

First Quarter Report

Contents:

Financial Highlights	1
MD&A	
Forward-Looking Information	2
Results of Operations	2
Liquidity and Capital Resources	3
2018/19 Outlook	5
Risk Assessment	5
Adoption of IFRS 15	6
Financial Statements	
Condensed Consolidated Interim Statement of Income and Other Comprehensive Income	7
Condensed Consolidated Interim Statement of Changes in Equity	8
Condensed Consolidated Interim Statement of Financial Position	9
Condensed Consolidated Interim Statement of Cash Flows	10
Notes to Condensed Consolidated Interim Financial Statements	11

Saskatchewan Telecommunications
Holding Corporation

First Quarter Report 2018/19
For the Period Ending June 30, 2018

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel is the leading full service communications provider in Saskatchewan, offering a wide range of communications products and services including competitive voice, data, internet, entertainment, security monitoring, messaging, cellular, wireless data and marketing services. In addition, SaskTel International offers software solutions and project consulting in countries around the world.

SaskTel and our wholly-owned subsidiaries have a workforce of approximately 3,900 full time equivalent employees.

Our vision is “*Be the best at connecting people to their world.*” and our mission is “*To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications.*”

Financial Highlights

As required by International Financial Reporting Standards (IFRS), effective April 1, 2018, the Corporation has adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) as described below and in *Note 2 Basis of presentation*, of the unaudited condensed consolidated financial statements. The Corporation has adopted IFRS 15 using the cumulative effect method which requires that the cumulative effect of initially applying IFRS 15 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18, IAS 11 and IFRIC 18, the standards in effect at the time.

The explanations found within the Financial Highlights and the Management’s Discussion and Analysis will compare the current fiscal period with the previous comparative fiscal period, both excluding the impacts of IFRS 15, unless otherwise stated.

Consolidated Net Income

Quarter ended June 30,	2018		2017		Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15	Change	% Change			
Revenue	\$313.8	\$309.3	\$4.5	1.5	\$3.4	\$317.2
Other income	0.7	0.7	-	1.4	-	0.7
	314.5	310.0	4.5	1.5	3.4	317.9
Expenses	274.5	272.8	1.7	0.6	6.2	280.7
Results from operating activities	40.0	37.2	2.8	7.5	(2.8)	37.2
Net finance expense	7.4	8.7	(1.3)	(14.9)	-	7.4
Net income	\$32.6	\$28.5	\$4.1	14.4	\$(2.8)	\$29.8

Net income for the first quarter of 2018/19 is \$32.6 million, up \$4.1 million (14.4%) from the same period in 2017/18. Revenue increased to \$313.8 million, up \$4.5 million (1.5%) from the same period in 2017/18. This is primarily due to increased revenue from equipment sales, internet services and wireless services.

Expenses for the first quarter of 2018/19 increased to \$274.5 million, up \$1.7 million from the same period in 2017/18. This increase is primarily driven by increased direct expenses related to increased equipment sales partially offset by reduced wireless acquisition costs and depreciation.

Net finance expense was \$7.4 million, down \$1.3 million from the same period in 2017/18 primarily driven by interest income on the net pension plan asset versus interest expense on the net pension liability in 2017/18.

Adoption of IFRS 15 has resulted in a reduction to net income of \$2.8 million in the current period.

Management's Discussion and Analysis

August 8, 2018

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of the 2018/19 fiscal year. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2018. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result,

SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please refer to Management's Discussion & Analysis in SaskTel's 2017/18 annual report. These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34, "Interim Financial Reporting". These interim statements have been approved by the SaskTel Board of Directors on August 8, 2018.

Results of Operations

Revenue

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15	As reported upon adoption of IFRS 15				
Three months ended June 30	\$313.8	\$309.3	\$4.5	1.5	\$3.4	\$317.2

Revenue for the first quarter of 2018/19 increased to \$313.8 million, up \$4.5 million or 1.5% from the same period in 2017/18. This increase is primarily due to increased equipment sales; increased revenue from internet services due to increased accesses and average revenue per unit; increased revenue from wireless services due to increased accesses and average revenue per unit related to consumer revenues, as well as, increased wholesale revenues. These are partially offset by decreased accesses for local, enhanced, and long-distance services due to "cord cutters," wireless displacement, and little to no organic growth as a result of "cord nevers".

Adoption of IFRS 15 has resulted in an increase in revenue of \$3.4 million in the current period.

Expenses

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Three months ended June 30	\$274.5	\$272.8	\$1.7	0.6	\$6.2	\$280.7

Expenses for the first quarter of 2018/19 increased to \$274.5 million, up \$1.7 million from the same period in 2017/18. Goods and services purchased increased \$1.0 million as a result of increased equipment sales, partially offset by decreased customer acquisition costs. Net salaries, wages and benefits increased by \$1.8 million. Depreciation and amortization has decreased \$1.0 due to the exit of the CDMA network and the extension of the useful lives of certain assets in 2017/18.

Adoption of IFRS 15 has resulted in an increase in expenses of \$6.2 million in the current period.

Net finance expense

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Three months ended June 30	\$7.4	\$8.7	\$(1.3)	(14.9)	\$-	\$7.4

Net finance expense for the first quarter of 2018/19 was \$7.4 million, down \$1.3 million over the same period in 2017/18. This is primarily driven by interest income on the net pension asset of the defined benefit plan versus interest expense on the net pension liability in 2017/18.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Three months ended June 30	\$52.7	\$74.2	\$(21.5)	(29.0)	\$(2.3)	\$50.4

Cash provided by operating activities in the first quarter of 2018/19 decreased to \$52.7 million, down \$21.5 million from the same period in 2017/18, primarily due to increased working capital requirements.

Adoption of IFRS 15 has resulted in a decrease in cash provided by operating activities of \$2.3 million in the current period.

Cash used in investing activities

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Three months ended June 30	\$58.2	\$53.7	\$4.5	8.4	\$(2.3)	\$55.9

Cash used in investing activities in the first quarter of 2018/19 increased to \$58.2 million, up \$4.5 million due to increased spending on access demand, network modernization and facility upgrades from the same period in 2017/18.

Adoption of IFRS 15 has resulted in a decrease in cash used in investing activities of \$2.3 million in the current period.

Capital Spending

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Property, plant and equipment	\$50.6	\$43.3	\$7.3	16.9	\$-	\$50.6
Intangible assets	9.2	13.3	(4.0)	(30.2)	(2.3)	6.9
Three months ended June 30	\$59.8	\$56.6	\$3.3	(5.8)	\$(2.3)	\$57.5

Total capital expenditures for the first quarter of 2018/19 were \$59.8 million, up \$3.3 million from the same period in 2017/18.

SaskTel's net spending on property, plant and equipment for the first quarter of 2018/19 was \$50.6 million, up \$7.3 million from the same period in 2017/18. This is a result of planned capital spending on network infrastructure, facility renovations and increased demand for access in communities. SaskTel's net spending on intangible assets was \$9.2 million, down \$4.0 million from the same period in 2017/18 due to reduced spending on network inventory software and the acquisition of customer accounts.

Adoption of IFRS 15 has resulted in a decrease in capital expenditures of \$2.3 million in the current period.

Capital expenditures in 2018/19 will focus on further investment in the core Saskatchewan network including: FTTP, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increased internet access speeds; enhanced *maxTV* services; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

Cash provided by (used in) financing activities

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018
	Excluding the impacts of IFRS 15					As reported upon adoption of IFRS 15
Three months ended June 30	\$5.1	\$(22.6)	\$27.7	(122.6)	\$-	\$5.1

Cash provided by financing activities in the first quarter of 2018/19 was \$5.1 million versus a use of cash of \$22.6 million in the same period in 2017/18. This is due to a net increase in short-term and long-term debt, partially offset by increased sinking fund and dividend payments.

Liquidity and capital resource ratios

Debt ratio

	<u>June 30, 2018</u>	<u>March 31, 2018</u>			June 30, 2018
	Excluding the impacts of IFRS 15		Change	Impacts of IFRS 15	As reported upon adoption of IFRS 15
Debt ratio	47.0%	46.2%	0.8%	-1.9%	45.1%

The debt ratio increased to 47.0%, up from 46.2% at March 31, 2018. The overall level of net debt increased \$30.8 million during the first quarter primarily due to increased total borrowing, partially offset by increased sinking funds.

Equity increased by \$3.2 million in the first quarter of 2018/19 after recording comprehensive income of \$33.1 million and dividends of \$29.9 million.

Adoption of IFRS 15 has resulted in a decrease in debt ratio of 1.9 percentage points in the current period.

The debt ratio is calculated as net debt divided by end of period capitalization. Net debt is defined as total debt, including long-term debt, notes payable and the current portion of long-term debt, less sinking funds, and cash and short-term investments. Capitalization includes net debt, equity advances, accumulated other comprehensive income (loss) and retained earnings at the period end.

2018/19 Outlook

The 2017/18 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2019 of \$133.0 million. This target excludes the impact of IFRS 15 as estimates of the impact were not available at the time the budget was finalized. At this time, SaskTel believes it will meet this target.

Risk Assessment

The 2017/18 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. The Strategic Risks include risks that may inhibit SaskTel from achieving its Strategic Plan including the following areas: customer experience, broadband penetration, transformation, and profitability. The Core Business Risks focus on risks associated with the execution of SaskTel's business functions including the following areas: operational, financial, and compliance and legal.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, assess and govern key corporate risks. SaskTel's key corporate risk profile remains unchanged at June 30, 2018.

Adoption of IFRS 15

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) with a date of initial application of April 1, 2018 as described above and in *Note 2 Basis of presentation*, of the unaudited condensed consolidated financial statements. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method which requires that the cumulative effect of initially applying IFRS 15 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 18 *Transfers of Assets from Customers*, the standards in effect at the time.

IFRS 15 primarily impacts the timing of revenue recognition, the classification of revenue between products and services, and accounting for costs to obtain and fulfil contracts. Like many telecommunication companies, the Corporation is materially impacted by the application of IFRS 15. These impacts are discussed below and in Note 2 of the condensed consolidated interim financial statements.

Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount, usually the price of the device. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the statement of financial position, to be realized over the term of the customer contract.

As revenue allocated to a satisfied performance obligation is no longer limited to the non-contingent amount, a greater portion of the total revenue recognized during the term of a customer contract may be attributed to a delivered product, resulting in a corresponding decrease in service revenue.

Sales commissions, customer account acquisition costs and other incremental costs of obtaining a contract with a customer are recognized in the statement of financial position and amortized on a basis consistent with the period and pattern of delivery of products or services to the customer. These costs were previously expensed as incurred.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

Thousands of dollars	Note	(Unaudited)	
		Three months ended June 30,	
		2018	2017
Revenue	3	\$317,247	\$309,290
Other income	3	710	756
		317,957	310,046
Expenses			
Goods and services purchased		132,755	124,003
Salaries, wages and benefits		96,553	94,487
Internal labour capitalized		(6,707)	(6,460)
Depreciation	5	39,739	41,844
Amortization	6	8,731	9,760
Saskatchewan taxes		9,654	9,172
		280,725	272,806
Results from operating activities		37,232	37,240
Net finance expense	4	7,394	8,706
Net income		29,838	28,534
Other comprehensive income (loss)			
Items that will be reclassified to net income			
Sinking fund market value gains		461	449
Items that will never be reclassified to net income			
Net actuarial gains (losses) on defined benefit pension plan	8	36	(4,405)
Total other comprehensive income (loss)		497	(3,956)
Total comprehensive income		\$30,335	\$24,578

All net income and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan (CIC).

See *Accompanying Notes*

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

Thousands of dollars	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings (restated see note 2)	Total equity
Balance at April 1, 2018				
As previously reported	\$250,000	\$100,171	\$723,520	\$1,073,691
Impact of adoption of IFRS 15	-	-	89,117	89,117
As restated	250,000	100,171	812,637	1,162,808
Net income	-	-	29,838	29,838
Other comprehensive income	-	497	-	497
Total comprehensive income	-	497	29,838	30,335
Dividends declared	-	-	29,936	29,936
Balance at June 30, 2018	\$250,000	\$100,668	\$812,539	\$1,163,207
Balance at April 1, 2017				
Balance at April 1, 2017	\$250,000	\$(6,744)	\$711,416	\$954,672
Net income	-	-	28,534	28,534
Other comprehensive loss	-	(3,956)	-	(3,956)
Total comprehensive income (loss)	-	(3,956)	28,534	24,578
Dividends declared	-	-	27,475	27,475
Balance at June 30, 2017	\$250,000	\$(10,700)	\$712,475	\$951,775

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

		(Unaudited)	
As at		June 30,	March 31,
Thousands of dollars	Note	2018	2018
Assets			
Current assets			
Cash		\$16,843	\$17,292
Trade and other receivables	11a	126,369	118,232
Inventories	11a	20,156	23,964
Prepaid expenses	11a	50,762	55,168
Contract assets	3	56,634	-
Contract costs	3	16,722	-
		287,486	214,656
Contract assets	3	18,747	-
Contract costs	3	38,880	-
Property, plant and equipment	5	1,795,131	1,779,527
Intangible assets	6	284,531	331,014
Sinking funds	11c	161,952	155,564
Other assets		5,935	9,150
		\$2,592,662	\$2,489,911
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	11a	\$142,918	\$169,903
Dividend payable		29,936	26,506
Notes payable	11c	130,319	143,069
Contract liabilities	3	61,057	-
Other liabilities	11a	8,740	68,693
		372,970	408,171
Contract liabilities	3	1,271	-
Deferred revenue		-	6,013
Deferred revenue – government funding		30,412	31,849
Long-term debt	7, 11c	1,002,959	953,494
Employee benefit obligations	8	15,590	16,118
Provisions	9	6,253	575
		1,429,455	1,416,220
Province of Saskatchewan's equity			
Equity advance		250,000	250,000
Accumulated other comprehensive income		100,668	100,171
Retained earnings		812,539	723,520
		1,163,207	1,073,691
		\$2,592,662	\$2,489,911

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)

Three months ended June 30,

Thousands of dollars	Note	2018	2017
Operating activities			
Net income		\$29,838	\$28,534
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization	5, 6	48,470	51,604
Net financing expense	4	7,394	8,706
Interest paid		(14,328)	(12,870)
Interest received		2,123	1,471
Amortization of government funding	3	(1,438)	(1,350)
Other		253	206
Net change in non-cash working capital	11b	(21,951)	(2,084)
		50,361	74,217
Investing activities			
Property, plant and equipment expenditures		(49,490)	(42,104)
Intangible assets expenditures		(6,403)	(13,262)
Government funding		-	1,669
		(55,893)	(53,697)
Financing activities			
Proceeds from long-term debt	11c	49,364	50,748
Net repayment of notes payable	11c	(12,750)	(62,612)
Sinking fund instalments	11c	(5,025)	(3,275)
Dividends paid	11c	(26,506)	(7,500)
		5,083	(22,639)
Decrease in cash		(449)	(2,119)
Cash, beginning of period		17,292	11,067
Cash, end of period		\$16,843	\$8,948

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 1 – General information

Saskatchewan Telecommunications Holding Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4P 3Y2. The Corporation is a Saskatchewan Provincial Crown corporation operating under the authority of The Saskatchewan Telecommunications Holding Corporation Act and, as such, the Corporation and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation.

One of the Corporation's subsidiaries, Saskatchewan Telecommunications (SaskTel) is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) under the Telecommunications Act (Canada).

The Corporation markets and supplies a range of wireless, voice, entertainment, Internet, data, equipment, print and online advertising, security, software and consulting products and services.

Note 2 – Basis of presentation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the three months ended June 30, 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) March 31, 2018 audited consolidated financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (IFRS). The accounting policies and methods of computation used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements, and have been applied consistently to all periods presented in these interim financial statements except as discussed in the "Application of new International Financial Reporting Standards" section of this note.

The interim financial statements as at and for the three-month period ended June 30, 2018 were approved by the Board of Directors on August 8, 2018.

Functional and presentation currency

These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Basis of measurement

The interim financial statements have been prepared on the historical cost basis except for the following:

- Fair value through other comprehensive income financial instruments are measured at fair value, and
- Employee benefit obligations are recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

Use of estimates and judgments

The preparation of the interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements includes the following:

- Revenue recognition,
- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life,
- Classification of financial instruments,
- Accounting for government funding, and
- Accounting for provisions.

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

- Revenue recognition,
- Credit risk assessment of financial instruments,
- Useful lives and depreciation rates for property plant and equipment,
- Useful lives and amortization rates for intangible assets,
- The measurement of employee benefit obligations, and
- Accounting for provisions.

Changes in accounting estimates

The Corporation has recognized estimates related to decommissioning liabilities effective April 1, 2018, see Note 9 – *Provisions*. Previously these liabilities were estimated to not be significant.

The impact of initial recognition at April 1, 2018, is an increase in property, plant and equipment of \$5.6 million and a corresponding increase in decommissioning liabilities. The impact on net income are as follows:

Millions of dollars	Fiscal year ending March 31,					2024 and beyond
	2019	2020	2021	2022	2023	
Depreciation expense - increase	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$4.1
Accretion expense - increase	0.3	0.3	0.3	0.3	0.3	5.8
Total	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$9.9

Application of new International Financial Reporting Standards

Adoption of IFRS 15 *Revenue from Contracts with Customers*

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) with a date of initial application of April 1, 2018. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method i.e. by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18 *Revenue* (IAS 8), IAS 11 *Construction Contracts* (IAS 11) and IFRIC 18 *Transfers of Assets from Customers* (IFRIC 18), the standards in effect at the time. In adopting IFRS 15, the Corporation has elected to apply the following expedients;

- a) The Corporation will apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application;
- b) The Corporation will not retrospectively restate contract modifications for all contract modifications that occur before the date of initial application of the standard when:
 - i. Identifying the satisfied and unsatisfied performance obligations;
 - ii. Determining the transaction price; and
 - iii. Allocating the transaction price to the satisfied and unsatisfied performance obligations.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

- c) The Corporation will recognize revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice;
- d) The Corporation will not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period for contracts that have an original expected duration of one year or less and contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice;
- e) The Corporation will not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at the contract inception, that the period between when the Corporation transfers the good or service to the customer and when the customer pays for the service will be one year or less;
- f) The Corporation may apply the standard to a portfolio of contracts. Specific contract types will be assessed to determine if the portfolio method is most appropriate.

The application of IFRS 15 has significant impacts on the recognition of revenue, specifically from wireless contracts, and the treatment of costs incurred to acquire customer contracts. The details of the significant changes and quantitative impacts are set out below.

Sale of wireless devices through corporate stores

For wireless devices sold in a bundled package through a corporate store, revenue was limited to the amount that was not contingent on the provision of future wireless services, typically the amount of consideration received from the customer upon signing the contract. Under IFRS 15, the total consideration in a contract is allocated to all products and services included in the contract, based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Corporation sells wireless devices and services.

Sale of wireless devices through dealers

For wireless devices sold in a bundled package through dealers, no revenue was recognized by the Corporation under IAS 18, as the dealer was determined to be the principal in the transaction. Under IFRS 15, the Corporation is deemed to be acting as the principal and thus the total consideration in a contract is allocated to all products and services included in the contract and included in the Corporation's revenue. The consideration is allocated based on the stand-alone selling price of the products and services included in the contract. The stand-alone selling prices are determined based on the list prices at which the Corporation sells wireless devices and services. In addition, direct costs are recognized in goods and services purchased.

Cost of obtaining customer contracts

The Corporation previously recognized commissions payable to dealers and employees related to contracts as selling expenses when they were incurred, and customer acquisition costs related to service contracts as intangible assets. Under IFRS 15, the commissions and customer acquisition costs are capitalized as costs of obtaining a contract when they are incremental. These costs are amortized consistently with the pattern of revenue of the related contract if the commissions are expected to be recovered.

Service connection charge revenue and expense

These amounts were amortized over the term of the anticipated customer relationship. Under IFRS 15, these amounts are recognized when the related service is performed.

Activation fees

The Corporation previously recognized activation fees over the term of the contract. Under IFRS 15 these fees do not relate to specific performance obligation and as such are included as a component of the consideration allocated to the other performance obligations included in specific contracts.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

Customer incentives

Incentive amounts provided to customers were recognized based on the intent of the incentive and recognized either at the point in time the incentive was available to the customer or over the remaining term of the customer contract.

Under IFRS 15, these incentives are recognized based on the pattern of delivery of the performance obligations as a result of the incentive.

Incentives related to a contract as a whole are included in the allocation of consideration within the contract. Incentives related to customer retention are recognized over the remaining term of the contract. Incentives specific to an event are recognized when the event occurs.

The impacts of adoption of IFRS 15 are as follows:

Transition

Thousands of dollars	Impact of adopting IFRS 15 at April 1, 2018
Retained earnings	
Closing balance under previous standards at March 31, 2018	\$723,520
Device sales through corporate stores and dealers	77,700
Costs of obtaining customer contracts	10,821
Activation fee revenue	1,267
Service connection charge revenue	7,787
Service connection charge expenses	(4,793)
Customer incentives	(3,665)
Total equity adjustments	89,117
Opening balance under IFRS 15 at April 1, 2018	\$812,637

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

Impact on net income

For the three months ended June 30, 2018

Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	As reported upon adoption of IFRS 15
Revenue	\$313,801	\$3,446	\$317,247
Other income	710	-	710
	314,511	3,446	317,957
Expenses			
Goods and services purchased	124,441	8,314	132,755
Salaries, wages and benefits	96,553	-	96,553
Internal labour capitalized	(6,707)	-	(6,707)
Depreciation	39,739	-	39,739
Amortization - intangible assets	10,829	(2,098)	8,731
Saskatchewan taxes	9,654	-	9,654
	274,509	6,216	280,725
Results from operating activities	40,002	(2,770)	37,232
Net finance expense	7,394	-	7,394
Net income	32,608	(2,770)	29,838
Other comprehensive income			
Items that will be reclassified to net income			
Sinking fund market value gains	461	-	461
Items that will never be reclassified to net income			
Actuarial gains on employee benefit plans	36	-	36
	497	-	497
Total comprehensive income	\$33,105	\$(2,770)	\$30,335

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

Impact on the statement of financial position

As at June 30, 2018	Excluding the impacts of IFRS 15	Impact of IFRS 15 at date of adoption	Current period impact of IFRS 15	Reclassifications ¹	As reported upon adoption of IFRS 15
Thousands of dollars					
Assets					
Current assets					
Cash	\$16,843	\$ -	\$ -	\$ -	\$16,843
Trade and other receivables	126,369	-	-	-	126,369
Inventories	20,156	-	-	-	20,156
Prepaid expenses	56,022	(5,156)	(104)	-	50,762
Contract assets	-	57,390	(756)	-	56,634
Contract costs	-	8,270	(1,044)	9,496	16,722
	219,390	60,504	(1,904)	9,496	287,486
Contract assets	-	20,310	(1,563)	-	18,747
Contract costs	-	2,550	965	35,365	38,880
Property, plant and equipment	1,795,131	-	-	-	1,795,131
Intangible assets	329,392	-	-	(44,861)	284,531
Sinking funds	161,952	-	-	-	161,952
Other assets	9,087	(3,302)	150	-	5,935
	\$2,514,952	\$80,062	\$(2,352)	\$ -	\$2,592,662
Liabilities and Province's equity					
Current liabilities					
Trade and other payables	\$142,918	\$ -	\$ -	\$ -	\$142,918
Dividend payable	29,936	-	-	-	29,936
Notes payable	130,319	-	-	-	130,319
Contract liabilities	-	-	-	61,057	61,057
Other liabilities	74,323	(4,626)	100	(61,057)	8,740
	377,496	(4,626)	100	-	372,970
Contract liabilities	-	-	-	1,271	1,271
Deferred revenue	5,381	(4,429)	319	(1,271)	-
Deferred income – government funding	30,412	-	-	-	30,412
Long-term debt	1,002,959	-	-	-	1,002,959
Employee benefit obligations	15,590	-	-	-	15,590
Provisions	6,253	-	-	-	6,253
	1,438,091	(9,055)	419	-	1,429,455
Commitments and contingencies					
Province of Saskatchewan's equity					
Equity advance	250,000	-	-	-	250,000
Accumulated other comprehensive loss	100,668	-	-	-	100,668
Retained earnings	726,193	89,117	(2,770)	-	812,539
	1,076,861	89,117	(2,770)	-	1,163,207
	\$2,514,952	\$80,062	\$(2,351)	\$ -	\$2,592,662

1. Reclassification of certain amounts to conform with IFRS 15 presentation requirements

1. Reclassifications to conform with IFRS 15 presentation requirements.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

Impact on the statement of cash flows - selected lines

For the three months ended June 30, 2018

Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	As reported upon adoption of IFRS 15
Operating activities			
Net income	\$32,608	(2,770)	\$29,838
Adjustments to reconcile net income to cash provided by operating activities:	-	-	-
Depreciation and amortization	50,567	(2,097)	48,470
Net finance expense	7,394	-	7,394
Interest paid	(14,328)	-	(14,328)
Interest received	2,123	-	2,123
Amortization of government funding	(1,438)	-	(1,438)
Other	253	-	253
Net change in non-cash working capital	(24,514)	2,563	(21,951)
Cash flows from operating activities	52,665	(2,304)	50,361
Investing activities			
Property, plant and equipment expenditures	(49,490)	-	(49,490)
Intangible asset expenditures	(8,707)	2,304	(6,403)
Government funding	-	-	-
	(58,197)	2,304	(55,893)

Impact on revenue classification

For the three months ended June 30, 2018

Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	As reported upon adoption of IFRS 15
Services revenue			
Wireless	\$129,054	\$(19,309)	\$109,745
<i>maxTV</i> , internet and data services	88,233	-	88,233
Local and enhanced services	47,086	-	47,086
Equipment and professional services	15,881	23,284	39,165
Long distance services	8,637	-	8,637
Marketing services	8,066	-	8,066
Security monitoring services	6,979	-	6,979
International software and consulting services	1,862	-	1,862
Other services	8,003	(529)	7,474
	313,801	3,446	317,247
Other income			
Net loss on retirement or disposal of property, plant and equipment	(872)	-	(872)
Amortization of government funding	1,438	-	1,438
Other	144	-	144
	710	-	710
	\$314,511	\$3,446	\$317,957

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 2 – Basis of presentation, continued

New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee. These include:

Standard	Description	Impact	Effective Date
IFRS 16 Leases	Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.	IFRS 16 may affect the classification, measurement and valuation of leases. The Corporation is currently evaluating the impact of IFRS 16 on the financial statements.	Fiscal years beginning on or after January 1, 2019, applied retrospectively with certain practical expedients available. Early adoption is permitted.

Note 3 – Revenue and other income

Accounting policies

The following accounting policy discussion is presented to illustrate the impact of IFRS 15 on the Corporation's accounting policies.

Revenue from contracts with customers

Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts collected on behalf of third parties. Revenue is recognized when control of a product or service is transferred to a customer. When the Corporation's right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, the Corporation recognizes revenue in the amount to which the Corporation has a right to invoice.

For multiple element arrangements, the Corporation accounts for individual products and services when they are separately identifiable and the customer can benefit from the product or service on its own. The total arrangement consideration is allocated to each product or service included in the contract with the customer based on its stand-alone selling price. Stand-alone selling prices are generally determined based on the observable prices at which the Corporation sells products separately without a service contract and prices for non-bundled service offers with the same range of services, adjusted for market conditions and other factors, as appropriate. When similar products and services are not sold separately, the Corporation uses the expected cost plus margin approach to determine stand-alone selling prices. Products and services purchased by a customer in excess of those included in the bundled arrangement are accounted for separately.

A contract asset is recognized when the Corporation's right to consideration from the transfer of products or services to a customer is conditional on the obligation to transfer other products or services. Contract assets are transferred to trade receivables when the right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when consideration is received in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

The Corporation may enter into arrangements with subcontractors and others who provide services to our customers. When the Corporation acts as the principal in these arrangements, the Corporation recognizes revenue based on the amounts billed to our customers. Otherwise, the Corporation recognizes the net amount that the Corporation retains as revenue.

Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions, and prepaid contract fulfillment costs are recognized on the statement of financial position.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 3 – Revenue and other income, continued

Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Wireless revenue is principally generated from providing integrated digital wireless voice and data communications products and services to residential and business customers.

Product revenue from the sale of wireless handsets and devices are recognized when a customer takes possession of the product. Wireless service revenue is recognized over time, as the services are provided. For multiple element arrangements, stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate.

For wireless products and services that are sold separately, customers usually pay in full at the point of sale for products and on a monthly basis for services. For wireless products and services sold in multiple element arrangements, customers pay monthly over a contract term of up to 24 months for residential customers and up to 36 months for business customers.

Revenue is also generated from providing data, including Internet access and Internet protocol television (IPTV), local telephone, long distance and connectivity, security services as well as other communications services and products to residential and business customers. Revenue also includes amounts from the Corporation's wholesale business, which sells telecommunication services from or to resellers and other carriers.

Product revenue from the sale of equipment is recognized when a customer takes possession of the product. Service revenue is recognized over time, as the services are provided. Revenue on certain long-term contracts is recognized using output methods based on products delivered, performance completed to date, time elapsed or milestones met. For multiple element arrangements, stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate, or the expected cost plus margin approach for customized business arrangements.

For wireline customers, products are usually paid in full at the point of sale and services are paid on a monthly basis except where a billing schedule has been established with certain business customers under long-term contracts that can generally extend up to 5 years.

Marketing revenue is generated from conventional, digital media and out of home advertising.

Revenue is earned through the sale of print, on-line and out of home marketing services. Marketing service revenue is generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the services, commencing with the display date. Amounts billed in advance for marketing services are deferred and recognized over the life of the contract. Customer payments are due monthly as the services are provided.

Revenue for perpetual licences is recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, the elements are assessed to determine which elements are integral to the perpetual licence and which are separate performance obligations. Revenue is recognized in accordance with the assessment of performance obligations to be delivered. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenue for customized software projects and consulting services is recognized using the percentage-of-completion method. Amounts billed or paid in advance of services provided are recorded as contract liabilities.

Accounting estimates and judgements

The application of IFRS 15 requires the Corporation to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless products and services, the identification of performance obligations within a contract, including the determination of whether a promise to deliver goods or services is considered distinct, and the timing of satisfaction of

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 3 – Revenue and other income, continued

performance obligations under long-term contracts. The determination of costs to obtain a contract including the identification of incremental costs also requires judgment. This includes determining whether the costs meet the deferral criteria within IFRS 15 and whether the costs will be recoverable.

Supporting information

Thousands of dollars	Three months ended June 30,	
	2018	2017
Services revenue		
Wireless	\$109,745	\$125,987
maxTV service, internet and data	88,233	86,403
Local and enhanced	47,086	51,138
Equipment and professional services	39,165	11,051
Long distance	8,637	9,909
Marketing services	8,066	9,049
Security monitoring	6,979	6,586
International software and consulting	1,862	2,216
Other	7,474	6,951
	317,247	309,290
Other income		
Net loss on retirement or disposal of property, plant and equipment	(872)	(544)
Amortization of government funding	1,438	1,350
Other	144	(50)
	710	756
	\$317,957	\$310,046

Contract assets

As at	June 30,
Thousands of dollars	2018
Balance at April 1, 2018	\$77,700
Contract assets recognized in the current period	17,472
	95,172
Contract assets transferred to trade receivables	(18,403)
Contract terminations transferred to trade receivables	(1,388)
	75,381
Current portion	56,634
	\$18,747

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 3 – Revenue and other income, continued

Contract costs

As at	June 30,
Thousands of dollars	2018
Balance at April 1, 2018	\$55,682
Costs recognized in the current period	2,742
	58,424
Amortization included in operating costs	(2,822)
	55,602
Current portion	16,722
	\$38,880

Contract liabilities

As at	June 30,
Thousands of dollars	2018
Balance at April 1, 2018	\$56,660
Contract liabilities recognized in the current period	95,749
	152,409
Recognized in revenue	(90,081)
	62,328
Current portion	61,057
	\$1,271

Note 4 – Net finance expense

Thousands of dollars	Three months ended June 30,	
	2018	2017
Interest on long-term debt	\$11,387	\$10,839
Interest on short-term advances	480	209
Interest capitalized	(1,577)	(1,197)
Net interest expense	10,290	9,851
Net interest on defined benefit liability	64	1,021
Interest on provisions	65	-
Finance expense	10,419	10,872
Sinking fund earnings	(902)	(695)
Interest income on loans and receivables	(2,123)	(1,471)
Finance income	(3,025)	(2,166)
Net finance expense recognized in consolidated net income	\$7,394	\$8,706
Interest capitalization rate	4.21%	4.16%

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2018	\$3,468,486	\$519,868	\$167,649	\$172,220	\$38,489	\$4,366,712
Additions	20,256	-	2,608	27,720	41	50,625
Transfers	8,415	1,342	-	(9,757)	-	-
Retirements and disposals	(13,334)	5,455	(3,578)	-	(3)	(11,460)
Balance at June 30, 2018	\$3,483,823	\$526,665	\$166,679	\$190,183	\$38,527	\$4,405,877
Balance at April 1, 2017	\$3,527,447	\$512,386	\$176,236	\$145,736	\$38,344	\$4,400,149
Additions	93,617	30	16,590	140,387	156	250,780
Transfers	101,396	11,110	1,397	(113,903)	-	-
Retirements and disposals	(253,974)	(3,658)	(26,574)	-	(11)	(284,217)
Balance at March 31, 2018	\$3,468,486	\$519,868	\$167,649	\$172,220	\$38,489	\$4,366,712
Accumulated depreciation						
Balance at April 1, 2018	\$2,307,931	\$168,712	\$110,542	\$ -	\$ -	\$2,587,185
Depreciation	31,087	3,290	5,362	-	-	39,739
Retirements and disposals	(12,533)	(67)	(3,578)	-	-	(16,178)
Balance at June 30, 2018	\$2,326,485	\$171,935	\$112,326	\$ -	\$ -	\$2,610,746
Balance at April 1, 2017	\$2,433,054	\$157,358	\$116,503	\$ -	\$ -	\$2,706,915
Depreciation	124,306	12,625	20,635	-	-	157,566
Retirements and disposals	(249,429)	(1,271)	(26,596)	-	-	(277,296)
Balance at March 31, 2018	\$2,307,931	\$168,712	\$110,542	\$ -	\$ -	\$2,587,185
Carrying amounts						
At April 1, 2018	\$1,160,555	\$351,156	\$57,107	\$172,220	\$38,489	\$1,779,527
At June 30, 2018	\$1,157,338	\$354,730	\$54,353	\$190,183	\$38,527	\$1,795,131
At April 1, 2017	\$1,094,393	\$355,028	\$59,733	\$145,736	\$38,344	\$1,693,234
At March 31, 2018	\$1,160,555	\$351,156	\$57,107	\$172,220	\$38,489	\$1,779,527

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 6 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts (restated see Note 2)	Spectrum licences	Under development	Total
Cost						
Balance at April 1, 2018						
As previously reported	\$5,976	\$392,388	\$121,997	\$108,738	\$12,277	\$641,376
Impact of adoption of IFRS 15	-	-	(119,239)	-	-	(119,239)
As restated	5,976	392,388	2,758	108,738	12,277	522,137
Acquisitions	-	(6)	-	-	5,049	5,043
Acquisitions – internally developed	-	1,119	-	-	741	1,860
Transfers	-	1,056	-	-	(1,056)	-
Retirements, disposals and adjustments	-	(5,560)	-	-	-	(5,560)
Balance at June 30, 2018	\$5,976	\$388,997	\$2,758	\$108,738	\$17,011	\$523,480
Balance at April 1, 2017	\$5,976	\$350,322	\$108,171	\$108,738	\$21,497	\$594,704
Acquisitions	-	4,088	13,826	-	19,103	37,017
Acquisitions – internally developed	-	5,312	-	-	8,926	14,238
Transfers	-	37,249	-	-	(37,249)	-
Retirements and disposals	-	(4,583)	-	-	-	(4,583)
Balance at March 31, 2018	\$5,976	\$392,388	\$121,997	\$108,738	\$12,277	\$641,376
Accumulated amortization						
Balance at April 1, 2018						
As previously reported	\$ -	\$235,735	\$74,627	\$ -	\$ -	\$310,362
Impact of adoption of IFRS 15	-	-	(74,627)	-	-	(74,627)
As restated	-	235,735	-	-	-	235,735
Amortization	-	8,677	54	-	-	8,731
Retirements and disposals	-	(5,517)	-	-	-	(5,517)
Balance at June 30, 2018	\$ -	\$238,895	\$54	\$ -	\$ -	\$238,949
Balance at April 1, 2017	\$ -	\$209,078	\$66,794	\$ -	\$ -	\$275,872
Amortization	-	32,344	7,833	-	-	40,177
Retirements and disposals	-	(5,687)	-	-	-	(5,687)
Balance at March 31, 2018	\$ -	\$235,735	\$74,627	\$ -	\$ -	\$310,362
Carrying amounts						
At April 1, 2018	\$5,976	\$156,653	\$47,370	\$108,738	\$12,277	\$331,014
At June 30, 2018	\$5,976	\$150,102	\$2,704	\$108,738	\$17,011	\$284,531
At April 1, 2017	\$5,976	\$141,244	\$41,377	\$108,738	\$21,497	\$318,832
At March 31, 2018	\$5,976	\$156,653	\$47,370	\$108,738	\$12,277	\$331,014

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 7 – Long-term debt

On June 26, 2018, the Corporation issued \$50 million of long-term debt at a discount of \$0.6 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 2.95%, an effective interest rate of 3.01%, and matures on June 2, 2058.

Note 8 – Employee benefit obligations

Other comprehensive income results from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plans, specifically the discount rate used to calculate the liabilities of the employee defined benefit plan and changes in the fair value of the employee benefit defined plan assets resulting from differences in the actual versus estimated return on these assets. The discount rates used are as follows:

	2018/19	2017/18
June 30	3.50%	3.30%
September 30	n/a	3.40%
December 31	n/a	3.20%
March 31	n/a	3.40%

In addition to the other comprehensive income impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net decrease in the employee benefit obligations for the period which has been offset by the impact of the asset ceiling limit.

Thousands of dollars	Three months ended June 30,	
	2018	2017
Actuarial gain (loss) on accrued benefit obligation	\$12,062	\$(26,251)
Return on plan assets excluding interest income	11,432	21,846
Effect of asset ceiling limit	(23,458)	-
Actuarial gains (loss) on employee benefit plans	\$36	\$(4,405)

Note 9 – Provisions

Accounting policy

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation, or at the best estimate to settle the obligation at the end of the reporting period. The unwinding of the discount on provisions is recognized as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of property, plant and equipment. The Corporation recognizes decommissioning provisions in the period incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission towers, antennae and fuel storage tanks in the period in which the facility is ready for service. The fair value of estimated decommissioning cost is recorded as a provision with an offsetting amount capitalized

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 9 – Provisions, continued

and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the liability and the related asset. If the asset is fully depreciated, the changes are recognized in net income immediately.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in net income immediately.

Accounting estimates and judgements

Judgement is involved in the estimation of the future liabilities for decommissioning and environmental remediation, the determination of the expected period until decommissioning, as well as inflation factors and discount rates to determine the present value of the provisions.

Supporting information

Thousands of dollars	Decommissioning provisions	Environmental provisions	Total
Cost			
Balance at April 1, 2018	\$ -	\$575	\$575
Provision for decommissioning and environmental remediation liabilities	5,613	-	5,613
Accretion expense	65	-	65
Balance at June 30, 2018	\$5,678	\$575	\$6,253
Balance at April 1, 2017	\$ -	\$ -	\$ -
Provision for decommissioning and environmental remediation liabilities	-	575	575
Balance at March 31, 2018	\$ -	\$575	\$575

Note 10 – Capital management

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in the Corporation by CIC.

Due to its ownership structure, the Corporation has no access to capital markets for internal equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to CIC are determined through the Saskatchewan Provincial budget process on an annual basis.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 10 – Capital management, continued

The Corporation closely monitors its debt level 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, its financial flexibility. Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenue and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The targeted ratio for 2018/19 is 51.3%.

The Corporation raises most of its capital requirements through internal operating activities, short-term debt and long-term debt through the Saskatchewan Ministry of Finance. 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 Corporation made no changes to its approach to capital management during the period.

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

The debt ratio is as follows:

As at	June 30,	March 31,
Thousands of dollars	2018	2018
Long-term debt	\$1,002,959	\$953,494
Short-term debt	130,319	143,069
Less: Sinking funds	161,952	155,564
Cash	16,843	17,292
Net debt	954,483	923,707
Equity (a)	1,163,207	1,073,691
Capitalization	\$2,117,690	\$1,997,398
Debt ratio	45.1%	46.2%

a) Equity includes equity advances, accumulated other comprehensive income (loss) and retained earnings at the end of the period.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 11 – Additional financial information

a) Statement of Financial Position

As at	June 30,	March 31,
Thousands of dollars	2018	2018
Trade and other receivables		
Customer accounts receivable	\$99,232	\$87,200
Accrued receivables - customer	4,623	2,697
Allowance for doubtful accounts	(2,105)	(2,349)
	101,750	87,548
High cost serving area subsidy	2,549	2,400
Other	22,070	28,284
	\$126,369	\$118,232
Inventories		
Inventories for resale	\$18,797	\$22,452
Materials and supplies	1,359	1,512
	\$20,156	\$23,964
Prepaid expenses		
Prepaid expenses	\$49,292	\$48,109
Deferred service connection charges	-	2,531
Short-term customer incentives	1,292	4,528
Risk management assets	178	-
	\$50,762	\$55,168
Trade and other payables		
Trade payables and accrued liabilities	\$105,990	\$128,103
Payroll and other employee-related liabilities	26,268	32,438
Other	10,660	9,362
	\$142,918	\$169,903
Other liabilities		
Advance billings	\$36	\$55,958
Deferred customer activation and connection fees	-	3,732
Current portion of deferred income		
- government funding	5,676	5,677
Customer deposits	3,028	3,279
Risk management liabilities	-	47
	\$8,740	\$68,693

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

As at and for the three months ended June 30, 2018

Note 11 – Additional financial information, continued

b) Non-cash working capital changes

Thousands of dollars	Three months ended June 30,	
	2018	2017
Net change in non-cash working capital balances related to operations		
Trade and other receivables	\$(8,137)	\$23,466
Inventories	3,808	4,848
Prepaid expenses	(854)	(708)
Trade and other payables	(28,135)	(33,084)
Other liabilities	2,945	1,655
Deferred revenues	6,013	(656)
Contract assets	756	-
Contract liabilities	1,403	-
Other	250	2,395
	\$(21,951)	\$(2,084)

c) Changes in liabilities arising from financing activities

Thousands of dollars	Assets	Liabilities		Equity	Total
	Sinking funds	Long-term debt	Notes payable	Retained earnings (restated see Note 2)	
Balance at April 1, 2018	\$(155,564)	\$953,494	\$143,069	\$812,637	\$1,753,636
Changes from financing cash flows					
Proceeds from loans and borrowings	-	49,364	256,558	-	305,922
Repayment of borrowings	-	-	(269,308)	-	(269,308)
Installments	(5,025)	-	-	-	(5,025)
Dividends paid	-	-	-	(26,506)	(26,506)
Total changes from financing cash flows	(5,025)	49,364	(12,750)	(26,506)	5,083
Other changes					
Asset and liability related					
Sinking fund earnings	(902)	-	-	-	(902)
Sinking fund valuation adjustments	(461)	-	-	-	(461)
Amortization of net discount on long-term debt	-	101	-	-	101
Total liability-related other changes	(1,363)	101	-	-	(1,262)
Total equity-related other changes	-	-	-	26,408	26,408
Balance at June 30, 2018	\$(161,952)	\$1,002,959	\$130,319	\$812,539	\$1,783,865

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 11 – Additional financial information, continued

c) Changes in liabilities arising from financing activities, continued

Thousands of dollars	Assets	Liabilities		Equity	Total
	Sinking funds	Long-term debt	Notes payable	Retained earnings	
Balance at April 1, 2017	\$(141,033)	\$851,949	\$177,105	\$711,416	\$1,599,437
Changes from financing cash flows					
Proceeds from loans and borrowings	-	50,748	209,324	-	260,072
Repayment of borrowings	-	-	(271,936)	-	(271,936)
Installments	(3,275)	-	-	-	(3,275)
Dividends paid	-	-	-	(7,500)	(7,500)
Total changes from financing cash flows	(3,275)	50,748	(62,612)	(7,500)	(22,639)
Other changes					
Asset and liability related					
Sinking fund earnings	(695)	-	-	-	(695)
Sinking fund valuation adjustments	(450)	-	-	-	(450)
Amortization of net discount on long-term debt	-	106	-	-	106
Total liability-related other changes	(1,145)	106	-	-	(1,039)
Total equity-related other changes	-	-	-	8,559	8,559
Balance at June 30, 2017	\$(145,453)	\$902,803	\$114,493	\$712,475	\$1,584,318

Note 12 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. 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. The Corporation's financial risks have not changed significantly from the prior period. At June 30, 2018, the Corporation had foreign currency derivatives outstanding with face values of \$13.0 million and maturities up to August 31, 2018. The Corporation does not actively trade derivative financial instruments.

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.

As at	Classification (a)	Fair value hierarchy	June 30, 2018		March 31, 2018	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Thousands of dollars						
Financial assets						
Investments - sinking funds	FVOCI	Level 2	\$161,952	\$161,952	\$155,564	\$155,564
Financial liabilities						
Long-term debt	OL	Level 2	\$1,002,959	\$1,116,222	\$953,494	\$1,056,426
Derivative financial instruments						
Foreign exchange derivative asset (liability)	FVTPL	Level 2	\$178	\$178	\$(47)	\$(47)

(a) Classification details are:

FVTPL - fair value through profit or loss FVOCI – fair value through other comprehensive income OL - other liabilities

Notes to Condensed Consolidated Interim Financial Statements (Unaudited) As at and for the three months ended June 30, 2018

Note 12 – Financial risk management, continued

Fair value hierarchy

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

Level 3 – Where valuation is based on unobservable inputs.

There were no items measured at fair value using level 3 during 2017/18 or to date in 2018/19 and no items transferred between levels in 2017/18 or to date in 2018/19.

Investments carried at fair value through OCI

Investments carried at fair value through OCI and categorized as level 2 in the hierarchy consists of sinking funds. The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Derivative financial instruments

The fair value of derivative financial instruments that are used to manage foreign currency exposure risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or on current rates offered to us for financial instruments of similar maturity, as well as discounted future cash flows determined using current rates for similar financial instruments of similar maturities subject to similar risks (such fair value estimates being largely based on the Canadian dollar versus U.S. dollar forward exchange rate as at the statement of financial position dates).

Note 13 – Future performance obligations

As at	June 30,
Thousands of dollars	2018
1 year or less	\$135,035
Between 1 and 3 years	49,949
Greater than 3 years	-
	\$184,984

Note 14 – Comparative information

Certain of the 2017/18 comparative information has been reclassified to conform with the financial statement presentation adopted for the current fiscal period.