Fourth Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

Fourth Quarter Report 2015-2016

For the Period Ending December 31, 2015

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

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

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

Financial Highlights

Consolidated Net Income

	Three months ended December 31,				Twelve months ended December 31,			
Millions of dollars	**2015**	2014	Change	% Change	**2015**	2014	Change	% Change
Revenue	**$318.5**	$311.9	$6.6	2.1	**$1,257.7**	$1,231.0	$26.7	2.2
Other income	**(0.5)**	(1.1)	0.6	54.5	**3.1**	1.7	1.4	82.4
	318.0	310.8	7.2	2.3	**1,260.8**	1,232.7	28.1	2.3
Expenses	**297.1**	301.7	(4.6)	(1.5)	**1,126.6**	1,133.7	(7.1)	(0.6)
Results from operating activities	**20.9**	9.1	11.8	129.7	**134.2**	99.0	35.2	35.6
Net finance expense	**8.3**	4.7	3.6	76.6	**36.5**	22.6	13.9	61.5
Net income	**$12.6**	$4.4	$8.2	186.4	**$97.7**	$76.4	$21.3	27.9

Net income for the twelve months ended December 31, 2015 is $97.7 million, up $21.3 million (27.9%) from the same period in 2014. Revenues increased to $1,257.7 million, up $26.7 million (2.2%) from the same period in 2014 primarily due to: growth in Internet subscribers and average revenue per subscriber; increased equipment and wireless device sales and maintenance charges; increased revenue per wireless customer; and increased number of *maxTV*™ customers.

Expenses for the twelve months ended December 31, 2015 decreased to $1,126.6 million, down $7.1 million from the same period in 2014. This decrease is primarily driven by reduced spending on contracted services partially offset by increased direct expenses and net salaries, wages and benefits. Depreciation and amortization has decreased $4.6 million due to; the reversal of previously recognized impairment losses and extending the useful lives of assets.

Net finance expense was $36.5 million, up $13.9 million over the same period in 2014. This is primarily driven by decreases in the fair value of sinking funds versus increases for the same period in 2014.

Management's Discussion and Analysis

February 23, 2016

Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period will consist of the fifteen (15) months ending March 31, 2016. Information included in the following discussion focuses on the first 12 months of the current fiscal period as compared to the twelve month period ending December 31, 2014.

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the fourth quarter of the fiscal period ending March 31, 2016. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the year ended December 31, 2014. 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 2014 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 February 23, 2016.

Results of Operations

Revenue

Millions of dollars	**2015**	2014	Change	%
Three months ended December 31,	**$318.5**	$311.9	$6.6	2.1
Twelve months ended December 31,	**$1,257.7**	$1,231.0	$26.7	2.2

Revenues for the fourth quarter were $318.5 million, up $6.6 million from the same period in 2014. Year-to-date revenues were $1,257.7 million which represents a $26.7 million increase from 2014. This increase is primarily driven by; growth in Internet subscribers and average revenue per subscriber, increased equipment and wireless device sales and maintenance charges, increased revenue per customer related to a shift to two year price plans, and increased number of *maxTV* customers. These are partially offset by decreased wireless wholesale revenues due to less revenue from all carriers roaming on SaskTel's network and decreased local and enhanced service and long distance revenues as a result of customers moving from wireline to wireless services, commonly referred to as wireless substitution.

Expenses

Millions of dollars	**2015**	2014	Change	%
Three months ended December 31,	**$297.1**	$301.7	$(4.6)	(1.5)
Twelve months ended December 31,	**$1,126.6**	$1,133.7	$(7.1)	(0.6)

Expenses for the fourth quarter decreased to $297.1 million, down $4.6 million from the same period in 2014. Year-to-date expenses of $1,126.6 million were $7.1 million lower than the same period in 2014 primarily due to a decrease of $6.1 million in contracted services as a result of spending constraint, $3.8 million on materials as a result of reduced spending on projects and $4.0 million due to reduced roaming rates, partially offset by increased cost of sales and increased net salaries, wages and benefits due to reduced internal labour capitalized. Depreciation and amortization has decreased $4.6 million due to; the reversal of previously recognized impairment losses and extending the useful lives of assets.

Net finance expense

Millions of dollars	**2015**	2014	Change	%
Three months ended December 31,	**$8.3**	$4.7	$3.6	76.6
Twelve months ended December 31,	**$36.5**	$22.6	$13.9	61.5

Net finance expense for the fourth quarter was $8.3 million, up $3.6 million over the same period in 2014. Year-to-date net finance expense increased to $36.5 million from $22.6 million in 2014. This is driven by sinking fund fair value losses in the twelve months ended December 31, 2015 compared to gains in the same period in 2014 and increased net interest on the defined benefit liability, partially offset by increased sinking fund earnings.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	**2015**	2014	Change	%
Twelve months ended December 31,	**$250.0**	$271.0	$(21.0)	(7.7)

Cash provided by operating activities for the twelve months ended December 31, 2015 was down $21.0 million compared to the same period in 2014 primarily due to increased working capital requirements, partially offset by increased income from operations adjusted for the non-cash impact of sinking fund market fluctuations.

Cash used in investing activities

Millions of dollars	**2015**	2014	Change	%
Twelve months ended December 31,	**$304.8**	$279.1	$25.7	9.2

Cash used in investing activities in the twelve months ended December 31, 2015 increased to $304.8 million, up $25.7 million from the same period in 2014, primarily due to the acquisition of additional spectrum licenses. Total cash invested in property, plant and equipment was $236.3 million, up $7.3 million from the same period in 2014. Spending on intangible assets increased $17.0 million to $69.6 million. In addition, government funding decreased $1.4 million compared to the same period in 2014.

Capital Spending

Total capital expenditures for the twelve months ended December 31, 2015 were $307.7 million, up $25.0 million from the same period in 2014.

SaskTel's net spending on property, plant and equipment for the first twelve months of 2015 was $238.9 million, up $8.9 million from the same period in 2014 primarily due to increased spending on Fibre to the Premises, continued network modernization and data center functionality, partially offset by planned spending reductions on the 4G cellular network. SaskTel's net spending on intangible assets was $68.8 million, up $16.1 million from the same period in 2014 primarily due to the purchase of additional spectrum licenses partially offset by reduced spending on software.

Capital expenditures in the fiscal period ending March 31, 2016 will focus on further investment in the core Saskatchewan network including: Fibre to the Premise, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increased Internet access speeds; enhanced *maxTV* services; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

Cash provided by (used in) financing activities

Millions of dollars	**2015**	2014	Change	%
Twelve months ended December 31,	**$59.4**	$(7.4)	$66.8	*nmf*[1]

Cash provided by financing activities in the twelve months ended December 31, 2015 was $59.4 million compared to a use of cash of $7.4 million for financing activities for the same period in 2014. This is primarily due to increased short-term borrowings and decreased dividend payments partially offset by the reduced long-term borrowing compared to 2014.

Liquidity and capital resource ratios

Debt ratio

As at December 31,	**2015**	2014
Debt ratio	**51.3%**	52.8%

The debt ratio decreased to 51.3%, down from 52.8% at December 31, 2014. The overall level of net debt increased $75.2 million during the period due to increased short-term debt partially offset by increased cash and increased sinking funds.

Equity increased by $115.0 million to the end of the fourth quarter after recording net income of $97.7 million, other comprehensive income of $47.3 million related to actuarial gains in the employee defined benefit plan and dividends of $30.0 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 (loss) and retained earnings at the period end.

2016 Outlook

The 2014 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended December 31, 2015 of $76.8 million. SaskTel has since adopted a fiscal year end of March 31 and as such, has established a revised net income target to account for the fifteen month period ending March 31, 2016. The targeted net income for this period is $97.9 million. At this time SaskTel believes it will exceed this target.

Risk Assessment

The 2014 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. The Strategic Risks include risks that may inhibit SaskTel from achieving its Strategic Plan including the following areas: customer, infrastructure, processes and systems, workforce and financial. The Core Business Risks focus on risks associated with the execution of SaskTel's business functions including the following areas: operational, and compliance and legal.

A strong governance process for risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor and assess key risks. During SaskTel's annual risk review the risk profiles of two key risks identified in the 2014 Annual Report were changed as described below.

Converged broadband implementation
There was a risk that SaskTel would be unsuccessful implementing the converged broadband infrastructure affecting our ability to compete. Specific projects have been implemented in 2015 removing the risk as identified.

Vendor management
Improper management of vendor relationships was identified as a risk that could lead to failed timeline delivery, inefficient use of resources, increased costs, damaged reputation and decreased morale. This risk is no longer considered a key risk to SaskTel as implemented mitigation strategies have effectively reduced this risk to an acceptable level.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

		(Unaudited)			
		Three months ended December 31,		Twelve months ended December 31,	
Thousands of dollars	Note	**2015**	2014	**2015**	2014
Revenue	3	**$318,543**	$311,876	**$1,257,738**	$1,231,001
Other income	3	**(530)**	(1,115)	**3,138**	1,689
		318,013	310,761	**1,260,876**	1,232,690
Expenses					
Goods and services purchased		**162,553**	159,300	**571,287**	574,645
Salaries, wages and benefits		**92,308**	92,742	**374,033**	374,402
Depreciation	5	**39,707**	44,801	**169,213**	166,239
Amortization	6	**9,092**	10,810	**33,888**	41,485
Internal labour capitalized		**(6,587)**	(6,001)	**(21,776)**	(23,093)
		297,073	301,652	**1,126,645**	1,133,678
Results from operating activities		**20,940**	9,109	**134,231**	99,012
Net finance expense	4	**8,371**	4,742	**36,521**	22,605
Net income		**12,569**	4,367	**97,710**	76,407
Other comprehensive income (loss)					
Items that will never be reclassified to net income					
Net actuarial gains (losses) on defined benefit pension plan	7	**30,412**	(6,446)	**47,277**	(57,308)
Total comprehensive income (loss)		**$42,981**	$(2,079)	**$144,987**	$19,099

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

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

Thousands of dollars	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at January 1, 2015	**$250,000**	**$(49,149)**	**$512,171**	**$713,022**
Net income	**-**	**-**	**97,710**	**97,710**
Other comprehensive income	**-**	**47,277**	**-**	**47,277**
Total comprehensive income for the period	**-**	**47,277**	**97,710**	**144,987**
Dividends declared	**-**	**-**	**30,000**	**30,000**
Balance at December 31, 2015	**$250,000**	**$(1,872)**	**$579,881**	**$828,009**
Balance at January 1, 2014	$250,000	$8,159	$489,056	$747,215
Net income	-	-	76,407	76,407
Other comprehensive loss	-	(57,308)	-	(57,308)
Total comprehensive income (loss) for the period	-	(57,308)	76,407	19,099
Dividends declared	-	-	53,292	53,292
Balance at December 31, 2014	$250,000	$(49,149)	$512,171	$713,022

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **December 31, 2015**	December 31, 2014
Assets			
Current assets			
Cash		**$13,592**	$8,948
Trade and other receivables	9a	**145,688**	116,932
Inventories	9a	**21,671**	15,796
Prepaid expenses	9a	**34,895**	25,550
		215,846	167,226
Property, plant and equipment	5	**1,576,428**	1,511,600
Intangible assets	6	**302,653**	269,302
Sinking funds		**124,969**	112,571
Other assets		**9,838**	8,188
		$2,229,734	$2,068,887
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	9a	**$159,500**	$165,397
Dividend payable		**7,500**	-
Notes payable		**235,130**	143,298
Other liabilities	9a	**65,982**	66,643
		468,112	375,338
Deferred revenue		**7,079**	7,526
Deferred income – government funding		**35,886**	40,050
Long-term debt		**777,158**	776,780
Employee benefit obligations	7	**113,490**	156,171
		1,401,725	1,355,865
Province of Saskatchewan's equity			
Equity advance		**250,000**	250,000
Accumulated other comprehensive loss		**(1,872)**	(49,149)
Retained earnings		**579,881**	512,171
		828,009	713,022
		$2,229,734	$2,068,887

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

		(Unaudited)	
		Twelve months ended December 31,	
Thousands of dollars	Note	**2015**	2014
Operating activities			
Net income		**$97,710**	$76,407
Adjustments to reconcile net income to cash provided by operations			
Depreciation and amortization	5, 6	**203,101**	207,724
Net financing expense	4	**36,521**	22,605
Interest paid		**(40,249)**	(39,288)
Interest received		**1,501**	1,630
Amortization of government funding		**(5,193)**	(6,242)
Other		**7,561**	13,357
Net change in non-cash working capital	9b	**(50,961)**	(5,162)
		249,991	271,031
Investing activities			
Property, plant and equipment expenditures		**(236,273)**	(228,993)
Intangible assets expenditures		**(69,638)**	(52,630)
Government funding		**1,115**	2,538
		(304,796)	(279,085)
Financing activities			
Proceeds from long-term debt		**-**	195,240
Net proceeds (repayment) of notes payable		**91,315**	(110,043)
Sinking fund installments		**(9,366)**	(8,866)
Dividends paid		**(22,500)**	(83,694)
		59,449	(7,363)
Increase (decrease) in cash		**4,644**	(15,417)
Cash, beginning of period		**8,948**	24,365
Cash, end of period		**$13,592**	$8,948

See Accompanying Notes

Note 1 – Basis of preparation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the twelve months ended December 31, 2015 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) December 31, 2014 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 as issued by the International Accounting Standards Board (IASB). These interim financial statements do not include all of the information required for full annual financial statements.

The interim financial statements as at and for the twelve month period ended December 31, 2015 were approved by the Board of Directors on February 23, 2016.

a) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period will consist of the fifteen (15) months ending March 31, 2016. Information included in the following discussion focuses on the first 12 months of the current fiscal period as compared to the twelve month period ending December 31, 2014.

b) Basis of measurement

The interim 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 obligations are recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

c) Functional and presentation currency

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

d) 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.

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:

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

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:

- Useful lives and depreciation rates for property plant and equipment,
- Useful lives and amortization rates for intangible assets, and
- The measurement of employee benefit obligations.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the twelve months ended December 31, 2015

Note 2 – Summary of significant accounting policies

The interim financial statements have been prepared in accordance with IFRS. The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements, and have been applied consistently to all periods presented in these interim financial statements.

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

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 March 31, 2016.

These include:

- IFRS 9 Financial Instruments was issued, as the final version, in July of 2014. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of the standard.

- IFRS 15 Revenue from Contracts with Customers was issued May 28, 2014. This standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:
  1. Identify the contract with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

  The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2018 using a full retrospective approach for all periods presented in the period of adoption, a modified retrospective approach or a retrospective cumulative effect approach.
  IFRS 15 will affect how the Corporation accounts for revenues from contracts with customers and the related contract costs for wireless operations and other segments. The Corporation is currently evaluating the impact of IFRS 15 on the financial statements.

- IFRS 16 Leases was issued January 13, 2016. Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. IFRS 16 must be adopted for annual periods beginning on or after January 1, 2019. The Corporation is currently assessing the impact of the standard.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the twelve months ended December 31, 2015

Note 3 – Revenue and other income

	Three months ended December 31,		Twelve months ended December 31,	
Thousands of dollars	**2015**	2014	**2015**	2014
Services revenue				
Wireless	**$123,823**	$122,304	**$492,372**	$482,463
maxTV, Internet and data services	**81,719**	78,189	**323,595**	305,227
Local and enhanced services	**57,612**	59,710	**234,225**	242,597
Long distance services	**11,320**	12,845	**47,815**	53,179
Equipment	**21,298**	14,071	**65,772**	54,948
Advertising services	**9,658**	10,074	**40,470**	41,898
Security monitoring services	**5,704**	5,628	**22,850**	22,914
International software and consulting services	**1,687**	1,222	**7,430**	6,202
Other services	**5,722**	7,833	**23,209**	21,573
	318,543	311,876	**1,257,738**	1,231,001
Other income				
Net loss on retirement or disposal of property, plant and equipment	**(1,912)**	(1,308)	**(3,569)**	(3,198)
Amortization of government funding	**1,279**	2,287	**5,193**	6,242
Other	**103**	(2,094)	**1,514**	(1,355)
	(530)	(1,115)	**3,138**	1,689
	$318,013	$310,761	**$1,260,876**	$1,232,690

Note 4 – Net finance expense

	Three months ended December 31,		Twelve months ended December 31,	
Thousands of dollars	**2015**	2014	**2015**	2014
Recognized in consolidated net income				
Interest expense on financial liabilities measured at amortized cost	**$10,321**	$10,224	**$41,431**	$40,377
Interest capitalized	**(1,134)**	(2,149)	**(6,085)**	(7,316)
Net interest expense	**9,187**	8,075	**35,346**	33,061
Net change in fair value of unimpaired financial assets at fair value through profit or loss	**-**	-	**3,921**	-
Net interest on defined benefit liability	**1,427**	1,094	**5,707**	4,202
Finance expense	**10,614**	9,169	**44,974**	37,263
Net change in fair value of unimpaired financial assets at fair value through profit or loss	**(1,005)**	(2,609)	**-**	(8,576)
Interest income on unimpaired financial assets at fair value through profit or loss	**(826)**	(1,450)	**(6,953)**	(4,452)
Interest income on loans and receivables	**(412)**	(368)	**(1,500)**	(1,630)
Finance income	**(2,243)**	(4,427)	**(8,453)**	(14,658)
Net finance expense	**$8,371**	$4,742	**$36,521**	$22,605
Interest capitalization rate			**4.37%**	4.67%

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the twelve months ended December 31, 2015

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 January 1, 2015	**$3,178,774**	**$453,387**	**$155,872**	**$139,989**	**$36,054**	**$3,964,076**
Additions	**37,200**	**302**	**16,806**	**184,626**	**-**	**238,934**
Transfers	**143,494**	**14,920**	**4,967**	**(164,795)**	**1,414**	**-**
Retirements, disposals and adjustments	**(25,827)**	**(1,152)**	**(8,090)**	**-**	**(16)**	**(35,085)**
Balance at December 31, 2015	**$3,333,641**	**$467,457**	**$169,555**	**$159,820**	**$37,452**	**$4,167,925**
Balance at January 1, 2014	$3,014,983	$442,137	$133,872	$148,046	$35,725	$3,774,763
Additions	38,322	104	13,909	176,684	1,014	230,033
Transfers	163,663	12,372	8,345	(184,741)	361	-
Retirements and disposals	(38,194)	(1,226)	(254)	-	(1,046)	(40,720)
Balance at December 31, 2014	$3,178,774	$453,387	$155,872	$139,989	$36,054	$3,964,076
Accumulated depreciation						
Balance at January 1, 2015	**$2,217,911**	**$135,014**	**$99,551**	**$ -**	**$ -**	**$2,452,476**
Depreciation for the period	**137,049**	**10,654**	**21,510**	**-**	**-**	**169,213**
Retirements and disposals	**(21,838)**	**(738)**	**(7,616)**	**-**	**-**	**(30,192)**
Balance at December 31, 2015	**$2,333,122**	**$144,930**	**$113,445**	**$ -**	**$ -**	**$2,591,497**
Balance at January 1, 2014	$2,118,628	$125,084	$79,586	$ -	$ -	$2,323,298
Depreciation for the year	135,624	10,310	20,305	-	-	166,239
Retirements and disposals	(36,341)	(380)	(340)	-	-	(37,061)
Balance at December 31, 2014	$2,217,911	$135,014	$99,551	$ -	$ -	$2,452,476
Carrying amounts						
At January 1, 2015	**$960,863**	**$318,373**	**$56,321**	**$139,989**	**$36,054**	**$1,511,600**
At December 31, 2015	**$1,000,519**	**$322,527**	**$56,110**	**$159,820**	**$37,452**	**$1,576,428**
At January 1, 2014	$896,355	$317,053	$54,286	$148,046	$35,725	$1,451,465
At December 31, 2014	$960,863	$318,373	$56,321	$139,989	$36,054	$1,511,600

During the period 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:

	Fiscal period ending March 31,					
Millions of dollars	2016	2017	2018	2019	2020	2021 and beyond
Depreciation expense increase (decrease)	$1.1	$(2.4)	$(8.1)	$(2.8)	$10.1	$2.1

Note 6 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licenses	Under development	Total
Cost						
Balance at January 1, 2015	**$5,976**	**$244,282**	**$85,865**	**$73,538**	**$55,933**	**$465,594**
Acquisitions	**-**	**6,814**	**5,076**	**35,200**	**8,565**	**55,655**
Acquisitions – internally developed	**-**	**1,652**	**-**	**-**	**11,469**	**13,121**
Transfers	**-**	**69,362**	**-**	**-**	**(69,362)**	**-**
Retirements, disposals and adjustments	**-**	**(3,811)**	**-**	**-**	**-**	**(3,811)**
Balance at December 31, 2015	**$5,976**	**$318,299**	**$90,941**	**$108,738**	**$6,605**	**$530,559**
Balance at January 1, 2014	$5,976	$189,508	$81,024	$65,981	$76,795	$419,284
Acquisitions	-	5,610	4,841	7,557	23,945	41,953
Acquisitions – internally developed	-	1,325	-	-	9,360	10,685
Transfers	-	52,167	-	-	(52,167)	-
Retirements, disposals and adjustments	-	(4,328)	-	-	(2,000)	(6,328)
Balance at December 31, 2014	$5,976	$244,282	$85,865	$73,538	$55,933	$465,594
Accumulated amortization						
Balance at January 1, 2015	**$ -**	**$143,461**	**$52,831**	**$ -**	**$ -**	**$196,292**
Amortization for the period	**-**	**29,992**	**5,896**	**-**	**-**	**35,888**
Reversal of impairment loss	**-**	**(2,000)**	**-**	**-**	**-**	**(2,000)**
Retirements, disposals and adjustments	**-**	**(2,274)**	**-**	**-**	**-**	**(2,274)**
Balance at December 31, 2015	**$ -**	**$169,179**	**$58,727**	**$ -**	**$ -**	**$227,906**
Balance at January 1, 2014	$ -	$111,633	$47,450	$ -	$ -	$159,083
Amortization for the year	-	33,482	5,381	-	-	38,863
Impairment losses	-	2,622	-	-	-	2,622
Retirements and disposals	-	(4,276)	-	-	-	(4,276)
Balance at December 31, 2014	$ -	$143,461	$52,831	$ -	$ -	$196,292
Carrying amounts						
At January 1, 2015	**$5,976**	**$100,821**	**$33,034**	**$73,538**	**$55,933**	**$269,302**
At December 31, 2015	**$5,976**	**$149,120**	**$32,214**	**$108,738**	**$6,605**	**$302,653**
At January 1, 2014	$5,976	$77,875	$33,574	$65,981	$76,795	$260,201
At December 31, 2014	$5,976	$100,821	$33,034	$73,538	$55,933	$269,302

Note 6 – Intangible assets, continued

During the period, intangible assets that had been assessed as impaired were sold resulting in an impairment loss reversal of $2.0 million which has been recorded in amortization expense.

During the period the Corporation adjusted the useful lives of certain assets to coincide with the revised expected useful lives. The impacts are as follows:

	Fiscal period ending March 31,					
Millions of dollars	2016	2017	2018	2019	2020	2021 and beyond
Amortization expense increase (decrease)	$(12.6)	$(11.2)	$(6.4)	$(3.1)	$4.4	$28.9

Note 7 – Employee benefit obligations

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

	2015	2014
March 31	**3.30%**	4.20%
June 30	**3.60%**	4.00%
September 30	**3.80%**	3.70%
December 31	**3.90%**	3.80%

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

	Twelve months ended December 31,	
Thousands of dollars	**2015**	2014
Actuarial gain (loss) on accrued benefit obligation	**$12,928**	$(116,858)
Actuarial gain on plan assets	**34,349**	59,550
Actuarial gain (loss) on employee benefit plans	**$47,277**	$(57,308)

Note 8 – 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

Note 8 – Capital management, continued

revenues 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 2015-2016 is 52.7%.

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 period.

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

The debt ratio is as follows:

As at Thousands of dollars	**December 31, 2015**	December 31, 2014
Long-term debt	**$777,158**	$776,780
Short-term debt	**235,130**	143,298
Less: Sinking funds	**124,969**	112,571
Cash	**13,592**	8,948
Net debt	**873,727**	798,559
Equity (a)	**828,009**	713,022
Capitalization	**$1,701,736**	$1,511,581
Debt ratio	**51.3%**	52.8%

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

Note 9 – Additional financial information

a) Statement of Financial Position

As at December 31, Thousands of dollars	**2015**	2014
Trade and other receivables		
Customer accounts receivable	**$90,718**	$81,390
Accrued receivables - customer	**6,223**	4,434
Allowance for doubtful accounts	**(1,745)**	(1,716)
	95,196	84,108
High cost serving area subsidy	**3,444**	2,784
Other	**47,048**	30,040
	$145,688	$116,932
Inventories		
Inventories for resale	**$18,779**	$12,590
Materials and supplies	**2,892**	3,206
	$21,671	$15,796
Prepaid expenses		
Prepaid expenses	**$27,758**	$19,346
Deferred service connection charges	**3,971**	4,239
Short-term prepaid customer incentives	**3,166**	1,965
	$34,895	$25,550
Trade and other payables		
Trade accounts payable and accrued liabilities	**$122,390**	$122,415
Payroll and other employee-related liabilities	**29,697**	36,149
Other	**7,413**	6,833
	$159,500	$165,397
Other liabilities		
Advance billings	**$49,268**	$49,375
Deferred customer activation and connection fees	**4,950**	5,206
Current portion of deferred income - government funding	**5,116**	5,030
Customer deposits	**6,648**	7,032
	$65,982	$66,643

Note 9 – Additional financial information, continued

b) Supplementary cash flow information

Thousands of dollars	Twelve months ended December 31, **2015**	2014
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(28,756)**	$(406)
Inventories	**(5,875)**	654
Prepaid expenses	**(9,345)**	(1,733)
Trade and other payables	**(5,897)**	(3,341)
Other liabilities	**(661)**	1,034
Deferred revenue	**(447)**	(334)
Other	**20**	(1,036)
	$(50,961)	$(5,162)

Note 10 – 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.

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 December 31,		**2015**		2014	
Thousands of dollars	Classification (a)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets					
Investments - sinking funds	FVTPL	**$124,969**	**$124,969**	$112,571	$112,571
Financial liabilities					
Long-term debt	OL	**$777,158**	**$922,055**	$776,780	$934,704

(a) Classification details are:
FVTPL - fair value through profit or loss 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.

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

Note 10 – Financial risk management, continued

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 2014 or to date in 2015 and no items transferred between levels in 2014 or to date in 2015.

As at December 31,	**2015**		2014	
Thousands of dollars	**Level 2**	**Total**	Level 2	Total
Sinking funds	**$124,969**	**$124,969**	$112,571	$112,571
Long-term debt	**$922,055**	**$922,055**	$934,704	$934,704

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.