First Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2019/20

For the Period Ending June 30, 2019

Saskatchewan Telecommunications Holding Corporation (the Corporation, SaskTel) is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications, Directwest, SecurTek and SaskTel International) offer a wide array of products, services and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,700 full time equivalent employees (FTE's) making the Corporation one of Saskatchewan's largest employers.

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

Financial Highlights

As required by International Financial Reporting Standards (IFRS), effective April 1, 2019, the Corporation has adopted IFRS 16, *Leases* (IFRS 16) as described below and in *Note 2 Basis of presentation,* of the unaudited condensed consolidated financial statements. The Corporation has adopted IFRS 16 using the modified retrospective approach which requires that the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2019. As a result, comparative information has not been restated and continues to be reported under IAS 17, IFRIC 4, SIC-15 and SIC-27, the standards in effect at the time.

Consolidated Net Income

Quarter ended June 30,

Millions of dollars	**2019**	2018	Change	% Change
Revenue	**$311.1**	$317.4	$(6.3)	(2.0)
Other income (loss)	**(0.6)**	0.7	(1.3)	(185.7)
	310.5	318.1	(7.6)	(2.4)
Expenses	**278.8**	280.8	(2.0)	(0.7)
Results from operating activities	**31.7**	37.3	(5.6)	(15.0)
Net finance expense	**9.1**	7.4	1.7	23.0
Net income	**$22.6**	$29.9	$(7.3)	(24.4)

Net income for the first quarter of 2019/20 is $22.6 million, down $7.3 million (24.4%) from the same period in 2018/19. Revenue decreased to $311.1 million, down $6.3 million (2.0%) from the same period in 2018/19. This is primarily due to decreased revenue from equipment sales and local, enhanced, and long-distance services, partially offset by increased revenue from internet, data, and maxTV services.

Expenses for the first quarter of 2019/20 decreased to $278.8 million, down $2.0 million from the same period in 2018/19. This decrease is primarily driven by decreased direct expenses related to decreased equipment sales, and roaming costs, partially offset by increased wireless acquisition costs, and depreciation and amortization.

Net finance expense was $9.1 million, up $1.7 million from the same period in 2018/19 primarily driven by increased interest expense related to long-term debt issued in June of 2018 and April of 2019.

Management's Discussion and Analysis

August 8, 2019

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of 2019/20. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2019. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please refer to Management's Discussion & Analysis in SaskTel's 2018/19 annual report. These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34, "Interim Financial Reporting". These interim statements have been approved by the SaskTel Board of Directors on August 8, 2019.

Results of Operations

Revenue

Millions of dollars	2019	2018	Change	% Change
Three months ended June 30,	**$311.1**	$317.4	$(6.3)	(2.0)

Revenue for the first quarter of 2019/20 decreased to $311.1 million, down $6.3 million or 2.0% from the same period in 2018/19. This decrease is primarily due to decreased equipment sales and decreased accesses for local, enhanced, and long-distance services due to "cord cutters", wireless displacement, and little to no organic growth as a result of "cord nevers". These decreases are partially offset by increased revenue from internet, data and maxTV services due to increased accesses and average revenue per unit, and increased revenue from wireless services due to increased accesses.

Expenses

Millions of dollars	2019	2018	Change	% Change
Three months ended June 30,	**$278.8**	$280.8	$(2.0)	(0.7)

Expenses for the first quarter of 2019/20 decreased to $278.8 million, down $2.0 million from the same period in 2018/19. Goods and services purchased decreased $2.4 million as a result of reduced equipment sales and roaming rates, as well as, the impact of adoption of IFRS 16 which has resulted in a reduction in equipment and facility rental costs, now classified as lease liability payments, partially offset by increased; wireless acquisition costs, TV content costs, consulting costs, and software maintenance expense. Net salaries and wages decreased $3.4 million and, depreciation and amortization has increased $3.7 million due to the impact of IFRS 16 related to the depreciation of right-of-use assets and a higher asset base as we continue to invest in our fixed and wireless broadband networks.

Net finance expense

Millions of dollars	2019	2018	Change	% Change
Three months ended June 30,	$9.1	$7.4	$1.7	23.0

Net finance expense for the first quarter of 2019/20 was $9.1 million, up $1.7 million over the same period in 2018/19. This is primarily driven by increased interest on new long-term debt issues and lease liabilities and less interest capitalized, partially offset by increased interest income.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2019 to June 30, 2019 are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Cash	**$3.9**	See condensed consolidated statement of cash flows
Trade and other receivables	**2.8**	Timing of receipts
Inventories	**0.6**	Increased inventory in preparation for the maxTVStream initiative
Prepaid expenses	**8.8**	Additional contracts related to maintenance partially offset by recognition of prepaid employee benefits
Contract assets	**(1.4)**	Amortization of existing contract assets to revenue partially offset by new contracts assets related to contracts initiated during the period
Contract costs	**1.5**	Deferral of contract costs related to contracts initiated during the period partially offset by amortization of existing contract costs
Property, plant and equipment	**2.2**	Capital spending partially offset by depreciation, retirements and disposals
Right-of-use assets	**46.9**	Initial recognition of leased assets due to adoption of IFRS 16, partially offset by depreciation
Intangible assets	**8.1**	Capital spending on software and spectrum partially offset by amortization
Sinking funds	**10.6**	Installments, earnings and market value gains
Other assets	**(0.2)**	No significant change
Trade and other payables	**(16.1)**	Timing of payments for operations, capital spending, and interest
Notes payable	**(55.2)**	Repayment of notes payable from issuance of long-term debt partially offset by capital spending requirements
Contract liabilities	**1.8**	Timing of revenue recognition related to contract liabilities
Other liabilities	**5.9**	Current portion of lease liability related to adoption of IFRS 16
Deferred revenue – government funding	**(1.4)**	Connect to Innovate funding partially offset by amortization of previous funding to revenue
Long-term debt	**106.0**	New debt issue and amortization of the net discount on debt
Lease liabilities	**40.9**	Long-term portion of lease liability due to adoption of IFRS 16 partially offset by principal repayments
Employee benefit obligations	**11.6**	Primarily related to a reduction in the discount rate used to determine the net obligation
Provisions	**0.2**	Interest accretion of the provisions
Equity	**(14.4)**	Total comprehensive income less dividends declared

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	**2019**	2018	Change	% Change
Three months ended June 30,	**$46.7**	$50.4	$(3.7)	(7.3)

Cash provided by operating activities in the first quarter of 2019/20 decreased to $46.7 million, down $3.7 million from the same period in 2018/19, primarily due to reduced net income.

Cash used in investing activities

Millions of dollars	**2019**	2018	Change	% Change
Three months ended June 30,	**$61.5**	$55.9	$5.6	10.0

Cash used in investing activities in the first quarter of 2019/20 increased to $61.5 million, up $5.6 million from the same period in 2018/19, due to increased spending on access demand, network modernization and facility upgrades from the same period in 2018/19.

Cash provided by financing activities

Millions of dollars	**2019**	2018	Change	% Change
Three months ended June 30,	**$18.7**	$5.1	$13.6	*nmf*[1]

1 *nmf* - no meaningful figure

Cash provided by financing activities in the first quarter of 2019/20 increased to $18.7 million, up $13.6 million from the same period in 2018/19, due to a net increase in short-term and long-term debt.

Liquidity and capital resource ratios

Debt ratio

	June 30, 2019	March 31, 2019	Change
Debt ratio	**47.8%**	46.6%	1.2

The debt ratio increased to 47.8%, up from 46.6% at March 31, 2019. The overall level of net debt increased $36.4 million during the first quarter primarily due to increased total borrowing, partially offset by increased cash and sinking funds.

Equity decreased by $14.4 million in the first quarter of 2019/20 after recording comprehensive income of $14.7 million and dividends of $29.1 million.

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

Capital Spending

Millions of dollars	**2019**	2018	Change	% Change
Property, plant and equipment	**$45.9**	$50.6	$(4.7)	(9.3)
Intangible assets	**16.4**	6.9	9.5	137.7
Three months ended June 30,	**$62.3**	$57.5	$4.8	(8.3)

Total capital expenditures for the first quarter of 2019/20 were $62.3 million, up $4.8 million from the same period in 2018/19.

SaskTel's net spending on property, plant and equipment for the first quarter of 2019/20 was $45.9 million, down $4.7 million from the same period in 2018/19. This is a result of planned capital spending reductions on network infrastructure, facility renovations, demand for access in communities and fibre within the nine major centres, partially offset by increased fibre builds outside these major centres. SaskTel's net spending on intangible assets was $16.4 million, up $9.5 million from the same period in 2018/19 due to the purchase of 600MHz spectrum partially offset by reduced spending on internal systems.

Capital expenditures in 2019/20 will focus on further investment in the core Saskatchewan network including: FTTP, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increased internet access speeds; enhanced maxTV service; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

2019/20 Outlook

The 2018/19 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2020 of $129.5 million. This target includes the impacts of adoption of IFRS 16. At this time, SaskTel believes it will meet this target.

Risk Assessment

The 2018/19 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. Strategic Risks are risks that may inhibit SaskTel from achieving goals and targets outlined in its Strategic Plan including the following areas: customer experience, broadband penetration, transformation, and profitability. Core Business Risks are risks associated with the execution of SaskTel's business functions including the following areas: operational, financial, and compliance and legal.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, assess and govern key corporate risks. At June 30, 2019, SaskTel's key risk profile changed to include a potential labour disruption risk.

Adoption of IFRS 16

The Corporation has adopted IFRS 16 *Leases* (IFRS 16) with a date of initial application of April 1, 2019 as described above and in *Note 2 Basis of presentation,* of the unaudited condensed consolidated interim financial statements. In accordance with the transition provisions of IFRS 16, the Corporation has applied IFRS 16 using the modified retrospective approach which requires that the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2019. As a result, comparative information has not been restated and continues to be reported under IAS 17 *Leases* (IAS 17), IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time.

Adoption of IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases resulting in the recognition of assets for the right of use received and liabilities for the payment obligations entered into for all leases. For leases that had been classified as operating in accordance with IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate at April 1, 2019. The right of use asset will be measured at the amount of the lease liability plus any payments made or accrued at transition. The accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17. As a result of adopting IFRS 16, the Corporation has recognized increases to both assets and liabilities, however, there was no impact to opening retained earnings.

The adoption of IFRS 16 has also resulted in: a decrease to goods and services purchased for the removal of lease rent expense; an increase in depreciation due to depreciation of the right-of-use assets; and an increase to net finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Loss

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2019	2018
Revenue	3	**$311,057**	$317,382
Other income (loss)		**(563)**	710
		310,494	318,092
Expenses			
Goods and services purchased		**130,440**	132,792
Salaries, wages and benefits		**92,163**	96,553
Internal labour capitalized		**(5,744)**	(6,707)
Depreciation - property, plant & equipment	5	**42,204**	39,739
Depreciation - right-of-use assets	6	**1,666**	-
Amortization	7	**8,389**	8,774
Saskatchewan taxes		**9,674**	9,654
		278,792	280,805
Results from operating activities		**31,702**	37,287
Net finance expense	4	**9,145**	7,394
Net income		**22,557**	29,893
Other comprehensive income (loss)			
Items that will be reclassified to net income			
Sinking fund market value gains		**4,049**	461
Items that will never be reclassified to net income			
Net actuarial gains (losses) on defined benefit pension plan	9	**(11,896)**	36
Total other comprehensive income (loss)		**(7,847)**	497
Total comprehensive income		**$14,710**	$30,390

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

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

	(Unaudited)			
Thousands of dollars	Equity advances	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at April 1, 2019	**$237,000**	**$104,362**	**$823,806**	**$1,165,168**
Net income	**-**	**-**	**22,557**	**22,557**
Other comprehensive loss	**-**	**(7,847)**	**-**	**(7,847)**
Total comprehensive income	**-**	**(7,847)**	**22,557**	**14,710**
Dividends declared	**-**	**-**	**29,135**	**29,135**
Balance at June 30, 2019	**$237,000**	**$96,515**	**$817,228**	**$1,150,743**
Balance at April 1, 2018	$250,000	$100,171	$811,063	$1,161,234
Net income	-	-	29,893	29,893
Other comprehensive income	-	497	-	497
Total comprehensive income	-	497	29,893	30,390
Dividends declared	-	-	29,936	29,936
Balance at June 30, 2018	$250,000	$100,668	$811,020	$1,161,688

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **June 30, 2019**	March 31, 2019
Assets			
Current assets			
Cash		**$8,972**	$5,121
Trade and other receivables	11a	**141,835**	139,057
Inventories		**20,648**	20,089
Prepaid expenses	11a	**50,306**	41,547
Contract assets		**56,466**	57,289
Contract costs		**14,933**	15,019
		293,160	278,122
Contract assets		**20,310**	20,878
Contract costs		**46,161**	44,598
Property, plant and equipment	5	**1,856,900**	1,854,690
Right-of-use assets	6	**46,860**	-
Intangible assets	7	**289,080**	281,020
Sinking funds	11c	**186,598**	176,021
Other assets		**6,533**	6,774
		$2,745,602	$2,662,103
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	11a	**$145,764**	$161,883
Dividend payable	11c	**29,135**	24,880
Notes payable	11c	**138,122**	193,295
Contract liabilities		**58,820**	56,984
Other liabilities		**15,051**	9,123
		386,892	446,165
Contract liabilities		**438**	479
Deferred income – government funding		**24,377**	25,815
Long-term debt	8, 11c	**1,109,279**	1,003,280
Lease liabilities	6	**40,899**	-
Employee benefit obligations	9	**26,061**	14,475
Provisions		**6,913**	6,721
		1,594,859	1,496,935
Province of Saskatchewan's equity			
Equity advance		**237,000**	237,000
Accumulated other comprehensive income		**96,515**	104,362
Retained earnings		**817,228**	823,806
		1,150,743	1,165,168
		$2,745,602	$2,662,103

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2019	2018
Operating activities			
Net income		**$22,557**	$29,893
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5, 6, 7	**52,259**	48,513
Net financing expense	4	**9,145**	7,394
Interest paid		**(16,311)**	(14,328)
Interest received		**2,382**	2,123
Amortization of government funding		**(1,435)**	(1,438)
Other		**1,462**	253
Net change in non-cash working capital	11b	**(23,380)**	(22,049)
		46,679	50,361
Investing activities			
Property, plant and equipment expenditures		**(45,221)**	(49,490)
Intangible assets expenditures		**(16,285)**	(6,403)
		(61,506)	(55,893)
Financing activities			
Proceeds from long-term debt	11c	**105,919**	49,364
Net repayment of notes payable	11c	**(55,173)**	(12,750)
Payment of lease liabilities	11c	**(1,638)**	-
Sinking fund instalments	11c	**(5,550)**	(5,025)
Dividend paid	11c	**(24,880)**	(26,506)
		18,678	5,083
Increase (decrease) in cash		**3,851**	(449)
Cash, beginning of period		**5,121**	17,292
Cash, end of period		**$8,972**	$16,843

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2019

Note 1 – General information

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

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

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

The Corporation markets and supplies a range of wireless, voice, entertainment, internet, data, equipment, marketing services, security, software products, and consulting services.

Note 2 – Basis of presentation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the three months ended June 30, 2019 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) March 31, 2019 audited consolidated financial statements. The interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim financial statements do not include all of the information required for full annual financial statements.

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

The interim financial statements as at and for the three month period ended June 30, 2019 were approved by the Board of Directors on August 8, 2019.

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

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

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

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

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

Note 2 – Basis of presentation, continued

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

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

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

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

Application of new International Financial Reporting Standards

Adoption of IFRS 16 *Leases*

The Corporation has adopted IFRS 16 *Leases* (IFRS 16) with a date of initial application of April 1, 2019. In accordance with the transition provisions of IFRS 16, the Corporation has applied IFRS 16 using the modified retrospective approach. In accordance with the method of adoption:

a) the Corporation has not restated comparative information. Comparative information continues to be reported under IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC 15 *Operating Leases – Incentives*, and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time. The modified retrospective approach to adoption of IFRS 16 also requires that the cumulative effect of initially applying IFRS 16 be applied as an adjustment to the opening balance of retained earnings at the date of initial application, April 1, 2019, however, no adjustments to retained earnings were required;
b) the Corporation has recognized lease liabilities for leases previously classified as operating leases applying IAS 17, measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate at the date of initial application; and
c) the Corporation has recognized right-of-use assets at the date of initial application for leases previously classified as operating leases applying IAS 17, measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

In adopting IFRS 16, the Corporation has elected to apply the following expedients:

a) the Corporation has elected to grandfather the assessment of which transactions are leases. The Corporation has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019,
b) the Corporation has elected to exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
c) the Corporation has elected to use hindsight, most specifically in determining the lease term.

Note 2 – Basis of presentation, continued

On transition, the Corporation has not elected the recognition exemption for short-term or low-value leases; however, these exemptions may be adopted in the future on a class-by-class basis for new asset classes which include short-term leases, and on a lease-by-lease basis for low-value leases.

The application of IFRS 16 has had significant impacts on the statement of financial position, the treatment of lease payments in the statement of income and other comprehensive income and the impact of lease payments on the statement of cash flows. The details of the significant changes and the quantitative impacts are set out below.

Leases where the Corporation is the lessee: Lease payments for leases previously classified as operating leases were recognized as an expense as incurred. IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Assets are recognized for the right of use received and liabilities are recognized for the payment obligations entered into for all leases. Leases that had been classified as operating in accordance with IAS 17 are now recorded as right-of-use assets and related lease liabilities. The lease liabilities, upon transition to IFRS 16, have been recognized as the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate at the time the standard is first applied. Future lease liabilities will be determined based on the present value of the future lease payments discounted at either the interest rate implicit in the lease or the Corporation's incremental borrowing rate if the implicit lease rate is not determinable, adjusted, as appropriate, for residual guarantees, purchase options and termination penalties. The right-of-use assets upon transition have been measured at the amount of the lease liability plus any payments made or accrued at transition. Future right-of-use assets will be determined based on the amount of the lease liability adjusted, as appropriate, for prepaid or accrued lease payments, lease incentives, initial direct costs and asset retirement obligations.

The adoption of IFRS 16 has also resulted in: a decrease to goods and services purchased for the removal of lease rent expense; an increase in depreciation due to depreciation of the right-of-use assets; and an increase to net finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense to depreciation of right-of-use assets and interest expense on lease liabilities also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

Leases where the Corporation is the lessor: The accounting requirements for Corporation as a lessor remain largely unchanged.

The impacts of adoption of IFRS 16 are as follows:

Impact on net income

For the three months ended June 30, 2019

Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Revenue	$311,057	-	**$311,057**
Other income	(563)	-	**(563)**
	310,494	-	**310,494**
Expenses			
Goods and services purchased	132,365	(1,925)	**130,440**
Depreciation - right-of-use assets	-	1,666	**1,666**
All other expenses	146,686	-	**146,686**
	279,051	(259)	**278,792**
Results from operating activities	31,443	259	**31,702**
Net finance expense	8,858	287	**9,145**
Net income	$22,585	$(28)	**$22,557**

Note 2 – Basis of presentation, continued

Impact on the statement of financial position

As at June 30, 2019 Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16 at date of adoption	Current period impact of IFRS 16	**As reported upon adoption of IFRS 16**
Assets				
Current assets	$293,160	$ -	$ -	**$293,160**
Right-of-use assets	-	46,803	57	**46,860**
Other assets	2,405,582	-	-	**2,405,582**
	$2,698,742	$46,803	$57	**$2,745,602**
Liabilities and Province's equity				
Current liabilities				
Current liabilities not impacted	$371,841	$ -	$ -	**$371,841**
Other liabilities	9,062	5,759	230	**15,051**
Current liabilities	$380,903	$5,759	$230	**$386,892**
Lease liabilities	-	41,044	(145)	**40,899**
Other liabilities	1,167,068	-	-	**1,167,068**
	1,547,971	46,803	85	**1,594,859**
Province of Saskatchewan's equity	1,150,771	-	(28)	**1,150,743**
	$2,698,742	$46,803	$57	**$2,745,602**

Impact on the statement of cash flows - selected lines

For the three months ended June 30, 2019

Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Operating activities			
Net income	$22,585	(28)	**$22,557**
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	50,593	1,666	**52,259**
Net finance expense	8,858	287	**9,145**
Interest paid	(16,024)	(287)	**(16,311)**
Other adjustments and changes in non-cash working capital	(20,971)	-	**(20,971)**
Cash flows from operating activities	45,041	1,638	**46,679**
Financing activities			
Payment of lease liabilities	-	(1,638)	**(1,638)**
Other financing activities	20,316	-	**20,316**
	$20,316	$(1,638)	**$18,678**

Operating lease commitments at March 31, 2019 were $35.3 million. The difference between the operating lease commitments at March 31, 2019 and the lease liabilities of $46.8 million at April 1, 2019 is mainly due to an increase of $21.4 million related to renewal options reasonably certain to be exercised and a reduction of $9.9 million related to discounting of future lease payments based on a weighted average incremental borrowing rate on adoption of 2.48%.

Note 3 – Revenue from contracts with customers

	Three months ended June 30,	
Thousands of dollars	**2019**	2018
Revenue		
Wireless services	**$109,361**	$110,497
maxTV service, internet and data services	**92,761**	88,233
Local and enhanced services	**43,390**	47,086
Equipment and professional services	**33,219**	38,495
Long distance services	**7,736**	8,637
Security monitoring services	**7,367**	7,027
Marketing services	**7,329**	8,066
International software and consulting services	**1,968**	1,862
Other services	**7,926**	7,479
	$311,057	$317,382

Note 4 – Net finance expense

	Three months ended June 30,	
Thousands of dollars	**2019**	2018
Recognized in consolidated net income		
Interest on long-term debt	**$12,468**	$11,387
Interest on short-term debt	**499**	480
Interest capitalized	**(870)**	(1,577)
Net interest expense	**12,097**	10,290
Interest on lease liabilities	**287**	-
Net interest on defined benefit liability	**66**	64
Interest on provisions	**55**	65
Finance expense	**12,505**	10,419
Sinking fund earnings	**(978)**	(902)
Interest income	**(2,382)**	(2,123)
Finance income	**(3,360)**	(3,025)
Net finance expense	**$9,145**	$7,394
Interest capitalization rate	**4.01%**	4.21%

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2019	**$3,537,767**	**$575,017**	**$176,534**	**$103,484**	**$38,670**	**$4,431,472**
Additions	**21,776**	**-**	**2,356**	**21,602**	**192**	**45,926**
Transfers	**21,177**	**5,984**	**122**	**(27,283)**	**-**	**-**
Retirements and disposals	**(4,010)**	**(465)**	**(3,810)**	**-**	**-**	**(8,285)**
Balance at June 30, 2019	**$3,576,710**	**$580,536**	**$175,202**	**$97,803**	**$38,862**	**$4,469,113**
Balance at April 1, 2018	$3,468,486	$519,868	$167,649	$172,220	$38,489	$4,366,712
Additions	63,995	-	16,859	157,985	419	239,258
Transfers	165,720	50,690	10,545	(226,721)	(234)	-
Retirements, disposals and adjustments	(160,434)	4,459	(18,519)	-	(4)	(174,498)
Balance at March 31, 2019	$3,537,767	$575,017	$176,534	$103,484	$38,670	$4,431,472
Accumulated depreciation						
Balance at April 1, 2019	**$2,281,955**	**$181,497**	**$113,330**	**$ -**	**$ -**	**$2,576,782**
Depreciation	**32,971**	**3,847**	**5,386**	**-**	**-**	**42,204**
Retirements and disposals	**(2,719)**	**(245)**	**(3,809)**	**-**	**-**	**(6,773)**
Balance at June 30, 2019	**$2,312,207**	**$185,099**	**$114,907**	**$ -**	**$ -**	**$2,612,213**
Balance at April 1, 2018	$2,307,931	$168,712	$110,542	$ -	$ -	$2,587,185
Depreciation	128,841	13,352	21,308	-	-	163,501
Retirements, disposals and adjustments	(154,817)	(567)	(18,520)	-	-	(173,904)
Balance at March 31, 2019	$2,281,955	$181,497	$113,330	$ -	$ -	$2,576,782
Carrying amounts						
At April 1, 2019	**$1,255,812**	**$393,520**	**$63,204**	**$103,484**	**$38,670**	**$1,854,690**
At June 30, 2019	**$1,264,503**	**$395,437**	**$60,295**	**$97,803**	**$38,862**	**$1,856,900**
At April 1, 2018	$1,160,555	$351,156	$57,107	$172,220	$38,489	$1,779,527
At March 31, 2019	$1,255,812	$393,520	$63,204	$103,484	$38,670	$1,854,690

Note 6 – Leases

Accounting policies

The following accounting policy discussion is presented to illustrate the impact of IFRS 16 on the Corporation's accounting policies.

Lease identification
At the inception of a contract, the Corporation assesses whether the contract is, or contains a lease, based on the Corporation's right to control the use of an identified asset for a specified period of time. Lease components within a contract are accounted for as a lease separately from the non-lease components of the contract. For contracts that contain one or more additional lease or non-lease components, the consideration is allocated to each component based on the stand-alone price of the lease and non-lease components.

Note 6 – Leases, continued

Lease liabilities
Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is calculated using the effective interest method resulting in a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the initial discount rate, or if applicable a revised discount rate.

Amounts recognized in net income, unless the costs are included in the carrying amount of another asset applying other applicable standards, include:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets
Right-of-use assets are initially measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the initial recognition, the Corporation measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses; adjusted for any remeasurement of the lease liability due to lease modifications or revised in-substance fixed lease payments.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless the Corporation expects to obtain ownership of the asset at the end of the lease term. The lease term consists of the non-cancellable lease

Note 6 – Leases, continued

term, renewal options that are reasonably expected to be exercised and termination options that are not reasonably expected to be exercised.

Accounting estimates and judgments

The Corporation is required to make estimates and judgments that affect or impact the determination of lease liabilities and right-of-use assets and the related interest expense and depreciation.

Judgments include determining whether a contract contains an identifiable asset, assessing control of assets in a contract, determining the lease term including the assessment of renewal and cancellation terms, and determining whether lease modifications result in changes to existing leases or new leases.

Estimation involves determination of the lease payments to be included in the lease liability, estimation of the incremental borrowing rate or implicit lease rate as appropriate, estimation of additional amounts to be included in the determination of the right-of-use asset, and estimation of the useful lives of right-of-use assets.

Supporting information

Right-of-use assets

Thousands of dollars	Plant and equipment	Buildings and improvements	Land	Total
Cost				
Balance at April 1, 2019	$10,191	$26,929	$9,683	$46,803
Additions	1,257	539	1	1,797
Retirements and disposals	(67)	-	(10)	(77)
Balance at June 30, 2019	$11,381	$27,468	$9,674	$48,523
Accumulated depreciation				
Balance at April 1, 2019	$ -	$ -	$ -	$ -
Depreciation	830	652	184	1,666
Retirements and disposals	(3)	-	-	(3)
Balance at June 30, 2019	$827	$652	$184	$1,663
Carrying amounts				
At April 1, 2019	$10,191	$26,929	$9,683	$46,803
At June 30, 2019	$10,554	$26,816	$9,490	$46,860

Note 6 – Leases, continued

Lease liabilities

As at June 30, Thousands of dollars	**2019**
Contractual undiscounted cash flows	
One year or less	**$6,989**
Two to five years	**20,122**
More than five years	**28,415**
Total undiscounted lease liabilities	**$55,526**

Discounted lease liabilities included in the statement of financial position	**$46,888**
Current (included in other liabilities)	**5,989**
Non-current	**$40,899**

Amounts recognized in net income

For the period ended June 30, Thousands of dollars	**2019**
Interest on lease liabilities	**$287**

Amounts recognized in the statement of cash flows

For the period ended June 30, Thousands of dollars	**2019**
Interest paid on lease liabilities	**$287**
Lease liability principal payments	**1,638**
Total cash outflow for leases	**$1,925**

Note 7 – Intangible assets

Thousands of dollars	Goodwill	Software	Spectrum licences	Under development	Total
Cost					
Balance at April 1, 2019	**$5,976**	**$428,357**	**$108,738**	**$2,199**	**$545,270**
Acquisitions	**-**	**586**	**12,167**	**1,273**	**14,026**
Acquisitions – internally developed	**-**	**1,967**	**-**	**456**	**2,423**
Transfers	**-**	**1,013**	**-**	**(1,013)**	**-**
Balance at June 30, 2019	**$5,976**	**$431,923**	**$120,905**	**$2,915**	**$561,719**
Balance at April 1, 2018	$5,976	$395,146	$108,738	$12,277	$522,137
Acquisitions	-	3,743	-	16,952	20,695
Acquisitions – internally developed	-	5,944	-	2,339	8,283
Transfers	-	29,369	-	(29,369)	-
Retirements, disposals and adjustments	-	(5,845)	-	-	(5,845)
Balance at March 31, 2019	$5,976	$428,357	$108,738	$2,199	$545,270
Accumulated amortization					
Balance at April 1, 2019	**$ -**	**$264,250**	**$ -**	**$ -**	**$264,250**
Amortization	**-**	**8,389**	**-**	**-**	**8,389**
Balance at June 30, 2019	**$ -**	**$272,639**	**$ -**	**$ -**	**$272,639**
Balance at April 1, 2018	$ -	$235,735	$ -	$ -	$235,735
Amortization	-	34,372	-	-	34,372
Retirements, disposals and adjustments	-	(5,857)	-	-	(5,857)
Balance at March 31, 2019	$ -	$264,250	$ -	$ -	$264,250
Carrying amounts					
At April 1, 2019	**$5,976**	**$164,107**	**$108,738**	**$2,199**	**$281,020**
At June 30, 2019	**$5,976**	**$159,284**	**$120,905**	**$2,915**	**$289,080**
At April 1, 2018	$5,976	$159,411	$108,738	$12,277	$286,402
At March 31, 2019	$5,976	$164,107	$108,738	$2,199	$281,020

Note 8 – Long-term debt

On April 2, 2019, the Corporation issued $100 million of long-term debt at a premium of $5.9 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.10%, an effective interest rate of 2.81%, and matures on June 2, 2050.

Note 9 – Employee benefit obligations

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

	2019/20	2018/19
June 30	**3.00%**	3.50%
September 30	**n/a**	3.70%
December 31	**n/a**	3.90%
March 31	**n/a**	3.20%

In addition to the other comprehensive income impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net increase in the employee benefit obligations for the period.

	Three months ended June 30,	
Thousands of dollars	**2019**	2018
Actuarial gain (loss) on accrued benefit obligation	**$(22,710)**	$12,062
Return on plan assets excluding interest income	**6,189**	11,432
Effect of asset ceiling limit	**4,625**	(23,458)
Actuarial gains (losses) on employee benefit plans	**$(11,896)**	$36

Note 10 – Capital management

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

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

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility. Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenue and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The targeted ratio for 2019/20 is 49.0%.

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

Note 10 – Capital management, continued

The Corporation made no changes to its approach to capital management during the period.

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

The debt ratio is as follows:

As at Thousands of dollars	**June 30, 2019**	March 31, 2019
Long-term debt (a)	**$1,109,279**	$1,003,280
Notes payable (a)	**138,122**	193,295
Less: Sinking funds	**186,598**	176,021
Cash	**8,972**	5,121
Net debt	**1,051,831**	1,015,433
Province of Saskatchewan's equity (b)	**1,150,743**	1,165,168
Capitalization	**$2,202,574**	$2,180,601
Debt ratio	**47.8%**	46.6%

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

Note 11 – Additional financial information

a) Statement of financial position

As at Thousands of dollars	**June 30, 2019**	March 31, 2019
Trade and other receivables		
Customer accounts receivable	**$103,422**	$110,092
Accrued receivables - customer	**2,400**	2,456
Allowance for doubtful accounts	**(2,296)**	(2,396)
	103,526	110,152
High cost serving area subsidy	**1,863**	1,865
Other	**36,446**	27,040
	$141,835	$139,057
Prepaid expenses		
Prepaid expenses	**$49,120**	$40,392
Short-term customer incentives	**1,186**	1,155
	$50,306	$41,547

Note 11 – Additional financial information, continued

a) Statement of financial position, continued

As at Thousands of dollars	**June 30, 2019**	March 31, 2019
Trade and other payables		
Trade payables and accrued liabilities	**$107,390**	$119,435
Payroll and other employee-related liabilities	**26,474**	32,242
Other	**11,900**	10,206
	$145,764	$161,883

b) Non-cash working capital changes

Thousands of dollars	Three months ended June 30, **2019**	2018
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(2,778)**	$(8,137)
Inventories	**(558)**	3,808
Prepaid expenses	**(8,759)**	(766)
Contract assets	**1,391**	2,266
Contract costs	**(1,477)**	(212)
Trade and other payables	**(12,987)**	(24,424)
Contract liabilities	**1,796**	5,715
Other liabilities	**(63)**	(299)
Other	**55**	-
	$(23,380)	$(22,049)

c) Changes in liabilities arising from financing activities

	Assets	**Liabilities**				
Thousands of dollars	**Sinking funds**	**Long-term debt**	**Notes payable**	**Lease liabilities**	**Dividend payable**	**Total**
Balance at April 1, 2019	$(176,021)	$1,003,280	$193,295	$46,803	$24,880	$1,092,237
Changes from financing cash flows						
Proceeds from loans and borrowings	-	105,919	185,085	-	-	291,004
Repayment of borrowings	-	-	(240,258)	(1,638)	-	(241,896)
Instalments	(5,550)	-	-	-	-	(5,550)
Dividend paid	-	-	-	-	(24,880)	(24,880)
Total changes from financing cash flows	(5,550)	105,919	(55,173)	(1,638)	(24,880)	18,678
Other changes						
Dividend declared	-	-	-	-	29,135	29,135
Sinking fund earnings	(978)	-	-	-	-	(978)
Sinking fund valuation adjustments	(4,049)	-	-	-	-	(4,049)
Amortization of net discount on long-term debt	-	80	-	-	-	80
Lease liability interest component, new leases and assumption changes	-	-	-	1,723	-	1,723
Total other changes	(5,027)	80	-	1,723	29,135	25,911
Balance at June 30, 2019	$(186,598)	$1,109,279	$138,122	$46,888	$29,135	$1,136,826

Note 11 – Additional financial information, continued

c) Changes in liabilities arising from financing activities

	Assets	Liabilities				
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Total
Balance at April 1, 2018	$(155,564)	$953,494	$143,069	$ -	$26,506	$967,505
Changes from financing cash flows						
Proceeds from loans and borrowings	-	49,364	256,558	-	-	305,922
Repayment of borrowings	-	-	(269,308)	-	-	(269,308)
Instalments	(5,025)	-	-	-	-	(5,025)
Dividend paid	-	-	-	-	(26,506)	(26,506)
Total changes from financing cash flows	(5,025)	49,364	(12,750)	-	(26,506)	5,083
Other changes						
Dividend declared	-	-	-	-	29,936	29,936
Sinking fund earnings	(902)	-	-	-	-	(902)
Sinking fund valuation adjustments	(461)	-	-	-	-	(461)
Amortization of net discount on long-term debt	-	101	-	-	-	101
Total other changes	(1,363)	101	-	-	29,936	28,674
Balance at June 30, 2018	$(161,952)	$1,002,959	$130,319	$ -	$29,936	$1,001,262

Note 12 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The Corporation's financial risks have not changed significantly from the prior period.

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

As at			**June 30, 2019**		March 31, 2019	
Thousands of dollars	Classification (a)	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Investments - sinking funds	FVOCI	Level 2	**$186,598**	**$186,598**	$176,021	$176,021
Financial liabilities						
Long-term debt	Amortized cost	Level 2	**$1,109,279**	**$1,272,211**	$1,003,280	$1,133,553

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

Note 12 – Financial risk management, continued

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

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

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.
Level 3 – Where valuation is based on unobservable inputs.

There were no items measured at fair value using level 3 during 2018/19 or to date in 2019/20 and no items transferred between levels in 2018/19 or to date in 2019/20.

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

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

Note 13 – Comparative information

Certain of the 2018/19 comparative information has been reclassified to conform with the financial statement presentation adopted for the current fiscal period.