

It's all for you.



Letter of Transmittal

Regina, Saskatchewan
March 31, 2014

Her Honour
The Honourable Vaughn Solomon Schofield, s.o.m., s.v.m.
Lieutenant Governor of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of SaskTel for the year ending December 31, 2013, including the financial statements, duly certified by auditors for the Corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Holding Corporation Act.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D McMorris".

Honourable Don McMorris

Minister Responsible for Saskatchewan Telecommunications



Minister's Message

On behalf of Premier Brad Wall and the Government of Saskatchewan, I am pleased to present the 2013 SaskTel Annual Report. SaskTel continues to excel as a telecom provider, delivering world class communications to Saskatchewan communities, businesses, and households over its ever-advancing networks. At the same time, by bridging traditional telecom with Information Technology, SaskTel has been developing new services that apply IT systems to meet customer needs.

In addition to its mandate to deliver high quality, accessible and affordable services while investing in core business operations and services within Saskatchewan, SaskTel has started to find ways to use its network and expertise to expand into the burgeoning Information and Communication Technology market. By growing and finding these new ways to serve Saskatchewan people and businesses, SaskTel is bringing new opportunities for itself, its employees, and its customers, as well as for an array of contractors, suppliers and partners.

I would like to thank all SaskTel employees, management and the Board of Directors for their contributions to the company in 2013. Your hard work in serving the people of this province contributes immeasurably to the quality of life in Saskatchewan.

A handwritten signature in black ink, appearing to read "Don McMorris". The signature is fluid and cursive, with the first name "Don" and last name "McMorris" clearly distinguishable.

Honourable Don McMorris

Minister Responsible for Saskatchewan Telecommunications

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REVENUE

2013 TARGET

\$1,225.6M

Revenues for 2013 were \$20.5M behind target for the year. All revenue portfolios were near target in 2013, with only wireless and *maxTV*™ revenues marginally behind target. These shortfalls were completely offset by gains made in the equipment and data portfolios. Other revenues were \$19.4M behind target, largely due to delays in launching and slower customer adoption of new products and services.

2013 ACTUALS

\$1,205.1M

Revenues increased \$22.7M over 2012, with significant increases in wireless (\$17.6M) and *maxTV*, Internet and data revenues (\$16.7M), both due to increases in customers and average revenue per user. These increases were partially offset by decreases in local and enhanced services (\$9.2M) and long distance (\$3.4M), both due to a decline in wireline accesses. Wireline access losses are partially attributed to wireless displacement, where customers are choosing to abandon traditional wireline services for wireless alternatives.

2014 TARGET

\$1,250.1M

Revenues are expected to grow by \$45.0M in 2014 as consumers continue to migrate and fully leverage wireless technologies. In addition, SaskTel is expecting to see organic growth in *maxTV*, Internet and data services as consumers subscribe to new higher speed data and entertainment services delivered over the new fibre-based network. Finally, the launch of new innovative products and services is expected to improve 2014 revenues.

EXPENSES

2013 TARGET

\$1,105.4M

In 2013, SaskTel incurred expenses of \$1,092.0M, or \$13.4M lower than target. SaskTel was effective at managing increases to direct expenses in 2013, and only exceeded target by \$0.6M. In addition, realizing the pressures on revenue growth, SaskTel initiated cost savings strategies during the year that resulted in lower than targeted net salaries and benefits of \$2.7M and goods and services purchased of \$6.3M. Depreciation and amortization expenses are \$5.0M below target, due to minor delays in completing capital projects.

2013 ACTUALS

\$1,092.0M

SaskTel's expenses increased \$37.7M over 2012. Goods and services purchased rose \$16.7M due to increased sales and unit costs of highly subsidized smartphones, increase in *maxTV* subscribers and rising roaming expenses due to unlimited nationwide pricing. Net salaries and benefits increased \$15.4M as a result of economic and in-range salary progressions, as well as a restructuring of management salary bands. Depreciation and amortization expenses increased \$5.6M as a result of increased expenditures and a change in useful lives of select assets, resulting in accelerated depreciation.

2014 TARGET

\$1,162.8M

2014 Expenses are expected to increase \$70.8M over 2013, with the largest increases (\$29M) to depreciation and amortization due to continued spending on wireless and fibre networks along with completion of software projects. Other increases are expected for contract, consulting, software licensing and maintenance costs. Net salaries and benefits are also expected to increase as a result of contracted economic and in-range salary progressions.

CAPITAL EXPENDITURES

2013 TARGET

\$400.0M

Capital expenditures were \$44.2M below target. This is primarily due to slower progress than expected on our Fibre to the Premise and data centre initiatives, and a delay of the 700Mhz spectrum auction. Lower spending was partially offset by increased spending to further enhance our wireless services, and continued investment in our wireline networks to address Saskatchewan's economic and population growth.

2013 ACTUALS

\$355.8M

In 2013, SaskTel invested more than \$71.2M (2012 - \$49.8M) on its Fibre to the Premise and Fibre to the Business programs with a focus on the communities of Regina, Saskatoon and Moose Jaw. Further investment of \$78.7M (2012 - \$86.6M) was used to expand SaskTel's wireless services (ie. 4G, LTE) to reduce network congestion due to significant increases in wireless data usage by our customers. SaskTel continues to invest in its support systems and spent \$81.8M (2012 - \$56.4M) to improve our customers' experience.

2014 TARGET

\$362.4M

Fibre to the Premise and Business will continue to be a focus for SaskTel with further investment in the communities of Regina, Saskatoon, Moose Jaw and Prince Albert. SaskTel will invest in wireless technologies that improve our customers' wireless experience, as well as in *maxTV*, the provincial data centre, and rural infrastructure to accommodate growth of fixed and mobile voice, video and data services. Finally, as part of its wireless strategy, SaskTel will participate in the 700Mhz spectrum auction to be completed in early 2014.

Financial Highlights

1,439,671

SASKTEL CUSTOMER ACCESSES

- 8,035 – Increase in wireless accesses
- 467,957 – Wireline accesses
- Over 100,000 – *maxTV* customers

- 19.5% – Increase in wireless converged (ie. smartphone) devices
- \$1.40 – Increase in wireless ARPU
- 51,468 – Decrease in number of voice-only wireless devices

\$662.7M

WIRELINE REVENUES

- \$12.6M – Decline in local, enhanced and LD service revenues
- 4.9% – Decline in wireline accesses
- \$16.7M – Increase in Internet, *maxTV* and data services

\$471.8M

WIRELESS REVENUES

\$338.8M

NET SALARIES & BENEFITS

- 3.0% – Increase in total GSP over 2012
- 3.4% – Increase in direct expenses versus 2012
- 9.0% – Increase in contract, consulting and software services versus 2012

- 16.8% – Depreciation and amortization as % of total expenses
- \$5.6M – Increase in depreciation and amortization compared to 2012
- 4.7% – Depreciation and amortization as % of depreciable asset cost

\$569.8M

GOODS AND SERVICES PURCHASED (GSP)

- 4,079 – # of employees (full time equivalents)
- \$2.6M – Under target for net salaries and benefits in 2013
- \$22.8M – Spent on internal labour capitalized to SaskTel projects

\$183.4M

DEPRECIATION & AMORTIZATION

667

OF WIRELESS SITES SERVING SASKATCHEWAN

- 98% – Provincial population covered by wireless services
- 171 – LTE sites put into service in 2013
- 9 – Communities now served with LTE

- 420 – Approximate # of kms of fibre to the premise deployed in 3 communities
- 41,809 – Homes passed with fibre in 2013
- 16,166 – Homes connected to fibre network in 2013

28.6%

CAPITAL INTENSITY

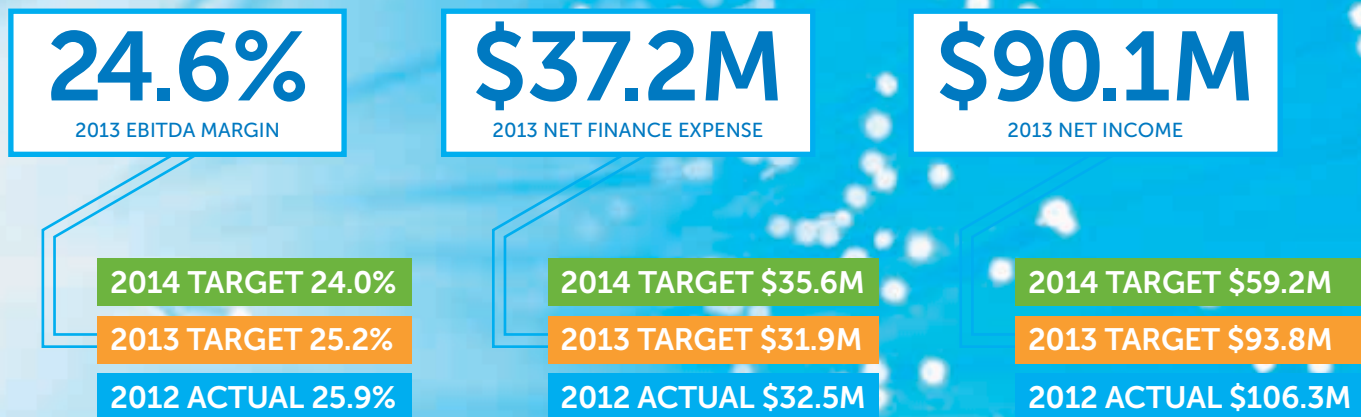
\$71.2M

INVESTED IN FIBRE NETWORK

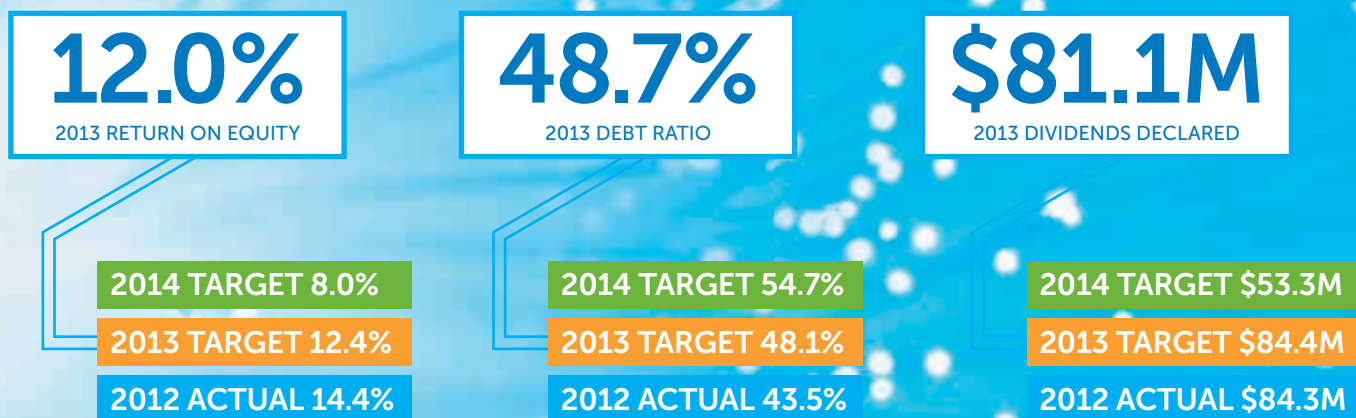
- \$78.7M – Invested in wireless networks
- \$138.9M – Spent to develop and sustain wireline networks
- \$81.8M – Create, transform and optimize support systems

NET INCOME

Financial Highlights



KEY PERFORMANCE INDICATORS



President's Message

Time and change: no one can stop them. The older we get, the faster the world changes and time itself seems to speed up. For a corporation, though, change can be a way to become "younger." At SaskTel, we look at change as a source of renewal that keeps us young, even as we mature and develop.

If that sounds like a fountain of youth, in a sense it is. The change I am referring to is our transition from a provider of networks and connectivity to a full-blown Information and Communications Technology (ICT) company. As for youth, talk to the young people working in our stores, answering the phones in our customer care centre, or delivering data solutions to our business customers. They will be the leaders of tomorrow's SaskTel, but they are already looking beyond the communication systems we offer to the world of possibilities delivered seamlessly by those systems. They get ICT because they have been immersed in it for most of their lives. They came of age expecting limitless information and entertainment to be at their fingertips with a minimum of concern for how that might happen. The technology takes care of the data and connections somewhere in the background, while they swipe and touch and tap and mouse through connections or transactions they want to make, games they want to play, and images, stories, music, art, news, and education they want to experience and share.

As this cohort of young people—sometimes referred to as the "iGeneration"—takes their place in the world of business, they understand the value of letting experts oversee their non-core services like IT and telecom, so that they can focus on their own products and services. They immediately recognize the value of letting someone else take care of those needs with a minimum of fuss, and SaskTel is poised to capitalize on this opportunity.

In recent years, like many others in the industry, we have begun to see opportunities in the burgeoning ICT market space. We have been offering cloud services, managed hosting and data centre services for a while now but, so far, SaskTel has not jumped into ICT with both feet. Until now.

At the very end of 2013, we created a new department entitled Business Solutions with a focus on ICT products and services. Sean Devin, President of SaskTel International, has assumed responsibility for both SaskTel International

and the new Business Solutions department (see the interview with Sean on page 9). Both organizations carry out some of the same functions and, by aligning them at the Executive level, we have immediately enhanced our overall size and capability in the ICT market.

While two-thirds of SaskTel's revenue currently comes from the consumer market, we are emphasizing ICT because we believe it will lead us toward a significant revenue opportunity in the business market. How serious are we? Well, to get things going, we are putting 100 people on the job, including four directors. We are bringing all the right pieces together from around SaskTel and SaskTel International, targeting the people and the work units who can take us forward as a recognized leader in ICT.

To become a true ICT company, we have to be able to give our business customers an end-to-end experience that can handle their network access and hardware and software up front, while offering them short-term professional services and consulting as needed, as well as managing their network services, and their IT and cloud services over the long haul. But it won't be enough to simply offer a whole set of varied products and services. To the customer, it must be experienced as a single continuum of ICT service, rather than as distinct lines of business. If we can give the customer a consistent quality of service across the multiple product streams, and solve their problems the way they want them to be solved, I am confident that our move toward ICT will be an important leap forward in the evolution of SaskTel.

As will happen with any new undertaking, there will be some growing pains and some bumps along the way as we find our footing in ICT. But this is an "all in" proposition. SaskTel is holding nothing back, giving it everything we've got. There is no going half way. We will have to quickly get to a place where we are confident that we can deliver solutions on the scale that some of our larger customers will need. That is the nature of the challenge ahead and I have every reason to be confident in our ability to step up and make this work.

The task of transforming SaskTel into an ICT company is a vital element of our strategic plan going forward, but I want to be sure to emphasize that all departments in the organization are critical to our future success in this

industry. We need to continue to value and foster the skills and abilities of all of our employees throughout the corporation to ensure that we are meeting our customers' needs.

As for our overall financial picture for 2013, this annual report shows that we had a good year again. We finished on a strong note with some great results in the last quarter. We continue to lose landline revenue, especially now as cord-cutting becomes more of a factor than competition. On the wireless side, the market slowed down more than was expected. *maxTV* had another strong year, and we reached 100,000 customers, which was a big milestone.

With fibre to the premises, we added over 17,000 new customers, in addition to passing over 40,000 homes for future connection, and our door-to-door campaign was a

huge success in selling our new products and converting customers to our network. All of that means that *infiNET™* is increasing our average revenue per unit and helping out our bottom line.

In an age of rapid technology change and a proliferation of media and information, the people who thrive will be those who know how and where to focus their attention amid a dizzying universe of entertainment, connection, and information being exchanged. For businesses like ours that aim to help people manage and make the most of these exchanges of data, the trick will be to find elegant and transparent ways to blend traditional IT with traditional telecom services for customers of varying needs. The SaskTel I have come to know in recent years is more than up to the task.

On behalf of the SaskTel Executive and management team, I would like to close by thanking all of our staff for those moments in 2013 when they dug a little deeper to find ways to get the job done; when they faced constraints of time or a task that was difficult, but they did it anyway, and did it well. Thank you.

Sincerely,



Ron Styles
SaskTel President & CEO



Empowering the people of Saskatchewan



As the newest member of SaskTel's executive team, Sean Devin is working with people across the corporation to develop a vision of how SaskTel will become an operational ICT company. With a résumé of IT experience a person twice his age would be hard pressed to match, Sean brings the certainty and enthusiasm of his generation to the job. He has come of age with the Internet and the power it now offers to converge technologies and combine IT services and data management with communications and connectivity.



Collaboration, communication touchstones of ICT success



In conversation with Sean, it is clear that this is a man who sees the obstacles ahead but keeps his eyes on the resources and people who will help him overcome those obstacles and get the job done. "SaskTel has developed a lot of internal expertise over the years. We believe we can take that to our customers now in the form of ICT services."

In addition to our experience in managing our own diverse and complex IT needs, Sean has a list of SaskTel's strengths in entering the ICT market:

"We are ideally located for hosting data centre services. On the prairie there are no typhoons, tsunamis, or earthquakes, and the cold provides us free cooling for the servers, helping to reduce our operating costs."

"We are ideally located for hosting data centre services. On the prairie there are no typhoons, tsunamis, or earthquakes, and the cold provides us free cooling for the servers, helping to reduce our operating costs."

n and innovation:



He also believes that, with increasing concerns over government monitoring of private Internet and wireless services in the United States, many American businesses are looking to locate their data beyond US borders. "SaskTel's strong corporate social responsibility (CSR) profile gives us an advantage, too," Sean said.

"Many companies are looking at CSR as a requirement for their suppliers."

The work ahead is to take those advantages to market—to bring SaskTel's expertise and customer service to new ICT frontiers in



Sean Devin,
Vice President – ICT

health care, education, government services, mining, and small- to medium-sized businesses. “We are looking to deliver enterprise-grade products and services and to do it cost effectively,” Sean said. “We can offer our customers better pricing on services where economies of scale work in our favour.”

He described a five-year data centre strategy to capitalize on SaskTel’s strengths in data storage and management. “Part of our transition will be to shift our corporate culture toward more collaboration, communication, and innovation. Those have to be our touchstones and the young people joining SaskTel today are helping us to make that shift.”

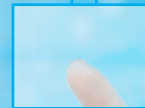
Sean believes that if SaskTel can dedicate enough resources to the ICT transition, and remove any “conflicts of priority,” we will thrive through this transition. In his mind, the corporate culture for a successful ICT company is one where people see work as a place to be creative and have fun even in the face of demanding deadlines and goals. “It will be hard work but we need to have fun as we do it.”

A community of customer service: on the front line



I love my job. I come to work, find a desk, get logged in, set up my screens, and start taking calls. I talk to new customers, customers who want to make changes to their service, customers who need to book installs. It may seem like a stressful job dealing with a steady stream of customers, but it's all about how you take it. You can say, "Oh, that was a bad call," or you can do what you can do to turn it around and make it into a good one. When the day is over and I head home, I know that my job matters. Those of us who talk to customers all day understand: we know that without our customers, there is no SaskTel.

There are about 200 of us in residential sales so we are quite a crew. It's a real community. We have potlucks pretty well every month, lots of social events, and we even have our own newsletter, with stories written by and about us. A lot of us are young and just getting started at SaskTel. And we know we make a difference for the people we serve. We know we are the front line, that every call matters. The times I like best are when I am able to do something for a customer and they are really grateful, because I found a way to save them some money on their bill.



**Monique Van Wyk, Service Representative
– Consumer Sales & Solutions**

Some of us take part in NextGEN, to help out with fundraising events like the Kidsport Corporate Challenge or Adopt-a-Family at Christmas. For me, NextGEN is a way to give something back to the community and our customer base while having a bit of fun.

Climbing with pride: getting the tower view

Matt Lawson, Engineering Assistant – Facilities Management

With this job, everything is always changing. Nothing stays the same. Since I started five years ago, we finished off the CDMA (Code Division Multiple Access) installation, then we rolled out UMTS (Universal Mobile Telecommunications System), and now we are doing LTE (Long Term Evolution). That's three generations of wireless technology in five years.

I felt very lucky to get this job as young as I was at the time. I was 22 and had only worked a bit after graduating with my Civil Engineering Technologist diploma. When I started with SaskTel, one of the first things I did was switch out the big feed horns on a tower for microwave shots point to point. It was way up north at Pelican Narrows. What a view up there! Those towers are 450 feet high.



“What a view up there! Those towers are 450 feet high.”



But that’s what we do. There are four of us in the towers group and we climb every single new tower SaskTel puts up—some of them several times, and in all kinds of weather. I did one just before Christmas when it was thirty below. We check each structural engineering element and every piece of radio equipment to make sure the work was done right. And sometimes we have to climb a tower just to do inventory. There are so many antenna swaps happening, and a lot of co-location for other service providers, so sometimes we have to climb a tower just to be sure what we have there. Last year, as a group, we put on about 15,000 kilometres travelling around the province and I probably climbed more than fifty towers.

Some people you talk to don’t really understand how our service works, or the effort it takes, or how much better our network is than any other. I get to a lot of remote places in this province on my job, but I don’t find many dead spots.

Being the young guy among more experienced people in our towers group has been really good for me. The older guys are always teaching me tricks of the trade: how to plan where a building should go, how to install concrete in the cold, the best place to put a culvert—things like that. There is just this atmosphere of mutual support that I really appreciate, and a sense of pride in representing SaskTel well. People here are in this for the long haul. They respect SaskTel’s history, and that what we do is for the whole province, not just for ourselves.



Big access for a big game: meeting customers' needs at Mosaic Stadium



Chad Olson, Senior Engineer
– Technology Strategy and Planning

As the company's technology strategic planners, it is our job to provide strategic direction for network technology within SaskTel to make sure we can meet customer demands and support our services. In November 2012, we received a special assignment to design and install Wi-Fi and a Distributed Antenna System (DAS) for improved cellular service into Mosaic Stadium in time for the opening kick-off of the Roughrider season, leading up to hosting the league championship in November 2013.

These days, customers want to use their smartphones at games to do much more than talk or text. When you get several

thousand people in one place accessing the Internet, sending photos and video, tweeting and Facebooking, the demand for data can quickly exceed the local network's capacity. To serve our customers well, we knew we had to upgrade the cellular network at the Stadium. As the project lead, it was my job to select vendors to partner with, to coordinate all internal efforts and make sure that, in the end, the solution delivered Wi-Fi and the best cellular service possible at Mosaic Stadium. We put together a team of fifteen on the Wi-Fi side and ten on the cellular DAS side consisting of network operations, engineering design and provisioning, and technical support staff. By the time we had vendors in place and the weather allowed us to get installation underway, it was mid-April, which gave us roughly two months before the opening game on June 20th.

It was a lot of work, taking our cellular system at the stadium from six sectors off a single tower to 31 sectors with more than one hundred low-power antennas distributing signal and capacity around the stadium, offering the



"These days, customers want to use their smartphones at games to do much more than talk or text."



standard 4G but also adding Long Term Evolution (LTE) service. That amounted to a tenfold increase in cellular capacity for fans. Wi-fi was a totally new service for the stadium and practice field where we installed 243 access points. In downtown Regina's Victoria Park, 27 access points were installed throughout the park and City Square plaza to provide Wi-Fi for the festivities surrounding the championship game in November. By the time we were done, we had installed a lot of equipment with little to no impact on fan sight lines and Mosaic Stadium had Canada's largest active DAS.

We had a team on site for that opening game, not merely testing the services, but to hear any concerns from fans. There were none. We have had nothing but positive comments about the improved service. When the big game came off on November 24th with a crowd of 45,000 fans—many of them our customers—data traffic was four times the level during any other game after the upgrade. People were able to send one another photos and video clips, check the web, tweet and text to their heart's delight.

Management's Discussion and Analysis

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SASKTEL OVERVIEW

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown Corporation. SaskTel's wholly owned subsidiaries offer a wide array of products, services and solutions to customers in Saskatchewan as well as around the world. They include Saskatchewan Telecommunications, Saskatchewan Telecommunications International Inc., DirectWest Corporation, and SecurTek Monitoring Solutions Inc. These subsidiaries have a combined workforce of approximately 4,000 Full Time Equivalents (FTEs), making SaskTel one of the largest employers in Saskatchewan.

Saskatchewan Telecommunications (Telco)

www.sasktel.com

Telco is the largest subsidiary business within SaskTel. It is the leading Saskatchewan-based Information and Communications Technology (ICT) provider, with over \$1.2 billion in annual revenue and over 1.4 million customer connections including 615,694 wireless accesses, 467,957 wireline network accesses, 254,873 Internet and data accesses, and 101,147 *maxTV* subscribers. Telco offers a wide range of ICT products and services including competitive voice, data, Internet, entertainment, national security, messaging, cellular, wireless data, and data centre services. Telco provides these services to business and residential customers living in 15 cities, 428 smaller communities, and their surrounding rural areas, including approximately 44,000 farms.

Telco's head office is located in Regina, Saskatchewan, and is one of the province's largest employers with 3,801 FTEs.

Saskatchewan Telecommunications International Inc. (SaskTel International)

www.sasktelinternational.com

SaskTel International is a full-solution provider for communication projects marketing leading-edge service fulfillment and assurance software solutions as well as professional services such as consulting, design and deployment, support, system integration, managed services, certification, software development, resourcing, and training. As a wholly owned subsidiary of SaskTel, SaskTel International is able to bring to market solutions that have been developed and proven within SaskTel's operating environment and source employees with decades of experience to fulfill project requirements world-wide. SaskTel International service engagements have supported service providers in over 40 countries on six continents to envision and deliver a more connected world. An emphasis on innovation, and the proven experience of SaskTel,

ensures SaskTel International's software and service offerings remain at the forefront of the highly competitive and dynamic ICT industry.

SaskTel International's head office is located in Regina, Saskatchewan, and is an evolving organization that currently employs 56 FTEs.

DirectWest Corporation (DirectWest)

www.directwest.com

DirectWest is the exclusive provider of the mysask411 suite of print, online and mobile advertising solutions and continually launches innovative customer-driven products and services. For over 100 years, DirectWest has been connecting buyers and sellers with the most used, comprehensive, and preferred sources for local search in Saskatchewan.

DirectWest's head office is located in Regina, Saskatchewan, and the company employs 106 FTEs.

SecurTek Monitoring Solutions Inc. (SecurTek)

www.securtek.com

SecurTek provides commercial and residential security, video, access control, and medical monitoring services to customers across Canada from its monitoring centres in Yorkton, Saskatchewan; Winnipeg, Manitoba; and Aurora, Ontario. Operating monitoring centres leverages SaskTel's call centre, network management and process expertise to provide value-added services. Through its dealer program, SecurTek partners with approximately 150 independently owned firms including retail, wholesale, and servicing dealers who provide security sales and service expertise to SecurTek customers.

SecurTek's head office is located in Yorkton, Saskatchewan, and the company employs 116 FTEs across Saskatchewan, Manitoba and Ontario.

INDUSTRY OVERVIEW

Saskatchewan Economic Environment

As a provincially based ICT company, SaskTel maintains a strong focus on the health and performance of Saskatchewan's economy and the impact that this may have on our business. Over the past several years, Canada's economy has performed in an uneven manner with provinces such as Saskatchewan and Alberta outperforming other regions. Forecasts for 2014

Provincial GDP Forecasts

Year over Year % Change	Real GDP Growth		
	2012	2013F	2014F
BC	1.7%	1.5%	2.4%
Alta	3.9%	2.8%	3.0%
Sask	2.2%	2.4%	2.8%
Man	2.7%	1.8%	2.2%
Ont	1.4%	1.4%	2.3%
Que	1.0%	1.2%	1.9%
NB	-0.6%	1.0%	1.6%
NS	0.2%	1.3%	2.0%
PEI	1.2%	1.5%	1.7%
N & L	-4.8%	5.5%	1.5%
Canada Total	1.7%	1.7%	2.3%

Source: CIBC World Markets Inc. *Economic Insights*. September 5, 2013, pdf pg. 9.

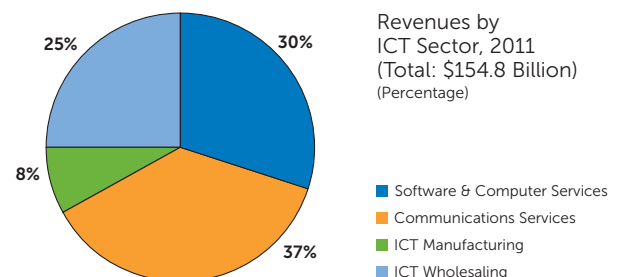
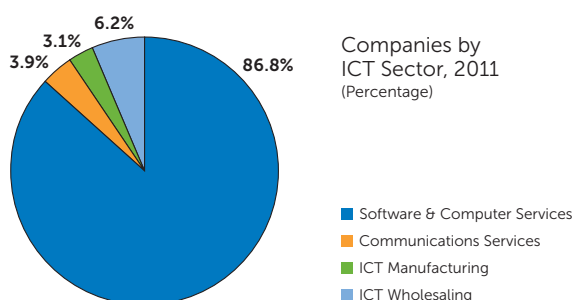
indicate that Saskatchewan and Alberta will once again have higher GDP growth than the rest of the country. Despite 2013 setbacks in the potash industry, the overall Saskatchewan economy is expected to perform well with strong growth in mineral fuels production, construction, and manufacturing.

Conference Board of Canada forecasts indicate that in 2014, Saskatchewan should have Canada's lowest provincial unemployment rate of 4.2%, create 9,500 new jobs, see strong growth in household disposable income of 4.2%, and see a 2.3% average increase in household consumption. Much of this economic activity will be due to the predicted strong performance within the energy, construction, and manufacturing sectors. Saskatchewan's strong economic performance should translate into increasing demand for

ICT products from both residential consumers and businesses, despite the fact that consumer, business, and government spending is predicted to be sluggish in other parts of Canada. This creates a competitive risk for SaskTel in that other ICT firms are likely to increase their interest in the Saskatchewan market. This has already manifested itself with the Big Three wireless firms establishing regional pricing in Saskatchewan that is lower than in other parts of Canada.

ICT Industry General Outlook

The ICT industry is a major contributor to Canada's economy, generating over \$155 billion in revenue, contributing over \$67.2 billion in GDP, and employing over 500,000 people. Industry Canada has determined that the ICT industry is made up of four primary sectors: *Communications Services*, *Software and Computer Services*, *ICT Manufacturing*, and *ICT Wholesaling*. Approximately 33,300 companies operate within the industry, the vast majority of which (87%) operate within the Software and Computer Services sector. The Communications Services sector (the sector in which SaskTel primarily operates) is federally regulated and is much more concentrated, with only 4% of all firms within the industry. Overall industry revenues have been growing: between 2007 and 2011 (the latest data available from Industry Canada), revenues grew from \$134 to \$154.8 billion (approximately 16%). During this same period, revenue growth within the Communications Services sector grew by approximately 19.6%.



Source: Industry Canada, Canadian ICT Statistical Overview.

According to Industry Canada, demand for ICT services is expected to continue to grow. Industry analyst International Data Corporation (IDC) has indicated that during this period the fastest growth within the ICT industry will be in the packaged software and computer storage product segments. Mobile applications, social media, business analytics, web conferencing, teaming platforms, Software as a Service (SaaS), and cloud software will represent the fastest growing product categories. Tablets and e-readers will continue to see strong growth in the computer systems and storage product category. Communications equipment sales will grow at an annual rate of 4.3%, with continued growth in smartphones and enterprise network equipment. IT services are forecast to grow at 4.2% per year, with some cloud services growing at double-digit rates. IDC predicts that wireless and mobile computing technologies will experience the largest growth in all ICT product categories.

Overall, the ICT industry is characterized by a great deal of globalization, competition, and rapid technological change. As information technology and traditional communications services continue to converge, all communications companies will need to adapt to the new realities of this rapidly evolving industry.

Communications Sector Outlook

The Canadian Communications Sector (a critical sector of the overall ICT industry) has enjoyed strong performance during the past three years. According to the Conference Board of Canada, 2012 was the best year on record for this sector, seeing pre-tax profits rising approximately 50% and profit margins reaching almost 20%. The shift from wireline to wireless services continued unabated in 2013, and was a key factor in the increasing profitability of the sector. The Communications industry sector is highly concentrated among the larger players, with these firms generating double-digit returns.

In 2013, competitive and regulatory changes, coupled with the large costs of building new infrastructure, created pressure on profits in the communications sector. In particular, industry profit margins may be affected by the increased costs associated with the implementation of the Wireless Code of Conduct, a reduction in revenue with the implementation of caps on data usage and roaming charges, and heavy investments in networks and associated business support systems.

Wireless

Wireless has been the growth engine of the Communications Sector for several years now. Growth in revenues and profits has largely been driven by the high penetration of smartphones and the increasing popularity of tablets. This has dramatically driven up the demand for wireless data services and data now accounts for approximately 40% of the wireless segment's average revenue per user (ARPU), more than offsetting a 16% decline in voice ARPU. This explosion in wireless data demand has also increased cost pressures on the industry as firms move to upgrade their wireless networks to handle the greater volume of data traffic. Most firms across Canada are making major capital investments in the development and launch of their 4G Long Term Evolution (LTE) networks and the spectrum required to provide faster data speeds and an optimal customer experience.

The constant increase in demand for data is resulting in a greater need for wireless spectrum capacity. In order to provide more spectrum to the industry, the Federal Government held an auction for the 700 MHz band in January 2014. Given that this particular spectrum travels more effectively over larger distances and more readily penetrates buildings and other objects, obtaining sufficient 700MHz spectrum is important to SaskTel and other carriers that have a large rural customer base. The Federal Government's stated primary policy goal with respect to the auction is to establish at least four wireless providers in every region of Canada.

Management's Discussion and Analysis

The regulatory situation in the wireless segment began to change dramatically in 2013. On December 2, 2013, the Canadian Radio-television and Telecommunications Commission (CRTC) implemented the Wireless Code of Conduct (WCOC). The provisions of the WCOC give consumers the right to cancel their contracts after two years with no cancellation fees. As well, the WCOC caps data and roaming charges, and allows consumers to have their devices unlocked after 90 days (or immediately if their device is already paid for). The CRTC is looking into the wholesale rates that the larger carriers charge smaller domestic carriers to roam on their networks. All of these measures indicate that there will be significantly increased regulation of pricing within the wireless segment going forward. These regulatory changes, combined with a maturing wireless market, will lead to higher administrative and compliance costs for carriers that will have a negative impact on profit margins. These changes will make it more difficult for the Canadian market to support additional wireless carriers throughout the country.

Wireline

The wireline segment has reached the declining stage of the industry life cycle. According to the Conference Board of Canada, one third of Canadian households will rely solely on wireless phones by 2015. Canadians are "cutting the cord" by moving to wireless-only households supplemented with other technologies such as voice over Internet protocol (VoIP) to replace their landline service. In addition, people in younger demographic groups have likely never established a landline connection. As long as customers have access to high-speed Internet services, non-traditional competitors such as Skype, MagicJack, Nettetalk, and Vonage can provide landline-like services at a fraction of the cost. Indeed, more and more of these "over the top" (OTT) services are coming on line, greatly intensifying competition and putting downward pressure on traditional voice and data services revenues that were once the sole domain of traditional communications companies.

Over the past decade, most wireline operators have invested significantly in the development of TV services such as SaskTel *maxTV*. These products put significant pressure on cable companies but are now being subjected to the same "cutting the cord" forces that have hit wireline voice services. OTT products represent a significant threat to existing TV services as customers cut the cord or "shave the cord" and watch content on various devices from smartphones to computers when and where they want. In addition to these competitive threats, the Federal Government announced in its 2013 Throne Speech that the CRTC would be asked to look at un-bundling TV channels, giving consumers a pick-and-pay option that is not currently available. Both competitive and regulatory issues within the TV product market point to declining revenues and decreasing profitability for carriers.

To address the ongoing decline in the wireline segment, incumbent carriers will need to develop new product markets with high growth potential in order to maintain their wireline profitability. Successful product development in other sectors of the ICT industry, such as cloud computing, machine-to-machine (M2M) communications, and data centres, will be required to replace lost revenues from traditional products that are mature and subject to intense competition. In addition, a significant upgrade to existing wireline broadband infrastructure is required if communications firms are to remain competitive against cable companies as high-speed Internet service providers. This upgrade is largely being accomplished through the expansion of fibre optic connections directly to homes and business – Fibre to the Premise or FTTP. Such initiatives are costly and will reduce industry profitability in the short run.

STRATEGIC DIRECTION

SaskTel regularly monitors the state of the economy, our business environment, and the needs of our customers, to stay in touch with developments that influence our industry and business. We continuously identify and analyze critical issues within the broader ICT industry and our operating environment in order to develop strategic objectives to address them.

The ICT industry continues to evolve rapidly. This evolution is being driven by relentless technological change, globalization, blurring of traditional communications services with Information Technology (IT) services, and regulatory change. All of these developments have brought much fiercer competition globally, nationally and provincially. Profit margins on traditional services are shrinking and new services, based on new technologies, are much more competitive. All players in the industry are feeling this competitive pressure. SaskTel is responding with ongoing investments in new and improved wireless and

broadband technologies, developing new services, adjusting our internal operations to be more responsive and efficient, and providing customers, employees, partners and suppliers with high quality products and services that connect them to the world.

Our priorities for 2013 were concentrated around our **Transform** and **Optimize** core strategies, focusing on seven priority areas: alignment of organizational structure and processes; workforce management; leveraging of data for improved decision making; implementation of new service delivery environments/systems; delivery of an intelligent broadband infrastructure; growth in the business market; and optimization of classic services and legacy technologies.

2013 was a year of substantial change and challenge for SaskTel. Our overall financial results were characterized by continued net income pressure driven by slowed revenue growth, competitive pressures, regulatory changes, and increasing investment to meet customer expectations. Overall, revenues grew moderately over the previous five-year period. Hardware device subsidies continue to put additional downward pressure on wireless margins as demand for high-end wireless devices continues to grow. Transformational network and back-office system investments are driving short-term increased operational expenses, as well as increased depreciation expense. Top-line revenue growth from existing and new services will continue to be a priority for SaskTel, along with proactive cost management through business simplification and efficiency initiatives both within the company and across the Saskatchewan Crown Sector.

CORE STRATEGIES AND PERFORMANCE MANAGEMENT

Crown Investments Corporation of Saskatchewan, the holding corporation for all Saskatchewan Crown Corporations, issues its *Crown Sector Strategic Priorities* annually. This document outlines shareholder expectations and long-term direction to the Saskatchewan Crown Sector to ensure alignment with the Government's vision for the Province as outlined in *The Saskatchewan Plan for Growth: Vision 2020 and Beyond*. *The Saskatchewan Plan for Growth* was released in September 2012, outlining the Government's medium- to long-term vision for the Province and setting a goal of 1.2 million people living in Saskatchewan by 2020.

The Saskatchewan Plan for Growth focuses on six core growth activities, providing focus on provincial objectives:

1. Investing in infrastructure
2. Developing a skilled workforce
3. Ensuring competitiveness
4. Increasing export trade
5. Advancing the province's natural resource strengths through innovation
6. Maintaining sound fiscal management

While provincial growth presents many opportunities for the Crown Sector in terms of an expanding customer base and demand for Crown services, it also brings with it many challenges. Crowns will help strengthen Saskatchewan's growing economy by making strategic investments in both human capital and infrastructure. Crowns will grow responsibly by balancing commitments of fiscal responsibility with meeting the demands of a growing province. By maintaining high levels of service quality and customer satisfaction, Crowns will contribute to improving the quality of life for the people of Saskatchewan.

SaskTel's strategic plan aligns with these principles.

2013 Strategic Objectives and Performance Results

Strategic objectives are the ends that a company wants to achieve. They focus the corporation on areas critical for long-term sustainability. SaskTel pursues four strategic objectives, one for each of the four balanced scorecard perspectives: financial, customer, operational excellence, and people. We determine measures for each strategic objective based on information required to understand whether or not SaskTel is doing what is required to achieve that objective. We determine our targets by looking at what SaskTel needs to achieve for a measure to be considered successful. SaskTel uses a balanced scorecard to report performance results for the strategic objectives.

Management's Discussion and Analysis

Financial

Our financial measures are focused on growing revenue and achieving efficiency gains across SaskTel. We expect intense competition to continue and must consistently capitalize on revenue growth and cost-saving opportunities. These opportunities include sustaining and maximizing in-province growth with new and existing customers, organic growth from our subsidiaries, development of new ICT products focused on the business market, and continued focus on achieving efficiencies both within SaskTel and in collaboration with other Crown Corporations.

Measure	2013 Target	2013 Actual
Shareholder Value		
ROE	12.4%*	12.0%
Debt Ratio	48.1%*	48.7%
EBITDA Margin	25.2%	24.6%
Net Income		
Net Income	\$93.8M	\$90.1M

*Targets have been adjusted to reflect adoption of IAS 19 Employee Benefits.

Overall, 2013 financial results were mixed. This was a direct result of intensifying price competition in the Saskatchewan market, regulatory changes in the wireless segment that added costs to the business, and large capital investments made in our networks and systems to position the company for long-term growth.

Revenues were softer than anticipated (\$1.21B versus a \$1.23B target), due to declines in wireline accesses, enhanced services revenue, long distance revenue, lower-than-anticipated results from new services, and slowing growth in wireless pre-paid and *maxTV* services.

Net income came in at \$90.1M, or 3.9% lower than anticipated. EBITDA margin was 24.6%, or 0.6 percentage points lower than target. ROE was 12.0%, or 0.4 percentage points below target. The debt ratio came in at 48.7%, or 0.6 percentage points higher than target, due to increased borrowing throughout the year.

It is important to note that weaker financial performance appears to be an industry-wide trend and other Canadian carriers are also experiencing slower growth.

Customer

SaskTel is focused on providing a positive customer experience—not just meeting, but exceeding, our customers' expectations. SaskTel has set aggressive customer targets to ensure we differentiate on our customer experience and grow our customer base.

Measure	2013 Target	2013 Actual
Customer Satisfaction		
Customer Perception – Consumer	+1 point over 2012	Same as 2012
Customer Perception – Business	+1 point over 2012	+1 point over 2012
Competitive Index	+1 point over 2012	Same as 2012
Product/Service Innovation		
# of New Products Introduced	5	4

High levels of customer satisfaction remain a corporate priority. SaskTel achieved three prestigious J.D. Power and Associates awards for customer service in 2013: number one in full-service wireless customer satisfaction in Canada; number one in Internet customer satisfaction in Western Canada; and number one in TV customer satisfaction in Western Canada. Throughout the year, SaskTel delivered initiatives such as our new dedicated Business First Support Team to provide enhanced service to business customers and MySaskTel on sasktel.com, providing customers with enhanced self-serve options and one view of all their SaskTel services.

SaskTel faced challenges throughout 2013 that diminished our customer service indicators. In particular, the late 2013 media campaigns between the Federal Government and the Big Three wireless providers created negative customer perception across the industry.

Launching new innovative products and services proved to be more challenging and time consuming than we originally anticipated. Four new products were approved for launch: Identity and Access Management, an affordable cloud-based identity management software suite targeted at business customers; Hosted Collaboration Solution, a cloud-based unified communications and collaboration product that provides a sophisticated multi-site solution without any specialized premise infrastructure; Never Alone, a mobile app for field workers that tracks and monitors activity and ensures safety; and Managed Video Collaboration Service. All of these products are in the early stages of gaining market acceptance or are expected to be launched in 2014.

In the fourth quarter of 2013, SaskTel achieved the significant milestone of 100,000 *maxTV* customers.

Operational Excellence

To remain competitive, we need to ensure we are innovative in our approach to all facets of our operations: in the technology we deploy, how quickly we deploy products and services to our customers, the quality and efficiency with which we deploy those products and services, and the way we develop our workforce.

Measure	2013 Target	2013 Actual
<i>Execution of Strategic Initiatives</i>		
FOTP Execution – Homes Passed	41,000	41,809
FOTP Execution – Homes Connected	24,000	16,166
LTE Execution – Coverage	90%	97.3%
<i>Environment</i>		
Greenhouse Gas (GHG) Emission	direct GHG emissions <= 2012	4% below 2012

SaskTel saw significant progress in the implementation of its Fibre to the Premise (FOTP) program in 2013. We achieved our target for homes passed, which was extraordinary given the challenges experienced during the year with new installations. We were not as successful with respect to hitting our target for homes connected, although momentum did start to pick up later in the year. Maintaining momentum on homes connected is a primary focus for the program going into 2014. Saskatchewan represents one of the highest concentrations of buried fibre builds in North America. As a result, despite slightly missing our target on homes connected, SaskTel has become widely known as a buried fibre installation expert within the North American industry, a fact acknowledged in late 2013 at the 2013 Fibre to the Home Conference & Expo held in Tampa, Florida.

Our long-term evolution (LTE) wireless network upgrade project went very well throughout the year. We were right on target with respect to expanding the network to the nine major centres across Saskatchewan. Implementation of the LTE network is a significant step forward in SaskTel’s ability to offer greater bandwidth to our wireless customers across the province.

Management's Discussion and Analysis

SaskTel was also successful in reducing its greenhouse gas (GHG) emissions below 2012 levels, largely through more efficient fleet operations throughout the province.

People

SaskTel is focused on having an engaged workforce and remaining an employer of choice within Saskatchewan. Labour market challenges such as labour shortages, changing workforce demographics, increased competition for skilled workers, and increasing demands for workforce flexibility continue to impact our business. To ensure we have the resources needed to address business requirements and priorities, we review, identify, and match workforce requirements to business objectives.

Measure	2013 Target	2013 Actual
Employee Engagement		
Hay Survey Result for Employee Engagement	2% above 2012	4% above 2012
Learning and Growth		
% of Employees Formally Trained in ICT Learning and Development	50%	72.1%
Inclusive Workforce		
Aboriginal People (Permanent hires)	25% of hiring	7.9%
People with Disabilities (Permanent hires)	7.5% of hiring	6.6%
Women (% of women hired or promoted into designated groups classified as underrepresented by the Saskatchewan Human Rights Commission)	33%	40%

SaskTel measures employee engagement through an annual employee survey conducted by the Hay Group (a global consulting firm). The employee engagement measure gauges employee commitment to SaskTel and willingness to go above and beyond formal job requirements. In 2013, SaskTel achieved its employee engagement target of a 2% improvement over 2012, with an actual result 4% higher than 2012. As in 2012, SaskTel has shown improvement relative to the Hay Norm. These are all positive signs that our workforce is engaging to a greater and greater extent in the challenges that SaskTel faces in our intensely competitive and challenging industry.

In 2013, SaskTel instituted a new Learning and Growth measure focused on the training of our employees in Information and Communications Technology (ICT) knowledge and skills. As our industry and the technology that underpins it evolve, it was deemed vital that all SaskTel employees develop a base of ICT knowledge. An ICT Learning Series was launched as required training for all employees, to be completed by March 2014. By the end of the year, we were well above our target.

SaskTel remains focused on recruiting and retaining a representative workforce. In 2013, as in years past, SaskTel attempts to align its workforce demographics with those outlined by the Saskatchewan Human Rights Commission. A number of programs remain in place with respect to attracting and retaining Aboriginal employees. Work in this area includes the development of an Aboriginal Employee Network, sponsorship of Aboriginal Youth Awards, and focus on Aboriginal recruitment. Although these programs provide us with a significant advantage when attracting and recruiting high-potential candidates, 2013 proved to be a particularly challenging year and we did not hit our target. There was clearly a great deal of competition for high-potential candidates throughout the year.

SaskTel continues to maintain relationships with various organizations in Saskatchewan to assist in recruiting and hiring people with disabilities. The number of qualified candidates in this equity pool has remained relatively consistent. As a result, we came very close to meeting our 2013 target because we were successful in filling several positions by hiring qualified candidates who self-declared as a person with a disability.

In 2013, SaskTel focused on hiring women into roles that the Saskatchewan Human Rights Commission has classified as underrepresented. A number of sales positions and a further number of technical positions were filled by women during the year. These successes allowed us to exceed our 2013 target.

Looking Ahead to 2014

SaskTel's Vision and Mission statements, originally developed in 2011, continue to guide our current business direction and focus:

Our Vision: *Be the best at connecting people to their world.*

Our Mission: *To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications.*

Within the parameters of the corporate Vision and Mission, two overarching themes were developed during the year: Transform and Optimize. Focus on these themes was established in 2013 and will continue into 2014.

Transform: to transform services, people, processes, systems and technology to be successful in the long-term.

SaskTel will transform from a traditional telecommunications provider to an ICT firm with recognized IT capabilities. We will move from communication services being embedded within the network connection to services being separated from the network and delivered by SaskTel as well as other service providers. Our services and processes will be designed to allow for effective and efficient operation of the network, and enhancements to the overall customer experience.

Optimize: to get the most out of our existing environment with maximum efficiency.

SaskTel will optimize the existing legacy environment and classic service through focused investment and concentration on the initiatives with the greatest positive returns. A positive customer experience will be maintained in the legacy environment and for classic services by making selective investments to systems or processes as required. SaskTel's workforce will focus on being accountable for roles and responsibilities, creating an optimum environment to maintain the positive customer experience. Revenue generated from activities within the Optimize theme will be used to fund projects and actions associated with the Transform theme.

Core Strategies

In addition to the two themes, management has identified four Core Strategies to focus on throughout 2014:

1. **Customer** – Leverage customer experience and hometown knowledge so that these become our competitive differentiator.
2. **Processes/Systems** – Complete transformation of our processes and systems to enhance the delivery of new products and services.
3. **Infrastructure** – Continue to build a converged intelligent broadband infrastructure.
4. **Workforce** – Evolve and align our workforce to implement the corporate plan.

Industry Trends and Key Projects

We are paying particular attention to a number of key trends within the industry that have driven the development of the Core Strategies. First, pressure from non-traditional competition will continue to increase. Over-the-top (OTT) solution providers will continue to exert pressure with business models that allow them to offer substitutes for traditional services for free or at low rates. Second, technology will continue to be a major driver of change; new ICT technologies will enable services with richer value propositions and reduce barriers to entry. Third, industry transformation will continue at an accelerated pace. As a result, weak profit growth is expected in the traditional communications sector. There will be increasing demand for cloud and IP-based services. Fourth, customers will continue to demand a converged experience that will allow them to interoperate seamlessly between, within, and across their devices, applications, networks, and personas. Business customers will look to ICT firms for full end-to-end solutions to key business problems. Finally, the Federal Government will continue to push for increased regulation within the wireless, television, and access segments of the industry that will have far-reaching impacts.

Management's Discussion and Analysis

To deal successfully with these industry challenges and fulfill our Core Strategies, SaskTel will continue developing and deploying our intelligent broadband infrastructure with a single converged fibre and wireless network. True convergence of our network and service layers will allow SaskTel to become the first provider in Canada to have a converged core, using the IP Multimedia Subsystem (IMS) architecture.

Our ability to achieve future wireless growth will depend on our ability to purchase 700 MHz spectrum in the Industry Canada auction to be held in January 2014. This spectrum will be important to our 4G LTE network deployment across the province. SaskTel will begin planning for and building our new LTE-time division duplex (LTE-TDD) infrastructure for rural Internet access.

Work will continue on our multi-year fibre initiative, *infiNET*[™]. SaskTel will continue to upgrade the broadband network in the nine major centres. *infiNET* will ultimately provide our customers with the fastest communications network available in Saskatchewan with new possibilities for home entertainment and other applications.

We will continue to transform our processes, and systems transformation will also continue to be integral to the successful achievement of our plans in order to enhance our ability to deliver the desired customer experience, operational efficiencies, and financial results.

2014 Key Balanced Scorecard Measures

SaskTel uses a balanced scorecard to monitor and measure performance in four areas considered critical to SaskTel's long-term sustainability: **financial**, **customer**, **operational excellence**, and **people**. SaskTel establishes measures and targets to gauge our performance in each of these areas. The balanced scorecard quadrants are directly related to our Core Strategies: Customer Core Strategy – Customer Quadrant; Process/Systems and Infrastructure Core Strategies – Operational Excellence Quadrant; Workforce Core Strategy – People Quadrant; and the Financial Quadrant serving as an overall measure of corporate-wide performance. We determine our targets by looking at what SaskTel needs to achieve for a measure to be considered successful.

Financial

Measure	2014 Target
<i>Shareholder Value</i>	
ROE	8.0%
Debt Ratio	54.7%
EBITDA Margin	24.0%
<i>Revenue Growth</i>	
Total Revenues	\$1,250M
<i>Net Income</i>	
Net Income	\$59.2M
<i>Spend – Network & IT</i>	
Capital Intensity	24.5%

The financial measures that SaskTel includes in the scorecard focus on shareholder value and profitability. Consistent with previous years, the measures will focus on appropriate returns through effective management of product margins and operating costs. SaskTel continues to embark on major capital investment programs. Reinvesting in networks, products, services, and systems, as well as increased competitive pressure on pricing and margins, will result in lower net income and return on equity, and a higher debt ratio in the short-term. Beyond 2015, it is expected that these measures will begin to improve.

Customer

Measure	2014 Target
<i>Customer Satisfaction</i>	
Customer Perception – Consumer	maintain 2013 actual
Customer Perception – Business	maintain 2013 actual
Competitive Index	0.2 more than 2013
<i>Product/Service Innovation</i>	
# of New Products Introduced	3

Customer satisfaction is an ongoing priority and SaskTel will look to maintain performance in this area. SaskTel will continue to focus on customer perception metrics in both the consumer and business markets. A third metric, the competitive index measure, enables us to understand our relative performance compared to key competitors. We will also continue to track the number of new products/services introduced that address a new market need, or provide a new means of delivery or business model.

Operational Excellence

Measure	2014 Target
<i>Execution of Strategic Initiatives</i>	
FOTP Execution – Homes Passed	33,700
FOTP Execution – Homes Connected	18,000
LTE-TDD Execution – Sites Implemented	43
<i>Environment</i>	
Greenhouse Gas (GHG) Emission	direct GHG emissions <= 2013, adjusted for weather

To remain focused on our strategic theme of **Transform** and the need to deliver our intelligent broadband infrastructure, we will continue working hard on our Fibre to the Premise (FOTP) initiative, now well underway with significant work to be completed in 2014. Our 4G LTE network is now rolled out, meaning our focus will shift to the proposed LTE-TDD infrastructure for rural Internet access. This will allow us to provide new wireless Internet access options and increased speed to our customers outside the major centres.

We recognize that being environmentally aware and proactive is crucial to corporate social responsibility. SaskTel continues to be committed to reducing our impact on the environment. We will therefore maintain or reduce our greenhouse gas emissions at or below their 2013 levels.

Management’s Discussion and Analysis

People

Measure	2014 Target
Employee Engagement	
Hay Survey Result for Employee Engagement	2% above 2013
Learning and Growth	
% of Employees Formally Trained in ICT Learning and Development	70%
Inclusive Workforce	
Aboriginal People (<i>Permanent hires</i>)	25%
People with Disabilities (<i>Permanent hires</i>)	7.5%
Women (<i>% of women hired or promoted into designated groups classified as underrepresented by the Saskatchewan Human Rights Commission</i>)	34%

Executing on our strategic direction is not possible without good people, something that SaskTel has in abundance. Therefore, we will continue to focus on the engagement and development of our workforce. We are dedicated to supporting our workforce, remaining an employer of choice, and maintaining a workforce that is diverse and represents the population of Saskatchewan.

Employee engagement will continue to be a key indicator in the People section of SaskTel’s balanced scorecard. This metric measures employee commitment to the organization and willingness to go above and beyond formal job requirements. Significant improvements were made to this indicator in recent years.

Learning and growth and the ongoing development of the workforce are key elements to SaskTel’s future success given the rapidly changing industry environment in which we operate. Developing the ICT capabilities of our workforce will be important for our 2014 direction. Throughout 2014, we will continue to measure the number of employees receiving formal training in ICT as a starting point for our overall workforce transformation.

Having a diverse workforce strengthens our company and encourages innovation. SaskTel continues to focus on recruiting and maintaining a diverse workforce and has maintained inclusive workforce indicators and targets to reflect this priority.

RISK MANAGEMENT

All businesses are subject to uncertainty and risk that may affect their success in achieving strategic objectives. SaskTel strives to balance risk exposures with ensuring alignment to business strategies, objectives and risk tolerance. SaskTel's Governance, Risk and Compliance (GRC) framework is in place to ensure alignment between Strategic Planning, Risk Management, and Internal Audit.

SaskTel's enterprise-wide approach to risk management includes assessing and reporting on progress of key strategic and core business risks. SaskTel's Board of Directors is ultimately responsible for risk management at SaskTel, defining and approving risk appetite through approval of our Corporate Risk Matrix. SaskTel's Audit and Risk Management Committee and Board of Directors review regular risk reports that assess key corporate-wide risks. Crown Investments Corporation of Saskatchewan receives a copy of these reports.

An internal risk management team conducts corporate risk assessments to identify SaskTel's key risks. This team includes SaskTel's Corporate Risk Management department, executive members, director primes (subject-matter experts), and other key personnel as required. Each risk is evaluated using SaskTel's Corporate Risk Matrix, looking at likelihood and consequence of both inherent and residual risk. Complementing these reviews are the ongoing activities and plans to mitigate risks, as well as the corporate insurance program and other methods to transfer risk where appropriate. All reported risks include a risk statement, inherent and residual risk ratings based on likelihood and consequence, key mitigation and controls, and an assessment of the mitigation and control effectiveness. SaskTel's Internal Audit Plan includes audits to further assess the effectiveness of those ongoing activities and mitigations.

The following summarizes the key Strategic and Core Business Risks that could have a material effect on SaskTel's business. Associated mitigation activities to address these risks are included. Additional risks and uncertainties deemed to be low risk or risks not known at this time may also have a material effect on our business.

Strategic Risks

Strategic risks are those that may inhibit SaskTel's ability to achieve the targets outlined in its Strategic Plan, including the following areas: Customer, Infrastructure, Processes/ Systems and Workforce, as summarized below. Realization

of one or more of these risks may require SaskTel to modify its Strategic Plan.

Customer

SaskTel must leverage customer experience and hometown knowledge so that these become our competitive differentiator. Risks associated with executing SaskTel's customer strategy include balance of investment in products and services and meeting customer expectations.

Balance of Investment in New and Legacy Products and Services

As outlined in our strategic plan, SaskTel will continue to shift from traditional communications company to an ICT company with integrated software-based solutions and applications as services. SaskTel must ensure that it has the right balance between investment in new products and services and legacy services to maximize market opportunities. The strategic plan lays the foundation for a successful transition to ICT through the creation of a balanced product portfolio.

The strategic plan itself does not mitigate this risk. However, the Corporate Program Management Office (CPMO) uses criteria aligned with the strategic plan to prioritize programs and projects, to ensure a balanced product portfolio.

Meet Expectations of Business Customers

The business market has been identified as a source of revenue growth for SaskTel. If SaskTel fails to meet the demands and expectations of this segment and is unable to drive growth, lower-than-forecast revenue and profitability will result.

SaskTel has established dedicated business sales resources to reach customers who are looking for ICT solutions. The new ICT Solutions department includes sales, professional services, operations, and marketing functions, all specializing in the ICT realm to deliver greater value through a customer-centric approach. SaskTel will present a unified approach and understanding of what SaskTel's ICT solutions mean to customers.

Infrastructure

In order to remain competitive, maintain market share, and increase profitability, we must replace our aging infrastructure. Risks associated with the execution of SaskTel's infrastructure strategy reviewed here include increasing wireless data consumption, supporting legacy products, and our fibre program.

Management's Discussion and Analysis

Increasing Wireless Data Consumption

The wireless industry continues to evolve quickly and customer use of and dependence on wireless service is increasing at an unprecedented rate. As this growth continues, SaskTel must ensure it does not have any service disruptions due to unexpected network congestion.

The long-term plan is to deploy a LTE wireless network enabling us to continue to be the leading full-service communications provider in Saskatchewan, specifically in cellular and wireless data services. The transformation to LTE is another strategic differentiator for SaskTel. We will continue to add more capacity as needed based on ongoing network usage monitoring.

Supporting Legacy Products

SaskTel has a solid foundation to transform to ICT; aspects of this foundation will be considered legacy infrastructure. As SaskTel continues to transform, we will have to support both classic and new services, as well as legacy and new infrastructure. If this transition is not managed appropriately, SaskTel's continued support for classic products and services may conflict with the ability to implement new technology and services.

SaskTel undergoes regular prioritization exercises for capital investments and workload balancing to ensure a successful transformation. These exercises will continue. Certain products and services within our growth portfolios will be evolved to bridge the gap while we transition to ICT. Services and technology that will not be transitioned to the ICT realm will need to be exited and customers migrated to other new services. Technology plans are in place to ensure this is managed appropriately.

Fibre Program

SaskTel is expanding coverage and bandwidth for our Saskatchewan customers. Customers have increased expectations, resulting in what the customer defines as a high quality experience. This level of quality will be met through fibre deployment and wireless enhancements. If our deployment plan is impacted, SaskTel may be exposed to the risk of losing customers to competitors who have greater coverage and bandwidth capabilities.

To ensure successful completion of the fibre program, we have established a dedicated project team to manage it. As a top corporate priority, this program also has executive oversight. Our mitigation tactics are effective but there is still

concern that the project will not be delivered soon enough for our customers.

Processes/Systems

SaskTel will converge and simplify the processes and systems supporting the introduction of new ICT services and continue addressing customer service expectations. Risks associated with the execution of SaskTel's processes/systems strategy include business intelligence; rating, provisioning and capture of wireless revenue; and supporting revenue growth and customer experience.

Business Intelligence

The information available about SaskTel's customers is a considerable asset, and if leveraged effectively, will allow SaskTel to deliver more customer-targeted services, provide more personalized services, and make more informed customer-affecting decisions. Lack of maturity in business intelligence may result in data analysis that negatively affects SaskTel's ability to forecast, capture revenue opportunities, stop revenue leakage, and minimize customer churn.

SaskTel is building a foundation for business intelligence. The Information Systems (IS) division is working on the implementation of common architecture and tools using software for business intelligence use, and has developed an associated resource plan.

Rate, Provision and Capture Wireless Revenue

As SaskTel continues to transform to an ICT leader, we will be implementing a delivery environment necessary to set the stage for our services. Failure to complete this transformation will impact SaskTel's ability to rate, provision and capture wireless revenue in the event of vendor disruption.

An active project has been established to replace our current system with an integrator. This project has executive and director sponsor committees and is a top priority at SaskTel. This project is on track to replace the existing system in 2014, and will become a major risk if it is not replaced by 2015. In the meantime, we strengthened our controls with our existing vendor.

Support Revenue Growth and Customer Experience

Many of our front and back office systems are outdated and built for classic products and legacy networks. Transformation to an ICT company requires that these systems be replaced in order to enable SaskTel to deliver new competitive products and services. If SaskTel does

not replace these systems, the result will be an inability to support revenue growth and customer experience with future products and services.

SaskTel has developed a future state architecture roadmap, which includes major projects, some of which are already in progress. We are currently working on a plan to implement improvements to our current systems on an interim basis.

Workforce

Having the appropriate workforce in place is critical for SaskTel's continued success, with the right people with the right skills aligned to the work to enable delivery of the corporate priorities identified in the plan. This is also about ensuring that SaskTel has the workforce it requires for the future.

Future Business Requirements

As SaskTel is transforming to an ICT leader, customer needs are also changing. To meet current and future needs, network, services, and supporting processes are evolving. These changes mean SaskTel requires a skilled and experienced workforce that can address technological transformation, aggressive competition, and customer demands. Because the skill sets we need are limited in the current employment pool, SaskTel runs the risk of not having the necessary workforce to meet future business requirements.

The corporate Workforce Plan works to identify areas of significant business risk and address those needs today and in the future, all while maintaining a commitment to being an employer of choice and representing a diverse workforce. This process is reviewed on an annual basis.

Business Alliances

SaskTel must transform its infrastructure, services and processes in a timely manner. This transformation requires access to specialized skills and expertise that are not always present internally, necessitating the assistance of partners or contractors. Failure to develop and manage appropriate business alliances and partnerships may result in SaskTel not meeting its net income targets.

SaskTel develops business alliances and partnerships when the need to do so is identified to meet growth and net income targets. These agreements with key partners are reviewed on an annual basis.

Core Business Risks

The Core Business Risks focus on SaskTel's risks associated with the execution of SaskTel's business functions. This includes Operational, Financial, and Compliance and Legal risks.

Operational Risks

The Operational risk review focuses on SaskTel's risks associated with the execution of SaskTel's business functions, such as business interruption, security, infrastructure, supply chain, change enablers, fulfillment and assurance. Identified operational risks considered high are discussed below.

System and Information Security

Systems security involves the protection of information and associated systems and networks. These systems and network assets are used to process, manage and store customer, employee, operational and competitive information. Risks associated with the security of information systems are complex, due to the rate of change in technology, the growth of Internet Protocol (IP) services, the regulatory environment, and the continued risks associated with conducting business in this changing environment.

SaskTel has undergone a business-level security threat and risk assessment. The risk assessment was used to develop a roadmap for the information security program and architecture within SaskTel, to manage these risks, and to enable the organization to achieve its objectives. A multi-year Information Security Program has been approved and SaskTel is implementing and enhancing security controls to address the risks identified through the risk assessment.

Business Interruption

With more than 1,400 locations of property, plant, and equipment throughout the province, SaskTel has a substantial investment in physical property. All of it is exposed to damage from natural hazards, vandalism and other forms of accidental loss. Damage or destruction of assets could reduce revenues, increase expenses and impair asset values.

A stringent preventative maintenance program, regular inspections by independent loss prevention engineers, strict procedures on housekeeping practices, and appropriate physical security controls reduce and prevent losses. Major switching centres are designed to limit loss exposures by utilizing departmentalization, zoned environmental systems, smoke barriers, automatic sprinklers, and very early warning fire detection systems. As well, a comprehensive insurance

Management's Discussion and Analysis

program is in place to transfer risk of physical loss and any resultant business interruption experienced.

SaskTel has business continuity and disaster recovery plans that evolve through the Business Continuity Management (BCM) program. The BCM program is the unifying, integrated process that aids business units with the development and ongoing management of advance arrangements and procedures, which enable SaskTel to respond to an event where critical business functions and processes have been disrupted. This program includes recovery of critical applications and data, employee health and safety, and alternate work arrangements.

Technology

SaskTel's extensive network and IS architecture has evolved over the years to provide a variety of services from traditional wireline and wireless voice services to leading edge Internet, entertainment and data services. The confidence level in the network and systems is high. However, SaskTel's infrastructure is complex and the possibility of a hardware or software failure impairing the ability to provide service to customers cannot be ruled out.

In addition to building high levels of redundancy, SaskTel uses a number of other strategies to mitigate these risks, including regular operational reviews, business continuity plans, stringent testing procedures for new software, preventative maintenance programs and site hardening of critical locations.

Financial Risks

Risks reviewed in this category include profitability, interest, foreign exchange, credit, financial misstatement, cost management, pension plan, investments, public reporting, revenue assurance, fraud and cash flow. The key financial risk is discussed below.

Profitability

SaskTel's financial outlook can be characterized by continued net income pressures driven by declining margins and increased competition. These pressures are causing unprecedented network and back-office system investment.

To mitigate this pressure, SaskTel remains focused on improving its operating efficiency and removing costs from the business. Revenue re-price and market share losses driven by competition, combined with the transition to lower margin Internet protocol based services, continually reinforce the need to focus on initiatives that will maintain and improve SaskTel's financial return to its shareholders.

To date, SaskTel has been very successful in managing costs throughout the company, and will remain focused on achieving further efficiencies.

Compliance and Legal Risks

The Compliance and Legal risk category focuses on SaskTel's risks associated with our need to comply with laws and regulations. Risks reviewed in this category include contractual, professional, third party, statutory, environmental, governance, intellectual property, litigation, regulatory, and privacy. Litigation is SaskTel's key compliance and legal risk and is discussed below.

Litigation

SaskTel, like all businesses, faces the risk of legal action. Our employees interact with thousands of people daily and our assets are numerous and visible. We are exposed to various aspects of legal risk, including contractual, professional, statutory, and third party liability, which could negatively impact our results and reputation.

Although the legal risk environment that we operate in is reasonably stable, we dedicate significant effort to managing our legal exposures. Central to our legal risk mitigation is the expertise and active business involvement of our Corporate Counsel division, a corporate structure that uses separate legal entities (subsidiaries) to limit liability, a focus on contractual assignment of risk or limitation of liability, and sound operating procedures at the core of our business. Additionally, our corporate insurance program provides a degree of financial protection from specific third party legal liabilities.

At year end, SaskTel is named in the following major lawsuits. SaskTel believes it has strong defences in all cases.

Cellular Class Action Suit

On August 9, 2004, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment, and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan

court certified the Plaintiffs' proceeding as a class action with respect to an allegation of unjust enrichment only. SaskTel has filed a defence to the claim as certified and disclosed documents in SaskTel possession relevant to the claim. Subject to the outcome of outstanding motions to be heard by the Court and subject to a potential appeal by Bell of its motion recently dismissed to amend the Certification Order to limit the size of the class, the matter will proceed to examinations for discovery.

Second Cellular Class Action Suit

On July 24, 2009, a second proceeding under *The Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. SaskTel believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009, the Court of Queen's Bench heard motions by the Defendants, including SaskTel, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the Plaintiffs to pursue their claims in the future if circumstances change. SaskTel believes that it has strong defences to the allegations contained in the most recent 2009 claim.

9-1-1 Fee Class Action Suit

On June 26, 2008, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment, and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. A case management judge has now been appointed for the proposed class action. SaskTel believes that it has strong defences to the allegations that are made by the Plaintiffs in

the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained by SaskTel to handle this matter. SaskTel expects a Certification hearing in this claim to be held in 2014.

In September 2011, SaskTel was served with a second 9-1-1 class action claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008, but not served on SaskTel until more than three years later. SaskTel believes that it has strong defences to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained. Currently, SaskTel is not aware of any further proceedings being taken in this second action beyond service of the claim.

RIM Fee Class Action Suit

In November 2011, SaskTel was served with two proposed class action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including SaskTel, and Research in Motion as defendants. The proposed claims seek compensation related to BlackBerry service issues alleged to have occurred in October 2011. SaskTel has retained external counsel for these matters. SaskTel believes that it has strong defences to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. SaskTel and other wireless carriers are in discussions with Research in Motion as to how to coordinate the defence of the action.

SAF Class Action Suit

On May 29, 2013, the Corporation was served with a claim out of the Court of Queen's Bench in Alberta. This proposed class action sued all the wireless carriers that have been sued in all the other system administration fees class actions that are currently outstanding, including Saskatchewan Telecommunications Holding Corporation, and Saskatchewan Telecommunications. The claim is over the period from 1987 to date. An application was heard September 27, 2013, to have this suit dismissed on the basis that the Alberta court does not have jurisdiction over the Corporation, as we do not carry on business in Alberta. That application was dismissed. An application may still be brought to strike the claim as an abuse of process given the live nature of the aforementioned system administration fee claim in Saskatchewan.

Management's Discussion and Analysis

OPERATING RESULTS

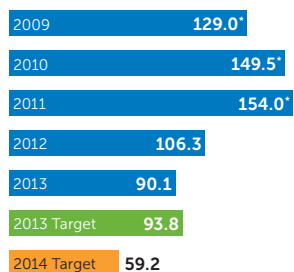
Net Income

Consolidated Net Income

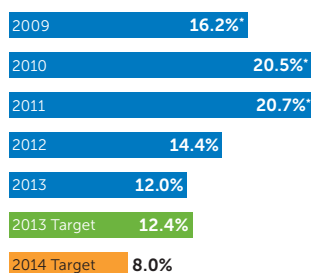
(\$ millions)	2013	2012	Change	%
Revenues	\$1,205.1	\$1,182.4	\$22.7	1.9
Other income	14.2	10.7	3.5	32.7
	1,219.3	1,193.1	26.2	2.2
Expenses				
Goods and services purchased	569.8	553.1	16.7	3.0
Salaries, wages and benefits	361.6	344.0	17.6	5.1
Depreciation	155.5	153.6	1.9	1.2
Amortization	27.9	24.2	3.7	15.3
Internal labour capitalized	(22.8)	(20.6)	(2.2)	10.7
	1,092.0	1,054.3	37.7	3.6
Results from operating activities	127.3	138.8	(11.5)	(8.3)
Net finance expense	37.2	32.5	4.7	14.5
Net income	\$90.1	\$106.3	\$(16.2)	(15.2)
Other comprehensive income (loss)	190.6	(21.6)	212.2	n ^m f ⁱ
Total comprehensive income	\$280.7	\$84.7	\$196.0	n^mfⁱ

ⁱn^mf – no meaningful figure

Net income for the year was \$90.1 million, down \$16.2 million (15.2%) from 2012, which led to a corresponding decrease in our Return on Equity from 14.4% in 2012 to 12.0% in 2013. The decline in net income resulted in 2013 dividends declared of \$81.1 million, down \$3.2 million from 2012.



Net Income (\$ Millions)



Return on Equity (Percentage)

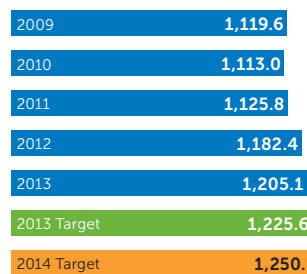
* Amounts and percentages do not reflect the retrospective adoption of IAS 19 Employee Benefits.

Revenues

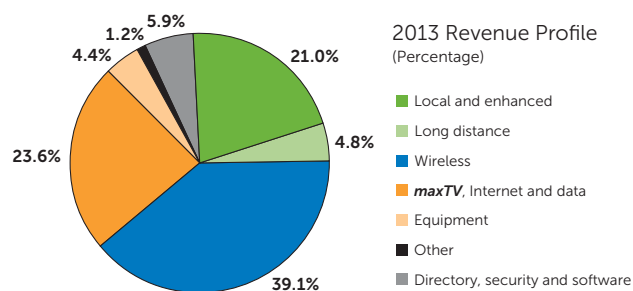
Consolidated Revenues

(\$ millions)	2013	2012	Change	%
Wireless services	\$471.8	\$454.2	\$17.6	3.9
maxTV, Internet and data services	284.8	268.1	16.7	6.2
Local and enhanced services	252.8	262.0	(9.2)	(3.5)
Long distance services	57.7	61.1	(3.4)	(5.6)
Equipment	52.5	52.1	0.4	0.8
Advertising and directory services	42.6	43.4	(0.8)	(1.8)
Security monitoring services	20.7	19.9	0.8	4.0
Software and consulting services	7.3	7.9	(0.6)	(7.6)
Other services	14.9	13.7	1.2	8.8
	\$1,205.1	\$1,182.4	\$22.7	1.9

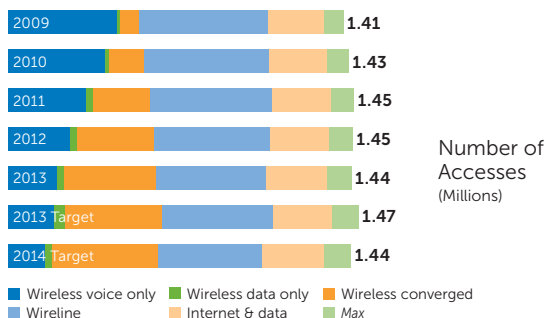
Total revenues increased to \$1,205.1 million in 2013, up \$22.7 million (1.9%) from 2012. Growth continues to be driven by wireless, maxTV, Internet and data services largely due to an increase in number of customers and increased adoption of feature rich services, resulting in higher average revenue per customer. Decreases in revenue have occurred in local access, enhanced services and long distance portfolios as customers replace these services with wireless alternatives.



Revenue (\$ Millions)



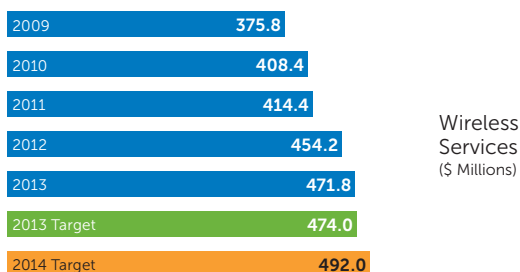
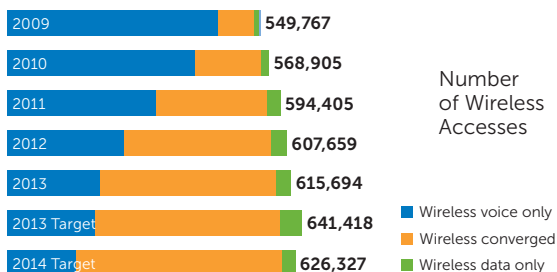
2013 Revenue Profile (Percentage)



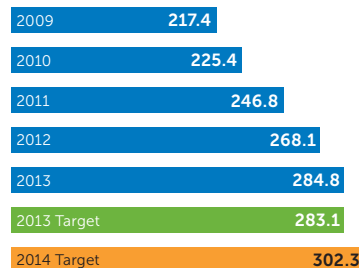
Wireless Services

Wireless revenues increased by \$17.6 million (3.9%) to \$471.8 million in 2013. This resulted from an 8,035 increase in accesses due to organic growth and legacy wireline customers abandoning their traditional wireline services for a wireless alternative. Customers continue to migrate from voice-only devices to data-capable devices such as smartphones. In 2013, the number of data-capable devices increased to 412,993, up 16.8% from 353,490 in 2012. Adoption of data-capable devices such as smartphones, has also resulted in customer migration to more expensive and feature rich data plans, which increased the average revenue per subscriber from \$62.99 in 2012 to \$64.39 in 2013.

SaskTel's 2013 launch of its LTE services with increased data speeds resulted in continued unprecedented data usage by our customers. SaskTel continues to invest extensively in network and IT systems to ensure a positive customer experience.



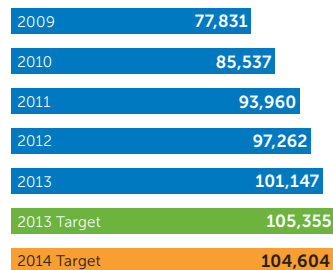
maxTV, Internet, and Data Services



maxTV, Internet and Data Services (\$ Millions)

maxTV services deliver digital video signals, including high definition and specialty television channels, digital TV recorder, video on demand in partnership with Hollywood studios, local video on demand, live event pay per view and "always on" high speed Internet.

maxTV reached a milestone in 2013, when it surpassed 100,000 customers. This customer growth, coupled with an ARPU increase of \$3.57, resulted in a year over year increase in revenues of \$10.0 million. Increases in average revenue per customer can be attributed to increases in rates to offset increase in content costs, increased adoption of high definition services, and increased penetration of digital video recorders.



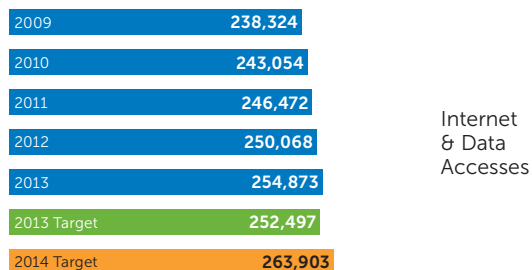
maxTV Subscribers

Internet and data services revenues are up \$6.7 million in 2013. Internet revenues increased \$3.8 million in 2013, as customers selected faster Internet service packages (High Speed Extreme, Advanced, and Ultra) and were early adopters of SaskTel's fibre-based service *infiNET*[™], driving an increase in average revenue per access. Growth of 4,713 (2.0%) Internet accesses during the year also contributed to the growth in revenues.

Data services revenues increased by \$2.9 million in 2013, primarily due to increase in demand for LANspan services. Customers are also opting for the more expensive LANspan IP packages, resulting in higher revenues per customer. LANspan IP is a private Internet protocol transport network

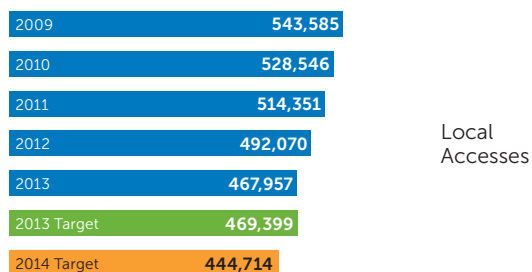
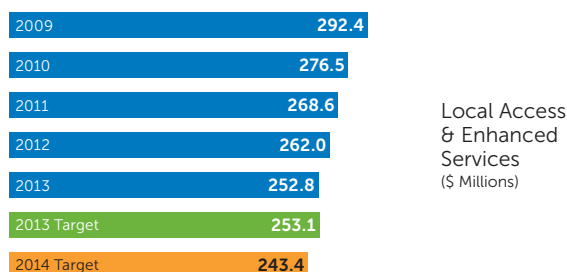
Management's Discussion and Analysis

service designed to interconnect local area networks (LANs) in two or more locations. This service provides higher quality of service for VoIP.



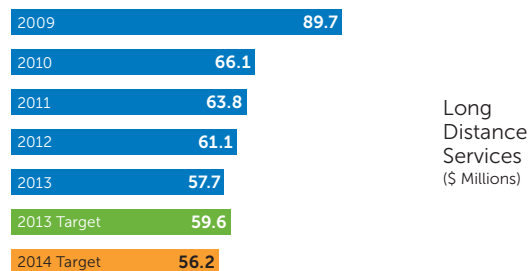
Local Access and Enhanced Services

Local access and enhanced service revenues declined to \$252.8 million in 2013, down \$9.2 million (3.5%) from 2012. This decline is due to a 4.9% reduction in network accesses that occurred during the year as customers continued to migrate to wireless services, commonly referred to as wireless displacement.



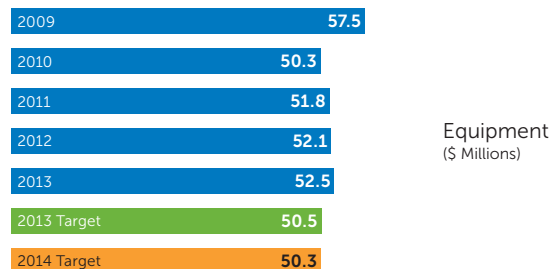
Long Distance

Long distance revenues declined to \$57.7 million in 2013, down from \$61.1 million in 2012, primarily due to loss of customers to substitute services such as social media, wireless and VoIP, and customer movements to less expensive bundle plans.



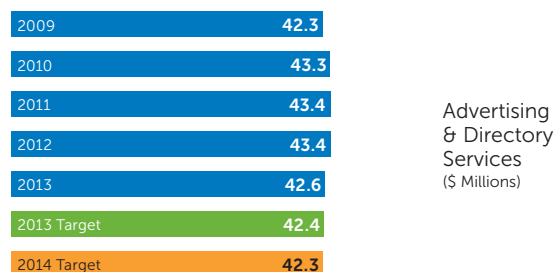
Equipment

Equipment revenues have increased marginally to \$52.5 million in 2013, compared to \$52.1 million in 2012. Although the mix of products being sold continues to change each year, this line of business continues to be a stable revenue source for SaskTel.



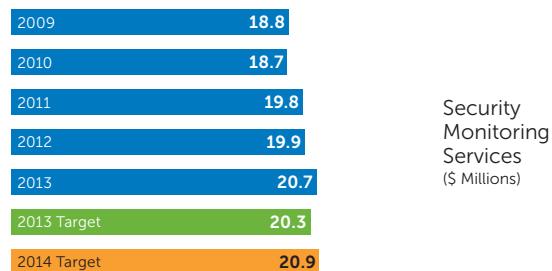
Advertising and Directory Services

Advertising and directory services revenue decreased to \$42.6 million in 2013, down from \$43.4 million in 2012, a decrease of \$0.8 million (1.8%). In an industry that continues to experience significant financial pressures, including ongoing double-digit declines in revenues, the release of Mysask411 Solutions in 2013 (a simplified, packaged approach to online, mobile and print advertising for businesses) is expected to help keep revenue retention at industry-leading levels.



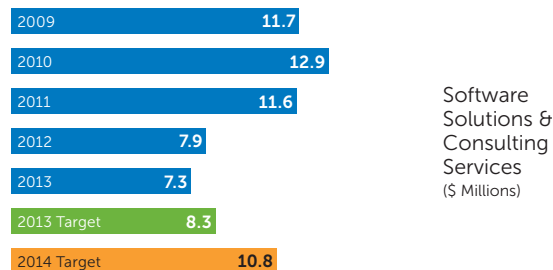
Security Monitoring Services

Security monitoring revenues increased \$0.8 million to \$20.7 million in 2013, due to acquired growth in customers. SaskTel continues to actively seek out business growth both organically through existing customers, and externally through customer account acquisitions.



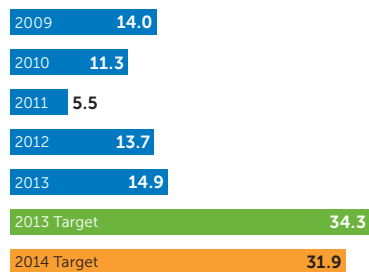
Software and Consulting Services

Software and consulting service revenues decreased to \$7.3 million in 2013, down \$0.6 million (7.6%) from 2012, primarily due to lower sales of customized software and consulting services in 2013.



Other Services

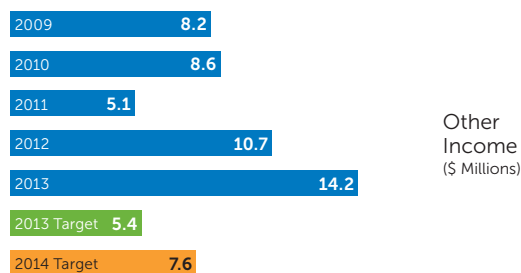
Other services revenue increased to \$14.9 million in 2013, up \$1.2 million (8.8%) from 2012. Managed and emerging services will drive future revenues in 2014.



Other Income

(\$ millions)	2013	2012	Change	%
Other Income	\$14.2	\$10.7	\$3.5	32.7

Other income increased to \$14.2 million, up \$3.5 million (32.7%) from 2012, primarily from the recognition of government funding received to deliver high-speed Internet connectivity to First Nations schools and health facilities that are expected to be completed in 2014. This increase was partially offset by losses on disposals and retirements of property plant and equipment.



Expenses

Total expenses were \$1,092.0 million, up \$37.7 million from 2012. This was largely caused by increased goods and services purchased (\$16.7 million) to support revenue growth in wireless, *maxTV*, data and Internet revenues. In addition, depreciation and amortization increased \$5.6 million due to increased plant in service, while net salaries, wages, and benefits increased \$15.4 million (4.8%) from in-range economic increases and the restructuring of management wage bands.

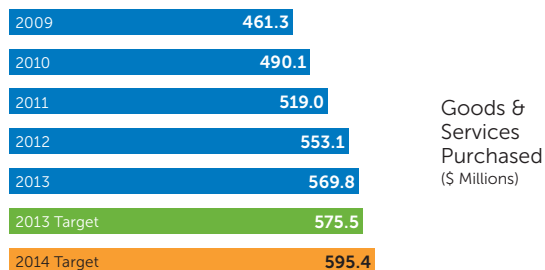
Consolidated Expenses

(\$ millions)	2013	2012	Change	%
Expenses				
Goods and services purchased	\$569.8	\$553.1	\$16.7	3.0
Salaries, wages and benefits	361.6	344.0	17.6	5.1
Depreciation	155.5	153.6	1.9	1.2
Amortization	27.9	24.2	3.7	15.3
Internal labour capitalized	(22.8)	(20.6)	(2.2)	10.7
	\$1,092.0	\$1,054.3	\$37.7	3.6

Management's Discussion and Analysis

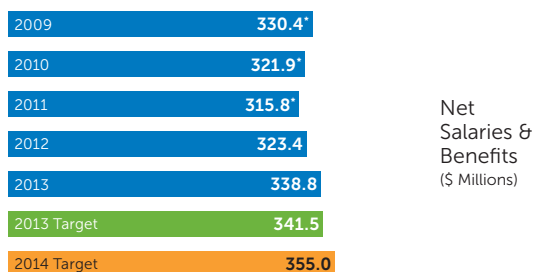
Goods and Services Purchased

Goods and services purchased increased to \$569.8 million, up \$16.7 million (3.0%) from 2012. This increase was largely due to a continued increase in hardware subsidies as the volumes and cost of devices rise, and the mix of devices sways heavily in favour of smartphones. SaskTel also observed increased expenses related to *maxTV* as a result of customer growth and costs to provide *maxTV* content. Roaming expenses also increased as customers took advantage of SaskTel's unlimited nationwide data plans. Finally, costs increased with respect to software maintenance and support as SaskTel continues to invest in its supports systems with the goal of improving our customers' experience. These increases were partially offset by reduced spending on wireless device fees, spectrum costs, dealer commissions and materials.

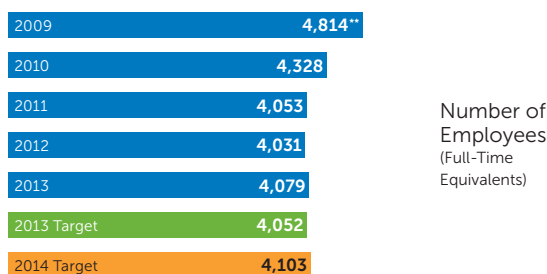


Salaries, Wages, and Benefits (net of internally capitalized labour)

Net salaries, wages, and benefits increased to \$338.8 million, up \$15.4 million (4.8%) from 2012. This was partially due to an increase in number of FTEs to support SaskTel's investment in its fibre network and support systems necessary to meet or exceed our customers' expectations. In addition, increases resulted from a restructuring of wage bands to ensure market competitiveness, in-range salary progressions, and economic increases. Capital spending increased approximately \$26.0 million from 2012, resulting in increased capitalized labour of \$2.2 million (10.7%), which reduced the impact of the aforementioned increases.



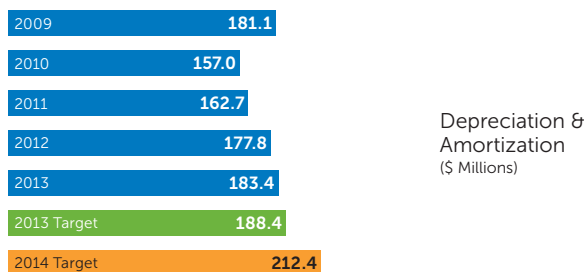
* 2009 to 2011 net salaries and benefits do not reflect the retrospective adoption of IAS 19 Employee Benefits.



** All years reported as full-time equivalents except 2009, which represents staff employed at December 31.

Depreciation and Amortization

Depreciation and amortization expense increased to \$183.4 million in 2013, up \$5.6 million (3.1%) from 2012, primarily due to increased plant in service, as a result of significant spending on FTTP, wireless networks and IT support systems. A change in estimated useful lives resulted in accelerated depreciation on Evolution Data Optimized (EVDO), Wireless Broadband Internet, Value Added Services and wireless 4G assets, which also contributed to the increase.



Net Finance Expense

Net financing expense increased to \$37.2 million in 2013, up \$4.7 million (14.5%) from 2012. This is driven by decreases in the fair value of sinking funds.

(\$ millions)	2013	2012	Change	%
Net finance expense	\$37.2	\$32.5	\$4.7	14.5

Other Comprehensive Income (Loss)

(\$ millions)	2013	2012	Change	%
Other comprehensive income (loss)	\$190.6	\$(21.6)	\$212.2	<i>nmf</i> ¹

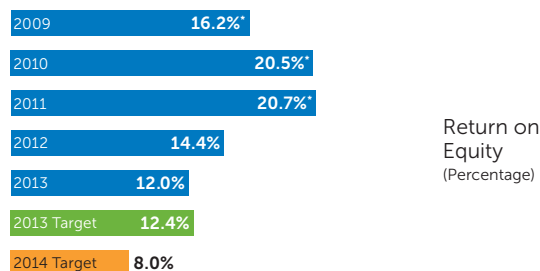
¹*nmf* – no meaningful figure

Other comprehensive income increased to \$190.6 million, up \$221.2 million from the loss recognized in 2012. The income resulted from actual plan asset returns during the year, as well as changes in actuarial assumptions related to the defined benefit pension plan and the service recognition defined benefit plan (i.e. the discount rate used to calculate the liabilities of the plans). The assumptions are disclosed in Note 19 of the consolidated financial statements.

Return on Equity

Return on equity decreased to 11.9% in 2013, down from 12.5% in 2012, primarily due to lower net income in 2013 as compared to 2012 on a stable equity base. SaskTel continues to provide strong returns to its shareholder with 2013 dividends declared of \$81.1 million.

Equity for the purpose of calculating return on equity is defined as equity advances and retained earnings excluding accumulated other comprehensive income (loss).



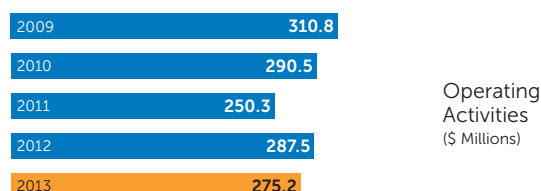
* Percentages do not reflect the retrospective adoption of IAS 19 Employee Benefits.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities

(\$ millions)	2013	2012	Change	%
Operating activities	\$275.2	\$287.5	\$(12.3)	(4.3)

Cash provided by operating activities was \$275.2 million, down \$12.3 million from 2012, primarily due to decreased net income.



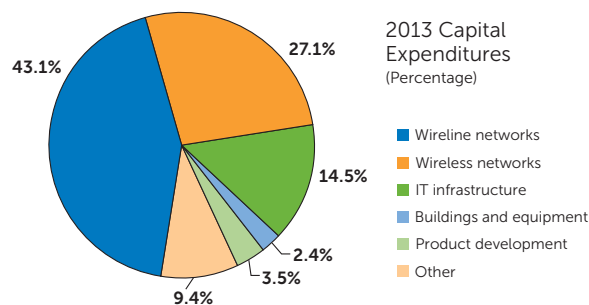
Cash Used in Investing Activities

(\$ millions)	2013	2012	Change	%
Investing activities	\$341.1	\$308.4	\$32.7	10.6

Cash used in investing activities was \$341.1 million, up \$32.7 million from 2012, primarily due to significant capital spending on corporate priority programs, increased spending on intangible assets, as well as reduced government funding related to the First Nations Service Improvement Project and Aboriginal Affairs and Northern Development Canada funding for First Nations schools and health facilities.

Capital Spending

Total capital expenditures for 2013 were \$355.8 million, up \$26.0 million from 2012.



Management's Discussion and Analysis

SaskTel's net capital spending on property, plant and equipment in 2013 was \$278.2 million, up \$14.2 million from 2012, primarily due to increased spending on Fibre to the Premises (FTTP), infrastructure support, and continued enhancements to the wireless networks (4G and LTE). SaskTel's net spending on intangible assets was \$77.6 million, up \$11.8 million from the same period in 2012, primarily due to increased spending on Wireless Delivery Environment, Martens modernization, Customer Self Serve and Field Services Efficiency software.

SaskTel invested approximately \$127.1 million in corporate priority initiatives in 2013, compared to \$116.3 million in 2012. Infrastructure expenditures increased to \$149.9 million in 2013 from \$134.8 million in 2012.

Property, Plant and Equipment Investment

The most significant investments included:

- \$69.4 million in capital expenditures on FTTP to allow more functionality on the broadband network including significantly higher download and upload speeds, as well as continued improvement in *maxTV* services,
- \$62.9 million on continued enhancements to the wireless network to allow for increased coverage and capacity, and
- \$45.5 million to provide for network growth and enhancements.

Intangible Asset Investment

- \$17.8 million to modernize the wireless billing environment. This upgrade will consolidate wireless services into one platform and allow for more effective billing and customer relationship management,
- \$14.1 million on security monitoring accounts to increase the customer base and allow for greater economies of scale,
- \$10.4 million on the Martens modernization project. This project will upgrade the Martens software to allow for better integration with current and future technologies as well as allow for more effective tracking of network facilities,
- \$6.7 million on Customer Self Serve to enhance the customer experience when accessing SaskTel products and services, and
- \$6.5 million on Field Services Efficiency program that modernized our operations work force management systems.

Targets for 2014

Capital expenditures in 2014 will focus on further investment in corporate priorities while sustaining current capital assets. A large portion of the growth expenditures will see capital investment to increase bandwidth to our customers through expenditures on FTTP, continued investment in wireless networks, 4G enhancements, network growth and refurbishment, further investment in *maxTV* services, and improved high-speed Internet quality.

Cash Provided by Financing Activities

(\$ millions)	2013	2012	Change	%
Financing activities	\$86.8	\$16.4	\$70.4	<i>nmf</i> ¹

¹*nmf* – no meaningful figure

Cash provided by financing activities was \$86.8 million in 2013, up \$70.4 million from 2012. This is due to increased short-term borrowings and reduced dividend payments, partially offset by reduced long-term borrowing compared to 2012. SaskTel paid dividends of \$73.6 million to CIC, a decrease of \$32.6 million from 2012. During the last five years, SaskTel paid a total of \$543.0 million in dividends while maintaining a debt ratio within industry standards.

Debt Ratio

(\$ millions)	2013	2012	Change	%
Long-term debt	\$581.2	\$580.9	\$0.3	0.1
Short-term debt	253.3	85.6	167.7	<i>nmf</i> ¹
Less: Sinking funds	90.7	86.7	4.0	4.6
Cash and short-term investments	24.4	3.5	20.9	<i>nmf</i> ¹
Net Debt	719.4	576.3	143.1	24.8
Equity*	757.3	748.3	9.0	1.2
Capitalization	\$1,476.7	\$1,324.6	\$152.1	11.5
Debt Ratio	48.7%	43.5%		

* Equity for the purposes of calculating the debt ratio is defined as equity advances and retained earnings excluding amounts included in accumulated other comprehensive income.

¹*nmf* – no meaningful figure

SaskTel's debt ratio increased to 48.7% in 2013, up from 43.5% in 2012. The overall level of net debt increased \$143.1 million, primarily to fund continued investment in property, plant and equipment as well as intangible assets. Retained earnings increased \$9.0 million after recording net income of \$90.1 million and declaring dividends of \$81.1 million.

Debt Instruments

SaskTel's debt portfolio consists of short-term and long-term debt. Both are issued through, and guaranteed by, the Province of Saskatchewan. Short-term debt is issued at market rates in effect on the issue date. Long-term debt is at fixed interest rates.

The average interest rate on SaskTel's fixed rate debt was approximately 5.49% at December 31, 2013, and December 31, 2012. The average interest rate of the short-term debt outstanding at December 31, 2013, was 2.74% and 1.10% at December 31, 2012.

The interest rate on SaskTel's debt depends on the credit rating of the Province of Saskatchewan, which issues debt on SaskTel's behalf. The following table lists the credit ratings of the Province at December 31, 2013.

	S&P	DBRS	Moody's
Long-term debt	AAA	AA	Aa1 stable
Short-term liabilities	A-1+	R-1 (high)	Not Rated

Access to Capital

The primary uses of cash in 2014 will be property, plant and equipment and intangible asset expenditures, growth initiatives, and dividend payments.

The 2014 plan assumes that funding of capital expenditures, growth initiatives and dividend payments will be initially from operations. Additional funding will be accessed through short-term notes and long-term debt issued through the Province of Saskatchewan.

Credit facilities consist of up to \$500.0 million in combined lines of credit with financial institutions and advances from the Province of Saskatchewan. At December 31, 2013, SaskTel had accessed \$253.3 million of these facilities.

Besides this credit facility, SaskTel has authority to issue up to \$1.3 billion in combined short-term and long-term debt. At December 31, 2013, total outstanding debt was \$834.5 million compared to \$666.5 million in 2012.

SIGNIFICANT ACCOUNTING POLICIES

This section discusses key estimates and assumptions that management has made and how they affect the amounts reported in the financial statements and notes.

SaskTel's consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS). Other significant accounting policies, not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See Notes 2, 3 and 4 to the consolidated financial statements for more information about the accounting principles SaskTel uses in preparing its financial statements. These notes also describe key changes in accounting standards and our accounting policies, and how they affect our financial statements.

Key Accounting Estimates and Assumptions

In preparing the consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and is required to constantly evaluate the judgments, estimates and assumptions used. Management bases these estimates and assumptions on past experience and other factors considered reasonable under the circumstances. Because of the judgment and measurement uncertainty, actual results could differ.

Employee Defined Benefit Plans

SaskTel maintains defined benefit plans that provide pension, other retirement and post-employment benefits for employees. The primary plan is the SaskTel Pension Plan, which has been closed to membership since 1977. Reported financial statement amounts relating to these benefits are determined using actuarial calculations that are based on several assumptions.

SaskTel's actuary performs an actuarial valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. The actuarial valuation uses management's assumptions for the discount rate, rate of compensation increase, and expected average remaining lives of employees. Management believes these assumptions are appropriate; however,

Management's Discussion and Analysis

differences in actual results or changes in assumptions could affect employee benefit obligations and future net post-employment benefit plan costs. SaskTel accounts for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance in other comprehensive income in the period the differences arise.

The most significant assumption used to calculate the net employee benefit plan's obligation is the discount rate.

Discount Rate

The discount rate is the interest rate used to determine the present value of the future cash flows that SaskTel expects will be required to settle employee benefit obligations. It is usually based on the yield of long-term, high-quality, corporate fixed income investments with terms reflecting the profile of the plan members.

SaskTel determines the appropriate discount rate at the end of every year. SaskTel's discount rate was 4.60% at December 31, 2013, up 0.80% from 3.80% used in 2012. Changes in the discount rate could have an effect on SaskTel's cash flows through an effect on the projected benefit obligation. A lower discount rate results in a higher obligation, which could at some point require additional contributions to the plan.

Allowances for Doubtful Accounts

SaskTel and its subsidiaries maintain allowances for losses expected to result from customers who do not make their required payments. Estimates of the allowances are based on the likelihood of collecting accounts receivable based on past experience, taking into account current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the allowances for doubtful accounts will be increased by recording an additional expense.

Depreciation and Amortization

Depreciation and amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on past experience with similar assets, taking into account expected technological or other changes. If technological changes happen more quickly or in a different way than anticipated, management may have to modify an asset's

estimated useful life. This could result in a change to depreciation or amortization expense in future periods, an impairment charge to reflect the write down in value of the asset, or reversal of a previously recorded impairment charge.

Property, Plant and Equipment

Property, plant and equipment are amortized over their estimated useful lives. These estimated useful lives are reviewed annually. In addition, SaskTel reviews these assets for impairment as part of the relevant cash-generating unit (CGU), whenever events or changes in circumstances indicate that the carrying amount of the CGU may not be recoverable. An impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that may trigger an impairment will occur, when it will occur, or how it will affect the asset values reported.

Goodwill

SaskTel management does not amortize goodwill but tests it for impairment as part of the relevant CGU annually, or more frequently if events or changes in circumstances indicate that the CGU might be impaired. When the recoverable amount of a CGU exceeds its carrying amount, goodwill of the CGU is considered not to be impaired. When the carrying amount of a CGU exceeds its recoverable amount an impairment loss is first applied to reduce the carrying amount of goodwill allocated to the CGU. Again, estimating the cash flows to determine the recoverable amount of the relevant CGU requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends, but they include uncertainties that cannot be controlled. As a result, the amounts reported for these items could change if assumptions are different or if conditions vary in the future. SaskTel cannot predict whether an event that triggers impairment will occur, when it will occur, or how it will affect the asset values reported.

Intangible Assets

SaskTel records intangible assets at the most appropriate value depending on the method of acquisition, cost for purchased and internally developed intangible assets, and fair value for intangible assets acquired in business combinations. Intangible assets are tested for impairment as part of the relevant CGU when events or changes in circumstances indicate that their carrying value may not be recoverable. Similar to impairment testing for property, plant and equipment, an impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Estimating the cash flows from the use and eventual disposal of intangible assets requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that triggers an impairment will occur, when it will occur, or how it will affect the asset values reported.

Fair Value of Financial Instruments

Some financial instruments, such as sinking funds and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows.

Contingencies

SaskTel becomes involved in various litigation and regulatory matters as a regular part of its business. Pending litigation, regulatory initiatives or regulatory proceedings represent potential financial loss to SaskTel. SaskTel will accrue a potential loss if it is probable and it can reasonably be estimated. This decision is based on information available at the time.

Management's Discussion and Analysis

FIVE YEAR RECORD OF SERVICE

Consolidated Statement of Income

(\$ millions)	IFRS				GAAP
	2013	2012	2011*	2010*	2009*
Revenue	\$1,205.1	\$1,182.4	\$1,125.8	\$1,113.0	\$1,119.6
Other income	14.2	10.7	5.1	8.6	8.2
	1,219.3	1,193.1	1,130.9	1,121.6	1,127.8
Expenses					
Goods and services purchased	569.8	553.1	519.0	490.1	461.3
Salaries, wages and benefits	361.6	344.0	331.9	338.9	330.4
Depreciation	155.5	153.6	142.3	136.0	143.0
Amortization	27.9	24.2	20.4	21.0	38.1
Internal labour capitalized	(22.8)	(20.6)	(16.1)	(17.0)	–
	1,092.0	1,054.3	997.5	969.0	972.8
Results from operating activities	127.3	138.8	133.4	152.6	155.0
Net finance expense	(37.2)	(32.5)	(10.2)	(7.9)	(22.1)
Income from continuing operations	90.1	106.3	123.2	144.7	132.9
Gain on disposal of intangible assets	–	–	–	–	3.1
Loss on disposal of assets held for sale	–	–	–	–	(9.0)
Net income (loss) from discontinued operations	–	–	30.8	4.8	2.0
Net income	\$90.1	\$106.3	\$154.0	\$149.5	\$129.0
Other comprehensive income (loss)	\$190.6	(\$21.6)	(\$135.9)	(\$43.0)	–
Total comprehensive income	\$280.7	\$84.7	\$18.1	\$106.5	\$129.0

Consolidated Statement of Financial Position

(\$ millions)	IFRS				GAAP
	2013	2012	2011*	2010*	2009*
Current assets	\$197.0	\$164.9	\$145.6	\$174.6	\$136.1
Property, plant and equipment	1,451.5	1,335.2	1,232.0	1,153.9	924.9
Other long-term assets	361.1	309.9	257.6	218.9	355.8
Total assets	\$2,009.6	\$1,810.0	\$1,635.2	\$1,547.4	\$1,416.8
Current liabilities	\$515.8	\$330.7	\$337.5	\$246.4	\$313.6
Long-term debt	581.2	580.9	433.0	432.8	233.9
Other long-term liabilities	147.2	332.6	292.8	175.8	57.5
Province of Saskatchewan's equity	765.4	565.8	571.9	692.4	811.8
Total liabilities & Province of Saskatchewan's equity	\$2,009.6	\$1,810.0	\$1,635.2	\$1,547.4	\$1,416.8

Consolidated Statement of Cash Flows

(\$ millions)	IFRS				GAAP
	2013	2012	2011*	2010*	2009*
Cash and cash equivalents, beginning of year	\$3.5	\$8.0	\$18.9	\$9.0	\$4.9
Cash provided by operating activities	275.2	287.5	250.3	290.5	310.8
Cash used in investing activities	(341.1)	(308.4)	(254.9)	(298.4)	(184.3)
Cash provided by (used in) financing activities	86.8	16.4	(70.7)	14.2	(125.3)
Increase (decrease) in cash from continuing operations	20.9	(4.5)	(75.3)	6.3	1.2
Increase (decrease) in cash from discontinued operations	–	–	64.4	3.6	3.2
Cash and cash equivalents, end of year	\$24.4	\$3.5	\$8.0	\$18.9	\$9.3

* 2009 to 2011 financial information and indicators do not reflect the retrospective adoption of IAS 19 Employee Benefits.

Financial Indicators

(\$ millions)	IFRS				GAAP
	2013	2012	2011*	2010*	2009*
Return on equity	12.0%	14.4%	20.7%	20.5%	16.2%
Debt ratio	48.7%	43.5%	37.6%	36.1%	24.4%
Dividends declared	\$81.1	\$84.3	\$138.6	\$139.7	\$103.2

Consolidated Statement of Income

(\$ millions)	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue	\$321.4	\$301.2	\$292.6	\$289.9	\$304.7	\$302.4	\$290.3	\$285.0
Other income	6.8	1.7	5.4	0.3	3.2	2.7	3.6	1.2
	328.2	302.9	298.0	290.2	307.9	305.1	293.9	286.2
Expenses								
Goods and services purchased	153.2	139.0	143.6	134.0	160.7	134.8	132.4	125.2
Salaries, wages and benefits	89.0	88.8	90.8	93.0	87.0	83.2	84.7	89.1
Depreciation	41.7	39.0	37.3	37.5	38.6	36.4	38.7	39.9
Amortization	4.5	8.0	7.1	8.3	6.9	6.8	5.4	5.1
Internal labour capitalized	(5.8)	(5.7)	(6.0)	(5.3)	(5.8)	(4.9)	(5.6)	(4.3)
	282.6	269.1	272.8	267.5	287.4	256.3	255.6	255.0
Results from operating activities	45.6	33.8	25.2	22.7	20.5	48.8	38.3	31.2
Net finance expense	(8.7)	(8.8)	(11.2)	(8.5)	(8.9)	(7.8)	(6.8)	(9.0)
Net income	36.9	25.0	14.0	14.2	11.6	41.0	31.5	22.2
Other comprehensive income (loss)	82.7	59.4	49.9	(1.4)	25.0	(7.3)	(57.0)	17.7
Total comprehensive income (loss)	\$280.7	\$84.4	\$63.9	\$12.8	\$36.6	\$33.7	(\$25.5)	\$39.9

Annual Operating Statistics

Customer Accesses	2013	2012	2011	2010	2009
Wireless ¹	615,694	607,659	594,405	568,905	549,767
Wireline ¹	467,957	492,070	514,351	528,546	543,585
Internet and data (includes <i>maxTV</i>)	254,873	250,068	246,472	243,054	238,324
<i>maxTV</i> subscribers	101,147	97,262	93,960	85,537	77,831
Total accesses	1,439,671	1,447,059	1,449,188	1,426,042	1,409,507
Employees and Payroll	2013	2012	2011	2010	2009
Total employees ²	4,079	4,031	4,053	4,328	4,814
Salaries earned (000's)	\$314,390	\$295,714	\$296,025	\$300,929	\$303,138

¹ Does not include SaskTel internal use

² 2010 – 2013 are reported as full time equivalents. All other years include all staff employed as at December 31.

* 2009 to 2011 financial information and indicators do not reflect the retrospective adoption of IAS 19 Employee Benefits.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, included in the annual report of Saskatchewan Telecommunications Holding Corporation for the year ended December 31, 2013, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The policies set out have been consistently applied to all the periods presented unless otherwise noted. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting of outside directors, which meets periodically with management as well as with the internal and external auditors. The Audit Committee is responsible for engaging or re-appointing the services of the external auditor. Both the internal and external auditors have free access to this committee to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Audit Committee has met with management and the external auditor to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Ron Styles
President and
Chief Executive Officer
February 19, 2014



Mike Anderson
Chief Financial Officer

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Ron Styles, the Chief Executive Officer of Saskatchewan Telecommunications Holding Corporation (SaskTel), and I, Mike Anderson, the Chief Financial Officer of SaskTel, certify the following:

- a. That we have reviewed the financial statements included in the Annual Report of SaskTel. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2013, and for the periods presented in the financial statements.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskTel do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That SaskTel is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskTel has designed internal controls over financial reporting that are appropriate to the circumstances of SaskTel.
- d. That SaskTel conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskTel can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Ron Styles
President and
Chief Executive Officer
February 19, 2014



Mike Anderson
Chief Financial Officer

Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Telecommunications Holding Corporation, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Telecommunications Holding Corporation as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2012, has been restated and that the comparative information presented as at January 1, 2012, has been derived from the financial statements as at and for the year ended December 31, 2011.



Chartered Accountants
Regina, Canada
February 19, 2014

Consolidated Statement of Income and Other Comprehensive Income

For the year ended December 31, Thousands of dollars	Note	2013	2012 (Restated – Note 3)
Revenue	5	\$1,205,057	\$1,182,422
Other income	5	14,204	10,696
		1,219,261	1,193,118
Expenses			
Goods and services purchased		569,828	553,067
Salaries, wages and benefits		361,539	343,996
Depreciation	10	155,469	153,648
Amortization		27,865	24,189
Internal labour capitalized		(22,752)	(20,568)
		1,091,949	1,054,332
Results from operating activities		127,312	138,786
Net finance expense	6	37,207	32,515
Net income		90,105	106,271
Other comprehensive income (loss)			
Items that will never be reclassified to net income			
Actuarial gains (losses) on employee benefit plans	19	190,586	(21,603)
Total comprehensive income		\$280,691	\$84,668

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

See Accompanying Notes

Consolidated Statement of Changes in Equity

Thousands of dollars	Note	Equity advances	Accumulated other comprehensive income (loss) (Restated - Note 3)	Retained earnings (Restated - Note 3)	Total equity
Balance at January 1, 2013		\$250,000	\$(182,427)	\$498,247	\$565,820
Net income		–	–	90,105	90,105
Other comprehensive income	19	–	190,586	–	190,586
Total comprehensive income for the year		–	190,586	90,105	280,691
Dividends		–	–	81,095	81,095
Balance at December 31, 2013		\$250,000	\$8,159	\$507,257	\$765,416
Balance at January 1, 2012		\$250,000	\$(160,824)	\$476,233	\$565,409
Net income		–	–	106,271	106,271
Other comprehensive loss	19	–	(21,603)	–	(21,603)
Total comprehensive income for the year		–	(21,603)	106,271	84,668
Dividends		–	–	84,257	84,257
Balance at December 31, 2012		\$250,000	\$(182,427)	\$498,247	\$565,820

See Accompanying Notes

Consolidated Financial Statements

Consolidated Statement of Financial Position

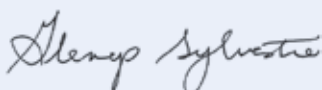
As at		December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars	Note		(Restated – Note 3)	(Restated – Note 3)
Assets				
Current assets				
Cash		\$24,365	\$3,466	\$7,998
Trade and other receivables	7	135,264	129,776	109,920
Inventories	8	16,450	8,570	8,774
Prepaid expenses	9	20,978	23,101	18,894
		197,057	164,913	145,586
Property, plant and equipment	10	1,451,465	1,335,155	1,232,019
Intangible assets	11	260,201	210,520	168,875
Sinking funds	12	90,677	86,695	78,444
Other assets	13	10,206	12,760	10,317
		\$2,009,606	\$1,810,043	\$1,635,241
Liabilities and Province's equity				
Current liabilities				
Trade and other payables	14	\$168,738	\$158,874	\$132,133
Dividend payable		30,402	22,881	44,834
Notes payable	15	253,342	85,600	105,000
Other liabilities	16	63,307	63,362	60,140
		515,789	330,717	342,107
Deferred revenue		7,860	8,067	8,940
Deferred income – government funding	17	43,800	47,985	41,470
Long-term debt	18	581,172	580,881	432,972
Employee benefit obligations	19	95,569	276,573	244,343
		1,244,190	1,244,223	1,069,832
Commitments and contingencies	24			
Province of Saskatchewan's equity				
Equity advance	20	250,000	250,000	250,000
Accumulated other comprehensive income (loss)		8,159	(182,427)	(160,824)
Retained earnings		507,257	498,247	476,233
		765,416	565,820	565,409
		\$2,009,606	\$1,810,043	\$1,635,241

See Accompanying Notes

On behalf of the Board



Grant Kook
February 19, 2014



Glenys Sylvestre

Consolidated Statement of Cash Flows

For the year ended December 31, Thousands of dollars	Note	2013	2012 (Restated – Note 3)
Operating activities			
Net income		\$90,105	\$106,271
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		183,334	177,837
Net finance expense	6	37,207	32,515
Interest paid		(33,942)	(30,161)
Interest received		1,847	1,980
Amortization of government funding	17	(14,003)	(4,675)
Other		10,274	3,355
Net change in non-cash working capital	21	366	355
		275,188	287,477
Investing activities			
Property, plant and equipment expenditures		(273,155)	(253,176)
Intangible asset expenditures		(77,936)	(66,621)
Government funding	17	10,000	11,417
		(341,091)	(308,380)
Financing activities			
Proceeds from long-term debt		–	147,847
Net proceeds (repayment) of notes payable		167,742	(19,400)
Sinking fund installments	12	(7,366)	(5,866)
Dividends paid		(73,574)	(106,210)
		86,802	16,371
Increase (decrease) in cash		20,899	(4,532)
Cash, beginning of year		3,466	7,998
Cash, end of year		\$24,365	\$3,466

See Accompanying Notes

Notes to Consolidated Financial Statements

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 voice, data, Internet, wireless, text, image, directory, security and entertainment products, systems and services.

Note 2 – Basis of preparation

a. Statement of compliance

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

b. Basis of measurement

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

- Fair value through profit and loss financial instruments are measured at fair value, and
- The employee benefit obligation is recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

- Use of the straight-line basis of depreciation and amortization (Note 10 – Property, plant and equipment and Note 11 – Intangible assets),
- Classification of intangible assets – indefinite life (Note 11 – Intangible assets), and
- Accounting for government funding (Note 17 – Deferred income – government funding).

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

- Useful lives and depreciation rates for property, plant and equipment (Note 10 – Property, plant and equipment),
- Useful lives and amortization rates for intangible assets (Note 11 – Intangible assets), and
- Measurement of the employee benefit obligations (Note 19 – Employee benefits).

Note 3 – Application of revised International Financial Reporting Standards and prior period adjustment

a. Amendments to IAS 19 Employee Benefits (IAS 19)

The amendments to IAS 19 require that all actuarial gains and losses be recognized immediately in other comprehensive income (OCI). It also requires that the calculation of interest income or expense on the defined benefit obligation and plan assets be based on the net defined benefit obligation or asset and the discount rate that is used to measure the defined benefit obligation. The calculated amount is required to be disclosed as a net interest income or expense amount. Historically, the Corporation had calculated and separately disclosed the interest expense on the defined benefit obligation based on the discount rate that is used to measure the defined benefit obligation, and interest income on the defined benefit assets based on the long-term expected rate of return on plan assets. The Corporation has chosen to recognize the net interest expense or income as a component of net finance expense and has chosen to report OCI in accumulated other comprehensive income. The new standard also requires additional disclosures.

The Corporation has applied the provisions of IAS 19 retrospectively, in accordance with the transition provisions of the standard.

b. Prior period adjustment

In previous years, the employee benefit obligation had been understated due to an overstatement of the fair value of the plan assets. The fair value of plan assets and the net defined benefit liability have been corrected and prior periods restated.

The impacts of the application of amendments to IAS 19 and the prior period adjustment are as follows:

Impact on net income

For the year ended December 31, 2012 Thousands of dollars	As previously reported	Adjustments		As restated
		Adoption of IAS 19	Prior Period Adjustment	
Salaries wages and benefits	\$332,188	\$11,808	\$ –	\$343,996
Net finance expense	20,968	11,547	–	32,515
Net income	129,626	(23,355)	–	106,271

Impact on other comprehensive loss

For the year ended December 31, 2012 Thousands of dollars	As previously reported	Adjustments		As restated
		Adoption of IAS 19	Prior Period Adjustment	
Other comprehensive loss	\$(38,394)	\$23,355	\$(6,564)	\$(21,603)

Impact on the statement of financial position

As at January 1, 2012 Thousands of dollars	As previously reported	Adjustments		As restated
		Adoption of IAS 19	Prior Period Adjustment	
Employee benefit obligation	\$237,870	\$ –	\$6,473	\$244,343
Accumulated other comprehensive loss	–	(154,351)	(6,473)	(160,824)
Retained earnings	321,882	154,351	–	476,233

As at December 31, 2012 Thousands of dollars	As previously reported	Adjustments		As restated
		Adoption of IAS 19	Prior Period Adjustment	
Employee benefit obligation	\$263,536	\$ –	\$13,037	\$276,573
Accumulated other comprehensive loss	–	(169,390)	(13,037)	(182,427)
Retained earnings	328,857	169,390	–	498,247

Notes to Consolidated Financial Statements

Note 3 – Application of revised International Financial Reporting Standards and prior period adjustment, continued

c. Other new standards

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2013, have been applied in preparing these condensed consolidated interim financial statements:

- IFRS 10, Consolidated Financial Statements and IAS 27, Separate Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 1, Presentation of Financial Statements
- Amendments to IAS 28, Investments in Associates and Joint Ventures
- Amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures

The adoption of these standards had no material impact on the consolidated financial statements.

Note 4 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by the Corporation and its subsidiaries.

a. Basis of consolidation

i. Business combinations

For acquisitions, the Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

ii. Subsidiaries

The financial statements include the financial statements of the Corporation and its subsidiaries.

A subsidiary is an entity that is controlled by another entity, known as the parent. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Separate audited financial statements for each of the undernoted wholly owned corporations, which are consolidated in these financial statements, are prepared and released publicly:

Subsidiary

Saskatchewan Telecommunications (SaskTel)
Saskatchewan Telecommunications International
Inc. (SaskTel International)
DirectWest Corporation (DirectWest)
SecurTek Monitoring Solutions Inc. (SecurTek)

Principal Activity

Telecommunications
Telecommunications software
solutions & consulting
Directory publishing
Security monitoring

Note 4 – Significant accounting policies, continued

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

iii. Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b. Revenue

Revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the rendering of services and sale of equipment is recognized in the period the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, Internet, entertainment and security services are recognized based on access to the Corporation’s network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

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

When the Corporation receives no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising and online advertising. Print directory advertising revenues are recognized at the delivery date of the directory. Electronic directory advertising revenues are recognized commencing with the display date. Amounts billed in advance for directory advertising are deferred and recognized at the delivery date of the directory.

Operating revenues for perpetual licences are recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, perpetual licence revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the licence, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. 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. Revenues for customized software projects and consulting services are recognized using the percentage of completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the period in HCSAs.

Notes to Consolidated Financial Statements

Note 4 – Significant accounting policies, continued

c. Customer contributions

Customer contributions specifically related to access to the Corporation's network, based on standard terms and conditions, are recognized as revenue when the customer is connected to the network. Other contributions, either related to access to the Corporation's network based on non-standard terms or conditions, or based on specifically contracted products or services, are assessed to determine the appropriate revenue recognition for the products or services provided, based on the Corporation's revenue recognition policies.

d. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that have a maturity date of ninety days or less.

e. Inventories

Inventories for resale are valued at the lower of weighted average cost and net realizable value. Other supplies inventories are valued at the lower of average cost and replacement cost.

In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

f. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the assets to a working condition for their intended use. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major capital and development projects are capitalized during the construction period. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income as incurred.

When property, plant and equipment is disposed of or retired, the related cost and accumulated depreciation is eliminated from the accounts. Any resulting gain or loss is reflected in net income for the year.

g. Depreciation of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in income on the straight-line basis over the estimated useful life of each part of an item of property, plant and equipment as follows:

Asset	Estimated useful life
Buildings and improvements	
Equipment and storage buildings	20 – 35 years
Warehouses, garages and parkades	50 years
Administrative buildings	60 years
Switching centres	70 years
Towers	35 and 75 years
Plant and equipment	3 – 50 years
Office furniture and equipment	3 – 17 years

Note 4 – Significant accounting policies, continued

Depreciation methods, useful lives and residual values are reviewed at each financial reporting date and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2013 (see Note 10 – Property, plant and equipment).

h. Intangible assets

i. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 4(a)(i). Subsequently goodwill is measured at cost less any accumulated impairment losses.

ii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in income as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the consolidated statement of income and other comprehensive income on a straight-line basis over the estimated useful life of 1 to 5 years.

iii. Finite-life intangibles

Software is recorded at the cost of acquisition or development, which may include direct development costs, overhead costs directly attributable to development activity and betterment costs, less accumulated amortization and any accumulated impairment losses.

Customer accounts, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is recognized in income on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated useful life
Software	1 – 5 years
Customer accounts	5 – 10 years

iv. Spectrum licences

Spectrum licences have been recorded at cost less any accumulated impairment losses.

Spectrum licences have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material licence revocation. Should these factors change, the classification of indefinite-life will be reassessed.

i. Impairment

i. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to Consolidated Financial Statements

Note 4 – Significant accounting policies, continued

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

ii. Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or the CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Note 4 – Significant accounting policies, continued

j. Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in the consolidated statement of income and other comprehensive income on a systematic basis in the same period in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in the consolidated statement of income and other comprehensive income on a systematic basis over the useful life of the asset.

k. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Corporation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

l. Employee benefits

The Corporation has a defined benefit pension plan, a defined contribution pension plan, and a service recognition defined benefit plan that provide retirement benefits for its employees.

i. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of plan assets.

The calculation of the net defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Corporation determines the net interest expense (income) on the net defined liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in net income.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net income. The Corporation recognizes gains and losses on the settlement of the defined benefit plan when the settlement occurs.

ii. Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of income and other comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes to Consolidated Financial Statements

Note 4 – Significant accounting policies, continued

iii. Service recognition defined benefit plan

The Corporation's net obligation in respect of the service recognition defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods and discounting that amount. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

iv. Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligations can be estimated.

v. Termination benefits

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted to their present value.

m. Financial instruments

i. Non-derivative financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they are held-for-trading (purchased and incurred with the intention of generating profits in the near term or are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking) or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. The Corporation has classified cash and cash equivalents and designated sinking funds as financial instruments at fair value through profit and loss. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net income in the period in which the gains and losses arise.

Loans and receivables (LAR)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of trade and other receivables.

Note 4 – Significant accounting policies, continued

ii. Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Other liabilities (OL)

The Corporation has the following non-derivative financial liabilities: trade and other payables, notes payable and long-term debt.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iii. Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

n. Finance income and expenses

Finance income is comprised of interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and net interest income on the net defined benefit asset.

Finance expenses are comprised of interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and the net interest expense on the net defined benefit liability. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

o. Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, CIC. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder e.g. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 4(j)).

p. 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 that are mandatory for annual accounting periods beginning after December 31, 2013. The Corporation has assessed that there will not be a significant impact of these pronouncements on its results and financial position.

These include:

- IFRS 9, Financial Instruments, was issued in 2009 and amended in 2010. This standard was further amended in November 2013; there is no implementation date at this time. The Corporation does not expect to be materially affected by the new recommendations

Notes to Consolidated Financial Statements

Note 5 – Revenue and other income

For the year ended December 31, Thousands of dollars	Note	2013	2012
Services revenue			
Wireless		\$471,828	\$454,196
<i>maxTV</i> , Internet and data services		284,784	268,058
Local and enhanced services		252,744	262,032
Long distance services		57,714	61,094
Equipment		52,535	52,166
Advertising and directory services		42,621	43,407
Security monitoring services		20,713	19,888
Software and consulting services		7,262	7,853
Other services		14,856	13,728
		1,205,057	1,182,422
Other income			
Net gain (loss) on retirement or disposal of property, plant and equipment		(3,363)	1,189
Amortization of government funding	17	14,003	4,675
Other		3,564	4,832
		14,204	10,696
		\$1,219,261	\$1,193,118

Note 6 – Net finance expense

For the year ended December 31, Thousands of dollars	Note	2013	2012 (Restated – Note 3)
Recognized in consolidated net income			
Interest expense on financial liabilities measured at amortized cost		\$34,237	\$32,160
Interest capitalized		(8,970)	(6,829)
Net interest expense		25,267	25,331
Net change in fair value of financial assets at fair value through profit or loss	12	8,056	2,547
Net interest on defined benefit liability	19	10,401	11,547
Finance expense		43,724	39,425
Interest income on unimpaired financial assets at fair value through profit or loss	12	(4,672)	(4,932)
Interest income on loans and receivables		(1,845)	(1,978)
Finance income		(6,517)	(6,910)
Net finance expense		\$37,207	\$32,515
Interest capitalization rate		4.63%	5.31%

Note 7 – Trade and other receivables

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Accounts receivables			
Customer accounts receivable	\$80,231	\$91,798	\$76,634
Accrued receivables – customer	23,039	25,543	23,820
Allowance for doubtful accounts	(2,082)	(2,711)	(2,472)
	101,188	114,630	97,982
High cost serving area subsidy	1,969	2,726	5,341
Other	32,107	12,420	6,597
	\$135,264	\$129,776	\$109,920

Note 8 – Inventories

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Inventories for resale	\$11,827	\$6,371	\$4,872
Materials and supplies	4,623	2,199	3,902
	\$16,450	\$8,570	\$8,774

The cost of inventories recognized as an expense during the year was \$40.5 million (2012 – \$40.0 million).

In 2013, write-downs of inventory to net realizable value amounted to \$0.9 million (2012 – \$1.1 million).

Note 9 – Prepaid expenses

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Prepaid expenses	\$13,713	\$16,165	\$13,862
Deferred service connection charges	4,303	4,392	4,448
Short-term customer incentives	2,962	2,544	584
	\$20,978	\$23,101	\$18,894

Notes to Consolidated Financial Statements

Note 10 – 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 January 1, 2013	\$2,814,117	\$411,044	\$119,612	\$143,554	\$34,254	\$3,522,581
Additions	38,391	1,474	17,899	220,417	–	278,181
Transfers	183,513	29,724	827	(215,925)	1,861	–
Retirements and disposals	(21,038)	(105)	(4,466)	–	(390)	(25,999)
Balance at December 31, 2013	\$3,014,983	\$442,137	\$133,872	\$148,046	\$35,725	\$3,774,763
Balance at January 1, 2012	\$2,642,439	\$393,522	\$97,609	\$115,742	\$32,468	\$3,281,780
Additions	48,670	12	20,445	193,902	1,010	264,039
Transfers	146,079	17,579	1,565	(166,090)	867	–
Retirements and disposals	(23,071)	(69)	(7)	–	(91)	(23,238)
Balance at December 31, 2012	\$2,814,117	\$411,044	\$119,612	\$143,554	\$34,254	\$3,522,581
Accumulated depreciation						
Balance at January 1, 2013	\$2,009,398	\$115,465	\$62,563	\$ –	\$ –	\$2,187,426
Depreciation for the year	127,087	9,621	18,761	–	–	155,469
Retirements and disposals	(17,857)	(2)	(1,738)	–	–	(19,597)
Balance at December 31, 2013	\$2,118,628	\$125,084	\$79,586	\$ –	\$ –	\$2,323,298
Balance at January 1, 2012	\$1,902,085	\$106,685	\$40,991	\$ –	\$ –	\$2,049,761
Depreciation for the year	127,061	8,828	17,759	–	–	153,648
Retirements, disposals and adjustments	(19,748)	(48)	3,813	–	–	(15,983)
Balance at December 31, 2012	\$2,009,398	\$115,465	\$62,563	\$ –	\$ –	\$2,187,426
Carrying amounts						
At January 1, 2013	\$804,719	\$295,579	\$57,049	\$143,554	\$34,254	\$1,335,155
At December 31, 2013	\$896,355	\$317,053	\$54,286	\$148,046	\$35,725	\$1,451,465
At January 1, 2012	\$740,354	\$286,837	\$56,618	\$115,742	\$32,468	\$1,232,019
At December 31, 2012	\$804,719	\$295,579	\$57,049	\$143,554	\$34,254	\$1,335,155

During the year, the Corporation adjusted the useful lives of certain assets to coincide with the revised exit dates for the related technologies. The impacts are as follows:

Millions of dollars	2013	2014	2015	2016	2017	2018
Depreciation expense increase (decrease)	\$4.2	\$2.0	\$(1.2)	\$(1.6)	\$(1.3)	\$(0.8)

Note 11 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licences	Under development	Total
Cost						
Balance at January 1, 2013	\$5,976	\$170,996	\$67,539	\$65,981	\$32,980	\$343,472
Acquisitions	–	11,813	13,485	–	24,357	49,655
Acquisitions – internally developed	–	701	–	–	27,288	27,989
Transfers	–	7,830	–	–	(7,830)	–
Retirements, disposals and adjustments	–	(1,832)	–	–	–	(1,832)
Balance at December 31, 2013	\$5,976	\$189,508	\$81,024	\$65,981	\$76,795	\$419,284
Balance at January 1, 2012	\$5,976	\$110,578	\$62,099	\$65,981	\$33,158	\$277,792
Acquisitions	–	28,210	5,440	–	14,929	48,579
Acquisitions – internally developed	–	465	–	–	16,781	17,246
Transfers	–	31,888	–	–	(31,888)	–
Retirements and disposals	–	(145)	–	–	–	(145)
Balance at December 31, 2012	\$5,976	\$170,996	\$67,539	\$65,981	\$32,980	\$343,472
Accumulated amortization						
Balance at January 1, 2013	\$ –	\$89,801	\$43,151	\$ –	\$ –	\$132,952
Amortization for the year	–	23,253	4,299	–	–	27,552
Retirements and disposals	–	(1,421)	–	–	–	(1,421)
Balance at December 31, 2013	\$ –	\$111,633	\$47,450	\$ –	\$ –	\$159,083
Balance at January 1, 2012	\$ –	\$70,416	\$38,501	\$ –	\$ –	\$108,917
Amortization for the year	–	19,530	4,650	–	–	24,180
Retirements and disposals	–	(145)	–	–	–	(145)
Balance at December 31, 2012	\$ –	\$89,801	\$43,151	\$ –	\$ –	\$132,952
Carrying amounts						
At January 1, 2013	\$5,976	\$81,195	\$24,388	\$65,981	\$32,980	\$210,520
At December 31, 2013	\$5,976	\$77,875	\$33,574	\$65,981	\$76,795	\$260,201
At January 1, 2012	\$5,976	\$40,162	\$23,598	\$65,981	\$33,158	\$168,875
At December 31, 2012	\$5,976	\$81,195	\$24,388	\$65,981	\$32,980	\$210,520

Impairment testing for the cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to one CGU: DirectWest. This is the lowest level within the Corporation at which goodwill is monitored for internal management purposes, which is not higher than the Corporation's operating segments.

The Corporation's CGU impairment test was based on fair value less costs to sell using a comparable company that is actively traded. Share prices for this company were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio that was used as the basis for the determination of fair value less costs to sell. The EV to EBITDA ratio was then adjusted to reflect differences in size and operating environment of the comparable company, as well as the assumption that the market trades at a minority discount. The adjusted EV to EBITDA ratio was then applied to the EBITDA of the unit to determine the recoverable amount of the unit. Impairment testing indicated no impairment at December 31, 2013.

Notes to Consolidated Financial Statements

Note 11 – Intangible assets, continued

Impairment testing for cash-generating units containing indefinite-life intangible assets and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, indefinite-life intangible assets (spectrum licences) and finite-life intangible assets under development are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets and finite-life intangible assets under development are monitored for internal management purposes, which is not higher than the Corporation's operating segments.

The Corporation's CGU impairment test was based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an EV to EBITDA ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment testing indicated no impairment at December 31, 2013.

Note 12 – Sinking funds

Under conditions attached to the long-term debt, the Corporation is required to pay annually into sinking funds, administered by the Saskatchewan Ministry of Finance, amounts representing 1.0% to 2.0% of the debt outstanding. The fund includes the Corporation's required contributions, its proportional share of earnings and its proportional share of revaluation gains or losses.

The changes in the carrying amount of sinking funds are as follows:

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Sinking funds, beginning of year	\$86,695	\$78,444	\$64,769
Installments	7,366	5,866	5,866
Earnings	4,672	4,932	5,435
Valuation adjustment	(8,056)	(2,547)	2,374
	\$90,677	\$86,695	\$78,444

Sinking fund installments due in each of the next five years are as follows:

Thousands of dollars	
2014	\$7,366
2015	7,366
2016	7,366
2017	7,366
2018	7,366

Note 13 – Other assets

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Deferred service connection charges	\$5,355	\$5,567	\$5,821
Long-term customer incentives	1,867	3,664	990
Financing leases	2,952	3,485	3,464
Other	32	44	42
	\$10,206	\$12,760	\$10,317

Note 14 – Trade and other payables

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Trade accounts payable and accrued liabilities	\$116,485	\$119,843	\$90,932
Payroll and other employee-related liabilities	35,492	32,929	30,228
Other	16,761	6,102	10,973
	\$168,738	\$158,874	\$132,133

Note 15 – Notes payable

Notes payable are due to the Province of Saskatchewan's General Revenue Fund (GRF). These notes are due on demand and have a weighted average effective interest rate of 2.74% (2012 – 1.10%).

Note 16 – Other liabilities

As at		December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars	Note			
Advance billings		\$46,308	\$46,358	\$42,962
Deferred customer activation and connection fees		5,315	5,481	6,435
Current portion of deferred income – government funding	17	4,984	4,802	4,575
Customer deposits		6,700	6,721	6,168
		\$63,307	\$63,362	\$60,140

Note 17 – Deferred income - government funding

The Corporation received \$55.0 million in funding from the Province of Saskatchewan through CIC as partial funding of the Rural Infrastructure Program (RIP); \$49.2 million has been applied to capital expenditures and \$5.8 million to operating expenditures.

As part of the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation (SCN) to the Corporation, the Province of Saskatchewan through the Ministry of Education has provided \$1.3 million in funding for distance education hardware upgrades. To date, \$0.5 million has been applied to capital expenditures and \$0.2 million to operating expenditures. Future funded expenditures will be based on system maintenance, upgrade and expansion requirements.

In conjunction with the Aboriginal Affairs and Northern Development Canada (AANDC) funding agreement, the Corporation has received funding of \$13.5 million for Internet service to selected First Nations schools and health facilities in Saskatchewan, as well as \$8.7 million in conjunction with the First Nations Service Improvement Project (FNSIP). The balance of funded expenditures is planned for 2014.

The funding has initially been classified as deferred income to be recognized as related expenses are incurred or amortized as assets related to the program are put into service. Funding related to operating expenditures has been included in the determination of net income for the relevant period. Funding related to capital expenditures has been deferred and is being amortized over the estimated useful life of the related assets.

Notes to Consolidated Financial Statements

Note 17 – Deferred income - government funding, continued

As at December 31, Thousands of dollars	2013		2012		Total	Total
	RIP	SCN	FNSIP	AANDC		
Balance, beginning	\$40,297	\$1,132	\$6,844	\$4,514	\$52,787	\$46,045
Funding received	–	–	1,175	8,825	10,000	11,417
	40,297	1,132	8,019	13,339	62,787	57,462
Amortization	4,285	70	548	9,100	14,003	4,675
	36,012	1,062	7,471	4,239	48,784	52,787
Current portion	4,285	45	497	157	4,984	4,802
	\$31,727	\$1,017	\$6,974	\$4,082	\$43,800	\$47,985

Note 18 – Long-term debt

As at Thousands of dollars	December 31, 2013		December 31, 2012		January 1, 2012	
	Principal outstanding	Effective interest rate (%)	Principal outstanding	Effective interest rate (%)	Principal outstanding	Effective interest rate (%)
Unsecured advances from the Province of Saskatchewan						
3.90% due July 2020	\$149,067	4.01	\$148,945	4.01	\$148,829	4.01
10.08% due December 2020	125,989	10.18	125,931	10.18	125,879	10.18
4.15% due December 2025	50,000	4.15	50,000	4.15	50,000	4.15
5.75% due March 2029	73,388	5.97	73,324	5.97	73,264	5.97
5.60% due March 2029	35,000	5.18	35,000	5.18	35,000	5.18
3.40% due February 2042	147,728	3.49	147,681	3.49	–	–
Total due to Province of Saskatchewan	\$581,172		\$580,881		\$432,972	

As at December 31, 2013, the Corporation has no scheduled debt principal retirement requirements in the next five years.

There is a requirement attached to above advances to make annual payments into sinking funds in amounts representing 1% to 2% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues upon maturity, on a net basis (see Note 12).

Note 19 – Employee benefits

The Corporation has: a defined benefit pension plan (Plan A), a service recognition defined benefit plan (Plan B), and a defined contribution pension plan (Plan C).

Plan A - Defined benefit pension plan

The defined benefit pension plan is governed by SaskTel and has been closed to new membership since 1977. The SaskTel defined benefit pension plan is registered under *The Pension Benefits Act, 1992*, Saskatchewan, the *Income Tax Act*, Canada, and regulated by the Financial and Consumer Affairs Authority of Saskatchewan – Pensions Division. Separate audited financial statements for the defined benefit plan are prepared and released publicly.

The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of pensionable earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met.

For employees who retire before the age of 65, but meet other age plus service requirements, either a reduced or unreduced pension may be payable. Pensions are subject to annual indexing with the Consumer Price Index (CPI) up to a maximum of 2% per year.

Note 19 – Employee benefits, continued

The defined benefit pension plan is administered by a five-member board (SaskTel Pension Board), consisting of two employer representatives, two union representatives and an independent chair. The SaskTel Pension Board is required by law to act in the best interests of the defined benefit pension plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the defined benefit pension plan.

Plan B - Service recognition defined benefit plan

The service recognition defined benefit plan provided a retiring allowance of two days salary per year of service, which is payable on retirement. Based on the Collective Agreement between the Corporation and the Communications, Electrical and Paperworkers Union of Canada, now known as Unifor, ratified April 22, 2005, the service recognition defined benefit program was curtailed effective March 19, 2005.

Plan C - Defined contribution pension plan

The defined contribution pension plan requires the Corporation to contribute 7.25% of employees' pensionable earnings, and employees to contribute a minimum of 4.25% of pensionable earnings. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2013 pension cost and employer contributions for the Public Employees Pension Plan are \$20.2 million (2012 – \$18.6 million).

a) Funding

The Corporation is responsible for adequately funding Plan A. Contributions are determined by actuarial valuations. The contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. An actuarial valuation for accounting purposes was performed at December 31, 2010. The latest valuation for funding purposes was performed as of December 31, 2010.

All plan members have reached the maximum years of pensionable service and are no longer required to contribute to the plan. As a result, employer current service contributions have also ceased. A valuation is performed at least every three years to determine the actuarial present value of the accrued pension benefit.

During 2013, provisions of *The Pension Benefits Regulations, 1993* were amended to allow the pension plan to determine funding requirements based on the going concern actuarial valuation, versus the former requirement to use the solvency funding actuarial valuation. Under the going concern actuarial valuation, the plan is in a surplus and, therefore, contributions are not required.

Plan B is unfunded. The Corporation expects to pay \$1.2 million in 2014 related to Plan B.

b) Defined benefit obligation

Actuarial assumptions

The accounting actuarial valuation includes a provision for uncommitted and ad hoc benefit increases, and uses management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The major assumptions used in the valuations are as follows:

Actuarial assumptions:

As at December 31,	2013		2012	
	Plan A	Plan B	Plan A	Plan B
Discount rate – end of year	4.60%	3.80%	3.80%	3.40%
Inflation rate	2.50%	–	2.50%	–
Expected salary increase	3.00%	3.00%	3.00%	3.00%
Post-retirement index	100% of CPI to a maximum of 2%	–	100% of CPI to a maximum of 2%	–
Estimated average remaining employee service life	–	8.8 years	–	9.5 years

Notes to Consolidated Financial Statements

Note 19 – Employee benefits, continued

At December 31, 2013, the weighted average duration of the defined benefit obligation was 10.9 years (2012 – 11.9 years).

The actuarial assumptions are based on management's expectations, independent actuarial advice, and guidance provided by IFRS. The most significant assumption is the discount rate, which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

Sensitivity analysis

The following illustrates the effect on the obligations of the plans of changing certain actuarial assumptions while holding other assumptions constant:

As at December 31, 2013 Thousands of dollars	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	\$(104,284)	\$125,717
Inflation (1% movement)	(104,258)	57,408
Future indexing (1% movement)	–	(119,606)

c) Movement in the present value of the defined benefit obligation

The following table shows a reconciliation from the opening balances to the closing balances for the defined benefit liability (asset) and its components.

Thousands of dollars	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2013	2012	2013	2012 (Restated – Note 3)	2013	2012 (Restated – Note 3)
Balance, beginning of year	\$1,202,355	\$1,152,153	\$(925,782)	\$(907,810)	\$276,573	\$244,343
Included in net income						
Current service cost	–	166	350	334	350	500
Interest cost (income)	44,283	47,961	(33,882)	(36,414)	10,401	11,547
	44,283	48,127	(33,532)	(36,080)	10,751	12,047
Included in OCI						
Remeasurement loss (gain):						
– Actuarial loss (gain) arising from financial assumptions	(99,158)	71,022	–	–	(99,158)	71,022
– Return on plan assets excluding interest income	–	–	(91,428)	(49,419)	(91,428)	(49,419)
	(99,158)	71,022	(91,428)	(49,419)	(190,586)	21,603
Other						
Employer contributions	–	–	–	(133)	–	(133)
Employee contributions	–	–	–	(39)	–	(39)
Benefits paid	(69,477)	(68,947)	68,308	67,699	(1,169)	(1,248)
	(69,477)	(68,947)	68,308	67,527	(1,169)	(1,420)
Balance, end of year	\$1,078,003	\$1,202,355	\$(982,434)	\$(925,782)	\$95,569	\$276,573
Represented by:						
Thousands of dollars					2013	2012
Net defined benefit liability (Plan A)					\$74,583	\$254,804
Net defined benefit liability (Plan B)					20,986	21,769
					\$95,569	\$276,573

Note 19 – Employee benefits, continued

d) Plan assets

The asset allocation of the defined benefit pension plan is as follows:

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Asset Category			
Short-term investments	\$4,713	\$10,459	\$38,297
Real estate	–	–	4
Pooled real estate	131,488	120,680	94,587
Canadian equities	111,037	93,830	130,514
Canadian pooled equity funds	7,581	6,369	7,680
US equities	48,708	50,454	64,971
Non-North American equities	5,556	–	–
Non-North American pooled equity funds	259,550	216,985	138,290
US pooled equity fund	105,711	79,375	64,629
Bonds	130	–	123,333
Pooled bond funds	270,063	292,498	95,109
	944,537	870,650	757,414
Investments under securities lending program			
Short-term investments	539	849	57,271
Canadian equities	33,196	52,688	58,050
US equities	3,765	2,813	1,229
Non-North American equities	1,164	–	–
Bonds	–	–	33,740
	38,664	56,350	150,290
Total investments	\$983,201	\$927,000	\$907,704

The defined benefit pension plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), US and international equities, bonds of Canadian issuers, short-term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the SaskTel Pension Board.

Taking into consideration the investment and risk philosophy of the defined benefit pension plan, the following range and target asset mix has been established:

Asset	Range	Target
Equities (includes real estate)	54 – 76%	65%
Fixed income	28 – 42%	35%

The defined benefit pension plan's investment policy provides a framework for the prudent investment and administration of the Pension Fund for the purpose of managing capital assets. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The policy is re-visited annually to ensure it is meeting the objectives of the defined benefit pension plan's capital management to ultimately meet all pension obligations.

The SaskTel Pension Board employs a pension risk management strategy – dynamic investing, which addresses continued capital market volatility and the overall demographic trends for the plan. The dynamic investing approach strives to ensure the assets of the defined benefit pension plan evolve to match the liabilities of the plan.

Notes to Consolidated Financial Statements

Note 20 – Equity advances and capital disclosures

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 revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

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 the Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The target ratio for 2013 was 48.1%.

The Corporation raises most of its capital requirements through internal operating activities 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 year.

The debt ratio is as follows:

As at		December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars	Note		(Restated – Note 3)	(Restated – Note 3)
Total debt (a)		\$834,514	\$666,481	\$537,972
Less: Sinking funds	12	90,677	86,695	78,444
Cash and short-term investments		24,365	3,466	7,998
Net debt		719,472	576,320	451,530
Equity (b)		757,257	748,247	726,233
Capitalization		\$1,476,729	\$1,324,567	\$1,177,763
Debt ratio		48.7%	43.5%	38.3%

(a) Total debt includes long-term debt, long-term debt due within one year, and notes payable.

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

Note 21 – Consolidated statement of cash flows

For the year ended December 31, Thousands of dollars	2013	2012
Net change in non-cash working capital balances related to operations		
Trade and other receivables	\$(5,488)	\$(20,008)
Inventories	(7,880)	204
Prepaid expenses	2,123	(4,207)
Trade and other payables	9,864	24,664
Other liabilities	(55)	2,995
Deferred revenues	(207)	(873)
Long-term prepaid customer incentives	1,797	(2,674)
Deferred service connection charges	212	254
	\$366	\$355

Note 22 – Financial risk management

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

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

Fair value of financial assets and liabilities

As at December 31, Thousands of dollars	Classification (a)	Note	2013		2012	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	FVTPL		\$24,365	\$24,365	\$3,466	\$3,466
Trade and other receivables	LAR	7	135,264	135,264	129,776	129,776
Investments – sinking funds	FVTPL	12	90,677	90,677	86,695	86,695
Financial liabilities						
Trade and other payables	OL	14	168,738	168,738	158,874	158,874
Notes payable	OL	15	253,342	253,342	85,600	85,600
Long-term debt	OL	18	581,172	665,057	580,881	720,763

(a) Classification details are:

FVTPL – fair value through profit or loss LAR – loans and receivables OL – other liabilities

a) 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.

Notes to Consolidated Financial Statements

Note 22 – Financial risk management, continued

For financial instruments listed below, 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 in 2012 or 2013 and no items transferred between levels in 2012 or 2013.

As at December 31, Thousands of dollars	2013			2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Sinking funds	\$ –	\$90,677	\$90,677	\$ –	\$86,695	\$86,695
Long-term debt	\$ –	\$665,057	\$665,057	\$ –	\$720,763	\$720,763

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include 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.

b) Market risk

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

Interest rate risk

Interest rate risk represents the potential for loss from changes in the value of financial instruments related to interest rate movements. Interest rate risk primarily impacts the value of sinking fund investments and debt refinancing.

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, \$90.7 million (2012 – \$86.7 million) in sinking funds, which is required for certain long-term debt issues. At December 31, 2013, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and they are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income or other comprehensive income.

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk as of December 31, 2013. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates at December 31, 2013, with maturities of 2020 and beyond.

Note 22 – Financial risk management, continued

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at December 31, 2013, currency fluctuations in excess of 10% would have a material impact on net income. Specifically, a 10% weakening in the Canadian dollar versus the US dollar exchange rate would have a 9.9% unfavourable effect on net income while a 10% strengthening would have a 9.9% favourable effect on net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments.

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk. The credit risk relates to trade and other receivables and unbilled revenue, sinking funds, interest receivable and counterparties to financial hedges. Trade and other receivables and unbilled revenue are diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial transactions. The carrying amount of financial assets represents the maximum credit exposure as follows:

As at		December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars	Note			
Cash		\$24,365	\$3,466	\$7,998
Trade and other receivables	7	135,264	129,776	109,920
Sinking funds	12	90,677	86,695	78,444
		\$250,306	\$219,937	\$196,362

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed regularly based on an analysis of the aging of customer accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written off a significant portion of its customer accounts receivable balances.

The allowance for doubtful accounts and the aging of customer accounts receivable are detailed as follows:

Allowance for doubtful accounts

As at		December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars				
Opening balance		\$2,711	\$2,472	\$2,840
Less: accounts written off		(10,862)	(11,843)	(10,623)
Recoveries		6,094	4,352	3,427
Provisions for losses		4,139	7,730	6,828
Ending balance		\$2,082	\$2,711	\$2,472

Notes to Consolidated Financial Statements

Note 22 – Financial risk management, continued

Customer accounts receivable

As at	December 31, 2013	December 31, 2012	January 1, 2012
Thousands of dollars			
Current	\$59,453	\$76,703	\$61,219
30–60 Days	17,117	12,082	12,635
61–90 Days	2,792	2,254	1,778
Greater than 90 Days	869	759	1,002
Gross customer accounts receivable	80,231	91,798	76,634
Allowance for doubtful accounts	(2,082)	(2,711)	(2,472)
Net customer accounts receivable	\$78,149	\$89,087	\$74,162

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and, as such, has access to capital markets through the Saskatchewan Ministry of Finance.

Sufficient operating cash flows are expected to be generated to fund the short-term contractual obligations and the Corporation anticipates it will be able to refinance long-term debt upon maturity.

The following summarizes the contractual maturities of the Corporation's financial liabilities:

December 31, 2013	Carrying amount	Total	Contractual Cash Flows				
			0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Long-term debt (a)	\$581,172	\$977,576	\$16,029	\$16,029	\$32,059	\$96,176	\$817,283
Notes payable	253,342	253,887	253,887	–	–	–	–
Trade and other payables	168,738	168,738	168,738	–	–	–	–
	\$1,003,252	\$1,400,201	\$438,654	\$16,029	\$32,059	\$96,176	\$817,283

December 31, 2012	Carrying amount	Total	Contractual Cash Flows				
			0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Long-term debt (a)	\$580,881	\$1,009,634	\$16,029	\$16,029	\$32,059	\$96,176	\$849,341
Notes payable	85,600	85,835	85,835	–	–	–	–
Trade and other payables	158,874	158,874	158,874	–	–	–	–
	\$825,355	\$1,254,343	\$260,738	\$16,029	\$32,059	\$96,176	\$849,341

(a) Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.

e) Embedded derivatives

The Corporation had no contracts with embedded derivatives as at December 31, 2012, and December 31, 2013.

Note 23 – Related party transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, CIC. Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "government-related entities"). The Corporation has elected to take a partial exemption under IAS 24 Related Party Disclosures, which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the year ended December 31, 2013, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 5.0% of revenues (2012 – 6.1%), 16.2% of other income (2012 – 30.4%), 10.6% of operating expenses (2012 – 10.0%), and 1.6% of property, plant and equipment expenditures (2012 – 1.8%).

Key management personnel compensation

In addition to their remuneration, the Corporation also provides non-cash benefits to directors and executive officers, either a defined benefit pension or a defined contribution pension, and a service recognition defined benefit pension.

Key management personnel compensation is comprised of:

For the year ended December 31, Thousands of dollars	2013	2012
Short-term employee benefits	\$4,066	\$3,978
Post-employment benefits		
Defined contribution	323	242
Defined benefit	2	2
	\$4,391	\$4,222

Note 24 – Commitments and contingencies

Commitments

As at December 31, 2013, the Corporation has committed to spend \$15.2 million (2012 – \$54.1 million) on property, plant and equipment, \$11.7 million (2012 – \$1.3 million) on intangible assets, and \$358.5 million (2012 – \$110.1 million) related to operations.

The Corporation has issued an irrevocable standby letter of credit in the amount of \$14.9 million in favour of the Receiver General for Canada in compliance with the requirements of the Mobile Broadband Services – 700 MHz Band Auction scheduled for early 2014.

Contingencies

On August 9, 2004, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiffs' proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987, and the date of the certification order being February 13, 2008. The class period has now been extended to March 31, 2014. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation continues to believe that it has strong defences to the allegations as certified in the 2004 action.

Notes to Consolidated Financial Statements

Note 24 – Commitments and contingencies, continued

On July 24, 2009, a second proceeding under *The Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009, the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's Abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the Plaintiffs to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defences to the allegations contained in the 2009 claim.

On June 26, 2008, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. The Corporation believes that it has strong defences to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter. A date has yet to be finalized for a hearing of a motion to determine if this claim should be certified as a class action.

In September 2011, the Corporation was served with a second 9-1-1 class action claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008, but not served on Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications until more than three years later. The Corporation believes that it has strong defences to the claim and will be defending it. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

In November 2011, the Corporation was served with two proposed class action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation believes that it has strong defences to the claim and will be defending it. Currently, the Corporation is not aware of any further proceedings being taken in this action beyond service of the claim.

On May 29, 2013, the Corporation was served with a claim out of the Court of Queen's Bench in Alberta. This proposed class action sued all the wireless carriers that have been sued in all the other system administration fees class actions that are currently outstanding, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The claim is over the period from 1987 to date. An application was heard September 27, 2013, to have this suit dismissed on the basis that the Alberta court does not have jurisdiction over the Corporation as we do not carry on business in Alberta. That application was dismissed. An application may still be brought to strike the claim as an abuse of process given the live nature of the aforementioned system administration fee claim in Saskatchewan.

On February 6, 2013, the Corporation was served with a claim out of the Supreme Court of British Columbia. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers and most known wireless device manufacturers. The claim is primarily one of product liability involving allegations by wireless customers who have had cancer or other afflictions allegedly caused by cell phone use. This claim is being defended by external legal counsel retained by the Corporation's liability insurer. The Corporation believes there is no merit to the claim and will be defending it.

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2013, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Note 25 – Operating leases

Non-cancellable operating lease rentals are payable as follows:

As at December 31, Thousands of dollars	2013	2012
Less than 1 year	\$6,878	\$7,052
Between 1 and 5 years	19,379	19,325
Greater than 5 years	13,835	14,532
	\$40,092	\$40,909

During the year ended December 31, 2013, the Corporation recognized \$13.6 million (2012 – \$13.1 million) as rent expense related to operating leases.

Note 26 – Comparative figures

Certain of the 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Board of Directors



Grant Kook – C.Dir., S.O.M., Chair

- Founder, past Chairman and current President and Chief Executive Officer of Golden Opportunities Fund Inc.
- President and Chief Executive Officer of private equity and venture capital portfolio manager, Westcap Mgt. Ltd.
- Fund manager of Golden Opportunities Fund Inc., First

Nations and Métis Fund, Business Ready Investment Development Gateway (BRIDG), First Nations Business Development Fund and HeadStart on a Home.

- President and Chief Executive Officer of Cheung On Investments Group Ltd.
- Owner, President and Chief Executive Officer of the Ramada Hotels in Saskatchewan since 1992.
- Serves on the boards of numerous private and publicly traded companies and is active in many community organizations as follows: Co-chair of the Saskatchewan-Asia Advisory Council, Vice President of the Canadian Venture Capital and Private Equity Association (CVCA), member of the World Entrepreneurs Association, Trustee for First Nations Trust Funds, Voluntary Past Chair of the Children's Hospital Foundation of Saskatchewan, Executive Committee Member of the Mike Weir Miracle Golf Drive for Kids, Sponsorship Chair for the 2006 PotashCorp Vanier Cup and 2004 Canadian Nokia Brier, Vice President of Sponsorship for 2010 Canadian World Junior Hockey Championship, Director of 2012 Tim Hortons Brier, Chair of 2013 and 2014 CIS University Cup, and founding board member of the new Saskatchewan Hockey Hall of Fame.
- Recipient of the 2013 Saskatchewan Order of Merit, 2012 Queen Elizabeth II Diamond Jubilee Commemorative Medal, Commemorative Medal for the Centennial of Saskatchewan, B'nai Brith – We are Proud of You Award, Ernst & Young nominee for Entrepreneur of the Year in 1998 and 2003, and was recognized in 2008 as one of the Province's Most Influential Men by *Saskatchewan Business Magazine*.



Terry Dennis

- Member of Canora Town Council since 1994, and has served as the town's mayor since 2000.
- An owner and operator of Dennis Foods, a family enterprise that has been a fixture in the Canora business community since 1947.
- Active supporter of the sports community, serving as a player, coach and volunteer in hockey, baseball and curling.



Dave Doepker

- President of Doepker Industries Ltd., a family business founded in 1948.
- Previously, spent 12 years in the education field, then five years in the sales and management of an agricultural equipment business.
- At Doepker Industries, held positions of Director of Personnel,

VP of Marketing, and Executive Chairman of the Board.

- Served as a Director on the Saskatchewan Chamber of Commerce.
- A founding member of Action Humboldt, an economic development think tank for the Humboldt region.
- Served on fundraising committees for St. Elizabeth Hospital Foundation, and the Humboldt Jaycees.



Pat Friesen

- Owns and operates Success Business Consulting, specializing in marketing and communications.
- Formerly Executive Vice President of Marketing at Innovation Credit Union.
- Served as a board member of the Saskatchewan Chamber of Commerce for many years and Chair of that board in 2011.

- Served as a board member for the Canadian Chamber of Commerce in 2012.
- Worked with the Swift Current Chamber of Commerce for many years, and was President of that organization in 1993.
- Presently a Swift Current City Councilor and the Co-chair of the 2014 City of Swift Current Centennial Committee.

- Served on the boards of the Swift Current Agricultural and Exhibition Association, Southwest Victim Services, Rotary Club of Swift Current, the Swift Current 2005 Provincial Centennial Committee and the 2010 World Ladies Curling Championship.
- Serves on the board of the Saskatchewan branch of the Canadian Automobile Association.
- Recognized as 2008 Southwest Citizen of the Year by the Swift Current Chamber of Commerce.
- 2011 Provincial Woman of Influence (*Saskatchewan Business Magazine*).



Rachel Heidecker

- Sessional lecturer in the Management & Marketing Department at the Edwards School of Business in Saskatoon.
- Information Technology project manager at the University of Saskatchewan Library.
- 17 years of experience in the Information and Communications Technology industry.
- Previously held positions as a business analyst in the Facilities Management Division at the University of Saskatchewan and as senior programmer/analyst with Interactive Tracking Systems Inc. in Saskatoon.
- MBA in Management & Strategy from the University of Saskatchewan, Post Graduate Diploma in Object Oriented Software Technology from the University of Calgary; and a B.Sc. from the University of Saskatchewan.



Reg Howard

- COO of Canadian Digital Network.
- Vice President of Construction for Century West Homes, Commercial and Residential.
- Vice President of Human Resources and Marketing for the Walker Group of Companies.
- Formerly Regional Manager for Saskatchewan and Manitoba with The Co-operators Insurance Company for 19 years.
- Serves on the boards of the Regina Exhibition Association, Regina Crime Stoppers and the Chris Knox Foundation.
- Is involved with North Central Family Centre, and has served as Co-chair of the 1966 Grey Cup Anniversary Celebration for the Saskatchewan Roughriders and Vice Chair of the George Reed Foundation.



Randy Kachur

- Graduate of the University of Saskatchewan, Bachelor of Law degree in 1978.
- Partner with the Yorkton law firm of Rusnak Balacko Kachur Rusnak.
- Has appeared as counsel in all levels of court in Saskatchewan and the Supreme Court of Canada.
- Received Q.C. (Queen's Counsel) designation in 2010.
- Current Chair of the Mental Health Review Panel for the Sunrise Health Region.
- Serves as director on boards for various private corporations involved with residential and commercial property holdings.
- Past executive member of Yorkton and District Chamber of Commerce, Yorkton Curling Club, Yorkton Sunrise Lions Club, Yorkton Minor Sports Association, and Yorkton Cardinals Baseball Club.



Pamela Lothian

- Pam graduated from the University of Saskatchewan, obtaining a BA (Political Science) in 1982, and law degree in 1985.
- First female partner of McDougall Ready in the firm's 100-plus year history.
- Practised law for 13 years before electing to concentrate on her second "career" as a homemaker, raising two daughters.
- Past president of the Regina Bar Association and a director of Regina Community Basketball Association and the Arthritis Society of Saskatchewan.
- Currently a director of Lex Capital Corp., a private investment holding company, and Lex Capital Management Inc., a private equity management firm.
- Co-chaired the Volunteer Committee for the CIS Women's National Basketball Championships hosted by the University of Regina, in March 2009.

Board of Directors



Gayle MacDonald

- President and co-owner of G-Mac's AgTeam Inc., an Agricultural Retail Business in West Central Saskatchewan.
- Full-time mother of three, grandmother of one.
- Serves on the Board of Directors, Canterra Seeds.
- Former community representative on the board of Sun West School Division.
- Graduate of Quantum Shift Ivy School of Business, Western University, London, Ontario.
- Certified Director Graduate of 'The Director's College', c/o Conference Board of Canada.
- Member of Kindersley Business Focus Group.
- Active member in the community, having coached and/or participated in speed-swimming, fastball, hockey, curling, volleyball and golf, as well as participated in and promoted community programs and fundraising events.
- Enjoy playing in a band, entertaining crowds in numerous communities.
- Formerly an orthoptic technician at the Orthoptic Clinic in Regina's Pasqua Hospital.



Garry Reichert

- Retired from SaskTel in 2005 after 38 years of service, during which he held progressively senior positions, including General Manager Technology Performance and Operations.
- Worked with SaskTel International on projects including Manager for the Jilin Power Microwave and Fiber Project in northern China and Director of Engineering for the Leicester Communications Limited Project in the United Kingdom.
- Graduate in Electronic Technologies from SIAST.



John Ritchie

- First Vice President, Branch Manager and Investment Advisor CIBC, Wood Gundy.
- Chair (past) for the Investment Dealers Association of Saskatchewan.
- Division Chair (past) for the Regina United Way.
- Vice Chair of Skate Canada, Regina.
- Co-founder and Chair of the Saskatchewan Open Squash Championships.
- Board member (past) Potash Corporation of Saskatchewan.



Glenys Sylvestre

- Instructor and Executive Lead (Accreditation), Paul J. Hill School of Business at the University of Regina.
- Former Associate Dean (Undergraduate), Paul J. Hill School of Business.
- Formerly an audit and assurance manager at Deloitte & Touche.
- Served for six years as a Councilor with the Institute of Chartered Accountants of Saskatchewan, including service as President and Chair. Also active on several committees and ad hoc committees with the Institute including past service on the Practice Appraisal and Education committees.
- Facilitates board and executive training and development sessions for numerous organizations on topics such as fundamentals of accounting, risk management, interpretation of financial information and monitoring financial performance.
- Service on several Regina community boards including Regina Piranhas Summer Swim Club, Queen City Kinsmen Gymnastics Club, Arcola East Community Association and was a past volunteer for the 2005 Canada Summer Games.
- B.Admin. (University of Regina), Chartered Accountant (CA), Chartered Director (C.Dir).

Board Committees

Audit and Risk Management

Glenys Sylvestre, Chair
Pat Friesen
Reg Howard
John Ritchie
Terry Dennis

Corporate Growth and Technology

John Ritchie, Chair
Pat Friesen
Rachel Heidecker
Gayle MacDonald
Garry Reichert

Environment and Human Resources

Reg Howard, Chair
Dave Doepker
Randy Kachur
Pam Lothian
Garry Reichert
Glenys Sylvestre

Governance

Pam Lothian, Chair
Terry Dennis
Dave Doepker
Rachel Heidecker
Randy Kachur
Gayle MacDonald

SaskTel Executive

Ron Styles – President & Chief Executive Officer

- Prior to joining SaskTel in August of 2010, served as President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan from 2006 onward.
- Before CIC, served in many other senior roles with the Government of Saskatchewan: Deputy Minister of Finance and Secretary to Treasury Board, Deputy Minister of Highways and Transportation, President of SaskWater, President of Housing Corporation, and Associate Deputy Minister for Municipal Government and Community Services.
- Has held positions on a number of boards and associations, including Phenomenome Discoveries Inc., AgWest-Bio, SaskFerco, Transportation Association of Canada, New Careers Corporation, Saskatchewan Grain Car Corporation, Saskatchewan Government Growth Fund, and Saskatchewan Credit Union Guarantee Corporation.
- Has served as an ex officio board member for the Port of Vancouver Authority, Director for the Regina Chapter of the Institute of Public Administration of Canada.
- Currently a board member for The Conference Board of Canada, Member of the CEO's Advisory Circle and University of Regina's Paul J. Hill School of Business.
- BA Honours, M.A. (Economics), University of Regina, and Diploma of Associate in Administration.

Mike Anderson – Chief Financial Officer

- 34 years with SaskTel in a variety of positions in Marketing, Operations, Customer Services, Digital Interactive Video and Corporate Development.
- Previously served on the boards of SaskFilm, DirectWest Publishing Partnership and Navigata Communications Partnership.
- Currently sits on the boards of SaskTel International, SaskTel Pension Board, DirectWest and SecurTek.
- B.Admin., University of Regina, Certified Management Accountant (CMA); member of the Society of Management Accountants.

Doug Burnett – Vice President, Human Resources & Corporate Services

- 26 years with SaskTel, initially as Corporate Counsel and subsequently promoted to his current role.
- Serves on the boards of Wicihitowin Foundation, SecurTek Monitoring Solutions Inc., DirectWest Publishing Partnership, SaskTel International, Junior Achievement and West Wind Aviation, a Limited Partnership.
- Member of The Conference Board of Canada's Human Resource Executives Council (West) and the National Industrial Relations Executive Council.

- Prior to SaskTel, practised law in Regina.
- BA, University of Regina; LLB, University of Saskatchewan; and a Certified Human Resources Professional (CHRP) designation.
- Member of both the Canadian Bar Association and the Law Society of Saskatchewan.

Sean Devin – Vice President, Information and Communications Technology (ICT) Business Solutions

- Appointed President and CEO of SaskTel International (SI) in 2013.
- Previously held positions include Director of Information Technology with Innovation Place; Director of Business Process & Applications; Director, Infrastructure & Shared Services with Cameco Corporation; and CEO & Principal Consultant for Excellerate Consulting, a management and technology consulting firm.
- B.Sc. (Computer Science), William Woods University in Missouri.

Jim Dundas – Chief Information Officer

- 30 years of experience in the Information Technology industry, including positions with Saskatchewan Government Insurance, Saskatchewan Workers Compensation Board, and Co-operators Data Services Limited.
- Formerly Regional Vice President for CGI.
- Recipient of the prestigious CGI Builder Award for exceptional leadership achievements.
- Volunteered on the Grey Cup 101 committee and has served on the Board of the Saskatchewan Sports Hall of Fame as well as on the executive of many sports associations.
- BA (Mathematics), University of Regina.

Daryl Godfrey – Chief Technology Officer

- 31 years with SaskTel, including senior positions in Network Planning and Provisioning, SaskTel International, Business Development and Stentor.
- SaskTel International assignments included Network Services Director in Leicester, UK and Chief Technology Officer for Tanzania Telecommunications Company in Tanzania.
- Held past positions on the Board of TR Labs and the Regina Engineering Society.
- B.Sc.ME, P.Eng., University of Saskatchewan; member of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS).

SaskTel Executive

Ken Keesey – Vice President, Customer Services - Sales

- 32 years with SaskTel in a variety of positions in both Customer Services - Sales and Operations.
- Serves on Canadian and International Telecom Pioneers Advisory Boards.
- One of the founding members of the SaskTel Helping Our Own People (HOOP) organization.
- Governor for Junior Achievement of Northern Saskatchewan.
- B.Admin., University of Regina.

Darcee MacFarlane – Vice President, Corporate & Government Relations

- 27 years with SaskTel in a variety of positions in Marketing Communications, Media Relations, Customer Relations, Community Relations, Internal Communications and Government Relations.
- Member of IABC (International Association of Business Communicators).
- Serves on the Board of Directors for Computers for Schools.
- BA degree and Public Relations certificate, University of Regina; Social Responsibility certification, University of Toronto.

Greg Meister – Vice President, Customer Services – Operations

- 20 years with SaskTel in a variety of positions within Marketing, Sales and Operations.
- Currently Director of Fundraising with Saskatchewan Crimestoppers.
- Currently SaskTel representative on Provincial Emergency Management Committee.
- Previously held director positions with the Battlefords United Way, the Saskatchewan Skeet Shooting Corp, and the Prince Albert Pistol & Rifle Club.
- B.Comm., University of Saskatchewan.

John Meldrum – Vice President, Corporate Counsel and Regulatory Affairs, and Chief Privacy Officer

- 37 years with SaskTel, first as a solicitor, and later as General Counsel and Corporate Secretary.
- Serves on the boards of DirectWest Corporation, SaskTel International, SecurTek Monitoring Solutions Inc. and the University of Regina Rams Football Club.
- Member of the Canadian Bar Association and the Law Society of Saskatchewan.
- LLB, University of Saskatchewan.
- Received Q.C. (Queen's Counsel) designation in 2000.

Stacey Sandison – Chief Marketing Officer

- 31 years with SaskTel including positions in Marketing, Sales, Mobility, Customer Services and Operations.
- Previously served on the SaskTel Superannuation Board, SecurTek and the Canadian Wireless Telecom Association.
- Currently serves on the boards of Canadian Women in Communications, the Royal Canadian Mounted Police Foundation and DirectWest.
- B.Admin., University of Regina, MBA, Ellis College, New York.

Corporate Directory

SaskTel Subsidiaries Executive Officers

Gord Farmer	President and Chief Executive Officer, DirectWest
Darrell Jones	President and Chief Executive Officer, SecurTek

SaskTel International Senior Operating Managers

Sean Devin	President and Chief Executive Officer
Charlene Gavel	Vice President – Finance and Chief Financial Officer

Corporate Governance Statement

AUTHORITY

SaskTel is a Crown corporation governed by *The Saskatchewan Telecommunications Holding Corporation Act*, and subject to the provisions of *The Crown Corporation Act, 1993*. The Crown Investments Corporation of Saskatchewan (CIC), as the holding company for Saskatchewan's commercial Crown corporations, has authority to establish direction for SaskTel related to certain matters set out in legislation.

Through the Chair, who is an independent director, the Board of Directors is accountable to the Minister Responsible for SaskTel. The Minister Responsible is a key communications link among the Corporation, CIC, Cabinet, the Legislature and the public.

BOARD APPOINTMENTS

The Lieutenant Governor in Council appoints members of the Board, and designates the Chair and Vice Chair. Subject to applicable legislation, directors are appointed for a fixed term and their appointments can be renewed at expiry. There are twelve (12) members on the Board.

KEY ACCOUNTABILITIES

The Board of Directors is responsible for supervising the management and affairs of the Corporation. While focusing on the strategic leadership of the Corporation, the Board delegates day-to-day operations to management and holds them accountable for the Corporation's performance.

The Board discharges its responsibilities directly, by delegation to management and through Committees of the Board. There are four Committees of the Board: the Audit and Risk Committee; the Corporate Growth and Technology Committee; the Environment & Human Resources Committee; and the Governance Committee.

CORPORATE GOVERNANCE PRACTICES

The SaskTel Board has implemented a comprehensive set of governance practices and is committed to clear disclosure of its governance practices in accordance with current best practice disclosure standards.

On June 30, 2005, the Canadian Securities Administrators (CSA) National Policy 58-201 on Corporate Governance Guidelines and National Instrument 58-101 on Governance Disclosure Rules came into effect. The CSA standards supercede the Toronto Stock Exchange Corporate Governance Guidelines, which the Board used previously to assess its practices. The Governance Committee has reviewed the Guidelines with a view of adapting the Board's governance practices to the guidelines, where effective and beneficial. Although SaskTel is not required to comply with the CSA governance guidelines, the Corporation has used them to benchmark its corporate governance practices in the following section.

Corporate Governance Statement

CSA Corporate Governance Policy,
NP 58-201, and Disclosure Instrument,
NI 58-101F1 (Summary)

Comments and Discussion

Does
SaskTel align?

COMPOSITION OF THE BOARD

NP 58-201, section 3.1

3.1	The board should have a majority of independent directors.	The majority of directors on the SaskTel Board (11 out of 12) are independent.	Yes
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NI 58-101F1, sections 1(a) and (d)

1(a)	Disclose the identity of directors who are independent;	<p>Grant Kook, Chair: <i>INDEPENDENT</i> – President and CEO, Westcap Mgt. Ltd.</p> <p>Terry Dennis: <i>INDEPENDENT</i> – Entrepreneur – Business Owner</p> <p>Dave Doepker: <i>INDEPENDENT</i> – Executive Chairman & President, Doepker Industries Ltd.</p> <p>Pat Friesen: <i>INDEPENDENT</i> – Consultant, Success Business Consulting</p> <p>Rachel Heidecker: <i>INDEPENDENT</i> – Project Manager, Library Systems & Information Technology, University of Saskatchewan</p> <p>Reg Howard: <i>INDEPENDENT</i> – COO, Canadian Digital Network</p> <p>Randy Kachur: <i>INDEPENDENT</i> – Partner in Rusnak Balacko Kachur Law Firm</p> <p>Pam Lothian: <i>INDEPENDENT</i> – Lawyer</p> <p>Gayle MacDonald: <i>INDEPENDENT</i> – Owner & Operator of G-Mac’s AgTeam Inc.</p> <p>Garry Reichert: <i>NOT INDEPENDENT*</i> – Retired, former SaskTel employee</p> <p>John Ritchie: <i>INDEPENDENT</i> – First Vice-President, Branch Manager and Investment Advisor, CIBC Wood Gundy</p> <p>Glenys Sylvestre: <i>INDEPENDENT</i> – Associate Dean (Undergraduate Programs) for the Paul J. Hill School of Business Administration at the University of Regina</p>	Yes
(b)	Disclose the identity of directors who are not independent and the basis for that determination;		
(c)	Disclose whether the majority of directors are independent; and		
(d)	Disclose whether a director is a director of any other issuer that is a reporting issuer.		

The determination of independence is made by the Governance Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees.

*Mr. Reichert is a retired senior manager of SaskTel, and, is currently a member of the SaskTel superannuation plan.

Section 1(d) does not apply to SaskTel as SaskTel does not have share capital, and is not an issuer.

NP 58-201, section 3.2

3.2	The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board’s agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes
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NI 58-101F1, sections 1(f)

<p>1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair</p>	<p>Grant Kook is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder and is responsible for presiding over meetings of the board and ensuring that the board discharges its fiduciary and legal responsibilities. The Chair's primary duties include:</p> <ul style="list-style-type: none"> • chairing meetings of the board and ensuring meetings are properly convened and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to board, committee or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders 	<p>Yes</p>
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MEETINGS OF INDEPENDENT DIRECTORS

NP 58-201, section 3.3

<p>3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.</p>	<p>As a Standing Agenda item, the Board holds an in camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.</p>	<p>Yes</p>
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NI 58-101F1, sections 1(e)

<p>1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.</p>	<p>There were fourteen (14) Board meetings held in 2013, and during ten regular meetings, in camera sessions without management present but including all directors were held.</p> <p>Board practices that facilitate open and candid discussion among and independent judgement by directors include:</p> <ul style="list-style-type: none"> • holding in camera sessions of no fixed duration where directors are encouraged to raise any issues of concern • having an independent director as Chair of the Board • clearly delineating the division of responsibilities between Board and management • providing for the Board/directors to access external advice <p>The Board is satisfied that its governance practices foster full and open discussion and debate and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.</p>	<p>Yes</p>
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Corporate Governance Statement

CSA Corporate Governance Policy,
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Comments and Discussion

Does
SaskTel align?

NI 58-101F1, sections 1(g)

1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.

The Board held fourteen (14) meetings in 2013. The number of Board meetings attended by each director in 2013 is set out below.

Yes

Director	Meetings Attended*
Grant Kook, Chair	14(14)**
Terry Dennis	13(14)
Dave Doepker	13(14)
Pat Friesen	14(14)
Rachel Heidecker	14(14)
Reg Howard	14(14)
Randy Kachur	11(14)
Pam Lothian	13(14)
Gayle MacDonald	9(14)
Garry Reichert	13(14)
John Ritchie	10(14)
Glenys Sylvestre	14(14)

* For the purposes of this report, members who attended meetings in part were considered to be present.

** Figures in brackets represent the maximum number of meetings for the period in which the individual was a board member

BOARD MANDATE

NP 58-201, section 3.4

3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for:

- to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization;
- adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business;
- identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and monitoring senior management;
- adopting a communications policy for the Corporation;
- the integrity of the corporation's internal control and management information systems; and
- developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation.

The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including responsibility to function as stewards of the Corporation and to:

Substantial
compliance

- provide leadership in setting the Corporation's long-range strategic direction and annually approve the Corporation's overall strategic plan
- participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks
- appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes
- adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public
- monitor the integrity of the Corporation's internal control and management information systems

The Board has approved Terms of Reference for Directors where the expectations and responsibilities of individual directors are delineated.

SaskTel regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared.

NP 58-201, section 3.4, continued

The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.

Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices which promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g) the Board has delegated responsibility to the Governance Committee to oversee the Corporation's approach to corporate governance.

NI 58-101F1, section 2

2. Disclose the text of the board's written mandate.

The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.

Yes

POSITION DESCRIPTIONS

NP 58-201, section 3.5

3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.

The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors and has adopted a Position Description for the CEO.

Yes

The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Board Terms of Reference address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management.

The Environment & Human Resources Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.

NI 58-101F1, sections 3(a) and (b)

3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position.

(b) Disclose whether the board and CEO have developed a written position description for the CEO.

The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee and the CEO.

Yes

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Comments and Discussion

Does
SaskTel align?

ORIENTATION & CONTINUING EDUCATION

NP 58-201, sections 3.6 and 3.7

<p>3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make and the nature and operation of the business.</p>	<p>Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes and best practices in corporate governance. Other development opportunities made available to directors are described below.</p>	<p>Yes</p>
<p>3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the Corporation's business is current.</p>		

NI 58-101F1, sections 4(a) and (b)

<p>4(a) Describe the measures taken to orient new directors to the role of the board, committees and directors and to the nature of the Corporation's business</p> <p>(b) Describe the measures taken to provide continuing education opportunities for all directors.</p>	<p>The Corporation provides all members appointed to the Board with a comprehensive <i>Directors' Reference Manual</i>, and new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Prior to some regular board meetings, outside experts in various aspects of the telecommunications industry are invited to speak to the Board and senior management. Management has also delivered educational sessions to directors to explain technical aspects of the business.</p> <p>Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees and directors, the skills directors need to effectively discharge their responsibilities and best practices and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the Corporation or the Board.</p>	<p>Yes</p>
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CODE OF BUSINESS CONDUCT AND ETHICS

NP 58-201, section 3.8

<p>3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address:</p> <p>(a) conflicts of interest, including transactions and agreements where a director or officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p> <p>(d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;</p> <p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of illegal or unethical behavior.</p>	<p>Board members must comply with the <i>Directors' Code of Conduct</i>, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskTel's Business Code of Conduct, which includes a whistle blowing policy.</p> <p>Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation and provide a mechanism to report illegal or unethical behavior.</p>	<p>Yes</p>
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NI 58-101F1, sections 5(a)

5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.

A copy of the *Directors' Code of Conduct* can be obtained by contacting CIC. A copy of the Business Code of Conduct can be obtained by contacting SaskTel.

Yes

Committees of the Board monitor compliance with the *Directors' Code* and the Business Code. The Governance Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor and enforce the *Directors' Code*. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the *Directors' Code*.

The Audit and Risk Committee monitors the financial performance of the Corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of Corporate assets. The Audit Committee receives quarterly risk management reports, including reports related to legal risks. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and all directors receive summaries of risk management reports.

The Environment & Human Resources Committee monitors compliance with environmental, health and safety and human resource programs, including compliance with the Business Code. The Committee receives reports from management that address, among other things, compliance with related policies, legislation and regulations. The Chair of the Committee reports any issues raised at the Committee level to the Board at each regular meeting of the Board.

SaskTel does not have share capital and is not an issuer. Therefore, no material change reports have been filed.

NP 58-201, section 3.9

3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.

The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full board.

Yes

No waivers from either Code have been granted to any director or officer in 2013.

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Comments and Discussion

Does
SaskTel align?

NI 58-101F1, sections 5(b)

5(b) Describe steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements where a director or officer has a material interest.

Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter.

Yes

In 2005, the Board adopted a Disclosure form to enable directors to declare their directorships on and material interests in businesses other than SaskTel, their knowledge of the business their associates have or may transact with SaskTel and any material contracts they may have entered into with SaskTel or its subsidiaries. The required information excludes the acquisition of services available to the general public. The completed form is provided to the Governance Committee, the Corporate Secretary and their advisors to assist them in proactively addressing potential conflict of interests.

Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.

NI 58-101F1, sections 5(c)

5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.

The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management.

Yes

The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the Business Code of Conduct and any directives or policies of the Board or the shareholder. In 2005, the Business Code of Conduct was revised to incorporate a whistle blowing mechanism to facilitate reporting by employees of issues of concern. Issues arising under the Business Code of Conduct are reported to and monitored by the Environment & Human Resources Committee and management reports to the Governance Committee respecting significant issues that have arisen pursuant to the whistle blowing policy. Whistleblowing reports may also be made directly to the Chair of the Governance Committee.

NOMINATION OF DIRECTORS

NP 58-201, section 3.10

3.10 The board should appoint a nominating committee composed of entirely independent directors.

The Governance Committee functions as the nominating committee. All six (6) members of the Governance Committee, including the Committee Chair, are independent directors.

Yes

NI 58-101F1, sections 6(a) and (b)

<p>6(a) Describe the process by which the board identifies new candidates for board nomination.</p> <p>6(b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.</p>	<p>The Board, through the Governance Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction and operating needs of the Corporation.</p> <p>The Governance Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a Skills Profile that delineates the competencies of current directors and identifies any skill gaps and seeking and recommending to the Board nominees that have the required competencies to fill any identified gaps. In addition to competencies and skills, the appointment practices encourage diversity in the composition of the Board. In seeking candidates, the Committee receives recommendations from the directors, senior management and the shareholder. Potential candidates are interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation and whether they have the time to devote to board work. The Committee recommends a list of candidates for each vacant position to the Board which in turn recommends a list of recommended candidates to the shareholder for approval. The shareholder has the legislative authority to make board appointments.</p> <p>The Committee believes that following best practices related to board appointments, maintaining a skills matrix and recruiting candidates who possess the required combination of skills, background and diversity to add value to Corporate decision-making supports an objective nomination process.</p>	<p>Yes</p>
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NP 58-201, section 3.11

<p>3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.</p>	<p>The Governance Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board, and the candidates are assessed by the Governance Committee in the same way as other candidates.</p>	<p>Substantial compliance</p>
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CSA Corporate Governance Policy,
NP 58-201, and Disclosure Instrument,
NI 58-101F1 (Summary)

Comments and Discussion

Does
SaskTel align?

NI 58-101F1, sections 6(c)

6(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.

The Governance Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.

Yes

NP 58-201, section 3.12

3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.

The Board's nomination process is described above, and it meets the guidelines of the Instrument.

By legislation, the Board is comprised of a maximum of 12 directors. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.

Yes

NP 58-201, section 3.13

3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.

The Governance Committee, serving as the nominating committee, is responsible for leading the process to identify, recruit and recommend qualified candidates for appointment to the Board.

Yes

NP 58-201, section 3.14

3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.

The process followed by the Governance Committee complies with that set out in the Policy and is described above.

Yes

COMPENSATION

NP 58-201, section 3.15

3.15 The board should appoint a compensation committee composed entirely of independent directors.

The Environment & Human Resources (EHR) Committee performs the functions of a compensation committee. Five (5) of the six (6) members of the EHR Committee, including the Committee Chair, are independent directors. One (1) Committee member, as a retired employee of SaskTel, is not independent.

Substantial
compliance

NI 58-101F1, sections 7(a) and (b)

<p>7(a) Describe the process by which the board determines compensation for the directors and officers of the Corporation.</p> <p>(b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.</p>	<p>The majority of members of the Environment & Human Resources Committee, which serves as the compensation committee, are independent directors.</p> <p>CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board.</p> <p>Each director receives an annual retainer for acting as a board member. The remuneration levels established by CIC for members of the Board are set out below.</p> <p>Director Remuneration Schedule</p> <table border="0"> <tr> <td>Board Chair retainer</td> <td style="text-align: right;">\$40,000.00</td> </tr> <tr> <td>Board member retainer</td> <td style="text-align: right;">\$25,000.00</td> </tr> <tr> <td>Audit & Risk Committee Chair retainer</td> <td style="text-align: right;">\$3,500.00</td> </tr> <tr> <td>Other Committee Chair retainer</td> <td style="text-align: right;">\$2,500.00</td> </tr> <tr> <td>Committee member meeting fee</td> <td style="text-align: right;">\$750.00</td> </tr> </table> <p>A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board.</p> <p>CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the Environment & Human Resources Committee.</p> <p>The Environment & Human Resources Committee reviews and recommends to the Board: changes to the design of the Corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual Corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.</p>	Board Chair retainer	\$40,000.00	Board member retainer	\$25,000.00	Audit & Risk Committee Chair retainer	\$3,500.00	Other Committee Chair retainer	\$2,500.00	Committee member meeting fee	\$750.00	<p>Yes</p>
Board Chair retainer	\$40,000.00											
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NP 58-201, section 3.16

<p>3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.</p>	<p>The Board has approved Terms of Reference for the E&HR Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.</p>	<p>Substantial compliance</p>
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Corporate Governance Statement

CSA Corporate Governance Policy,
NP 58-201, and Disclosure Instrument,
NI 58-101F1 (Summary)

Comments and Discussion

Does
SaskTel align?

NI 58-101F1, sections 7(c)

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.

The Environment & Human Resources Committee serves as the compensation committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.

Yes

NP 58-201, section 3.17

3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.

The Environment & Human Resources Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation.

Substantial
compliance

Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation.

Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskTel does not have equity-based plans.

Director compensation is determined by CIC.

Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.

OTHER BOARD COMMITTEES

NI 58-101F1, section 8

8 If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.

In addition to the Audit and Risk, Governance and Environment & Human Resources Committees, the Board also has a Corporate Growth & Technology (CGT) Committee.

Yes

The CGT Committee: works with management to develop a growth strategy and related policies; reviews and recommends investments and divestitures; monitors and reports to the Board respecting the performance of investments; and reviews and makes recommendations concerning the evolution of technology in the Corporation, long-term technology strategies and technology investments. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.

BOARD ASSESSMENTS

NP 58-201, section 3.18

<p>3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.</p>	<p>Board, Board Chair, Committee Chair and Committee evaluations as well as director peer assessments are performed annually on a two-year cycle, with comprehensive board and board chair evaluations being conducted one year, and director peer, committee chair and committee evaluations being conducted the following year. The evaluations take into consideration the elements of the Policy.</p> <p>In 2013, Peer, Committee and Committee Chair Evaluations were conducted.</p>	<p>Yes</p>
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NI 58-101F1, section 9

<p>9 Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.</p>	<p>The Governance Committee oversees the implementation of the above evaluation processes, and uses an external consultant in the case of director peer assessments. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members.</p> <p>Board, chair, committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair or director is managing well and to highlight areas that may benefit by additional focus and attention.</p> <p>Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement.</p> <p>The Governance Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.</p>	<p>Yes</p>
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For more information about SaskTel, our initiatives and operations please contact Corporate Communications at <http://www.sasktel.com/wps/wcm/connect/content/home/about-sasktel/news/>.

To obtain additional copies of the 2013 SaskTel Annual Report, please call 1-306-777-4897.

2013 Corporate Social Responsibility Reporting – GRI Level C

SaskTel has adopted the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, a reporting framework that is used around the world by corporations. For 2013, SaskTel met the standards for the following performance indicators, thereby qualifying for a GRI self-declared level C:

- **EC1:** Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
- **EC8:** Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
- **EN3:** Direct energy consumption by primary energy source.
- **EN23:** Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.
- **LA1:** Total workforce by employment type, employment contract, and region, broken down by gender.
- **LA7:** Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.
- **LA9:** Health and safety topics covered in formal agreements with trade unions.
- **LA10:** Average hours of training per year per employee by gender, and by employee category.
- **LA11:** Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
- **LA12:** Percentage of employees receiving regular performance and career development reviews, by gender.
- **SO5:** Public policy positions and participation in public policy development and lobbying.
- **PR5:** Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

Please view the SaskTel 2013 Corporate Social Responsibility (CSR) Report online. To reduce our ecological footprint, we no longer print our Corporate Social Responsibility Report for distribution. Instead, it is available at www.sasktel.com.

