities from discontinued operations.

Cash provided by investing activities for the three months ended March 31, 2009 was \$481.9 million (2008 - \$187.4 million) which was a \$294.5 million increase from 2008. The Corporation reduced investment purchases by \$144.1 million including a \$104.0 million decrease in SGI purchases due to the downturn in financial markets which resulted in less turnover of the SGI investment portfolio compared to the same period in 2008, and \$15.6 million less investment purchases by Investment Saskatchewan due mainly to a \$12.0 million investment in Wave Energy made in 2008. The Corporation realized \$205.1 million in higher proceeds from the sale and collection of investments. Proceeds realized by CIC (non-consolidated) increased by \$322.5 million from 2008 due to selling its short-term investments and reinvesting those monies in cash equivalents with a maturity of less than 90 days. This increase was only partially offset by a \$110.3 million reduction in SGI investment proceeds related to lower investment turnover given the downturn in financial markets. The Corporation increased capital spending by \$49.6 million compared to the same period last year due mainly to \$38.6 million in increased expenditures at SaskPower related to increased customer connections and several electrical generation capital projects, as well as \$10.4 million in increased capital spending by SaskTel due primarily to the Saskatchewan Infrastructure Improvement Program.

Cash used in financing activities for the three months ended March 31, 2009 was \$178.7 million (2008 - \$285.2 million). The \$106.5 million decrease results from reduced dividends to the GRF of \$50.0 million, a \$40.5 million increase in debt proceeds, a \$2.3 million net decrease in other liabilities and restricted cash and cash equivalents, and a decrease in debt repayments of \$320.4 million, partially offset by a \$245.1 million decrease in notes payable and a \$61.6 million decrease in net sinking fund redemptions.

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.

Management's Discussion and Analysis (continued)

Outlook

The Corporation's outlook related to net earnings is highly dependent upon the performance and management of the subsidiary Crown Corporations. Based on the year-to-date performance of the subsidiary Crown Corporations and the projected Crown Corporation performance for the remaining balance of the year, the Corporation anticipates solid earnings in 2009. However, 2009 results will be significantly less than 2008 due to the one-time impact of the sale of Saskferco on 2008 earnings. Earnings expectations are also subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. In 2009, the Corporation anticipates continued increased capital expenditures for electrical operations at SaskPower, on-going competitive pressures within the telecommunications and property and casualty insurance industries, and continued volatility in financial markets which may further impact natural gas management activities and the valuation of pensions and investments.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February, 2008, the CICA Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including CIC and its subsidiaries. At this time the final outcome of these deliberations is not determinable and therefore the need for CIC and its subsidiaries to adopt IFRS has not been firmly established. Given the considerable effort required to prepare for the adoption of IFRS within the communicated timelines, the Corporation and its subsidiaries are proceeding under the assumption that adoption of IFRS will be required.

The Corporation, in tandem with its subsidiaries, has commenced an IFRS conversion project including initiating the development of high level IFRS implementation plans for each subsidiary that include stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. An external advisor has been engaged to assist with the development of plans and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS, in general, and CIC and subsidiary project plans have been reviewed by the related Boards of Directors.

Management and staff from CIC have participated in detailed IFRS training seminars. Project teams have completed an initial assessment of those international financial reporting standards with the highest potential for impacts on either individual Crowns or for the Crown sector as a whole. Based on the analysis to date, the most significant areas of difference are related to accounting for property, plant and equipment, asset retirement obligations, joint ventures, employee future benefits and financial statement disclosures. Working groups have been formed to review identified standards in detail and discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution. Selection of cross sector and/or subsidiary specific accounting policies has begun. At this time, the impact of IFRS on CIC's processes, systems, internal controls over financial reporting and disclosures, future financial position and results of operations is not reasonably determinable. Draft impacts on processes, systems and controls as well as draft IFRS financial statement presentation formats are anticipated in the second half of 2009. As part of the IFRS implementation, CIC plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position
(unaudited)
(thousands of dollars)

	March 31	December 31
	<u>2009</u>	<u>2008</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,400,490	\$ 878,051
Short-term investments	61,122	740,011
Restricted cash and cash equivalents (Note 3)	85,256	85,848
Accounts receivable	587,995	563,564
Derivative financial assets (Note 4)	82,128	47,396
Inventories (Note 5)	328,671	385,566
Prepaid expenses	131,968	129,161
Assets from discontinued operations (Note 6)	<u>9,044</u>	<u>14,403</u>
	2,686,674	2,844,000
Restricted cash and cash equivalents (Note 3)	229,395	231,732
Investments	1,071,521	1,008,683
Property, plant, and equipment (Note 1(c))	6,143,379	6,109,275
Other assets (Note 1(c))	378,625	387,080
Long-term assets of discontinued operations (Note 6)	<u>7,157</u>	<u>8,878</u>
	<u>\$ 10,516,751</u>	<u>\$ 10,589,648</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	\$ 27,444	\$ 32,643
Accounts payable and accrued liabilities	516,675	543,614
Derivative financial liabilities (Note 4)	182,679	100,971
Notes payable	153,135	222,480
Dividend payable to General Revenue Fund	-	150,000
Deferred revenue	245,739	274,378
Liabilities from discontinued operations (Note 6)	6,891	9,006
Long-term debt due within one year (Note 4)	<u>105,049</u>	<u>100,731</u>
	1,237,612	1,433,823
Long-term debt (Note 4)	3,755,843	3,712,513
Other liabilities (Note 3(a))	<u>816,653</u>	<u>823,225</u>
	<u>5,810,108</u>	<u>5,969,561</u>
Province of Saskatchewan's Equity		
Equity advances	1,051,152	1,051,152
Contributed surplus	722	722
Retained earnings	3,668,866	3,583,683
Accumulated other comprehensive loss	<u>(14,097)</u>	<u>(15,470)</u>
	<u>4,706,643</u>	<u>4,620,087</u>
	<u>\$ 10,516,751</u>	<u>\$ 10,589,648</u>
Contingencies (Note 7)		

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations and Retained Earnings
(unaudited)
For The Period
(thousands of dollars)

	2009	2008
	January 1 to <u>March 31</u>	January 1 to <u>March 31</u>
REVENUE		
Sales of products and services	\$ 1,345,417	\$ 1,116,531
Investment	18,270	45,440
Other	<u>1,874</u>	<u>1,726</u>
	<u>1,365,561</u>	<u>1,163,697</u>
EXPENSES		
Operating costs other than those listed below	1,058,601	748,640
Interest	59,105	62,861
Depreciation and amortization	121,624	117,896
Saskatchewan taxes and fees	<u>40,451</u>	<u>29,963</u>
	<u>1,279,781</u>	<u>959,360</u>
Earnings before non-recurring items	85,780	204,337
Non-recurring items	<u>-</u>	<u>8,298</u>
EARNINGS FROM CONTINUING OPERATIONS	85,780	212,635
Loss from discontinued operations	<u>(597)</u>	<u>(410)</u>
NET EARNINGS	85,183	212,225
RETAINED EARNINGS, BEGINNING OF PERIOD	3,583,683	2,973,441
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY	<u>-</u>	<u>(1,799)</u>
	3,668,866	3,183,867
DIVIDEND TO GENERAL REVENUE FUND	<u>-</u>	<u>-</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 3,668,866</u>	<u>\$ 3,183,867</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Comprehensive Income
(unaudited)
For The Period
(thousands of dollars)

	2009 January 1 to <u>March 31</u>	2008 January 1 to <u>March 31</u>
NET EARNINGS	\$ <u>85,183</u>	\$ <u>212,225</u>
Foreign currency translation adjustments	2,416	3,567
Unrealized (loss) gain on cash flow hedges	(543)	3,443
Unrealized loss on available-for-sale financial assets	(4,816)	(4,249)
Reclassification for realized gains on sale of investments included in operations	<u>4,316</u>	<u>-</u>
Other comprehensive income	<u>1,373</u>	<u>2,761</u>
COMPREHENSIVE NET INCOME	\$ <u>86,556</u>	\$ <u>214,986</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Accumulated Other Comprehensive (Loss) Income
(unaudited)
For The Period
(thousands of dollars)

	2009 January 1 to <u>March 31</u>	2008 January 1 to <u>March 31</u>
Balance, beginning of period	\$ (15,470)	\$ 26,423
Other comprehensive income	<u>1,373</u>	<u>2,761</u>
BALANCE, END OF PERIOD	\$ <u>(14,097)</u>	\$ <u>29,184</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Cash Flows

(unaudited)

For The Period

(thousands of dollars)

	2009	2008
	January 1	January 1
	to	to
	March 31	March 31
OPERATING ACTIVITIES		
Net earnings	\$ 85,183	\$ 212,225
Items not affecting cash from operations	<u>179,696</u>	<u>16,541</u>
	264,879	228,766
Net change in non-cash working capital balances related to operations	<u>(41,915)</u>	<u>(54,086)</u>
Cash provided by operating activities from continuing operations	222,964	174,680
Cash provided by operating activities from discontinued operations	<u>616</u>	<u>(275)</u>
Cash provided by operating activities	<u>223,580</u>	<u>174,405</u>
INVESTING ACTIVITIES		
Purchase of investments	(104,106)	(248,210)
Proceeds from sale and collection of investments	748,578	543,517
Purchase of property, plant, and equipment	(160,013)	(110,372)
Proceeds from sale of property, plant, and equipment	397	510
(Increase) decrease in other assets	<u>(2,958)</u>	<u>1,950</u>
Cash provided by investing activities	<u>481,898</u>	<u>187,395</u>
FINANCING ACTIVITIES		
(Decrease) increase in notes payable	(68,839)	176,218
(Decrease) increase in other liabilities	(1,547)	3,100
Decrease in restricted cash and cash equivalents	2,380	-
Debt proceeds from General Revenue Fund	50,000	5,000
Debt repayments to General Revenue Fund	-	(320,800)
Debt proceeds from other lenders	500	5,014
Debt repayments to other lenders	(2,189)	(1,807)
Sinking fund instalments	(9,023)	(11,238)
Sinking fund redemptions	-	59,340
Dividend paid to General Revenue Fund	<u>(150,000)</u>	<u>(200,000)</u>
Cash used in financing activities	<u>(178,718)</u>	<u>(285,173)</u>
NET CHANGE IN CASH DURING PERIOD	526,760	76,627
CASH POSITION, BEGINNING OF PERIOD	<u>846,542</u>	<u>819,156</u>
CASH POSITION, END OF PERIOD	<u>\$ 1,373,302</u>	<u>\$ 895,783</u>
Cash position consists of:		
Cash from continuing operations	\$ 1,400,490	\$ 926,440
Bank indebtedness from continuing operations	<u>(27,444)</u>	<u>(30,657)</u>
	1,373,046	895,783
Cash from discontinued operations	<u>256</u>	<u>-</u>
	<u>\$ 1,373,302</u>	<u>\$ 895,783</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

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 the December 31, 2008 audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) 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 interim consolidated financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of corporate operations.

The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2008, audited consolidated financial statements except as noted in 1c).

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.

Effective April 1, 2008, the Saskatchewan Gaming Corporation (SGC) was designated a CIC Crown corporation and has been consolidated as part of CIC's operations since that date.

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.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2009

1. Summary of Significant Accounting Policies (continued)

a) Consolidation principles and basis of presentation (continued)

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 Gaming Corporation (SGC)	Saskatchewan Telecommunications
Saskatchewan Government Growth Fund Management Corporation (SGGF MC) ¹	Saskatchewan Transportation Company (STC)
	Saskatchewan Water Corporation (SaskWater)

¹ SGGF MC was dissolved effective March 31, 2009.

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

b) Joint ventures

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

Apex Investment Limited Partnership -----	60%
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, 2009, the Corporation adopted the accounting recommendations for goodwill and intangible assets (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064) in accordance with the transition provisions of the section. This section provides further information on the recognition of internally generated intangible assets and requires intangible assets to be recognized as assets only if the definition of an intangible asset and the recognition criteria are met.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2009

1. Summary of Significant Accounting Policies (continued)

c) Change in accounting policy (continued)

The new recommendations have been implemented retroactively resulting in the following adjustments to December 31, 2008 balances (thousands of dollars):

Property, plant and equipment	\$ (72,775)
Other assets	\$ 72,775

Effective for year-ends beginning on or after January 1, 2009, the CICA has amended certain sections of the CICA Handbook to remove the rate regulation exemption for recognition of certain assets and liabilities arising from rate regulation as well as other recognition and measurement guidance. The Corporation has implemented these changes with no impact on the financial statements.

d) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the consolidated statement of operations and retained earnings 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 delivery and commodity

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

Natural gas transportation and storage

Natural gas transportation and storage revenue is recognized when transportation, transportation related services, and storage are provided to customers and the ultimate collection is reasonably assured. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

Electricity

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

Telecommunications

Telecommunication 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.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

1. Summary of Significant Accounting Policies (continued)

d) Revenue recognition (continued)

Telecommunications (continued)

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.

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line advertising and advertising in agricultural publications. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed in advance for directory advertising are deferred and recognized over the corresponding life of the directory.

Property registration

Land and personal property registry revenues are recognized when services are rendered.

Property and casualty insurance

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

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Investment income

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

1. Summary of Significant Accounting Policies (continued)

d) Revenue recognition (continued)

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 GAAP 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.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; future income tax asset and liability; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and customer accounts; the accounting for variable interest entities, discontinued operations, fair value of financial instruments, and environmental remediation liabilities; and the carrying amounts of employee future benefits including underlying actuarial assumptions.

The financial statements are based on management's best estimates using information available. Volatility in financial markets has complicated the estimation process due to the current economic decline and significant fluctuations in foreign exchange rates and commodity prices. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

f) Future accounting policy change

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation has commenced an IFRS conversion project including initiating the development of a high-level IFRS implementation plan. An external advisor has been engaged to assist with a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

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 and subsidiaries are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Restricted Cash and Cash Equivalents and Other Liabilities

The Corporation held the following cash and cash equivalents restricted for use (thousands of dollars):

	March 31, 2009		December 31, 2008	
	<u>Current</u>	<u>Non-Current</u>	Current	Non-Current
Carbon capture and storage demonstration projects (a)	\$ 26,953	\$ 209,395	\$ 28,500	\$ 209,395
Meadow Lake Pulp Limited Partnership (b)	21,061	20,000	18,210	22,337
Saskferco Products Inc. (Saskferco)(c)	36,981	-	36,710	-
Centennial Foods Partnership (d)	<u>261</u>	<u>-</u>	<u>2,428</u>	<u>-</u>
	<u>\$ 85,256</u>	<u>\$ 229,395</u>	<u>\$ 85,848</u>	<u>\$ 231,732</u>

a) Amounts reflect unspent funding transferred to the Corporation in 2008 from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects. The Corporation has recorded a corresponding amount as deferred revenue which is included in other liabilities. As qualifying expenditures are made, the Corporation recognizes an equivalent amount of this funding in consolidated earnings and reduces restricted cash and cash equivalents and deferred revenue by the same amount;

b) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to the order of the Court of Queen's Bench of Saskatchewan;

c) Cash held in escrow related to the sale of Saskferco in 2008; and

d) Cash held in escrow related to the sale of Centennial Foods Partnership in 2007.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2009

4. Financial Instruments and Risk Management

The Corporation is primarily exposed to fluctuations in commodity prices including power generation and natural gas sales and fluctuations in the value of certain investments. 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.

At March 31, 2009, the Corporation held \$3,860.9 million (December 31, 2008 - \$3,813.2 million) in long-term debt and long-term debt due within one year with a fair value of \$4,502.0 million (December 31, 2008 - \$4,506.0 million).

The Corporation held the following derivative financial instruments which are classified as held-for-trading and carried at fair market value (thousands of dollars):

	March 31, 2009		December 31, 2008	
	<u>Asset</u>	<u>(Liability)</u>	<u>Asset</u>	<u>(Liability)</u>
Physical natural gas contracts	\$ 37,932	\$ (38,588)	\$ 24,095	\$(12,604)
Natural gas price swaps	42,142	(121,640)	18,929	(71,305)
Natural gas price options	391	(19,697)	3,903	(15,936)
Physical electricity forwards	903	(981)	388	(248)
Electricity contracts for differences	760	(1,677)	81	(321)
Interest rate swaps	<u>-</u>	<u>(96)</u>	<u>-</u>	<u>(557)</u>
	<u>\$82,128</u>	<u>\$ (182,679)</u>	<u>\$ 47,396</u>	<u>\$(100,971)</u>

Depending on market conditions, unrealized losses or gains related to the change in fair value of derivative financial assets and derivative financial liabilities can negatively or positively impact net earnings. For the period ended March 31, 2009, derivative fair value adjustments resulted in a net unrealized loss of \$45.5 million (2008 - \$53.0 million unrealized gain).

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

4. Financial Instruments and Risk Management (continued)

a) Commodity price risk management

Power generation

The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at March 31, 2009, the Corporation had entered into financial natural gas contracts to hedge approximately 45.0 per cent of its forecasted natural gas purchases for 2009, 22.0 per cent for 2010, 14.0 per cent for 2011, and 4.0 per cent for 2012.

Based on the Corporation's March 31, 2009 closing positions on its natural gas hedges a \$1 dollar per Gigajoule (GJ) increase in the price of natural gas would have resulted in an \$25.0 million decrease in the unrealized market value losses recognized in net earnings in the quarter. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of March 31, 2009.

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.

Based on the Corporation's March 31, 2009 closing positions, an increase of \$1 per GJ in natural gas prices would increase net earnings, through an increase in the fair value of natural gas contracts, by \$11.0 million, while a decrease of \$1 per GJ would decrease net earnings through a decrease in the fair value of natural gas contracts, by \$11.0 million.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

4. Financial Instruments and Risk Management (continued)

b) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in 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, 2009 was \$112.9 million (December 31, 2008 - \$117.4 million). A 10.0 per cent increase or decrease in these equity market benchmarks would have the following effects on the Corporation's comprehensive income and other comprehensive income at March 31, 2009:

- S&P / TSX Composite Index - \$6.5 million
- S&P 500 Index - \$2.8 million
- MSCI EAFE Index - \$2.1 million

The Corporation has on deposit with the GRF, under the administration of the Ministry of Finance, \$335.1 million (December 31, 2008 - \$323.8 million) in sinking funds required for certain long-term debt issues. The GRF 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. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

5. Inventories

For the three months ended March 31, 2009, \$338.0 million (2008 - \$282.0 million) of natural gas in storage held for resale and \$91.3 (2008 - \$96.5 million) of raw materials inventory were consumed and the Corporation incurred a \$15.0 million (2008 - \$Nil) write-down of natural gas in storage held for resale to its net realizable value. There was no reversal of any prior period write-down during the three months ended March 31, 2009.

6. Discontinued Operations

During the fourth quarter of 2008, the Corporation approved a plan whereby the operations of its wholly-owned subsidiary, DirectWest Canada Inc. (DirectWest) would be divested. Effective February 20, 2009, the Corporation disposed of the net assets of the Alberta operations of DirectWest for consideration of \$4.7 million resulting in a loss on sale of \$0.1 million. The loss on sale combined with the operating loss from discontinued operations of \$0.5 million (2008 - \$0.4 million) are included in loss from discontinued operations on the consolidated statement of operations and retained earnings.

Crown Investments Corporation of Saskatchewan
Notes to Consolidated Financial Statements
(unaudited)
March 31, 2009

7. Contingencies

- a) 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. 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's leave to appeal application is presently before the Court of Appeal. No specific date has been set for the hearing of that application. The application has recently been adjourned pending two motions that need to be decided before the Corporation's application for leave to appeal can be heard. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding.
- b) 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 defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff's appeal of the decision to the Saskatchewan Court of Appeal was heard on November 20, 2008 with the decision to be given at a later date.
- c) On June 26th, 2008, a proceeding under **The Class Actions Act** (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2009

7. Contingencies (continued)

d) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference took place on dates in the second and fourth quarters of 2008. The trial is expected to take place in 2009. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

e) Including the above, 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. 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 operations could result.

8. Defined Benefit Plans

Pension expense (earnings) for defined benefit plans is as follows (thousands of dollars):

	2009	2008
	January 1	January 1
	to	to
	March 31	March 31
For the period		
Current service cost	\$ 1,801	\$ 2,367
Interest costs	27,558	25,446
Expected return on plan assets	(28,233)	(29,866)
Amortization of net transitional asset	(1,018)	(2,972)
Amortization of past service costs	3,549	4,187
Amortization of actuarial loss	3,634	352
Other	<u>(18)</u>	<u>22</u>
Defined benefit plan expense (earnings)	<u>\$ 7,273</u>	<u>\$ (464)</u>

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

March 31, 2009

9. Subsequent event

On April 2, 2009 the Saskatchewan Government announced that it negotiated a settlement to terminate the investment management contract between Investment Saskatchewan and Victoria Park Capital (VPC).

Under the negotiated settlement, VPC will receive all fees owed to it up until March 31, 2009. Additionally, VPC has agreed to support a transition process as files and the management of assets owned by the Saskatchewan government are returned to the Corporation on June 30, 2009. VPC will continue to receive its management fee for service of \$335,000 per month over this three month transition period. VPC will also receive a one-time settlement of \$6.0 million on June 30, 2009 which has been accrued at March 31, 2009.

10. Comparative Figures

Certain of the 2008 comparative figures have been reclassified to conform to the current period's presentation.

Non-Consolidated Financial Statements

Management's Discussion and Analysis

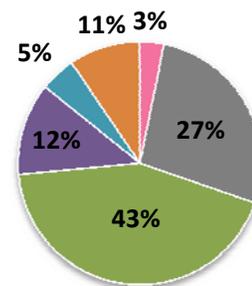
CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability.

This narrative on CIC's non-consolidated March 31, 2009 first quarter results should be read in conjunction with the March 31, 2009 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 December 31, 2008 audited non-consolidated financial statements.

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

Dividend Revenue



■ SGGF MC ■ SASKENERGY ■ SASKTEL
■ SGI ■ ISC ■ SGC

CIC Non-Consolidated First Quarter Earnings (unaudited)	(thousands of dollars)
Dividend revenue from Crown corporations	\$ 53,670
Add: Interest and other revenue	5,876
Grant funding from GRF	1,547
Less: General, administrative, and other expenses	(5,607)
Grants to Crown corporations	<u>(7,918)</u>
Total Non-Consolidated Earnings	<u>\$ 47,568</u>

Earnings

Earnings for the first three months of 2009 were \$47.6 million (2008 - \$49.3 million). The first three months earnings decreased \$1.7 million from the same period in 2008. The decrease is primarily due to increases in general, administrative, and other expenses of \$1.5 million and grants to Crown corporations of \$1.4 million, and a decrease in interest revenue of \$2.9 million. Increased expenses and decreased interest revenue were offset by increases in dividend revenue of \$2.6 million and grant funding from the GRF of \$1.5 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the three months ended March 31, 2009 was \$ 53.7 million (2008 - \$51.1 million). The \$2.6 million increase was due to higher dividends from SaskTel (\$10.9 million), SGC (\$5.1 million), SaskEnergy (\$1.7 million), SGGF MC (\$1.7 million), and SGI (\$0.3 million), partially offset by decreased dividends from SaskPower (\$16.4 million) and ISC (\$0.7 million).

For the first three months of each year, dividends from subsidiary Crown corporations are based on 25.0 per cent of their forecasted dividend for the year. The forecasted 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 remainder of the year, dividend payments will be adjusted based on actual earnings and projections to year end. For the current year, CIC has assumed payout rates of 65.0 per cent of earnings at SGI, 80.0 per cent of earnings at SaskTel, SaskEnergy, and SGC and 90.0 per cent of earnings at ISC. Investment Saskatchewan's dividend is determined on a cash availability formula, which is determined at year end. In 2009, dividends from SaskPower have been eliminated in order to support SaskPower's significant capital program over the next ten years. The payout rates reflect the needs of these subsidiary corporations to retain capital to move to or to maintain their respective industry benchmarked financial structure and to upgrade infrastructure.

General, Administrative and Other Expenses

General, administrative and other expenses were \$5.6 million for the three months ended March 31, 2009 (2008 - \$4.1 million). The increase of \$1.5 million was due mainly to increased consulting costs and increased costs for salaries and benefits.

Grants to Crown Corporations

During the first three months of 2009, CIC provided \$7.9 million (2008 - \$6.5 million) in grants to Crown corporations. STC received \$2.3 million (2008 - \$4.6 million) in grants. The 2008 grant to STC included \$3.1 million for the construction of the Regina terminal and head office that was completed in the fourth quarter of 2008. SaskEnergy received \$3.1 million (2008 - \$1.9 million) to fund the EnerGuide for Houses Matching Grant Program. SaskPower received \$1.5 million (2008 - \$Nil) for carbon capture and demonstration projects. CIC provided this grant out of restricted funding from the GRF. SaskTel received \$0.6 million (2008 - \$Nil) to fund FleetNet, a provincial emergency communications network. Gradworks Inc., a non-profit subsidiary of CIC, received \$0.5 million (2008 - \$Nil) to fund its internship program.

CIC's 2009 budget includes public policy and grant funding expenditures as follows: \$9.6 million in operating and capital grants to STC; \$11.8 million of funding to SaskEnergy for the EnerGuide for Houses Matching Grant Program; \$2.8 million funding to SaskTel to maintain FleetNet; \$45.0 million to SaskTel for the Saskatchewan Infrastructure Improvement Program; and \$2.6 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the three months ended	
	March 31 2009	March 31 2008
Cash from operations	\$ 51.3	\$ 65.9
Cash provided by investing activities	622.8	305.7
Cash used in financing activities	<u>(149.9)</u>	<u>(200.0)</u>
Increase in cash	<u>\$ 524.2</u>	<u>\$ 171.6</u>

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, 2009 was \$51.3 million (2008 - \$65.9 million). The \$14.6 million decrease was due mainly to lower dividends and interest revenue collected in the first three months of 2009 compared to the same period in 2008.

Cash provided by investing activities for the three months ended March 31, 2009 was \$622.8 million (2008 - \$305.7 million). As of March 31, 2009, most of CIC's short-term deposit accounts had maturities less than 90 days and are classified as cash and cash equivalents.

Cash used in financing activities was \$149.9 million (2008 - \$200.0 million). Financing activities in 2009 consisted mainly of dividends paid to the GRF of \$150.0 million (2008 - \$200.0 million). The net change in restricted cash and cash equivalents and deferred funding was an inflow of \$0.1 million (2008 - \$Nil) in cash.

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2009.

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 2009 to be significantly lower than dividends declared in 2008. In 2008, Investment Saskatchewan was able to pay a dividend of \$543.0 million because it sold its investment in Saskferco Products Inc. This level of dividend will not be repeated in 2009.

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.

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Financial Position
(unaudited)
(thousands of dollars)

	March 31 <u>2009</u>	December 31 <u>2008</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,147,512	\$ 623,323
Short-term investments	42,794	671,726
Interest and accounts receivable	6,633	3,648
Dividends receivable	51,927	57,543
Restricted cash and cash equivalents (Note 3)	<u>27,713</u>	<u>29,333</u>
	1,276,579	1,385,573
Restricted cash and cash equivalents (Note 3)	209,395	209,395
Equity advances to Crown corporations	1,093,186	1,093,187
Investments in share capital corporations	50,155	44,154
Equipment	<u>500</u>	<u>375</u>
	<u>\$ 2,629,815</u>	<u>\$ 2,732,684</u>
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	\$ 4,323	\$ 3,213
Dividend payable to General Revenue Fund	-	150,000
Deferred funding (Note 3)	<u>236,348</u>	<u>237,895</u>
	<u>240,671</u>	<u>391,108</u>
Province of Saskatchewan's Equity		
Equity advances	1,051,152	1,051,152
Retained earnings	<u>1,337,992</u>	<u>1,290,424</u>
	<u>2,389,144</u>	<u>2,341,576</u>
	<u>\$ 2,629,815</u>	<u>\$ 2,732,684</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and Comprehensive Income
(unaudited)
For The Period
(thousands of dollars)

	2009	2008
	January 1	January 1
	To	To
	<u>March 31</u>	<u>March 31</u>
REVENUE		
Dividend (Note 4)	\$ 53,670	\$ 51,093
Interest	5,875	8,786
Grant funding from GRF	1,547	-
Other	<u>1</u>	<u>6</u>
	<u>61,093</u>	<u>59,885</u>
EXPENSES		
General, administrative and other	5,575	4,090
Depreciation	<u>32</u>	<u>34</u>
	<u>5,607</u>	<u>4,124</u>
Earnings before the following	55,486	55,761
Grants to Crown corporations (Note 5)	<u>(7,918)</u>	<u>(6,453)</u>
NET EARNINGS	47,568	49,308
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 47,568</u>	<u>\$ 49,308</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Retained Earnings
(unaudited)
For The Period
(thousands of dollars)

	2009	2008
	January 1	January 1
	To	To
	<u>March 31</u>	<u>March 31</u>
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 1,290,424	\$ 906,172
NET EARNINGS	47,568	49,308
DIVIDEND TO GENERAL REVENUE FUND	<u>-</u>	<u>-</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 1,337,992</u>	<u>\$ 955,480</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Cash Flows
(unaudited)
March 31, 2009
(thousands of dollars)

	2009 January 1 To March 31	2008 January 1 To March 31
OPERATING ACTIVITIES		
Net earnings	\$ 47,568	\$ 49,308
Add non-cash items:		
Depreciation	<u>32</u>	<u>34</u>
	47,600	49,342
Net change in non-cash working capital balances related to operations	<u>3,741</u>	<u>16,547</u>
Cash provided by operating activities	<u>51,341</u>	<u>65,889</u>
INVESTING ACTIVITIES		
Repayment of equity advances from SGGF MC	1	-
Purchase of investments	(6,001)	(749)
Decrease in short-term investments	628,932	306,460
Purchase of equipment	<u>(157)</u>	<u>(21)</u>
Cash provided by investing activities	<u>622,775</u>	<u>305,690</u>
FINANCING ACTIVITIES		
Decrease in restricted cash and cash equivalents	1,620	-
Decrease in deferred funding	(1,547)	-
Dividend paid	<u>(150,000)</u>	<u>(200,000)</u>
Cash used in financing activities	<u>(149,927)</u>	<u>(200,000)</u>
NET INCREASE IN CASH DURING PERIOD	524,189	171,579
CASH POSITION, BEGINNING OF PERIOD	<u>623,323</u>	<u>558,030</u>
CASH POSITION, END OF PERIOD	<u>\$ 1,147,512</u>	<u>\$ 729,609</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Notes to Non-Consolidated Financial Statements
(unaudited)
March 31, 2009

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 the December 31, 2008, audited non-consolidated financial statements. The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2008, audited non-consolidated financial 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 (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 Gaming Corporation (SGC)	Saskatchewan Telecommunications
Saskatchewan Government Growth Fund Management Corporation (SGGF MC) ¹	Saskatchewan Transportation Company (STC)
	Saskatchewan Water Corporation (SaskWater)

¹ SGGF MC was dissolved effective March 31, 2009, with all remaining SGGF MC assets and liabilities transferred to CIC as of that date.

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation, and the 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.

Crown Investments Corporation of Saskatchewan
Notes to Non-Consolidated Financial Statements
(unaudited)
March 31, 2009

3. Restricted Cash and Cash Equivalents and Deferred Funding

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects undertaken by SaskPower. As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount. From January 1, 2009 to March 31, 2009, \$1.5 million has been funded to SaskPower under this program as follows (thousands of dollars):

	March 31 <u>2009</u>	December 31 <u>2008</u>
Deferred grant funding, beginning balance	\$ 237,895	\$ -
Deferred grant funding received from GRF	-	240,000
Grant funding earned and grant to SaskPower	<u>(1,547)</u>	<u>(2,105)</u>
	<u>\$ 236,348</u>	<u>\$ 237,895</u>

Comprised of:

Current restricted cash and cash equivalents	27,713	29,333
Long-term restricted cash and cash equivalents	209,395	209,395
Payable to SaskPower (a)	<u>(760)</u>	<u>(833)</u>
Deferred funding, ending balance	<u>\$ 236,348</u>	<u>\$ 237,895</u>

(a) Amounts payable to SaskPower are included in interest and accounts payable.

4. Dividend Revenue

Dividend revenue consists of the following:

For the three months ended (thousands of dollars)	March 31 2009	March 31 2008
Saskatchewan Power Corporation	\$ -	\$ 16,430
Saskatchewan Telecommunications Holding Corporation	23,207	12,319
SaskEnergy Incorporated	14,540	12,875
Saskatchewan Government Insurance	6,602	6,274
Information Services Corporation	2,499	3,195
Saskatchewan Gaming Corporation	5,080	-
Saskatchewan Government Growth Fund Management Corporation	<u>1,742</u>	<u>-</u>
	<u>\$ 53,670</u>	<u>\$ 51,093</u>

Crown Investments Corporation of Saskatchewan
Notes to Non-Consolidated Financial Statements
(unaudited)
March 31, 2009

5. Grants to Crown Corporations

Grants to Crown corporations consists of the following:

For the three months ended (thousands of dollars)	March 31 2009	March 31 2008
Saskatchewan Transportation Company	\$ 2,250	\$ 4,600
Saskatchewan Energy Incorporated	3,058	1,853
Saskatchewan Power Corporation	1,547	-
Saskatchewan Telecommunications Holding Corporation	563	-
Gradworks Inc.	500	-
	<u>\$ 7,918</u>	<u>\$ 6,453</u>

6. Comparative Figures

Certain of the 2008 comparative figures have been reclassified to conform to the current period's presentation.