SaskTel

First Quarter Report

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Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2020/21

For the Period Ending June 30, 2020

Saskatchewan Telecommunications Holding Corporation (the Corporation, SaskTel) is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications, Directwest, SecurTek and SaskTel International) offer a wide array of products, services and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,400 full time equivalent employees (FTE's) making the Corporation one of Saskatchewan's largest employers.

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."*

Pandemic Impact on Operating Environment

SaskTel's annual report discussed the initial onset of the COVID-19 pandemic. Since then, the COVID-19 pandemic has significantly impacted the economy, disrupting retail and commercial activities in most sectors and creating extreme volatility in financial markets. While commercial activities are resuming, it is uncertain what the full impact of the pandemic will be on the economy and the operations of SaskTel. The potential impact is dependent on the duration of the pandemic and the speed and consistency of the recovery. As Saskatchewan's communications company, SaskTel continues to deliver critical services and support to consumers, businesses, governments, and public health responders during the pandemic. SaskTel is guided by its five strategic goals during this crisis: Deliver an exceptional customer experience; Lead the market in broadband services; Reinvigorate SaskTel through digital transformation; Empower a high-performance workforce; and Maximize long-term financial sustainability. SaskTel has taken a number of steps in order to maintain essential services, enhance financial stability, and continue delivering an exceptional customer experience, including: continuing to focus on the delivery of broadband services to increase customer connectivity; accelerating digital transformation to support "work from home" and "social distancing" initiatives; and simplifying processes for our customers and our employees. During the pandemic, SaskTel has maintained a focus on supporting our customers and communities, and protecting the health and safety of customers and employees.

Highlights

FINANCIALS

Net Income	Revenue	Return on Equity	Capital Investment
$33.6M	$308.6M	6.7%	$60.4M
+ 48.7% vs Q1 2019/20	-0.8% vs Q1 2019/20	-4.4 percentage points vs Q1 2019/20	-3.1% vs Q1 2019/20

CUSTOMER CONNECTIONS

Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
1.9%	(0.5%)	1.3%	2.0%	(1.3%)
Subscriber Growth	Subscriber Decline	Subscriber Growth	Subscriber Growth	Subscriber Decline

	Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
June 2020	**806,294**	**110,811**	**626,420**	**133,725**	**304,678**
March 2020	791,421	111,382	618,188	131,044	308,719

Consolidated Net Income

Quarter ended June 30, Millions of dollars	**2020**	2019	Change	% Change
Revenue	**$308.6**	$311.1	$(2.5)	(0.8)
Other income (loss)	**2.6**	(0.6)	3.2	*nmf*[1]
	311.2	310.5	0.7	0.2
Expenses	**267.0**	278.8	(11.8)	(4.2)
Results from operating activities	**44.2**	31.7	12.5	39.4
Net finance expense	**10.6**	9.1	1.5	16.5
Net income	**$33.6**	$22.6	$11.0	48.7

1 *nmf* - no meaningful figure

Net income for the first quarter of 2020/21 is $33.6 million, up $11.0 million (48.7%) from the same period in 2019/20. Revenue decreased to $308.6 million, down $2.5 million (0.8%) from the same period in 2019/20. This is primarily due to decreased revenue from local, enhanced, and long-distance services as well as decreased wireless device sales.

Expenses for the first quarter of 2020/21 decreased to $267.0 million, down $11.8 million from the same period in 2019/20. This decrease is primarily driven by decreased spending on consulting, advertising and direct expenses, partially related to the impact of the COVID-19 pandemic, as well as lower net salaries and wages due to fewer full time equivalent employees.

Net finance expense was $10.6 million, up $1.5 million from the same period in 2019/20 primarily driven by reduced interest income on overdue accounts and increased interest expense related to long-term debt issued in April and June of 2020.

Management's Discussion and Analysis

August 6, 2020

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of 2020/21. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2020. 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 2019/20 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 6, 2020.

Results of Operations

Revenue

Millions of dollars	**2020**	2019	Change	% Change
Three months ended June 30,	**$308.6**	$311.1	$(2.5)	(0.8)

Revenue for the first quarter of 2020/21 decreased to $308.6 million, down $2.5 million or 0.8% from the same period in 2019/20. This decrease is primarily due to decreased accesses for local, enhanced, and long-distance services and decreased wireless device sales due to reduced customer demand as a result of the COVID-19 pandemic. Wireless network service decreased as a result of the impacts of the COVID-19 pandemic resulting in lower roaming revenue due to travel restrictions and decreased data usage charges as a result of free unlimited data. MaxTV services decreased due to ongoing over-the-top substitution and fewer customers installing new TV services during the COVID-19 pandemic. These decreases are partially offset by increased fixed broadband and data revenue as a result of increased activations in our fibre serving areas, richer retail offerings and increased demand for high speed internet services, and increased IT solutions revenue.

Expenses

Millions of dollars	2020	2019	Change	% Change
Three months ended June 30,	**$267.0**	$278.8	$(11.8)	(4.2)

Expenses for the first quarter of 2020/21 decreased to $267.0 million, down $11.8 million from the same period in 2019/20. Goods and services purchased decreased $10.3 million. Direct expenses decreased due to reduced wireless device sales and decreased wireless commissions which resulted from less activity due to the COVID-19 pandemic. Spending on consulting, advertising and vehicles decreased due to access and travel restrictions related to the pandemic. Net salaries and wages decreased $2.3 million and depreciation and amortization has increased $0.9 million due to a higher asset base as we continue to invest in our fixed and wireless broadband networks.

Net finance expense

Millions of dollars	2020	2019	Change	% Change
Three months ended June 30,	**$10.6**	$9.1	$1.5	16.5

Net finance expense for the first quarter of 2020/21 was $10.6 million, up $1.5 million over the same period in 2019/20. This is primarily driven by reduced interest income on overdue accounts due to the Crown Utility Interest Deferral Program which waives interest on overdue accounts in response to the COVID-19 pandemic, and increased interest on new long-term debt issues and lease liabilities, partially offset by increased sinking fund earnings and interest capitalized.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2020 to June 30, 2020 are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Cash	$64.8	See condensed consolidated statement of cash flows
Trade and other receivables	12.8	Timing of receipts of non-customer related receivables
Inventories	1.9	Increased inventory related to wireless devices and increased work in progress
Prepaid expenses	3.2	Additional contracts related to maintenance partially offset by recognition of prepaid employee benefits
Contract assets	(6.6)	Amortization of existing contract assets to revenue partially offset by new contract assets related to contracts initiated during the period
Contract costs	(0.3)	Deferral of contract costs related to contracts initiated during the period partially offset by amortization of existing contract costs
Property, plant and equipment	11.7	Capital spending partially offset by depreciation, retirements and disposals
Right-of-use assets	(1.2)	Depreciation of right-of-use assets partially offset by recognition of additional leased assets
Intangible assets	(4.0)	Amortization partially offset by capital spending on software
Sinking funds	16.7	Installments, earnings and market value gains
Other assets	0.5	No significant change
Trade and other payables	(7.9)	Timing of payments for operations, capital spending, and interest
Notes payable	(119.1)	Repayment of notes payable from issuance of long-term debt partially offset by capital spending requirements
Contract liabilities	2.2	Timing of revenue recognition related to contract liabilities
Other liabilities	(0.4)	Primarily related to principal repayment of lease liabilities
Deferred revenue – government funding	(1.4)	Amortization of funding to revenue
Long-term debt	210.8	New debt issue and amortization of the net discount on debt
Lease liabilities	(0.4)	Long-term portion of additional lease liability offset by principal repayments
Employee benefit obligations	(0.3)	Primarily related to a reduction in the discount rate used to determine the net obligation offset by the impact of the asset ceiling limitation
Provisions	-	No significant change
Equity	23.2	Total comprehensive income less dividends declared

Cash Flows

Cash provided by operating activities

Millions of dollars	2020	2019	Change	% Change
Three months ended June 30,	$66.4	$46.7	$19.7	42.2

Cash provided by operating activities in the first quarter of 2020/21 increased to $66.4 million, up $19.7 million from the same period in 2019/20, due to increased cash from operations after adjusting for non-cash items and reduced working capital requirements.

Cash used in investing activities

Millions of dollars	2020	2019	Change	% Change
Three months ended June 30,	$59.1	$61.5	$(2.4)	(3.9)

Cash used in investing activities in the first quarter of 2020/21 decreased to $59.1 million, down $2.4 million from the same period in 2019/20, due to reduced spending on spectrum licenses, partially offset by increased spending on wireless facilities, fibre facilities and internal information systems.

Cash provided by financing activities

Millions of dollars	2020	2019	Change	% Change
Three months ended June 30,	$57.5	$18.7	$38.8	*nmf*[1]

1 *nmf* - no meaningful figure

Cash provided by financing activities in the first quarter of 2020/21 increased to $57.5 million, up $38.8 million from the same period in 2019/20, primarily due to a net increase in short-term and long-term debt.

Liquidity and Capital Resource Ratio

Debt ratio

	June 30, 2020	March 31, 2020	Change
Debt ratio	47.6%	47.8%	(0.2)

The debt ratio decreased to 47.6%, down from 47.8% at March 31, 2020. The overall level of net debt increased $10.1 million during the first quarter primarily due to increased total borrowing, partially offset by increased cash and sinking funds.

Equity increased by $23.2 million in the first quarter of 2020/21 after recording comprehensive income of $41.6 million and dividends of $18.4 million.

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, but excluding lease liabilities, less sinking funds, and cash. Capitalization includes net debt, equity advances, accumulated other comprehensive income and retained earnings at the period end.

Capital Spending

Millions of dollars	2020	2019	Change	% Change
Property, plant and equipment	$56.7	$45.9	$10.8	23.5
Intangible assets	3.7	16.4	(12.7)	(77.4)
Three months ended June 30,	$60.4	$62.3	$(1.9)	(3.0)

Total capital expenditures for the first quarter of 2020/21 were $60.4 million, down $1.9 million from the same period in 2019/20.

SaskTel's net spending on property, plant and equipment for the first quarter of 2020/21 was $56.7 million, up $10.8 million from the same period in 2019/20. This is a result of network capacity enhancements to manage increased demand during the COVID-19 pandemic, and increased spending on the Wireless Sask Program, wireless growth and expansion of the fibre network partially offset by reduced access demand services and customer network facilities. SaskTel's net spending on intangible assets was $3.7 million, down $12.7 million from the same period in 2019/20 due to the purchase of 600MHz spectrum in 2019/20 partially offset by increased spending on internal systems.

Capital expenditures in 2020/21 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 service; 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.

2020/21 Outlook

Due to business impacts and uncertainties related to the COVID-19 pandemic, we are presently unable to predict the impacts of the crisis on our business and have not yet determined a net income target for 2020/21.

Risk Assessment

The 2019/20 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks, including the impact of the COVID-19 pandemic. Strategic Risks are risks that may inhibit SaskTel from achieving goals and targets outlined in its Strategic Plan including the following areas: customer experience, broadband, transformation, and profitability. Core Business Risks are 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, and assess key corporate risks. SaskTel's key risk profile remains unchanged at June 30, 2020.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2020	2019
Revenue	3	**$308,630**	$311,057
Other income (loss)		**2,588**	(563)
		311,218	310,494
Expenses			
Goods and services purchased		**120,175**	130,440
Salaries, wages and benefits		**89,814**	92,163
Internal labour capitalized		**(5,687)**	(5,744)
Depreciation - property, plant & equipment	5	**43,927**	42,204
Depreciation - right-of-use assets	6	**1,544**	1,666
Amortization	7	**7,669**	8,389
Saskatchewan taxes		**9,596**	9,674
		267,038	278,792
Results from operating activities		**44,180**	31,702
Net finance expense	4	**10,547**	9,145
Net income		**33,633**	22,557
Other comprehensive income (loss)			
Items that will be reclassified to net income			
Sinking fund market value gains		**8,039**	4,049
Items that will never be reclassified to net income			
Net actuarial losses on defined benefit pension plan	9	**(115)**	(11,896)
Total other comprehensive income (loss)		**7,924**	(7,847)
Total comprehensive income		**$41,557**	$14,710

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	Retained earnings	Total equity
Balance at April 1, 2020	**$237,000**	**$109,204**	**$835,784**	**$1,181,988**
Net income	**-**	**-**	**33,633**	**33,633**
Other comprehensive income	**-**	**7,924**	**-**	**7,924**
Total comprehensive income	**-**	**7,924**	**33,633**	**41,557**
Dividends declared	**-**	**-**	**18,398**	**18,398**
Balance at June 30, 2020	**$237,000**	**$117,128**	**$851,019**	**$1,205,147**
Balance at April 1, 2019	$237,000	$104,362	$823,806	$1,165,168
Net income	-	-	22,557	22,557
Other comprehensive loss	-	(7,847)	-	(7,847)
Total comprehensive income	-	(7,847)	22,557	14,710
Dividends declared	-	-	29,135	29,135
Balance at June 30, 2019	$237,000	$96,515	$817,228	$1,150,743

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) June 30, 2020	March 31, 2020
Assets			
Current assets			
Cash		$82,061	$17,221
Trade and other receivables	11a	155,693	142,860
Inventories		17,316	15,371
Prepaid expenses		49,161	45,953
Contract assets	11a	58,844	61,548
Contract costs		17,319	16,735
Current portion of sinking funds	11c	129,424	123,603
		509,818	423,291
Contract assets	11a	18,449	22,341
Contract costs		57,459	58,349
Property, plant and equipment	5	1,916,333	1,904,655
Right-of-use assets	6	42,102	43,351
Intangible assets	7	267,532	271,486
Sinking funds	11c	85,802	74,887
Other assets		9,382	8,891
		$2,906,877	$2,807,251
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	11a	$142,395	$150,302
Dividend payable	11c	18,398	25,448
Notes payable	11c	69,791	188,851
Contract liabilities	11a	58,202	55,978
Other liabilities		14,809	15,173
Current portion of long-term debt	11c	276,533	276,464
		580,128	712,216
Contract liabilities	11a	350	407
Deferred income – government funding		21,135	22,577
Long-term debt	8, 11c	1,043,781	833,065
Lease liabilities		37,143	37,592
Employee benefit obligations	9	12,656	12,913
Provisions		6,537	6,493
		1,701,730	1,625,263
Province of Saskatchewan's equity			
Equity advance		237,000	237,000
Accumulated other comprehensive income		117,128	109,204
Retained earnings		851,019	835,784
		1,205,147	1,181,988
		$2,906,877	$2,807,251

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2020	2019
Operating activities			
Net income		**$33,633**	$22,557
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5, 6, 7	**53,140**	52,259
Net finance expense	4	**10,547**	9,145
Interest paid		**(17,768)**	(16,311)
Interest received		**611**	2,382
Amortization of government funding		**(1,442)**	(1,435)
Other		**119**	1,462
Net change in non-cash working capital	11b	**(12,415)**	(23,380)
		66,425	46,679
Investing activities			
Property, plant and equipment expenditures		**(55,210)**	(45,221)
Intangible assets expenditures		**(3,849)**	(16,285)
		(59,059)	(61,506)
Financing activities			
Proceeds from long-term debt	11c	**210,742**	105,919
Net repayment of notes payable	11c	**(119,060)**	(55,173)
Payment of lease liabilities	11c	**(1,460)**	(1,638)
Sinking fund instalments	11c	**(7,300)**	(5,550)
Dividend paid	11c	**(25,448)**	(24,880)
		57,474	18,678
Increase in cash		**64,840**	3,851
Cash, beginning of period		**17,221**	5,121
Cash, end of period		**$82,061**	$8,972

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2020

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, marketing services, security, software products, and consulting 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, 2020 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) March 31, 2020 audited consolidated financial statements. The interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim financial statements do not include all of the information required for full annual financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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.

The interim financial statements as at and for the three month period ended June 30, 2020 were approved by the Board of Directors on August 6, 2020.

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 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. These estimates and assumptions are based on several factors, including historical experience, current events including but not limited to the COVID-19 pandemic and actions that the Corporation may undertake in the future, and other assumptions that the Corporation believes are reasonable under the circumstances. Actual results may differ from these estimates.

Note 2 – Basis of presentation, continued

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the 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,
- Lease liability and right-of-use asset recognition, 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 and right-of-use assets,
- Useful lives and amortization rates for intangible assets,
- The measurement of employee benefit obligations,
- Lease liability and right-of-use asset measurement, and
- Accounting for provisions.

Application of amendments to International Financial Reporting Standards

Adoption of amendments to IFRS 3 *Business combinations*

The Corporation has adopted the amendments to IFRS 3 *Business combinations* (IFRS 3) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IFRS 3, the Corporation has applied IFRS 3 prospectively. The amendments to IFRS 3 may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill. The adoption of the amendments to IFRS 3 has not had a significant impact on the financial statements.

Note 3 – Revenue from contracts with customers

	Three months ended June 30,	
Thousands of dollars	**2020**	2019
Revenue		
Wireless network services and equipment revenue	**$134,117**	$136,594
Fixed broadband and data	**66,920**	66,729
Wireline communication	**51,570**	54,846
maxTV services	**25,443**	25,965
Security monitoring services	**8,607**	7,367
Marketing services	**6,601**	7,329
Customer premise equipment	**5,513**	4,910
IT solutions	**3,178**	2,600
International software and consulting services	**1,997**	1,968
Other services	**4,684**	2,749
	$308,630	$311,057

Note 4 – Net finance expense

	Three months ended June 30,	
Thousands of dollars	**2020**	2019
Recognized in consolidated net income		
Interest on long-term debt	**$13,160**	$12,468
Interest on short-term debt	**423**	499
Interest capitalized	**(1,239)**	(870)
Net interest expense	**12,344**	12,097
Interest on lease liabilities	**266**	287
Net interest on defined benefit liability	**(112)**	66
Interest on provisions	**57**	55
Finance expense	**12,555**	12,505
Sinking fund earnings	**(1,397)**	(978)
Interest income	**(611)**	(2,382)
Finance income	**(2,008)**	(3,360)
Net finance expense	**$10,547**	$9,145
Interest capitalization rate	**3.92%**	4.01%

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2020

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, 2020	**$3,639,106**	**$587,515**	**$153,572**	**$145,124**	**$39,723**	**$4,565,040**
Additions	**14,429**	**-**	**3,160**	**38,962**	**142**	**56,693**
Transfers	**48,767**	**8,762**	**149**	**(57,678)**	**-**	**-**
Retirements, disposals and adjustments	**(51,322)**	**(119)**	**(30,378)**	**-**	**(6)**	**(81,825)**
Balance at June 30, 2020	**$3,650,980**	**$596,158**	**$126,503**	**$126,408**	**$39,859**	**$4,539,908**
Balance at April 1, 2019	$3,537,767	$575,017	$176,534	$103,484	$38,670	$4,431,472
Additions	59,259	-	21,592	146,507	1,055	228,413
Transfers	81,447	14,803	8,617	(104,867)	-	-
Retirements, disposals and adjustments	(39,367)	(2,305)	(53,171)	-	(2)	(94,845)
Balance at March 31, 2020	$3,639,106	$587,515	$153,572	$145,124	$39,723	$4,565,040
Accumulated depreciation						
Balance at April 1, 2020	**$2,376,967**	**$195,695**	**$87,723**	**$ -**	**$ -**	**$2,660,385**
Depreciation	**34,192**	**3,800**	**5,935**	**-**	**-**	**43,927**
Retirements, disposals and adjustments	**(50,706)**	**(45)**	**(29,986)**	**-**	**-**	**(80,737)**
Balance at June 30, 2020	**$2,360,453**	**$199,450**	**$63,672**	**$ -**	**$ -**	**$2,623,575**
Balance at April 1, 2019	$2,281,955	$181,497	$113,330	$ -	$ -	$2,576,782
Depreciation	135,206	15,417	22,420	-	-	173,043
Retirements, disposals and adjustments	(40,194)	(1,219)	(48,027)	-	-	(89,440)
Balance at March 31, 2020	$2,376,967	$195,695	$87,723	$ -	$ -	$2,660,385
Carrying amounts						
At April 1, 2020	**$1,262,139**	**$391,820**	**$65,849**	**$145,124**	**$39,723**	**$1,904,655**
At June 30, 2020	**$1,290,527**	**$396,708**	**$62,831**	**$126,408**	**$39,859**	**$1,916,333**
At April 1, 2019	$1,255,812	$393,520	$63,204	$103,484	$38,670	$1,854,690
At March 31, 2020	$1,262,139	$391,820	$65,849	$145,124	$39,723	$1,904,655

Note 6 – Right-of-use assets

Thousands of dollars	Plant and equipment	Buildings and improvements	Land	Total
Cost				
Balance at April 1, 2020	**$13,298**	**$27,724**	**$8,879**	**$49,901**
Additions	**230**	**-**	**113**	**343**
Retirements, disposals and adjustments	**-**	**(48)**	**-**	**(48)**
Balance at June 30, 2020	**$13,528**	**$27,676**	**$8,992**	**$50,196**
Balance at April 1, 2019	$10,191	$27,436	$9,683	$47,310
Additions	3,219	288	307	3,814
Retirements, disposals and adjustments	(112)	-	(1,111)	(1,223)
Balance at March 31, 2020	$13,298	$27,724	$8,879	$49,901
Accumulated depreciation				
Balance at April 1, 2020	**$3,314**	**$2,578**	**$658**	**$6,550**
Depreciation	**751**	**626**	**167**	**1,544**
Balance at June 30, 2020	**$4,065**	**$3,204**	**$825**	**$8,094**
Balance at April 1, 2019	$ -	$ -	$ -	$ -
Depreciation	3,343	2,578	658	6,579
Retirements, disposals and adjustments	(29)	-	-	(29)
Balance at March 31, 2020	$3,314	$2,578	$658	$6,550
Carrying amounts				
At April 1, 2020	**$9,984**	**$25,146**	**$8,221**	**$43,351**
At June 30, 2020	**$9,463**	**$24,472**	**$8,167**	**$42,102**
At April 1, 2019	$10,191	$27,436	$9,683	$47,310
At March 31, 2020	$9,984	$25,146	$8,221	$43,351

Note 7 – Intangible assets

Thousands of dollars	Goodwill	Software	Spectrum licences	Under development	Total
Cost					
Balance at April 1, 2020	**$ -**	**$440,413**	**$120,905**	**$12,172**	**$573,490**
Acquisitions	**-**	**728**	**-**	**1,337**	**2,065**
Acquisitions – internally developed	**-**	**1,429**	**-**	**221**	**1,650**
Transfers	**-**	**5,429**	**-**	**(5,429)**	**-**
Retirements, disposals and adjustments	**-**	**(153,351)**	**-**	**-**	**(153,351)**
Balance at June 30, 2020	**$ -**	**$294,648**	**$120,905**	**$8,301**	**$423,854**
Balance at April 1, 2019	$5,976	$428,357	$108,738	$2,199	$545,270
Acquisitions	-	4,612	12,167	10,945	27,724
Acquisitions – internally developed	-	5,794	-	961	6,755
Transfers	-	1,933	-	(1,933)	-
Impairment loss	(5,976)	-	-	-	(5,976)
Retirements, disposals and adjustments	-	(283)	-	-	(283)
Balance at March 31, 2020	$ -	$440,413	$120,905	$12,172	$573,490
Accumulated amortization and impairment losses					
Balance at April 1, 2020	**$ -**	**$302,004**	**$ -**	**$ -**	**$302,004**
Amortization	**-**	**7,669**	**-**	**-**	**7,669**
Retirements, disposals and adjustments	**-**	**(153,351)**	**-**	**-**	**(153,351)**
Balance at June 30, 2020	**$ -**	**$156,322**	**$ -**	**$ -**	**$156,322**
Balance at April 1, 2019	$ -	$264,250	$ -	$ -	$264,250
Amortization	-	33,353	-	-	33,353
Impairment loss	-	4,684	-	-	4,684
Retirements, disposals and adjustments	-	(283)	-	-	(283)
Balance at March 31, 2020	$ -	$302,004	$ -	$ -	$302,004
Carrying amounts					
At April 1, 2020	**$ -**	**$138,409**	**$120,905**	**$12,172**	**$271,486**
At June 30, 2020	**$ -**	**$138,326**	**$120,905**	**$8,301**	**$267,532**
At April 1, 2019	$5,976	$164,107	$108,738	$2,199	$281,020
At March 31, 2020	$ -	$138,409	$120,905	$12,172	$271,486

Note 8 – Long-term debt

On April 28, 2020, the Corporation issued $100 million of long-term debt at a premium of $11.1 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.10%, an effective interest rate of 2.57%, and matures on June 2, 2050.

On June 2, 2020, the Corporation issued $100 million of long-term debt at a discount of $0.4 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 2.35%, an effective interest rate of 2.37%, and matures on June 2, 2060.

Note 9 – Employee benefit obligations

Other comprehensive income results, in part, 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:

	2020/21	2019/20
June 30	**3.00%**	3.00%
September 30	**n/a**	2.80%
December 31	**n/a**	2.90%
March 31	**n/a**	3.70%

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.

	Three months ended June 30,	
Thousands of dollars	**2020**	2019
Actuarial loss on accrued benefit obligation	**$(71,773)**	$(22,710)
Return on plan assets excluding interest income	**61,866**	6,189
Effect of asset ceiling limit	**9,792**	4,625
Net actuarial loss on employee benefit plans	**$(115)**	$(11,896)

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.

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 budgeted ratio for 2020/21 is 51.4%.

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.

Note 10 – Capital management, continued

The debt ratio is as follows:

As at Thousands of dollars	**June 30, 2020**	March 31, 2020
Long-term debt [(a)]	**$1,320,314**	$1,109,529
Notes payable [(a)]	**69,791**	188,851
Less: Sinking funds	**215,226**	198,490
Cash	**82,061**	17,221
Net debt	**1,092,818**	1,082,669
Province of Saskatchewan's equity [(b)]	**1,205,147**	1,181,988
Capitalization	**$2,297,965**	$2,264,657
Debt ratio	**47.6%**	47.8%

a) Long-term debt and notes payable exclude lease liabilities
b) Equity includes equity advances, accumulated other comprehensive income and retained earnings at the end of the period.

Note 11 – Additional financial information

a) Statement of financial position

As at Thousands of dollars	**June 30, 2020**	March 31, 2020
Trade and other receivables		
Customer accounts receivable	**$116,243**	$112,852
Accrued receivables - customer	**2,616**	2,190
Allowance for doubtful accounts	**(2,875)**	(2,606)
	115,984	112,436
High cost serving area subsidy	**165**	683
Other	**39,544**	29,741
	$155,693	$142,860
Contract assets		
Opening balance	**$85,350**	$79,103
Contract assets recognized in the current period	**11,587**	88,767
	96,937	167,870
Amortization of contract assets	**(17,571)**	(76,665)
Contract terminations transferred to trade receivables	**(955)**	(5,855)
	78,411	85,350
Impairment allowance	**(1,118)**	(1,461)
Closing balance	**77,293**	83,889
Current portion	**58,844**	61,548
Long-term portion	**$18,449**	$22,341

Note 11 – Additional financial information, continued

a) *Statement of financial position, continued*

As at Thousands of dollars	June 30, 2020	March 31, 2020
Trade and other payables		
Trade payables and accrued liabilities	**$103,227**	$105,170
Payroll and other employee-related liabilities	**28,945**	33,066
Other	**10,223**	12,066
	$142,395	$150,302
Contract liabilities		
Opening balance	**$56,385**	$57,463
Contract liabilities recognized in the current period	**80,374**	324,342
	136,759	381,805
Recognized in revenue	**(78,203)**	(325,399)
Terminations	**(4)**	(21)
Closing balance	**58,552**	56,385
Current portion	**58,202**	55,978
Long-term portion	**$350**	$407

b) Non-cash working capital changes

Thousands of dollars	Three months ended June 30, 2020	2019
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(12,833)**	$(2,778)
Inventories	**(1,945)**	(558)
Prepaid expenses	**(3,208)**	(8,759)
Contract assets	**6,596**	1,391
Contract costs	**306**	(1,477)
Trade and other payables	**(3,946)**	(12,987)
Contract liabilities	**2,167**	1,796
Other liabilities	**353**	(63)
Other	**95**	55
	$(12,415)	$(23,380)

Note 11 – Additional financial information, continued

c) Changes in liabilities arising from financing activities

Thousands of dollars	Assets: Sinking funds	Liabilities: Long-term debt	Liabilities: Notes payable	Liabilities: Lease liabilities	Liabilities: Dividend payable	Total
Balance at April 1, 2020	**$(198,490)**	**$1,109,529**	**$188,851**	**$44,095**	**$25,448**	**$1,169,433**
Changes from financing cash flows						
Proceeds from loans and borrowings	**-**	**210,742**	**58,196**	**-**	**-**	**268,938**
Repayment of borrowings	**-**	**-**	**(177,256)**	**(1,460)**	**-**	**(178,716)**
Instalments	**(7,300)**	**-**	**-**	**-**	**-**	**(7,300)**
Dividend paid	**-**	**-**	**-**	**-**	**(25,448)**	**(25,448)**
Total changes from financing cash flows	**(7,300)**	**210,742**	**(119,060)**	**(1,460)**	**(25,448)**	**57,474**
Other changes						
Dividend declared	**-**	**-**	**-**	**-**	**18,398**	**18,398**
Sinking fund earnings	**(1,397)**	**-**	**-**	**-**	**-**	**(1,397)**
Sinking fund valuation adjustments	**(8,039)**	**-**	**-**	**-**	**-**	**(8,039)**
New leases and assumption changes	**-**	**-**	**-**	**293**	**-**	**293**
Amortization of net discount on long-term debt	**-**	**43**	**-**	**-**	**-**	**43**
Total other changes	**(9,436)**	**43**	**-**	**293**	**18,398**	**9,298**
Balance at June 30, 2020	**$(215,226)**	**$1,320,314**	**$69,791**	**$42,928**	**$18,398**	**$1,236,205**
Balance at April 1, 2019	$(176,021)	$1,003,280	$193,295	$46,803	$24,880	$1,092,237
Changes from financing cash flows						
Proceeds from loans and borrowings	-	105,919	185,085	-	-	291,004
Repayment of borrowings	-	-	(240,258)	(1,638)	-	(241,896)
Instalments	(5,550)	-	-	-	-	(5,550)
Dividend paid	-	-	-	-	(24,880)	(24,880)
Total changes from financing cash flows	(5,550)	105,919	(55,173)	(1,638)	(24,880)	18,678
Other changes						
Dividend declared	-	-	-	-	29,135	29,135
Sinking fund earnings	(978)	-	-	-	-	(978)
Sinking fund valuation adjustments	(4,049)	-	-	-	-	(4,049)
New leases and assumption changes	-	-	-	1,723	-	1,723
Amortization of net discount on long-term debt	-	80	-	-	-	80
Total other changes	(5,027)	80	-	1,723	29,135	25,911
Balance at June 30, 2019	$(186,598)	$1,109,279	$138,122	$46,888	$29,135	$1,136,826

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, while impacted by the pandemic, have not changed significantly from the prior period.

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, *Note 12 – Financial risk management, continued*

aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

As at			June 30, 2020		March 31, 2020	
Thousands of dollars	Classification (a)	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Investments - sinking funds	FVOCI	Level 2	**$215,226**	**$215,226**	$198,490	$198,490
Financial liabilities						
Long-term debt	Amortized cost	Level 2	**$1,320,314**	**$1,546,433**	$1,109,529	$1,225,745

(a) Classification details are: FVOCI – fair value through other comprehensive income

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 inputs during 2019/20 or to date in 2020/21 and no items transferred between levels in 2019/20 or to date in 2020/21.

Investments carried at fair value through OCI

Investments carried at fair value through OCI and categorized as Level 2 in the hierarchy consist 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.

Note 13 – COVID-19

Although the Corporation’s telecommunications and security operations have been recognized by Canadian governments as essential services, there has been a negative impact on the Corporation’s business as a result of the emergency measures adopted to combat the spread of COVID-19, and the resulting economic conditions. Starting in March of the Corporation’s previous fiscal year and continuing into the current period, the majority of operations have been adversely affected, but there has been a more pronounced impact on retail subscriber and promotional activity, wireless product sales, wireless roaming revenues and business customer spending. Given that measures taken to address the pandemic only began in March of 2020, such measures had a relatively moderate impact on the Corporation’s financial results in the first quarter of 2021. However, depending on the severity and duration of the pandemic disruptions, the Corporation’s operations and financial results are expected to be negatively impacted more significantly in future periods.

Note 14 – Comparative information

Certain of the 2020/21 comparative information has been reclassified to conform with the financial statement presentation adopted for the current fiscal period.