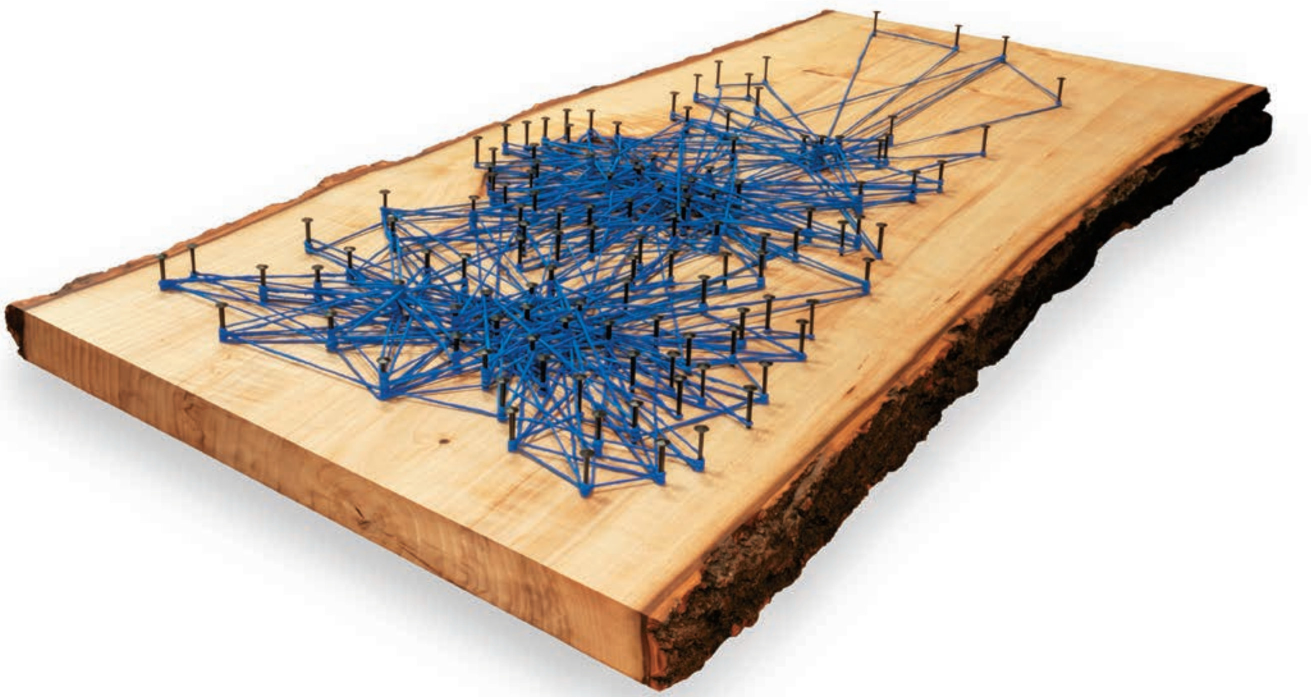
The Fibre of Our Being

2017/18 ANNUAL REPORT

SaskTel



About the Cover

On our 110th anniversary, we celebrate the fibre of our being. Whether it's the literal fibre optic cable in SaskTel's many networks, or the strength of character found in our customers and employees, every physical and moral fibre contributes to a global network that connects everyone in the province.

The cover of the report shows just a few of those single fibres. They are a small part of the larger piece, shown here, that represents our province. The shape of Saskatchewan is cut out of a Northwest Cottonwood that was planted shortly after the Second World War in a yard on Cumberland Avenue in Saskatoon. It's especially fitting that it was sown by a communications specialist, although he was not an employee of SaskTel, but a veteran of the Canadian navy. For more than 50 years, the tree he nurtured held countless tire swings and tree forts for his five children and 11 grandchildren.

The hand-forged nails represent the many urban, rural and remote communities that SaskTel reached with network enhancements in 2017/18, including the installation of faster internet services to 24 Indigenous and First Nations communities, and 224 major capacity enhancements to the SaskTel LTE network. Finally, the meticulously twisted hemp fibres are symbolic of the connections SaskTel's extensive networks have enabled across the entire province.

For SaskTel, this tree represents the very fibre of our being.

Letter of Transmittal

Regina, Saskatchewan
June 30, 2018

His Honour
The Honourable W. Thomas Molloy,
Lieutenant Governor of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of SaskTel for the year ending March 31, 2018, including the financial statements, duly certified by auditors for the Corporation, and in the form approved by the Treasury Board, all in accordance with *The Saskatchewan Telecommunications Holding Corporation Act*.

Respectfully submitted,

Honourable Don Morgan
Minister Responsible for Saskatchewan Telecommunications

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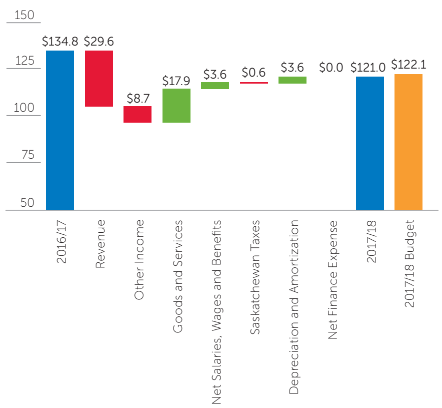
Financial Highlights

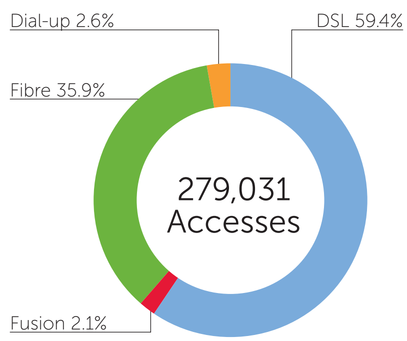
FINANCIALS

Net Income ($ Millions)



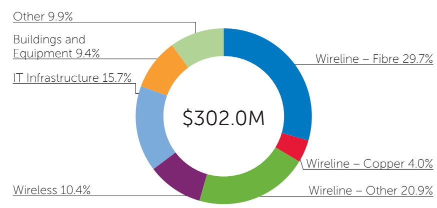
CUSTOMER

2017/18 Internet Accesses

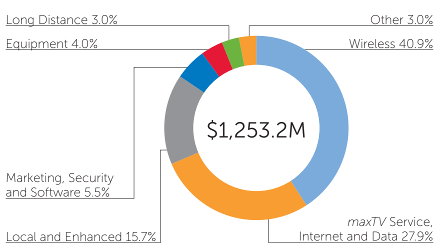


INFRASTRUCTURE

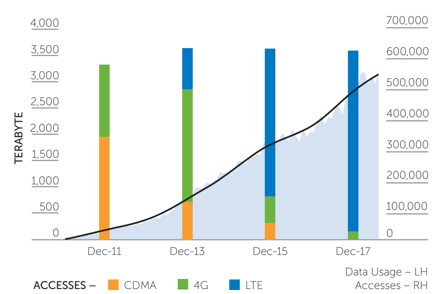
2017/18 Capital Expenditures



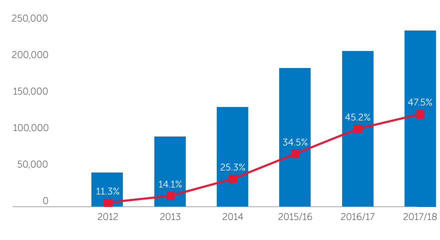
Revenues



Data Usage and Network Technology Accesses



Fibre to the Premises (Consumer and Business)



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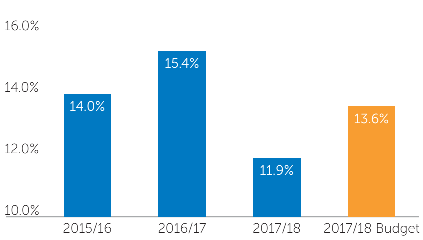
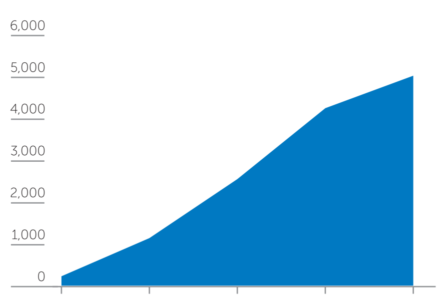
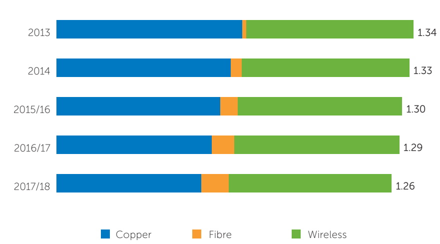


SaskTel selectWI-FI (Access Points)



Accesses by Technology (Millions)



President's Message

Proudly operating for the past 110 years, SaskTel's roots in this province truly run deep. As the years have passed, our company has risen to the challenges posed by constantly changing technologies, and a marketplace that grows more sophisticated and demanding each year. And, while SaskTel has continually adapted its operations to face these new realities, the one thing that's always stayed the same is our focus on delivering exceptional customer experiences.

Four years ago, SaskTel set out on its current path by seeking to both transform and optimize our business. In that time, we've focused on our need to evolve into a market leader that is more agile and able to go to market faster and better than the competition.

The result of our work towards achieving these goals has served us well. Not only has it allowed us to build on our solid foundation provided by our people, it's driven us to transform our services and optimize our processes, systems, and technology, while maximizing the value provided by our existing portfolio of world-class products and services.

Although we've experienced a great deal of success under our current course, we continue to face headwinds that require us to accelerate our transformation and champion a new way of doing business.

Internally, this will require us to intensify our focus on efficiency and agility as well as enhancing the way we use automation. Externally, we will reaffirm our commitment to delivering new and enriched digital services while tirelessly working to ensure that each customer experience is always better than the last.

STAYING FOCUSED ON OUR CUSTOMERS

Over the past year, we've worked hard to elevate our customer experience and our customer service has grown to be one of our key differentiators. We've continued to improve the ways we serve our customers, by meeting their expectations for speed and simplicity, and their growing desire for the ability to engage in self-service. And, our approach is working. Our customers confirmed it by ranking SaskTel first in J.D. Power's 2017 Canadian Television Provider Customer Satisfaction and 2017 Internet Service Provider Customer Satisfaction Studies for the fifth consecutive year.

BUILDING A BRIGHTER BROADBAND FUTURE

Fast and reliable broadband access has become as important to customers as local landline service once was. That's why SaskTel has been proactive in its commitment to increasing broadband penetration throughout the province and building multi-layered world-class broadband networks that provide a seamless user experience. 2017/18 saw us invest $302 million in total capital towards our goal of ensuring that no matter where you are or what device you're on, you will automatically be on the best network for your needs and location.

Looking forward, we will continue working to meet the needs of our customers by expanding our broadband footprint and improving the quality of our networks, while tirelessly promoting and selling our broadband services.

LEVERAGING MORE FROM OUR EXISTING SERVICES

Our ability to capitalize on our breadth of services is rooted in creating a strong competitive advantage through our unique mix of products and services. Together with our subsidiaries and business partners, we are proud to offer the widest selection of services of any Information and Communications Technology

(ICT) provider in Saskatchewan. In the last year, we have reaffirmed our commitment to positioning ourselves as the industry leader by introducing new managed and emerging services while continuing to evolve our existing products.

As we move forward into the next year, SaskTel will look to provide new bundles of services that can provide customers with total solutions that take advantage of our multiple networks. They will offer them a unified experience that ensures our services will operate seamlessly across all devices and networks.

REALIZING THE PROMISE OF OUR ICT TRANSFORMATION

Evolution is one of our core themes and is vitally important to the future of SaskTel. We will look to accelerate our company's transformation by revolutionizing the way we do business.

We are changing our approach to the way we develop, launch, and sell new services; modifying our cost structure and the way we utilize partnerships; broadening our skills; enhancing our culture; and building a formidable reputation in the workplace.

BEING IN THE BUSINESS OF SUPPORTING BUSINESS

Growing revenue from the business market remains critical to our future. The trends are clear. The ICT industry is continuing the ongoing commoditization of consumer services and the opportunities for growth now reside in providing services to business. For SaskTel, it is critical that we seize this chance to maintain our momentum as we continue building toward an exciting new future.

In order to accomplish this goal, we will work to succeed in the IT market through the use of value-added resellers and partnerships in addition to moving to aggressively market and sell our business solutions both here at home and in select out-of-province markets. We will increase the value offered to clients by developing holistic knowledge of a customer's business; whether it's building and managing communications networks, or providing IT infrastructure and quality service assurance, we can create the unique end-to-end solutions that they need to be successful.

OUR PEOPLE AND SASKATCHEWAN ARE OUR STRENGTHS

As quickly as we accelerate toward our transformational goals, there is no doubt that the success we've had so far, and the success we will achieve, relies on the strength of our people. Over the last year, everyone at SaskTel has shown what it means to be SaskTel Proud and I'd like to thank them for all they've done in helping us achieve our strategic goals.

Perhaps even more important than our business achievements are the ways that everyone here at SaskTel has helped ground this company as active members of the communities we serve, as we work together to ensure Saskatchewan remains one of the best places to live in this country and the world.

As our business continues to evolve over the next year, the people of Saskatchewan can rest assured that the one thing that will never change about SaskTel is our unwavering commitment to supporting the communities we serve; we honour the trust they have placed in us as their choice for connecting them to the world.

Sincerely,
Doug Burnett, Acting SaskTel President and CEO

Beyond the Fibre

SaskTel customers in more than 300 communities will enjoy an enhanced TV experience starting in 2018, with a new version of IPTV (Internet Protocol Television) services using Ericsson's MediaFirst solution suite.

Shortly after the new TV platform is launched, nearly 100,000 households spread across more than 300 rural communities will benefit. Not only will they have an enhanced television experience, they will have the opportunity to save money by bundling their new IPTV service with their existing SaskTel cellular, internet, home phone, long distance, and home security services.

"It's part of SaskTel's commitment to invest $1.4 billion in capital in Saskatchewan through 2016–2021," said Grant Garner, SaskTel Marketing Manager. "This investment will ensure that Saskatchewan people continue to receive some of the best communication and entertainment services in the world."

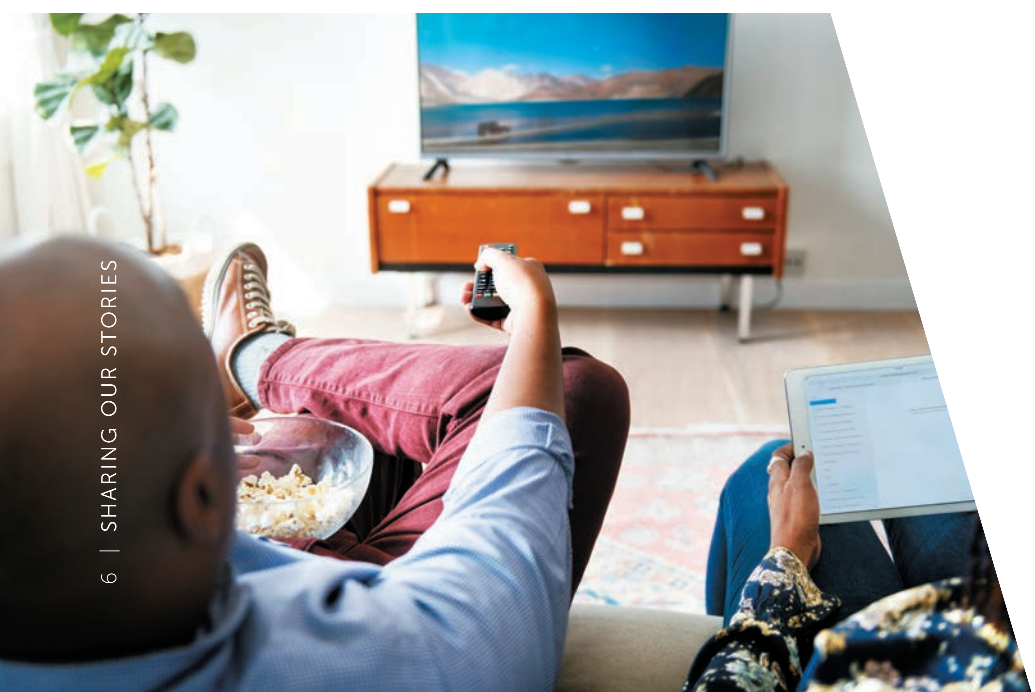
Television has come a long way over the years. Some of us are old enough to remember huddling around that heavy cathode ray tube mounted in a wooden cabinet in the living room. We'd be watching *The Honeymooners* on one of less than a handful of available channels on signals coming through the airwaves.

TV has changed because we have changed. And technology has changed to accommodate us. So has programming. SaskTel, as Saskatchewan's leading communications service provider, is keenly aware that its provision of video programming must evolve.

That's why SaskTel is introducing a new IPTV service. When it's launched, SaskTel customers can expect to see new services and features that will provide the best in-home and on-the-go TV experience.

"This initiative reaffirms SaskTel as a leader in innovative TV service," said Garner. "It will provide us with the flexibility to evolve our IPTV services as our customers' tastes and behaviours change."

NEARLY 100,000
households in rural Saskatchewan will receive IPTV services in 2018/19



Our Fibre Keeps Getting Smarter

In 2017/18, we extended our SaskTel smartHOME service beyond Regina and into Saskatoon, Warman, Martensville, Prince Albert, Moose Jaw, Swift Current, North Battleford, Weyburn, Estevan, and Yorkton.

SaskTel smartHOME is a service that allows customers to control and monitor their homes from anywhere with their phones, laptops, and tablets. Among other things, it allows users to turn power sockets on or off, control thermostats, and receive alerts when doors or windows are left unlocked.

"Overwhelmingly, the doorbell video camera has been the most desired product and the one people have referenced as enjoying the most," said Randy Palazzo, Marketing Manager, *Strategy*. "I think it's really due to the nature of it being new, very interactive, and unlike anything else people are used to. Knowing who is at your door at any time, and being able to speak with them through the doorbell, is a feature that has multiple use-case scenarios beyond the idea of just security."

"The feedback from our customers has been great," said Palazzo. "People have enjoyed the service and simplicity of the interactive app. The best feedback we've received though, is about the quality of the work from our Customer Service Technicians."

SaskTel smartHOME is also a good choice for financial reasons. Besides being able to control a home's thermostat and lighting, most insurance companies offer substantial discounts for homes with security monitoring systems installed. And by adding SaskTel smartHOME to a household's SaskTel bundle, it results in even more savings on all SaskTel services.

"It's about protecting the things that you love," said Palazzo. "Interior video cameras give you the ability to know your family is at home and safe. So do carbon monoxide, fire, and water leakage detectors. And security sensors and cameras protect your home from intruders."

It just doesn't get much smarter than that.

SaskTel smartHOME has now been extended into 11 SASKATCHEWAN COMMUNITIES

The Fibre of Our Kids

No one has more fibre, bravery, and determination than a child who is facing a difficult medical situation. "Having a sick child is something many of us have experienced or could experience at any time," said Jennifer McLeod, a Human Resources Manager here at SaskTel. "It can be a very scary time and if we can assist in making that hospital stay a little easier, we at SaskTel want to support that."

It was this type of selfless thinking from our staff that inspired SaskTel to continue the Comfort for Kids Challenge in 2017/18. This year, we joined the SaskTel Pioneers to bring smiles and a sense of normalcy to families.

The challenge ran for two weeks in October and showed how SaskTel employees are quick to open their hearts to causes that benefit our communities. Two teams were formed and had a friendly competition to see who could raise the most donations during the challenge.

The many creative fundraising activities saw SaskTel staff collect over 3,500 toys, books, and games for donation to the Jim Pattison Children's Hospital Foundation, while also raising $27,000 for Teddy Bears Anonymous—the largest single donation the charity has ever received.

"Our donations are the result of all the great work our employees do in rallying each other behind causes like making sure pediatric wards have access to toys that will allow kids to still be kids even during a stay in hospital," said Doug Burnett, Acting SaskTel President and CEO.

While many employees chose to purchase new toys for hospital playrooms, others chose to donate funds that will be used by Teddy Bears Anonymous to buy stuffed toys that are given away to children who find themselves in Saskatchewan's hospitals.

"I think the reason any of us volunteer or give back isn't really about the dollars we raise," said Darrell Liebrecht, SaskTel Pioneers Manager and the organizer of Comfort for Kids. "It's about the impact these donations make on the people and places that benefit from them. At the end of the day, if we can help put a smile on the face of a child who's having a tough go in hospital, then all the hard work is worthwhile."

SaskTel staff raised
$27,000
FOR TEDDY BEARS ANONYMOUS

SaskTel Acting President and CEO Doug Burnett, along with VPs Darcee MacFarlane and Katrine White present the cheque to Jan and Luke Lawrence of Teddy Bears Anonymous.

The Fibre of Our Northern Employees

It's pretty impressive that in less than two years, our people were able to complete the installation of faster internet services to customers in 23 communities, and high-speed service to three communities for the very first time.

What's even more impressive is that all of the communities are in Saskatchewan's far north. Imagine working in communities you can only get to by airplane. Or transporting equipment on barges to get to your destination. Or laying fibre cable in -40 degree temperatures.

It's a beautiful part of our country, filled with the splendour of the Canadian Shield, made up of dense spruce, hundreds of lakes, bogs, and bedrock. With it comes the Athabasca Sand Dunes, the largest active sand dunes in the world north of the 58° parallel. From a communications perspective, Northern Saskatchewan offers some of the most challenging geographic obstacles in Canada.

The initiative was part of Connecting Canadians, a program introduced by the Government of Canada to extend and enhance access to high-speed broadband networks. SaskTel employees certainly did their part, delivering high-speed internet to nearly 2,700 homes in Northern Saskatchewan.

"Geographical challenges are part of it to be certain," said Doug Grant, Operations Manager, Northern Fibre Development. "But extreme weather in the north plays a big part in a project like this too."

In spite of frigid temperatures in the winter and mosquitoes and blackflies in the summer, even with 903 kilometres separating Prince Albert from Stoney Rapids, and despite the lack of living quarters, our people came through. They made it possible for northern residents to reach download and upload speeds up to three times faster.

"This is the norm for operations people in the north," said Jeff McKeand, Director of Customer Services in the Prince Albert District. "For the employees who deliver service to these northern reaches, they are very proud of the work they do, and proud to connect our customers in the Far North to their world."

Why are SaskTel employees the fibre of our being? Because they bring the world to even the most remote corners of Saskatchewan.

NEARLY 2,700

homes in Northern Saskatchewan now have high-speed internet

Where Fibre Meets Wireless

The way we do business in this world is constantly changing. And consequently, the world of business communications has to change as well. Not surprisingly, SaskTel is at the forefront of the changes, leading the charge.

This year, we introduced a new Integrated Business Communications (IBC) Wireless optional add-on. "IBC Wireless converges your wireless and wireline service by providing the appearance of one business number with access to the IBC telephony features on a wireless phone, without the use of the Mobile Client," said Carmen Zimmerman, Customer Services Manager-Service Implementation.

Our IBC customers can easily add the wireless optional add-on to their IBC packages, provided they're also SaskTel wireless subscribers. Then they have the option of eliminating their desk phones and using only their wireless phones, or using both the IBC (wireline) number and the IBC Wireless number, accessing both from the wireless phone.

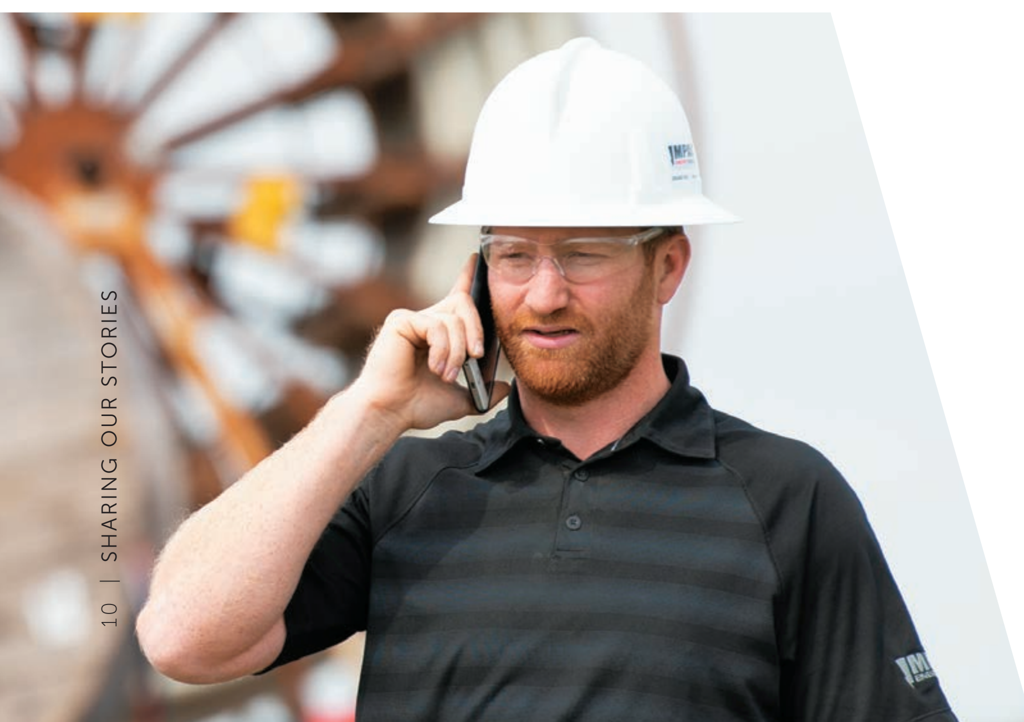
It's the future of doing business—making it as easy as possible to stay in touch with customers by linking an IBC number with a wireless phone, so there's only one business number they need to know.

"Customers no longer require a desk phone to have access to advanced business telephony features like Auto Attendants, Call Queues and Hunt Groups," said Zimmerman. "With IBC Wireless, they still have access to IBC telephony features like Call Forward Always, and Call Park and Retrieve, without using their Mobile Client."

For clients who ask for the ability to switch back and forth between two numbers, we offer Dual Persona. They can have two personas on their wireless phones: business and personal. They simply turn off their business persona on evenings and weekends or, if they want to be always available to their customers, they have the option to leave it on.

"Included with IBC Wireless is SaskTel's best wireless rate plan—the IBC Wireless 55," said Zimmerman. "This includes unlimited long distance to, from, and within Canada and the U.S., as well as unlimited data and text messaging."

When our fibre intersects with our wireless, businesses are sure to benefit.



IBC customers can now have 2 PERSONAS on their wireless phones: BUSINESS AND PERSONAL

Focused on Corporate Social Responsibility

At SaskTel, Corporate Social Responsibility (CSR) is about more than simply being a good corporate citizen. It's about continuing our ongoing story as an ethical, active, and engaged member of the communities we serve.

With historic roots stretching back 110 years, this philosophy has become so integral to defining everything we do it forms the foundation of our corporate culture. For us, this begins with the recognition that our people are our strength. Their dedication allows us to deliver on our commitment to providing outstanding customer experience, and be accountable and responsible to those we work with and serve.

Throughout 2017/18, we've strived to carry on our long-standing tradition of CSR activities as we accelerate our transformation into Saskatchewan's leading Information and Communications Technology (ICT) provider. Recognizing the value that CSR adds to our business and this province, we've continued to build on the CSR goals set out in 2016/17 by further integrating CSR into our long-term business strategy.

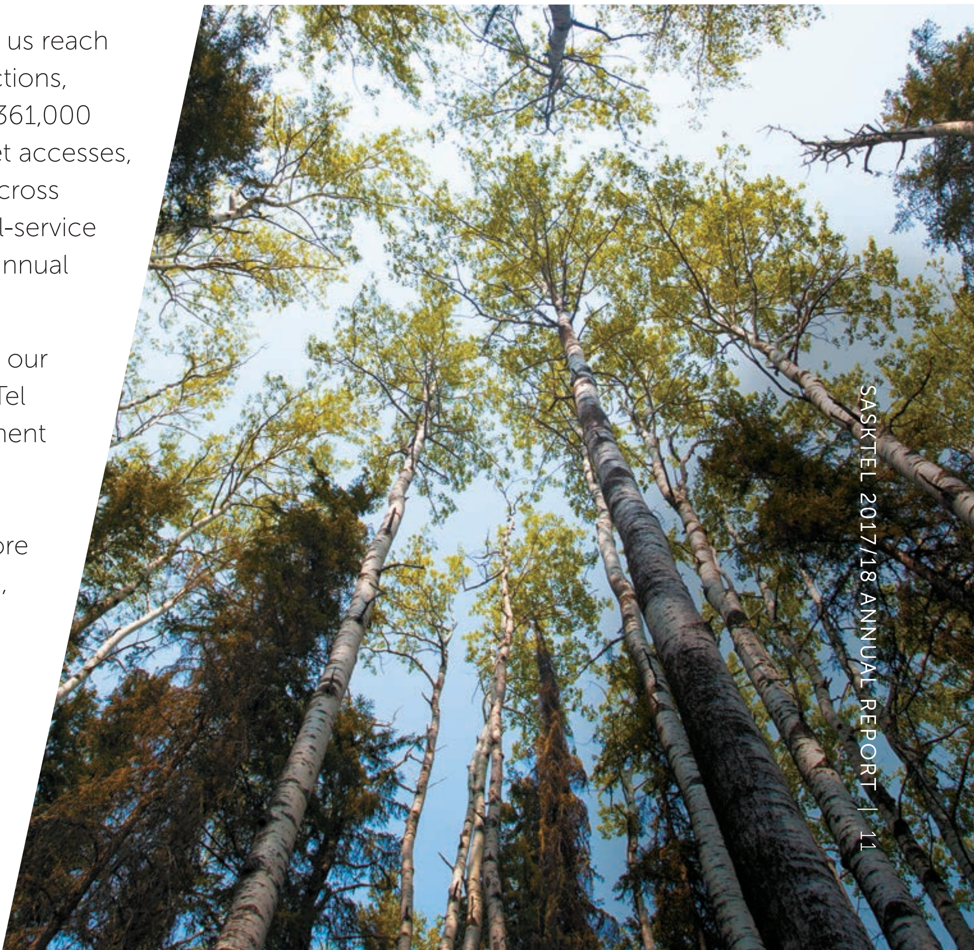
This approach has paid dividends by letting us reach approximately 1.4 million customer connections, including over 607,000 wireless accesses, 361,000 wireline network accesses, 279,000 internet accesses, and 110,000 *maxTV*™ service subscribers across Saskatchewan's largest owner-operated full-service telecommunications network, generating annual revenue of over $1.2 billion in 2017/18.

By choosing to put their trust in us and use our services, our customers have allowed SaskTel to generate $108.9 million for the Government of Saskatchewan in the form of dividends, while also giving SaskTel the opportunity to directly invest more than $3.0 million in more than 200 communities across the province, contributing to over 900 non-profit and charitable organizations, community associations, venues, events, and partnerships.

ENSURING OUR PEOPLE ARE OUR STRENGTH

From our employees to our contractors and even our suppliers, SaskTel is committed to creating a respectful workplace that reflects the people of this province. By constantly working toward this goal, SaskTel continues to be one of the most desirable and diverse places to work in Saskatchewan. Our efforts are improving the strength of our already exemplary employee culture and have supported SaskTel in winning countless employee-focused awards in 2017/18, including:

- Saskatchewan's Top Employers – 2017: On April 22, 2017, SaskTel was named one of Saskatchewan's top employers by Mediacorp Canada Inc. for the eleventh consecutive year, recognizing SaskTel as a leader in creating an exceptional workplace
- Aboriginal Government Employees' Network Achievement Award – 2017: SaskTel was recognized for its work to increase Aboriginal participation in Saskatchewan's economy through the recruitment, retention, and advancement of Aboriginal people,



while also establishing a corporate commitment to Aboriginal people by actively engaging in Aboriginal business and employment opportunities

- Saskatchewan's Top Employers – 2018: On January 24, 2018, SaskTel was named one of Saskatchewan's top employers by Mediacorp Canada Inc., recognizing SaskTel for a twelfth consecutive year as an industry leader in creating an exceptional workplace
- Canada's Top Employers for Young People – 2018: For the sixth time, SaskTel was recognized by Mediacorp Canada Inc. as being one of the nation's best workplaces for young people starting their careers. Employers who make this list must demonstrate a proven ability to attract and retain young employees
- Canada's Best Diversity Employers – 2018: Mediacorp Canada Inc. honoured SaskTel for the eighth consecutive year by naming the company as one of Canada's Best Diversity Employers. The award recognizes employers from across Canada that offer exceptional workplace diversity and inclusiveness programs

DELIVERING OUTSTANDING CUSTOMER EXPERIENCE

Starting with how we design, build, and manage our world-class network, along with the careful consideration given to the products and services we offer, and the commitment from contractors and employees at every level to provide amazing customer service, SaskTel spent the last year implementing improvements to its network and processes to ensure that every customer experience is an outstanding one. Highlights from the past year include:

- Continued and expanded deployment of the *infiNET*™ Fibre Optic Network beyond Saskatchewan's major cities to smaller centres, such as Rosthern, Emerald Park, Warman, Martensville, and White City
- Invested $4.3 million in rural 4G LTE upgrades, providing capacity improvements and extending LTE coverage
- Launched SaskTel smartHOME services that allow customers to control and monitor their home wherever they are from the convenience of their smart phone
- Introduced high-speed DSL service to 14 communities, providing increased choice and access to internet services in rural Saskatchewan, bringing the total number of DSL-served communities to 445
- Introduced new features for IBC that allow for business customers to have converged wireless and wireline service by giving the business access to advanced IBC telephony features on a wireless phone and with the appearance of a unified business number that adds convenience for the business and their customers
- Continued to improve the tools front-line staff use to provide customers with the services they want and need. The enhancements improve staff's ability to quickly and easily identify all the available services in a customer's location, saving them time and improving the overall customer experience

Deb Ottenbreit, Community Relations Specialist and Timothy Jones, Communications Manager-External, lead the Phones for a Fresh Start cell phone recycling drive.

INVESTING IN OUR COMMUNITIES

As an active member of our community, SaskTel continued its long tradition of investing in groups, activities, and causes that make Saskatchewan such a special place to live. Throughout 2017/18, the company was heavily involved in the community at a corporate and individual level. Both the corporation and its employees engaged in a wide breadth of community initiatives, including sponsorships, social causes, and volunteering. Some highlights of this activity include:

- Expanded SaskTel's partnership with Saskatchewan Rush to include TV broadcasts of their away games, giving everyone in the province the chance to participate in a growing cultural phenomenon
- Held the second I Am Stronger Pink Shirt Day rally against cyberbullying at Evan Hardy Collegiate in Saskatoon, where students learned how to deal with and take a stand against online bullying
- Acted as title sponsor to the nineteenth annual SaskTel Indigenous Youth Awards of Excellence. The awards honour Indigenous youth in 10 categories for outstanding achievements and commitments to their communities
- Employees joined the corporation and the SaskTel Pioneers, collecting 3,500 toys, books, and games for donation to the Jim Pattison Children's Hospital Foundation and pediatric wards across the province. They donated $27,000 to Teddy Bears Anonymous in SaskTel's Comfort for Kids Challenge

PROTECTING OUR ENVIRONMENT

Maintaining a healthy environment is important to everyone at SaskTel. With policies encouraging conservation, recycling, and protecting nature, our EnviroCare employee group and its engaged base of SaskTel employees are making sure our company is doing its part. This has helped our employees be more environmentally aware at home and at the office throughout 2017/18. Some examples include:

- Recycled 100,000 cell phones through SaskTel's Phones for a Fresh Start recycling program. SaskTel celebrated the occasion with the launch of its first ever cell phone recycling drive that saw Saskatchewan donate over 5,000 cell phones and accessories for recycling, diverting them from landfills
- EnviroCare spent June 17, 2017 partnering with Ducks Unlimited to help clean up a wetlands area near Yorkton. SaskTel volunteers and their families tidied up the trails and removed litter, making the area a safer place for recreation and a better environment for the animals that call it home
- EnviroCare conducted recycling efforts throughout the year, collecting bottles at SaskTel offices. As a result of their efforts, in February of 2018, they donated $300 to Salthaven West, a wildlife rehabilitation and education centre located in Regina
- Additional recycling funds were used to purchase and donate a solar panel to Minahik Waskahigan High School in Pinehouse Lake in March of 2018. The solar panel will support the operation of a small garden, and will teach the students about horticulture and alternate forms of generating energy

Management's Discussion and Analysis

Contents

INTRODUCTION

The following management's discussion and analysis (MD&A) focuses on the strategies, business operations, consolidated financial position, and results of operations of Saskatchewan Telecommunications Holding Corporation (SaskTel or the Corporation), including its major strategic business units and its subsidiaries. This discussion and analysis should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes on pages 43 to 80 of this report and includes information available to the Corporation up to May 31, 2018, unless otherwise stated.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Many sections of this discussion include forward-looking statements about SaskTel, its business outlook, objectives, plans and strategic priorities, the sources of liquidity we expect to use to meet our anticipated 2018/19 cash requirements, and our network deployment plans. A statement is forward-looking when it uses information known today to make an assertion about the future. Forward-looking statements may include words such as anticipate, believe, could, expect, intend, may, should, will, and similar expressions. 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.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions, and assumptions. Factors that can influence performance include, but are not limited to: general economic and political conditions; interest and exchange rates; performance; competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

OUR BUSINESS

WHEN IT COMES TO CONNECTING PEOPLE TO THEIR WORLD, SASKTEL IS SASKATCHEWAN'S HOME TEAM. WHETHER IT IS OUR UNRIVALLED WIRELESS NETWORKS, LIGHTNING-FAST INTERNET CONNECTIONS, CUTTING-EDGE INFORMATION TECHNOLOGY SERVICES, OR PROFESSIONAL ADVICE, SASKTEL IS WHERE YOU ARE—IN COMMUNITIES THROUGHOUT OUR GREAT PROVINCE AND AROUND THE WORLD, WHEN YOU NEED US. JUST LIKE OUR CUSTOMERS, SASKTEL IS NOT STANDING STILL—WE ARE GROWING AND CHANGING ALONG WITH YOU. NOW MORE THAN EVER, OUR CUSTOMERS ARE OUR FOCUS AND OUR STRENGTH IS OUR PEOPLE.

Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation is a Saskatchewan Crown corporation. The Holding Corporation's wholly-owned subsidiaries (SaskTel, Directwest, SecurTek, and SaskTel International) offer a wide array of products, services, and solutions to customers in Saskatchewan and around the world. The Holdco has a workforce of approximately 3,900 full-time equivalents (FTEs), making SaskTel one of Saskatchewan's largest employers.

SaskTel

directwest
A SASKTEL COMPANY

SecurTek
A SASKTEL COMPANY
MONITORED PREMISES

SaskTel International

SaskTel and its subsidiaries offer the widest breadth of communications and information technology networks, products, and services in Saskatchewan, including:

- World-class Fourth Generation (4G) and Long-Term Evolution (LTE) wireless networks
- SaskTel *infiNET* service in Estevan, Moose Jaw, Prince Albert, Regina, Rosthern, Saskatoon, Swift Current, Weyburn, and Yorkton
- Fusion interNET – comprehensive fixed wireless rural broadband access network
- SaskTel selectWi-Fi access in over 5,000 access points throughout the province
- *maxTV* service – extensive Internet Protocol Television footprint throughout the province
- Ubiquitous local access network throughout both urban and rural Saskatchewan
- Expansive data centre footprint and service capabilities
- A robust portfolio of cloud-based communications and information technology services
- Professional services and consulting expertise
- Directwest marketing services
- SecurTek commercial and residential video monitoring, access control, medical alert, lone worker, SaskTel smartHOME, and interactive services
- SaskTel International software and consulting solutions for communications service providers worldwide

SaskTel is highly competitive, achieving over $1.2 billion in annual revenue and approximately 1.4 million customer connections, including over 607,000 wireless accesses, 361,000 wireline network accesses, 279,000 internet accesses, and 110,000 *maxTV* service subscribers.

THE INDUSTRY ENVIRONMENT

THE INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) INDUSTRY ECOSYSTEM IN WHICH SASKTEL COMPETES CONTINUES TO UNDERGO RAPID CHANGE. THIS IS A RESULT OF THE RELENTLESS MARCH OF NEW TECHNOLOGIES, CONSTANTLY EVOLVING CUSTOMER NEEDS, THE ONGOING EMERGENCE OF NEW COMPETITORS, AND A CONTINUALLY CHANGING REGULATORY ENVIRONMENT. NONE OF THESE CHALLENGES CAN BE AVOIDED AND SASKTEL WILL PROACTIVELY ADAPT— WE CANNOT AND WILL NOT STAND STILL. AS THE INDUSTRY TRANSFORMS, WE ARE TRANSFORMING ALONG WITH IT.

The Business Climate

SaskTel operates within the Information and Communications Technology (ICT) industry. This industry continues to be characterized by a significant amount of change, as evidenced by:

- Rapid evolution of technology, competition, and customer needs
- "Cord cutting", "cord shaving", and "cord nevers"
- Broadband is becoming an essential service
- Increasing size and scale of competitors
- Cable companies and wireless competitors investing aggressively in new technologies
- The need for agile and innovative organizations
- Growth in the demand for digitally skilled talent
- Accelerating adoption of over-the-top (OTT) and cloud-based services
- Changes to television consumption habits
- Software and digitalization penetrating all aspects of service providers' businesses:
  - » Software-defined networks and network function virtualization
  - » big data and analytics
  - » virtual and augmented reality
  - » artificial intelligence applications
- The growing importance of cyber security
- The Internet of Things (IoT) is continuing to gain momentum
- Growth in data consumption and network utilization that is driving the development of 5G wireless networks and the expansion of fibre-based wireline services
- Persistent and disruptive regulatory change

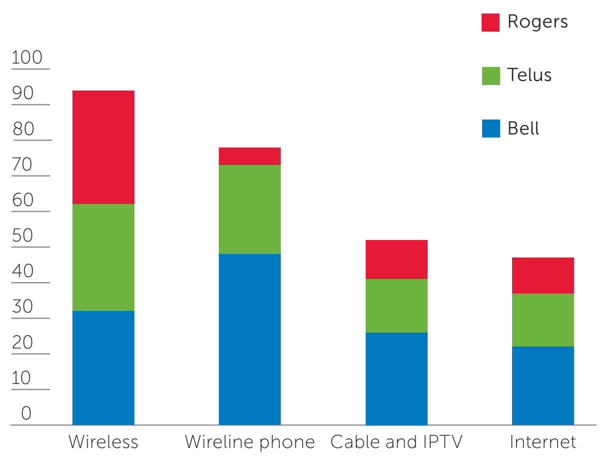
The ICT industry is one of the most dynamic industries in the world as evidenced by the amount of change taking place. It is necessary for service providers to proactively adapt, transform how they do business, and capture new opportunities that the industry is presenting.

Communications Services Sector

Communications Services is a major sector within the Canadian ICT industry. Communications Services has two characteristics that differentiate it from the other sectors within the industry:

1. A high degree of regulation
2. A high degree of concentration in three national players rounded out by several smaller, regional players[1]

The Big Three Carriers Dominate Three Out of Four Segments
(market share for selected companies and services, per cent)



Source: Canadian Media Concentration Research Project.

Concentration within the wireless segment continues and there is speculation that a fourth national carrier will emerge with encouragement from the CRTC. Analysts from global banking giant Barclays expect that this fourth carrier will pick up at least one-quarter of the market share in Western Canada and Ontario over the next several years.[2]

Despite providing the underlying connectivity that powers what can be characterized as the "golden age of digital technologies", the Communications Services sector has barely grown in recent years. In terms of GDP growth, the sector peaked in 2012—even with the explosion over the past decade in online services, the sector's price adjusted GDP has increased by just 5.7% (well below the 14% expansion of the Canadian economy as a whole over the same period).[3] Sector revenues have performed better, but the gains have been due mostly to price increases, which are not sustainable over the long run.[4]

Several circumstances are contributing to this slow growth condition, including[5]:

- Factors that are negatively impacting consumers' and businesses' willingness to increase their spending on communications services:
  - » High levels of consumer indebtedness
  - » Weak business confidence
  - » An aging population
- Continued declines in the traditional wireline phone segment with more customers moving to wireless-only
- Increased pressure on the paid-TV segment as consumers' viewing habits continue to evolve

Key Indicators

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Real GDP (2007 $ millions)	30,355	30,450	30,470	30,619	30,823	31,102	31,404	31,679	31,972
	0.4	*0.3*	*0.1*	*0.5*	*0.7*	*0.9*	*1.0*	*0.9*	*0.9*
Employment (000s)	145.0	139.3	131.4	113.8	123.4	125.7	125.7	126.2	126.8
	1.0	*-3.9*	*-5.7*	*-13.4*	*8.5*	*1.8*	*0.0*	*0.4*	*0.4*
Price index (2007 – 100)	113.9	117.7	118.6	119.2	120.9	122.9	124.7	126.6	128.5
	3.3	*3.3*	*0.8*	*0.5*	*1.5*	*1.6*	*1.5*	*1.5*	*1.5*
Revenues ($ millions)	64,816	66,103	67,166	68,441	69,940	71,721	73,487	75,253	77,053
	5.7	*2.0*	*1.6*	*1.9*	*2.2*	*2.5*	*2.5*	*2.4*	*2.4*
Costs ($ millions)	56,797	57,275	58,395	59,347	61,320	62,939	64,513	66,093	67,693
	5.5	*0.8*	*2.0*	*1.6*	*3.3*	*2.6*	*2.5*	*2.4*	*2.4*
Profits ($ millions)	8,019	8,828	8,771	9,094	8,619	8,781	8,973	9,160	9,370
	7.2	*10.1*	*-0.6*	*3.7*	*-5.2*	*1.9*	*2.2*	*2.1*	*2.3*
Profit margin (per cent)	12.4	13.3	13.1	13.3	12.3	12.2	12.2	12.2	12.2

Area to right of bolded vertical bar represents forecast data; italics indicate percentage change.
Complete dataset can be accessed on e-Data.
Sources: The Conference Board of Canada; Statistics Canada.

[1] Conference Board of Canada, "Canadian Industrial Outlook: Telecommunications", spring 2017, pg. 13.

[2] *National Post*, "Barclays predicts Shaw's rise to 'big four', Sept. 26, 2017.

[3] Conference Board of Canada, "Canadian Industrial Outlook: Telecommunications, autumn 2017, pg. 9.

[4] Conference Board of Canada, "Canadian Industrial Outlook: Telecommunications, autumn 2017, pg. 9.

[5] Conference Board of Canada, "Canadian Industrial Outlook: Telecommunications, spring 2017, pg. 14.

The wireless and internet access segments are still two bright spots within the Communications Services sector as digital lifestyles and business applications that require both mobility and high bandwidth continue to become more prevalent. While wireless prices have been increasing in other parts of the country, Saskatchewan is still being subjected to ongoing regional pricing on the part of the three national players, creating downward pressure on wireless revenue growth.

Software and Computer Services Sector

An area within the ICT industry that continues to present potential to offset declining legacy revenue and margin is through the development of new IT-based products and services within the Software and Computer Services sector. Increasing demand from business customers for managed networks, data centres, cloud services, unified communications and collaboration, managed security, and professional services is creating opportunities for incumbent carriers to develop new product offerings that complement the evolution of their networks.

The growing demand for, and acceptance of these new products, combined with the adoption of new technologies such as Network Function Virtualization (NFV) , Software-Defined Networking (SDN), and Operations Support System (OSS)/Business Support System (BSS) virtualization are also creating opportunities for substantial change in traditional operating models.[6] Over time, adoption of these new technologies should not only facilitate the capturing of new revenue streams but also contribute to cost savings.[7]

While opportunities exist, success will be predicated on significant transformations to the operational and business models of incumbent providers.

Key Industry Trends

The following trends are having a significant impact on the industry:

- Increasing speed of change to technology, customer demands, and competitors
- Need for incumbent service providers to become more flexible and agile
- Accelerating threat from OTT services
- Competitive advantages accruing to firms with larger size and scale
- Broadband is where industry battles for supremacy will be fought
- Software and digitalization are penetrating all aspects of business
- Cyber security challenges are becoming more important than ever
- Momentum is building behind the IoT

STRATEGIC DIRECTION

MAJOR INVESTMENTS IN BROADBAND INFRASTRUCTURE THROUGHOUT THE PROVINCE, COMBINED WITH OUR FOCUS ON CUSTOMER EXPERIENCE, IS PROVIDING THE PLATFORM FOR SASKTEL TO BE THE BEST AT CONNECTING PEOPLE TO THEIR WORLD. WE ALSO CONTINUE TO TRANSFORM THE COMPANY, LAYING THE FOUNDATION FOR SUCCESS WITH NEW PRODUCT LINES AND BUSINESS MARKETS. WE ARE BETTER POSITIONED THAN EVER TO ANTICIPATE, UNDERSTAND, AND RESPOND TO THE NEEDS OF SASKATCHEWAN PEOPLE.

Alignment to our Shareholder

SaskTel is a Crown corporation of the Province of Saskatchewan. In addition to the needs of the marketplace, the company's overall strategic direction is guided by the priorities of the provincial government.

In September 2012, the Government released the *Saskatchewan Plan for Growth: Vision 2020 and Beyond*. This multi-year plan serves as the governing framework for the future development of the province. Six core growth-oriented priorities were outlined in the plan, to which all Saskatchewan Crown corporations are expected to contribute:

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

The Government continues to be committed to the priorities outlined in the *Saskatchewan Plan for Growth*. As a result, SaskTel aligns itself to these priorities through prudent investments in infrastructure, development of a skilled workforce, ensuring competitiveness, and maintaining sound fiscal management.

SaskTel's vision, mission, core themes, and strategic goals were developed by the Board of Directors and Management with this direction from the Shareholder in mind.

[6] STL Partners/Telco 2.0 Executive Briefing, "Solution: Transforming to the Telco Cloud Service Provider (Part 2)", 2016, pg. 9.

[7] STL Partners/Telco 2.0 Executive Briefing, "Solution: Transforming to the Telco Cloud Service Provider (Part 2)", 2016, pp. 9–10.

Our Vision, Mission, and Values

VISION: To be the best at connecting people to their world.

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

VALUES: Honesty, Integrity, and Respect.

SaskTel's Future State

As changes to customer requirements, technology, competition, data traffic, and regulations continue to occur, SaskTel is progressing toward a transformation of our business. Investments in customer service, new network technologies, systems, processes, and workforce skills are ensuring that the company is well positioned for the future. While staying true to our history and our loyal customer base, SaskTel will continue to change so that we can remain the premier provider of next-generation information and communications technology services within the province of Saskatchewan. The experience that customers are demanding from SaskTel is evolving and we must change along with our customers. In order to achieve this, SaskTel is focusing on improvements through our Customer Experience (CX) First program. We invest heavily in customer self-serve capabilities, providing customers with a greater number of options for interacting with SaskTel.

Implementing state-of-the-art converged, intelligent communications networks is the foundation of SaskTel's future success. SaskTel will continue to provide unrivalled network capabilities and coverage throughout Saskatchewan. The development of this intelligent broadband network will result in an ubiquitous, seamless customer experience across networks and devices. Customers will have one broadband access that will be served via mobile, fixed, and Wi-Fi networks.

The intelligent broadband network will facilitate the delivery of new converged services for both consumers and businesses. Consumers will benefit from network access, packaged with communication, television, and security services. Businesses will be offered network access, data centre, and information technology (IT) services, providing end-to-end solutions.

Professional services, managed IT services, and managed cloud services will form the nucleus of our newer offerings.

Supporting the transformation of customer experience, along with the development of converged networks and services, will be an equally important transformation of SaskTel's information technology infrastructure. End-to-end business processes and systems will be updated, leading to enhanced capabilities in our service management activities. These new capabilities will better facilitate how customers do business with SaskTel, improve our speed to market, and make it easier for employees to do their work.

These investments in our future state will contribute to SaskTel continuing to differentiate itself by delivering outstanding connectivity, providing a unified experience, and remaining local and committed.

Core Theme: Transformation

As the world embraces the Digital Era, rapidly evolving technology is resulting in disruptions to our industry's economics, falling barriers to market entry, emerging non-traditional competitors, and vastly expanded consumer choice. These changes and the disruptions they bring make the core strategic theme of Transformation critical to the achievement of SaskTel's vision, mission, and future state.

There are five key drivers of Transformation that are affecting all companies within the ICT industry:

1. Stronger customer relationships, intimacy, brand
2. Business agility (speed, partnerships, new business models)
3. Operational efficiency
4. Product/service innovation
5. Growth opportunities (new and current markets)

SaskTel is very aware of these drivers and is taking steps to align the company's strategic goals, initiatives, and actions with the need to accelerate the company's transformation, ensuring that it remains competitive over the long term.

Strategic Goals

In line with our desired future state and the challenges and opportunities that the industry is presenting, SaskTel's Management and Board of Directors have identified five distinct, yet interrelated Strategic Goals that guide the company:

1. Deliver an outstanding customer experience
2. Increase broadband penetration
3. Capitalize on breadth of services
4. Accelerate transformation to an ICT provider
5. Grow revenue and profit from the business market

The following sections outline these goals along with achievements that have been accomplished towards each throughout 2017/18.

DELIVER AN OUTSTANDING CUSTOMER EXPERIENCE

Increasing customer expectations for speed, simplicity, and self-management options drive the need for continuous improvement to how SaskTel delivers services and interacts with its customers. The delivery of an outstanding end-to-end customer experience starts with initial customer contact, through to a potential sale, and culminating in the after-sales experience.

Serving the customer is ingrained in every facet of SaskTel. As employees of a local company that has deep customer relationships, we take great pride in knowing what our customers value and in designing and delivering a consistently outstanding customer experience. We are ambassadors living in communities throughout Saskatchewan and are proud to provide the communications and information technology infrastructure and services that our customers need, helping to make Saskatchewan a better place for everyone.

2017/18 ACHIEVEMENTS

- Ranked first in J.D. Power's 2017 TV and Internet Satisfaction Study for the fifth consecutive year
- Ranked second for overall network quality in Western Canada in the 2017 J.D. Power Canadian Wireless Network Quality Satisfaction Study
- Continued to implement our industry best-practice Customer Experience (CX) First program
- Increased our customer self-serve capabilities:
  - Enabled customers with the ability to administer their own account access and entitlements
  - Customers can purchase and manage data-sharing products online
  - Enabled customers to change *maxTV* packages, add or remove channels and theme packs, and manage internet plans and add-ons
- Evolved our capabilities in business intelligence and analytics, aimed at improving insights into customer needs
- Completed numerous wireless enhancements:
  - 700 MHz spectrum is now providing better and faster coverage in seven cities, including Estevan, Moose Jaw, North Battleford, Prince Albert, Swift Current, Weyburn, and Yorkton
  - Heterogeneous Network expansion in Regina was completed with the turn-up of three microcells, providing increased capacity in high-demand areas
  - Upgrades were made to the LTE networks serving Moose Jaw, North Battleford, Prince Albert, Swift Current, Weyburn, and Yorkton, increasing LTE capacity between 20% and 100%
  - LTE capacity was upgraded in 35 rural and resort communities. This has increased the LTE capacity in these communities between 20% and 100%

INCREASE BROADBAND PENETRATION

As customers' consumption of online content continues to increase, fixed and mobile broadband access services have become indispensable to their lives. Fast and reliable broadband access has now become as important to customers as local landline service once was.

Secure, intelligent broadband is envisioned as SaskTel's core service of the future, characterized by:

- Multiple networks that work together seamlessly
- Automatic use of the best network for customers' needs and location
- Built-in quality, controls, and security

2017/18 ACHIEVEMENTS

- Continued the build-out of Fibre to the Premises (FTTP) infrastructure in major centres, including expansion to Yorkton with plans to start construction in the Battlefords in 2018
- Launched a pilot project in Rosthern to test the feasibility of expanding *infiNET* service to more rural communities
- Implemented 34 new Fusion interNET towers, expanding the coverage of our rural fixed wireless high-speed service
- Upgraded high-speed internet service in 24 First Nations communities throughout the province, doubling or tripling the speed of the previous service
- Made high-speed services available in the resort community of Katepwa through SaskTel's Community Participation program and the District of Katepwa
- Made high-speed internet service available in numerous rural communities, including Air Ronge, Deer Valley, Fort Qu'Appelle, Goodeve, Guernsey, Kendal, La Ronge, Macoun, Neville, Pennant, Tantallon, Thomson Lake, Togo, and Yellow Creek
- Brought SaskTel selectWi-Fi service to Mosaic Place in Moose Jaw with plans for eight other city-owned facilities, making Moose Jaw one of the most connected cities in Saskatchewan
- Announced a five-year, four-phase initiative with the Saskatchewan government to provide rural communities with enhanced access to reliable cellular and high-speed internet services through increased investment in wireless infrastructure

CAPITALIZE ON BREADTH OF SERVICES

SaskTel, together with its subsidiaries and business partners, offers the widest breadth of services of any ICT provider in Saskatchewan. SaskTel will continue to focus efforts on the introduction of new managed and emerging services along with evolving our existing product portfolio; providing up-to-date products and services that meet the evolving needs of our customers. To capitalize on our breadth of services, SaskTel will continue to bundle services together to provide total solutions for select segments in both our consumer and business markets.

SaskTel provides greater value to customers by employing our multiple networks to deliver a unified experience, enabling services to work seamlessly across all devices and networks; something no other service provider in Saskatchewan is able to do.

2017/18 ACHIEVEMENTS

- Launched SaskTel's new home security and automation service, SaskTel smartHOME, which provides customers with 24/7 professional security monitoring, along with enabling home automation features such as smart lights, locks, thermostats, video cameras, and more
- Launched the Integrated Business Communications Wireless service, allowing businesses to be reached by their customers using one phone number for both their office and wireless phones
- Launched new *maxTV* GO apps to provide further entertainment options to customers
- Launched new emerging business services, including:
  - » Managed Wi-Fi for small and medium business
  - » Managed security for small and medium business
  - » Cisco Spark (cloud-based business communications suite)

ACCELERATE TRANSFORMATION TO AN ICT PROVIDER

Accelerating changes to communications and information technologies are resulting in:

- A reshaping of the industry's economics (e.g., greater rewards to scale, scope, and speed; downward pressure on cost structures)
- Falling barriers to market entry
- Emergence of non-traditional competitors that are disrupting traditional lines of business
- Increased consumer choice

The disruptions that these technological changes are unleashing show no signs of slowing. As a result, firms within our industry must proactively transform both their offerings and how they do business. SaskTel is taking steps to ensure that we accelerate our evolution as a company in line with the transformations that are taking place.

2017/18 ACHIEVEMENTS

- Implementation of enhancements to internal systems and processes aimed at achieving greater operational flexibility, agility, and speed continued throughout the year. There was a particularly strong focus on the development of customer self-serve capabilities and a plan for more agile service development processes
- Work continued with our partner Ericsson to roll out their MediaFirst platform to enhance *maxTV* service in 2018/19
- The CDMA wireless platform was exited, freeing up capital and resources for reinvestment in the future of wireless services
- A new ICT learning series was launched with the aim of providing all employees with enhanced knowledge around the changes occurring in our industry and business
- For the twelfth consecutive year, SaskTel was recognized as one of Saskatchewan's Top Employers by Mediacorp
- SaskTel was mentioned in the Forbes 2018 Canada's Best Employers list
- SaskTel was recognized as one of Canada's Top Employers for Young People for the sixth time by Mediacorp
- SaskTel was recognized as one of Canada's Best Diversity Employers for the eighth time by Mediacorp

GROW REVENUE AND PROFIT FROM THE BUSINESS MARKET

Continuing to make inroads in the business market is critical to SaskTel's future. There are opportunities for end-to-end delivery of business products and services (both IT-based managed and emerging services in addition to our existing portfolio of communications services) to our customers both at home and in select markets beyond Saskatchewan.

2017/18 ACHIEVEMENTS

- SaskTel's Tier III Data Centres in both Saskatoon and east of Regina continued to attract business from across the province
- Professional services engagements continued to increase
- Third party sales channels continue to expand with the establishment of value-added resellers within and outside Saskatchewan
- Established an out-of-province direct sales strategy to help increase sales activities and generate new revenues beyond Saskatchewan

PERFORMANCE MANAGEMENT

AS A CROWN CORPORATION OF THE PROVINCE OF SASKATCHEWAN, SASKTEL IS FUNDAMENTALLY RESPONSIBLE TO PROVIDE EXCEPTIONAL SERVICES AND STRONG FINANCIAL RETURNS TO OUR SHAREHOLDERS—THE PEOPLE OF THIS GREAT PROVINCE. TO ENSURE THAT THIS IS ACHIEVED, SASKTEL REGULARLY MONITORS THE COMPANY'S PERFORMANCE THROUGH A SET OF BALANCED SCORECARD INDICATORS.

Balanced Scorecard

SaskTel uses a balanced scorecard to monitor and measure performance in four areas critical to the company's long-term success: Customer, People, Operational Excellence, and Financial. The Key Success Measures (KSMs) found within the scorecard are strategic and quantitatively describe what the company's success looks like. The KSMs enable Management to track progress toward our strategic goals and make adjustments as required. Targets for each balanced scorecard measure were developed by Management and approved by the Board of Directors.

Balanced Scorecard Targets and Results

CUSTOMER PERSPECTIVE

2017/18 customer measures are once again strongly focused on customer satisfaction, given its importance as a differentiator for SaskTel. The customer perception indicators found within the customer perspective of the balanced scorecard provide insight into the effectiveness of our customer service activities and how well we are performing on our overall strategy of delivering an outstanding customer experience. For 2017/18, the customer perception measures that had been tracked for many years were discontinued in favour of two new measures focused on customer experience.

Measure	2016/17 Actual	2017/18 Actual	2017/18 Target	Result	2018/19 Target
Customer Satisfaction					
Customer experience – consumer	Baseline established	0.1 above 2016/17 baseline	0.1 above 2016/17 baseline	●	0.1 above previous year's results
Customer experience – business	Baseline established	Maintained 2016/17 baseline	0.1 above 2016/17 baseline	◉	0.1 above previous year's results
2017/18 Performance					
Baseline performance on the new customer experience indicators for both consumer and business market segments was established in 2016/17. These new indicators have provided us with more accurate insights into customers' actual experiences with SaskTel beyond simply their perceptions of our performance. In 2017/18, we achieved our target of improving our experience score by 0.1 above the 2016/17 baseline on our consumer market indicator. We maintained our performance on the baseline for our business market indicator, which is slightly below our target of a 0.1 score improvement. In 2018/19, we are targeting an improvement of 0.1 over our 2017/18 scores in both the consumer and business indexes.					

● Achieved ◉ Partially achieved ○ Not met

PEOPLE PERSPECTIVE

The people measures for 2017/18 were once again focused on two specific measures: employee engagement, and learning and growth. The results for both of these measures are provided by data collected through an annual employee survey. Due to provincial budget challenges, SaskTel did not undertake a survey in 2016/17. In 2017/18 a new vendor and survey methodology was implemented, and an employee survey was conducted. As a result, 2017/18 was a baseline-setting year for this indicator given that, due to differences in methodology from the previous survey provider, direct comparisons cannot be made to previous years. In coming years, SaskTel will continue to work with our new survey vendor to measure progress in both employee engagement and skill evolution given how crucial these two factors are to SaskTel's success in a very competitive industry.

Measure	2016/17 Actual	2017/18 Actual	2017/18 Target	Result	2018/19 Target
Employee Engagement					
Employee survey results for employee engagement	No survey conducted	Baseline established	Establish baseline	N/A	One percentage point above previous year's result
Learning & Growth					
Employee perception of skill evolution	No survey conducted	Baseline established	Establish baseline	N/A	One percentage point above previous year's result
2017/18 Performance					

Baseline performance on our employee engagement and skill evolution indicators was established in 2017/18. This year we were able to proceed once again with our surveying by developing a cost-effective approach to gather employee feedback via a survey administered through a new independent vendor. We were pleased with the participation rate: 79% of our employees took the time to share their thoughts. Their participation and input enabled us to establish solid new benchmarks that will allow us to measure changes into the future and track our progress. We are now moving forward with action plans, focused on the factors that mean the most to our employees.

We have always believed our people are our strength. Hearing from them and taking action based on their feedback is important to our business success. As a result, we are targeting a one-percentage-point improvement in 2018/19 in both of these indicators over our 2017/18 baseline performance.

OPERATIONAL EXCELLENCE PERSPECTIVE

Operational excellence measures focus on the execution of our FTTP program and SaskTel's overall operational efficiency as measured by earnings before interest, taxes, depreciation, and amortization (EBITDA) margin. The FTTP program is critical to improvements to our broadband access network, successful positioning versus our competitors, improvements to operational efficiency, and the ultimate delivery on our increase broadband penetration strategic goal.

Measure	2016/17 Actual	2017/18 Actual	2017/18 Target	Result	2018/19 Target
*FTTP Execution**					
Number of homes passed	15,542	16,367	13,959	●	18,763
Number of homes connected	21,989	20,358	15,965	●	20,135
Efficiency					
EBITDA margin	28.2%	28.1%	27.9%	●	29.2%
2017/18 Performance					

FTTP Execution

We are once again very pleased with the performance of our FTTP program in 2017/18. We exceeded our target for homes passed by 17.3%. We also exceeded our target for homes connected by 27.5% due to strong demand for *infiNET* service and successful door-to-door sales activities. Weather conditions in the fall of 2017 resulted in the best pathway construction season that the program has experienced. This allowed us to pass and connect more homes during this period than originally anticipated.

EBITDA margin is a key proxy for our overall operational efficiency. Once again, we have exceeded our 2017/18 target. Improvements in EBITDA margin performance continue to be a result of continuous improvement activities, such as Crown collaboration, business simplification and operational improvements, and controlled spending throughout the year.

* Only reflects results of SaskTel's Fibre to the Premises program.

● Achieved ◉ Partially achieved ○ Not met

FINANCIAL PERSPECTIVE

2017/18 financial measures focused on shareholder value, revenue, net income, and the intensity of capital investment. All of our key financial measures are focused on ensuring insight into the continuous improvement of SaskTel's long-term financial performance. This focus is important given financial pressures that the province of Saskatchewan is experiencing; industry changes that are placing pressure on SaskTel's revenues, costs, and profit margins; and the need to make significant investments in capital programs that are transforming our networks, operations, and service offerings. SaskTel will seek new revenue sources from within the business market as we move toward our strategic goal of growing revenue and profit from the business market. There will be a strong focus on continuous improvement of operational cost management.

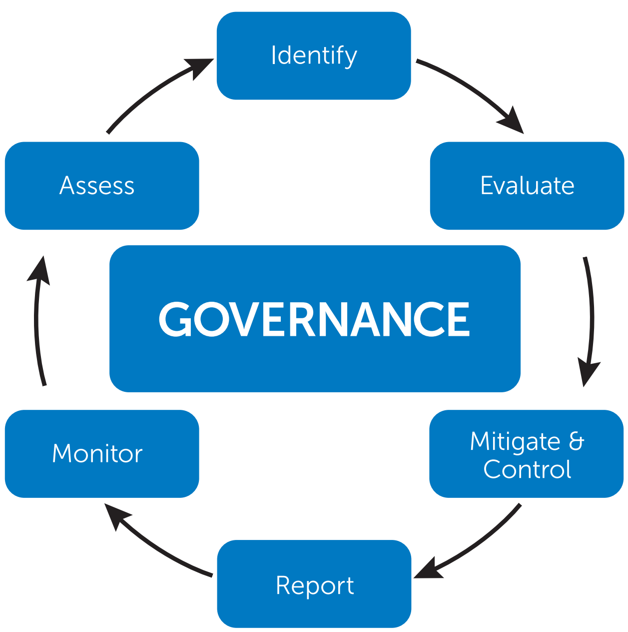
Measure	2016/17 Actual	2017/18 Actual	2017/18 Target	Result	2018/19 Target
Shareholder Value					
ROE	15.4%	11.9%	13.6%	◉	13.7%
Debt Ratio	47.9%	46.2%	51.2%	●	51.3%
Revenue					
Total Revenues	$1,277.2M	$1,253.2M	$1,320.5M	○	$1,317.8M
Revenue from Telco Business Market	$340.2M	$331.1M	$373.9M	○	$366.9M
Net Income					
Net Income	$134.8M	$121.0M	$122.1M	◉	$133.0M
Capital					
Capital Intensity	24.8%	24.1%	22.9%	○	22.8%
2017/18 Performance					
SaskTel's ROE and debt ratio are below the targets of 13.6% and 51.2% respectively, mainly due to equity increases to reflect the actual results of 2016/17 and significant OCI increases related to non-operating adjustments to the pension plans. Revenues are below target due to the current economic environment within Saskatchewan, regional wireless pricing, changing consumer behaviour and increasing competition. These factors are impacting SaskTel's opportunities to offset revenue declines from legacy wireline services. Net income was in line with the 2017/18 target due to a strong focus on the management of expenses. Capital intensity was above the target of 22.9% due to lower than targeted revenue, while capital spending was in line with the budget.					

● Achieved ◉ Partially achieved ○ Not met

RISK MANAGEMENT

All businesses are subject to uncertainty and risk that may affect their ability to achieve strategic goals and operational objectives. SaskTel actively manages risk exposures in relation to business priorities and risk tolerance. The ability to identify and respond to key risks resides in SaskTel's Governance, Risk and Compliance framework, which takes an enterprise-wide approach and integrates with Strategic Planning, Risk Management, Operations, and Internal Audit.

Every business unit plays a role in the risk management process, with SaskTel's Board of Directors, together with Senior Management, having ultimate responsibility for risk management at SaskTel. The process used to manage risk is depicted in the framework below.



Governance is provided by SaskTel's Board of Directors, Audit and Risk Committee, and Executive. SaskTel's risk appetite is determined through an approved Corporate Risk Matrix.

Key strategic and core business risks that could have a material effect on SaskTel's business are listed below. Additional risks and uncertainties deemed to be lower risk or risks that are currently unknown may also have a material effect on SaskTel's business.

Strategic Risks

SaskTel uses an integrated approach within the strategic planning process to identify strategic risks. The risks are determined based on the ability to achieve goals and targets outlined in the Strategic Plan. Realization of one or more of these risks may require SaskTel to modify its strategic direction.

DELIVER AN OUTSTANDING CUSTOMER EXPERIENCE

As a local company that has deep relationships with its customers, SaskTel takes great pride in knowing what is important to customers and differentiating itself from the competition by delivering an outstanding end-to-end customer experience while balancing the company's need for profitability. The risk associated with delivering an outstanding customer experience is as follows:

Competitive Capabilities
Continuous technological advancements and product transformation drive the need for greater speed and agility as an organization. System transformation, including the development of increased business intelligence capabilities, combined with agile processes and policies are critical to maintaining a competitive market position. It can be a lengthy and costly process to integrate and support both new and legacy systems.

ACCELERATE TRANSFORMATION TO AN ICT PROVIDER

The ICT industry continues to grow and evolve with the convergence of communications technology and information technology. While SaskTel transforms to an ICT provider to take advantage of new revenue opportunities, it must also adapt its business model to create improvements in scale, scope, speed, and cost management to ensure long-term profitability. Risks associated with transforming to an ICT provider include the following:

Operating Environment
New approaches to strategy, systems, and processes are required for managed and emerging services. Improving the operating and delivery model for these new services is essential to achieve customer satisfaction and competitive advantage.
Workforce
Continuously changing technology and supporting business models requires accompanying changes to workforce skills and a shift in mindset. The workforce must continually evolve to address technological transformation, aggressive competition, and increasing customer demands. Software, wireless, and data analytics skill sets present recruitment and retention challenges given that they are in high demand and short supply.
Regulatory
Telecommunications and broadcasting services are regulated by the federal government and its agencies, which continue to engage in regulatory reforms that are disadvantageous to incumbents, in particular regional operators such as SaskTel. These reforms often result in increased costs and add complexity to our business, and they impact profitability. Of particular concern is the CRTC's Basic Service Obligation decision, which will phase out the subsidy we receive for provision of local voice service in high-cost serving areas.

GROW REVENUE AND PROFIT FROM THE BUSINESS MARKET

SaskTel is pursuing opportunities for end-to-end delivery of IT-based new managed and emerging services, and existing communications services, both inside and outside the province. The risk associated with growing revenue and profit from the business market is as follows:

Business Market
Technological changes within the ICT industry are disrupting traditional lines of business. This makes it important for SaskTel to expand beyond legacy communications services and diversify into new managed and emerging services and new markets focused on business customers. New sales strategies, including working with partners both inside and outside the province is important for continued success.

Core Business Risks

Core Business Risks focus on SaskTel's risks associated with the execution of its business functions. This includes operational, financial, compliance, and legal risks.

OPERATIONAL RISKS

Operational risks focus on SaskTel's risks associated with the execution of SaskTel's business functions, such as business interruption, security, infrastructure, supply chain, change enablers, fulfillment, and assurance. Key operational risks are discussed below.

Systems and Information Security
Systems security involves the protection of systems and networks used to process, manage, and store customer, employee, operational, and competitive information. A strong security framework is necessary to maintain customer trust that their data is safe. Securing information systems today is complex due to the rate of change in technology, the growth of Internet Protocol (IP) services, the growing number of connected devices, increased cyber security breaches, the regulatory environment, and the continued risks associated with conducting business.
Business Interruption
SaskTel has a substantial investment in physical assets throughout the province. These assets are subject to damage or destruction from natural hazards, vandalism, and other forms of accidental loss that could result in reduced revenues, increased expenses, and impairment of asset values.
Technology
SaskTel's extensive communications network and information systems architecture has evolved to provide a variety of services ranging from traditional to cutting edge. Our confidence level in our network and systems is high. Given the complexity of the infrastructure, the possibility of a hardware or software failure impairing our ability to provide service cannot be ruled out.

FINANCIAL RISKS

Risks reviewed in this category include interest, foreign exchange, credit, financial misstatement, pension plan, investments, public reporting, revenue assurance, fraud, and cash flow. No significant core business financial risks are reported at this time. The Notes to Consolidated Financial Statements, Note 22 – *Financial instruments and related risk management* highlights some financial exposures and mitigations.

COMPLIANCE AND LEGAL RISKS

The compliance and legal risk category focuses on SaskTel's risks associated with our need to comply with laws and regulations. Risks reviewed in this category include contractual, professional, third party, statutory, environmental, governance, intellectual property, litigation, regulatory, and privacy. Litigation is SaskTel's key compliance and legal risk and is discussed below. More detail is available in Notes to Consolidated Financial Statements, Note 24 – *Commitments and contingencies*.

Litigation
SaskTel, like all businesses, faces the risk of legal action due to various activities undertaken. Employees interact with thousands of people daily and our assets are numerous and visible. Various aspects of legal risk exposure include contractual, professional, statutory, and third party liability, which could negatively impact SaskTel's results and reputation.

OPERATING RESULTS

FINANCIAL SUMMARY

Consolidated Net Income

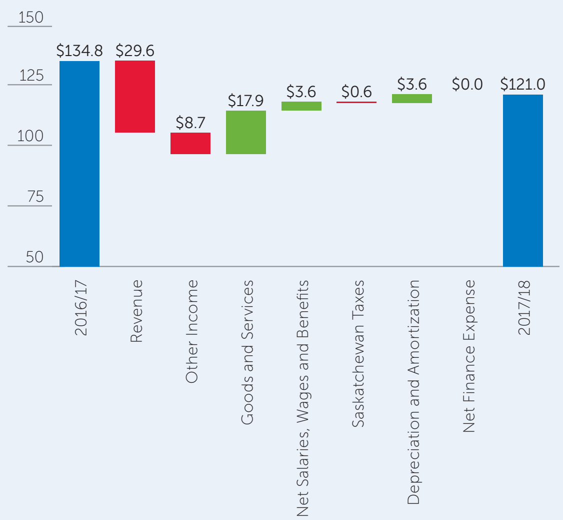
For the year ended March 31, ($ millions)	2018	2017	Change	%
Revenue	$ 1,253.2	$ 1,282.8	$ (29.6)	(2.3)
Other income	1.4	10.1	(8.7)	(86.1)
	1,254.6	1,292.9	(38.3)	(3.0)
Expenses				
Goods and services purchased	523.3	541.2	(17.9)	(3.3)
Salaries, wages, and benefits	377.7	380.6	(2.9)	(0.8)
Internal labour capitalized	(26.6)	(25.9)	(0.7)	2.7
Depreciation	157.6	163.0	(5.4)	(3.3)
Amortization	40.2	38.4	1.8	4.7
Saskatchewan taxes	26.8	26.2	0.6	2.3
	1,099.0	1,123.5	(24.5)	(2.2)
Results from operating activities	155.6	169.4	(13.8)	8.1
Net finance expense	34.6	34.6	–	0.0
Net income	$ 121.0	$ 134.8	$ (13.8)	(10.2)
Other comprehensive income	106.9	53.5	53.4	99.8
Total comprehensive income	$ 227.9	$ 188.3	$ 39.6	21.0

Consolidated Revenues

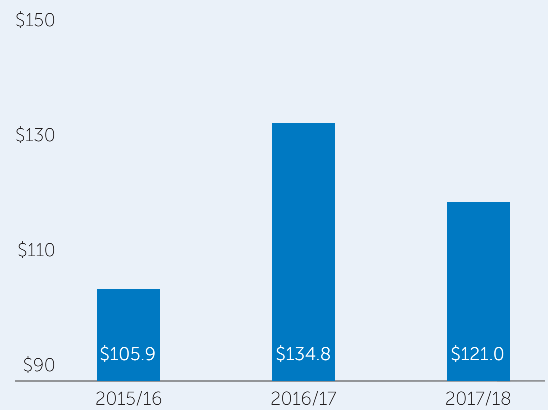
For the year ended March 31, ($ millions)	2018	2017	Change	%
Wireless services	$ 512.5	$ 526.5	$ (14.0)	(2.7)
maxTV service, internet, and data services	349.4	337.5	11.9	3.5
Local and enhanced services	197.6	214.5	(16.9)	(7.9)
Equipment	49.8	60.2	(10.4)	(17.3)
Long distance services	37.2	42.0	(4.8)	(11.4)
Marketing services	33.7	37.1	(3.4)	(9.2)
Security monitoring services	26.8	24.5	2.3	9.4
International software and consulting services	8.9	7.9	1.0	12.7
Other services	37.3	32.6	4.7	14.4
	$ 1,253.2	$ 1,282.8	$ (29.6)	(2.3)

NET INCOME

Net Income ($ Millions)



Net Income ($ Millions)



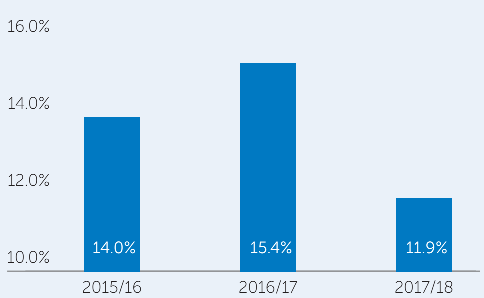
SaskTel provides strong returns to the province of Saskatchewan by managing its costs, optimizing its legacy services, introducing new competitive services and revenue growth in key business segments, including retail wireless, *maxTV* service, internet, data, and new and emerging products and services.

Net income is up year over year, excluding the one-time wholesale adjustment in 2016/17.

- ▼ Revenues decreased $29.6 million (2.3%) mainly due to decreased wholesale revenue from a one-time negotiation of a wholesale contract with other carriers in 2016/17 and due to decreases in equipment sales and legacy services such as local access, enhanced services, and long distance. These decreases were moderated by increases in internet, *maxTV* service, retail wireless, data, and managed and emerging revenues
- ▲ Goods and services purchased decreased $17.9 million (3.3%), largely due to Management's focus on controlled spending and decreased roaming rates with other carriers due to contract renegotiations
- ▲ Net salaries, wages, and benefits decreased by $3.6 million primarily due to workforce efficiency initiatives
- ▲ Depreciation and amortization decreased by $3.6 million primarily due to CDMA assets becoming fully depreciated and extending the useful lives of certain network assets

RETURN ON EQUITY

Return on Equity (Percentage)



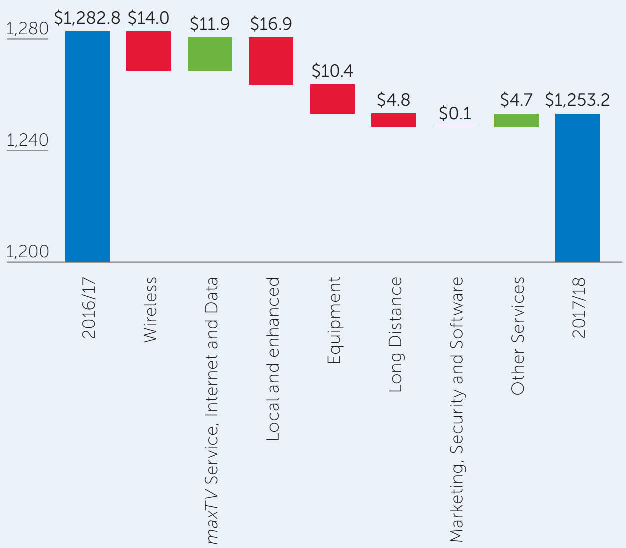
Return on equity decreased to 11.9% in fiscal 2017/18, down 3.5 percentage points from fiscal 2016/17.

- ▼ Net income decreased $13.8 million
- ▼ Accumulated other comprehensive income increased by $53.4 million as a result of net actuarial gains on SaskTel's defined benefit pension plan

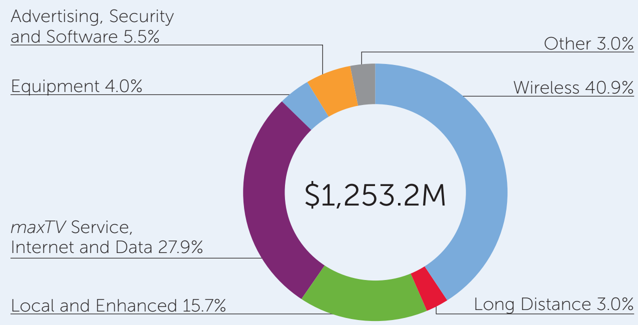
REVENUE

SaskTel's revenues are composed primarily of wireless (40.9%); *maxTV* service, internet, and data (27.9%); and local access, enhanced services, and long distance (15.7%). Legacy revenues continue to decline but this is offset by revenue growth in wireless retail and broadband. SaskTel offers its customers increasing internet bandwidth through improvements to its network infrastructure, including FTTP, Fusion interNET, and further expansions of DSL internet and wireless broadband to rural communities. SaskTel continues to grow its managed and emerging services portfolio by offering innovative ICT solutions, including managed cloud and Tier III Data Centre Services to its customers.

Revenues ($ Millions)

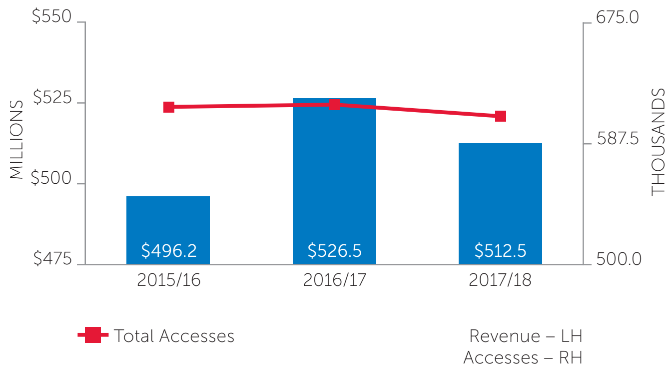


2017/18 Revenue Profile



- ▼ Revenues for the year ending March 31, 2018, were $1,253.2 million, down $29.6 million (2.3%) from the same period in 2016/17. The economic environment, regional wireless pricing, changing consumer behaviour, and increasing competition are impacting SaskTel's opportunities to offset revenue declines from legacy wireline services
- ▼ Wireless retail accesses and Average Revenue Per Unit (ARPU) continue to grow year over year. The net revenue decrease relates to the one-time negotiation of a wholesale contract in 2016/17
- ▲ *maxTV* service, internet, and data continue to post strong revenue growth of $11.9 million (3.5%) year over year Access growth remains strong and ARPU has increased
- ▼ Legacy wireline services such as local access, enhanced services, and long distance revenues decreased $21.7 million (8.5%) due to decreased accesses
- ▼ Equipment sales and professional services have declined $10.4 million (17.3%) compared to 2016/17, due to weaker economic conditions within Saskatchewan

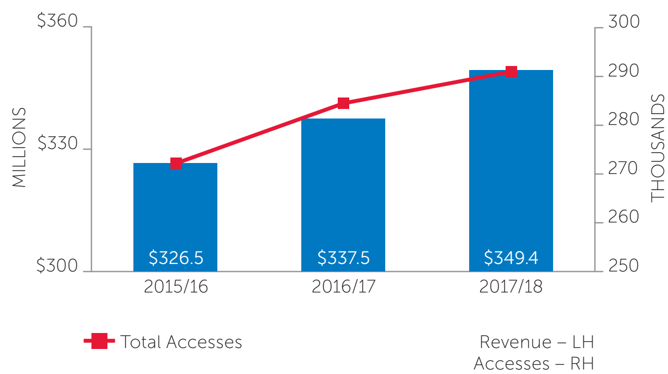
Wireless – Revenue and Accesses



WIRELESS SERVICES

Wireless revenues decreased by $14.0 million (2.7%) from 2016/17. This decrease relates to the one-time negotiation of a wholesale contract in 2016/17. This was partially offset by continued growth in wireless retail revenues reflecting a growing postpaid consumer base and a higher blended ARPU. ARPU growth is attributable to an increase in smart phone penetration of 1.2% and customers migrating to price plans that offer more data and features. Prepaid access counts decreased year over year as a result of the CDMA exit in July 2017, when a large number of inactive prepaid accounts were terminated.

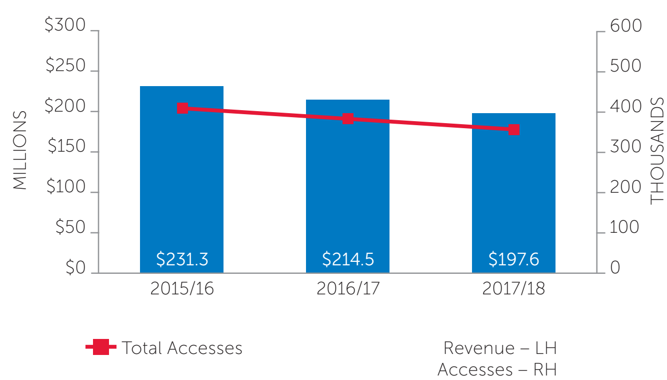
maxTV Service, Internet, and Data – Revenue and Accesses



maxTV SERVICE, INTERNET, AND DATA SERVICES

maxTV service, internet, and data services revenue increased by $11.9 million (3.5%). SaskTel's fibre-based services like *infiNET* service saw increased access growth of 21.6% as customers seek faster internet speeds. SaskTel launched 34 new Fusion interNET towers to expand its coverage of fixed wireless high-speed service. SaskTel upgraded high-speed internet service in 24 First Nations communities and expanded it to 14 new communities. This has contributed to both ARPU and access growth.

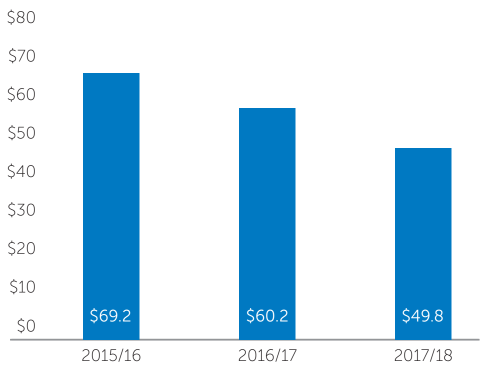
Local and Enhanced – Revenue and Accesses



LOCAL ACCESS AND ENHANCED SERVICES

Local access and enhanced services declined by $16.9 million (7.9%) from 2016/17. This decline is due to a 6.9% reduction in network accesses (2016/17 – 6.4%). Customers continue to replace their existing wireline services with a wireless alternative, a trend that SaskTel expects to continue.

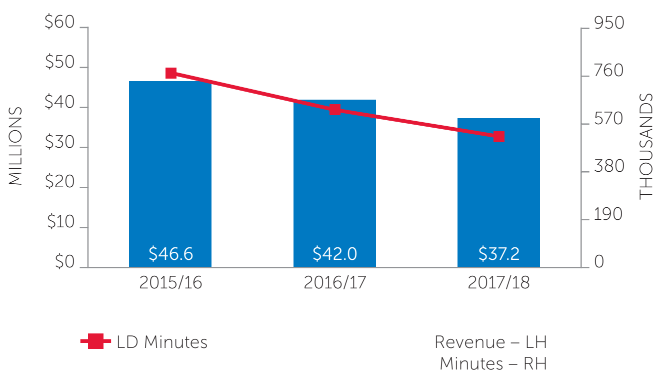
Equipment Revenue ($ Millions)



EQUIPMENT AND PROFESSIONAL SERVICES

Equipment revenues have decreased $10.4 million (17.3%) from 2016/17. SaskTel offers its customers consulting, design, training, implementation services, and equipment to ensure they receive the right solution for their business. Equipment and professional services sales have declined and are reflective of the current market conditions.

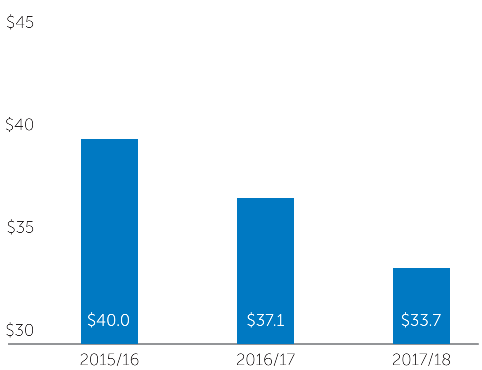
LD Revenue and Minutes



LONG DISTANCE

Long distance revenues have decreased $4.8 million (11.4%) from 2016/17, reflecting fewer minutes as a result of wireline access erosion, technology substitution to wireless, and internet-based services.

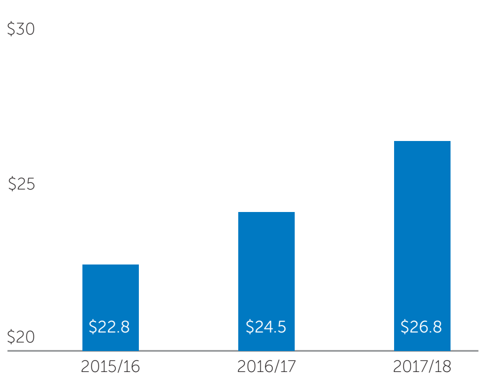
Marketing Revenues ($ Millions)



MARKETING SERVICES

Marketing services revenue decreased to $33.7 million in 2017/18, from $37.1 million in 2016/17, a decrease of $3.4 million (9.2%). These results continue to exceed the traditional directory industry, which has experienced significant financial pressures and ongoing revenue declines since its peak in 2008. SaskTel's strategy is to maintain its industry-leading marketing services revenue through its Mysask411 Solutions (bundling of print and digital products) and ability to prove total leads and return on investment to its customers while continuing to diversify with alternative marketing services.

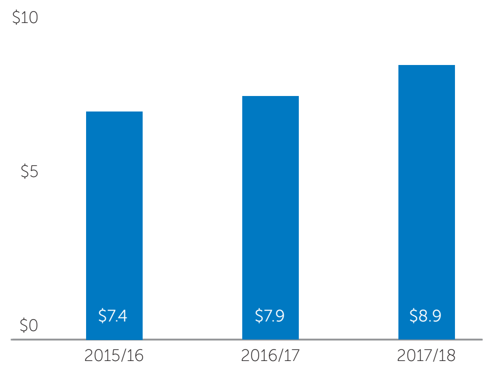
Security Monitoring Revenue ($ Millions)



SECURITY MONITORING SERVICES

Security monitoring revenues increased $2.3 million to $26.8 million in 2017/18, due to customer growth and increased use of value-added features. In 2017/18 SaskTel launched SaskTel smartHOME, a new home automation product that enables features such as smart lights, locks, thermostats, video cameras, and more. SaskTel continues to actively seek out business growth both organically and through customer account acquisitions.

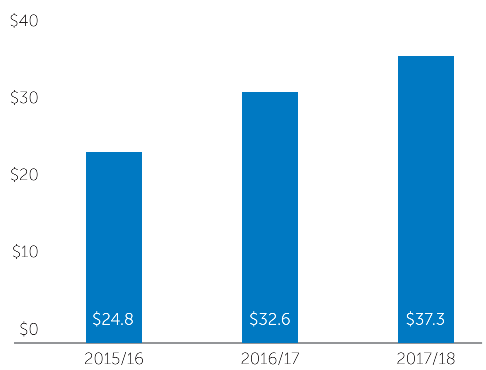
International Software Solutions and Consulting Revenue ($ Millions)



INTERNATIONAL SOFTWARE AND CONSULTING SERVICES

Software and consulting services revenues increased to $8.9 million in 2017/18, up $1.0 million from 2016/17, primarily due to increased professional services partially offset by lower maintenance and support fees.

Other Services Revenue ($ Millions)

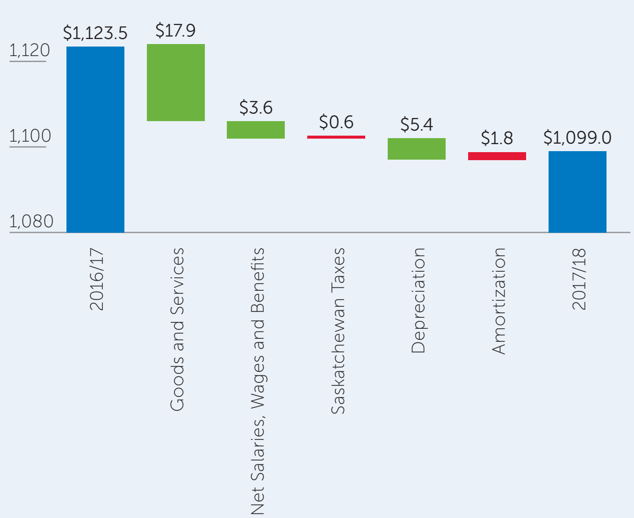


OTHER SERVICES

Other services revenues increased to $37.3 million in 2017/18, up $4.7 million (14.4%) from 2016/17. In 2017/18 this portfolio saw growth in new services in the IBC and Data Centre Service offerings.

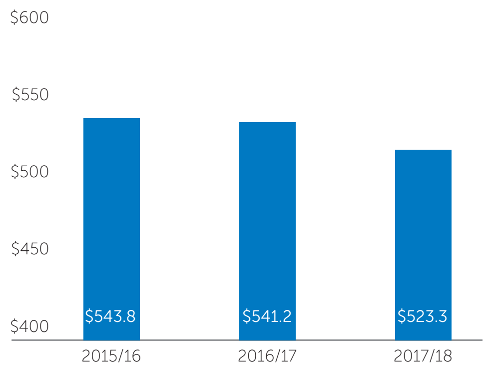
EXPENSES

Expenses ($ Millions)



- ▼ Expenses for the 12 months ending March 31, 2018, fell $24.5 million (2.2%) to $1,099.0 million
- ▼ Goods and services purchased decreased $17.9 million (3.3%) largely due to management's focus on controlled spending and decreased direct costs related to equipment sales and customer acquisition costs
- ▼ Net salaries, wages, and benefits decreased by $3.6 million primarily due to workforce efficiency initiatives
- ▲ Saskatchewan taxes increased $0.6 million as a result of increased corporate capital taxes
- ▼ Depreciation and amortization decreased by $3.6 million primarily due to CDMA assets becoming fully depreciated and extending the useful lives of certain network assets

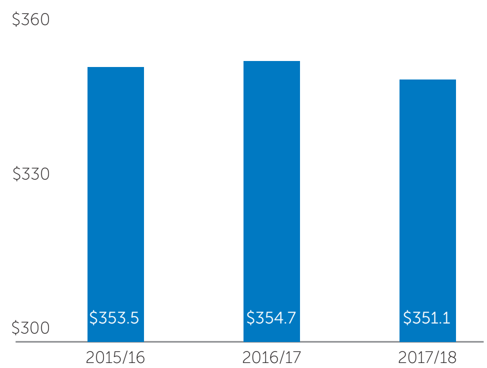
Goods and Services Purchased ($ Millions)



GOODS AND SERVICES PURCHASED

Goods and services purchased decreased to $523.3 million for fiscal 2017/18, down $17.9 million (3.3%) from 2016/17. This is a result of Management's focus on controlled spending, decreased roaming rates with other carriers due to contract renegotiations, and reduced wireless acquisition costs as a result of slower growth, current economic conditions, and a highly competitive marketplace.

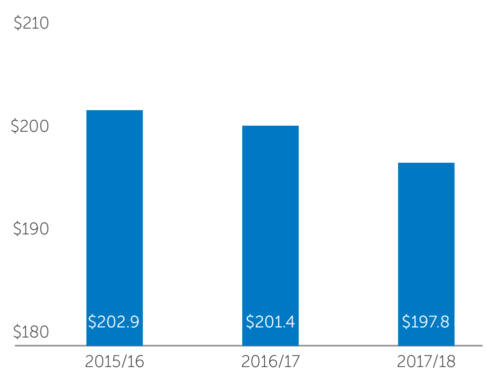
Net Salaries and Benefits ($ Millions)



SALARIES, WAGES, AND BENEFITS (NET OF INTERNALLY CAPITALIZED LABOUR)

Net salaries, wages, and benefits decreased to $351.1 million, down $3.6 million primarily due to workforce efficiency initiatives.

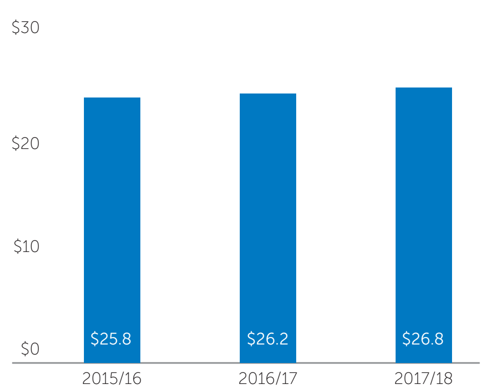
Depreciation and Amortization ($ Millions)



DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense decreased to $197.8 million in 2017/18, down $3.6 million from 2016/17. This is primarily due to CDMA assets becoming fully depreciated in 2017 and extending the useful lives of certain network assets.

Saskatchewan Taxes ($ Millions)



SASKATCHEWAN TAXES

Taxes represent the payment of corporation capital tax to the province of Saskatchewan and grants-in-lieu of taxes paid to cities, towns, villages, rural municipalities, and northern sites in Saskatchewan.

Taxes were $26.8 million in 2017/18, up $0.6 million from 2016/17.

NET FINANCE EXPENSE

($ millions)	2017/18	2016/17	Change	%
Net Finance Expense	$ 34.6	$ 34.6	$ –	0.0

Net finance expense was flat year over year. Variances within net finance expense include an increase in interest on long-term debt due to new long-term debt issued in late 2016/17 and early 2017/18 offset by increased financing income, reduced interest expense on the defined benefit plan and sinking funds market losses recognized in net income in the previous year that are recognized in OCI upon the adoption of IFRS 9 effective April 1, 2017.

OTHER COMPREHENSIVE INCOME

($ millions)	2017/18	2016/17	Change	%
Other comprehensive income (loss)	$ 106.9	$ 53.5	$ 53.4	99.8

Other comprehensive income increased to $106.9 million, up $53.4 million from 2016/17. The increase resulted from changes in actuarial assumptions related to the assets and liabilities of the defined benefit pension plan and the service recognition defined benefit plan (e.g., the discount rate used to calculate the liabilities of the plans, mortality assumptions, and inflation assumptions). The assumptions are disclosed in Note 19 – *Employee Benefits* of the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

CASH PROVIDED BY OPERATING ACTIVITIES

($ millions)	2017/18	2016/17	Change	%
Operating activities	$ 332.7	$ 324.1	$ 8.6	2.7

Cash provided by operating activities for the fiscal year ended March 31, 2018, was $332.7 million, up $8.6 million from the previous year primarily due to reduced working capital requirements, partially offset by reduced net income after adjusting for the impact of non-cash adjustments.

CASH USED IN INVESTING ACTIVITIES

($ millions)	2017/18	2016/17	Change	%
Investing activities	$ 293.0	$ 311.9	$ (18.9)	(6.1)

Cash used in investing activities was $293.0 million for the fiscal year ended March 31, 2018, down $18.9 million from the previous year, primarily due to data centre functionality and the Mosaic Stadium infrastructure project in 2016/17. Total cash invested in property plant and equipment was $245.0 million, down $19.8 million from 2017. Spending on intangible assets decreased $2.7 million to $51.1 million. Government funding decreased $3.6 million in 2018 to $3.1 million. Additional details of the 2018 capital program are included in the Capital expenditures section.

CASH USED IN FINANCING ACTIVITIES

($ millions)	2017/18	2016/17	Change	%
Financing activities	$ 33.5	$ 17.2	$ 16.3	94.8

Cash used in financing activities was $33.5 million for the fiscal year ended March 31, 2018, compared to $17.2 million for the previous year. This is primarily due to reduced short-term borrowings and increased dividend payments, partially offset by long-term borrowing compared to 2016/17. SaskTel paid dividends of $89.9 million to Crown Investment Corporation during the fiscal year ending March 31, 2018, an increase of $59.9 million over the previous year. During the last five fiscal years, SaskTel paid a total of $307.2 million in dividends while maintaining a debt ratio within industry standards.

CAPITAL MANAGEMENT

($ millions)	March 31, 2018	March 31, 2017	Change	%
Long-term debt	$ 953.5	$ 851.9	$ 101.6	11.9
Short-term debt	143.1	177.1	(34.0)	(19.2)
Less: Sinking funds	155.6	141.0	14.6	10.4
Cash and short-term investments	17.3	11.1	6.2	55.9
Net Debt	923.7	876.9	46.8	5.3
Equity[1]	1,073.7	954.7	119.0	12.5
Capitalization	$ 1,997.4	$ 1,831.6	$ 165.8	9.1
Debt Ratio	46.2%	47.9%	1.7	3.5

[1] Equity for the purposes of calculating the debt ratio is defined as equity advances, accumulated other comprehensive income (loss) and retained earnings at the end of the period.

SaskTel's debt ratio decreased to 46.2% at March 31, 2018, down from 47.9% at March 31, 2017. The overall level of net debt increased $46.8 million, primarily to fund continued investment in property, plant and equipment and intangible assets, as well as increased dividends. Equity increased $119.0 million after recording net income of $121.0 million, other comprehensive income of $106.9 million, and declaring dividends of $108.9 million.

Debt Instruments

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

The weighted average interest rate on SaskTel's fixed rate debt was approximately 4.68% at March 31, 2018, and 4.87% at March 31, 2017. The weighted average interest rate of the short-term debt outstanding at March 31, 2018, was 1.31% and 0.60% at March 31, 2017.

The interest rate on SaskTel's debt depends on the credit rating of the Province of Saskatchewan, which issues debt on SaskTel's behalf. The following table lists the credit ratings of the province at March 31, 2018.

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

Access to Capital

The primary uses of cash in 2018/19 will be property, plant and equipment, and intangible asset expenditures, growth initiatives, and dividend payments.

The 2018/19 plan assumes that funding of capital expenditures, growth initiatives, and dividend payments will be initially from operations. Additional funding will be accessed through short-term notes and long-term debt issued through the Province of Saskatchewan.

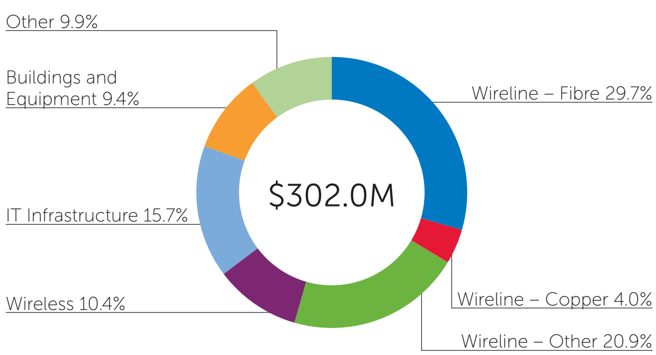
Credit facilities consist of up to $500 million in combined lines of credit with financial institutions and advances from the Province of Saskatchewan. At March 31, 2018, SaskTel had accessed $143.1 million of these facilities.

Besides this credit facility, SaskTel has authority to issue up to $1.3 billion in combined short-term and long-term debt. Total outstanding debt was $1,096.6 million at March 31, 2018, and $1,029.0 million at March 31, 2017.

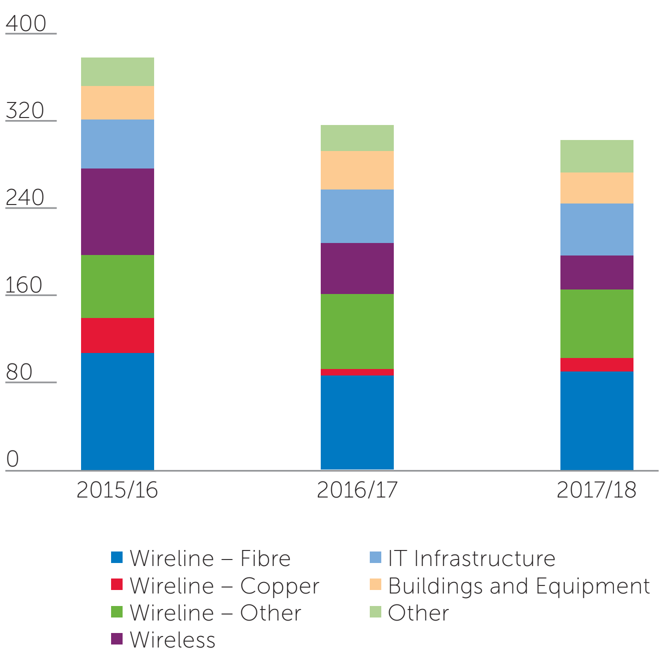
CAPITAL EXPENDITURES

SaskTel operates the most extensive networks in Saskatchewan and is a result of investing in Saskatchewan for over 100 years. SaskTel invested an additional $302.0 million in capital expenditures during 2017/18 (2016/17 – $316.1 million) to improve our customer's experience today and create opportunities to provide additional enhancements and capabilities in the future. Of the $302.0 million, $250.8 million (2016/17 – $259.3 million) was spent on property, plant and equipment, including; Fibre to the Premises, wireless networks (LTE and Wi-Fi), access demand, and SaskTel facility renovation; while the remaining $51.2 million (2016/17 – $56.8 million) was spent on intangible assets such as customer support systems and inventory management systems.

Capital Expenditures 2017/18



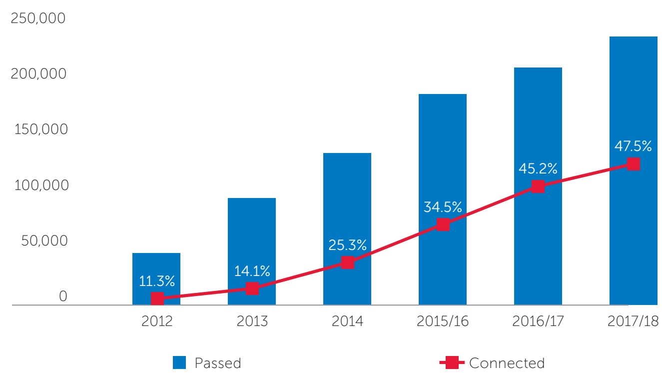
Capital Expenditures ($ Millions)



Fibre to the Premises (2017/18 – $56.4 million)

The Fibre to the Premises program is a 12-year program to upgrade broadband facilities and bring SaskTel *infiNET* service, our new fibre optic network, right to our customers' doors in Saskatchewan's nine major centres: the Battlefords, Estevan, Moose Jaw, Prince Albert, Regina, Saskatoon, Swift Current, Weyburn, and Yorkton. The fibre network can deliver download speeds up to 300 Mbps, upload speeds up to 80 Mbps, high-definition and feature-rich media services to seven high-definition televisions simultaneously, the ability to record up to four shows at once, while lowering ongoing customer delivery costs.

Fibre to the Premises (Consumer and Business)



4G, LTE, and Wi-Fi (2017/18 – $31.4 million)

SaskTel's wireless LTE network is the largest LTE network in Saskatchewan and covers 99% of the residents in the province. SaskTel selectWi-Fi provides over 5,000 access points in over 2,000 locations spread across 25 communities in Saskatchewan, making it the largest Wi-Fi network available in Saskatchewan. These ongoing investments result in increased data speeds and improved coverage that positively impact customer experience and provide the speeds and capabilities to travel the internet, watch and listen to multimedia content and access cloud-based services on their smart phone devices without delay.

Access Demand (2017/18 – $30.5 million)

The Access Network Demand program is an ongoing program to add infrastructure to new neighbourhoods and increases capacity in existing neighbourhoods so that customers may access all the services that SaskTel has to offer.

Other Network Improvements (2017/18 – $77.8 million)

SaskTel has invested in other areas of its network to increase capacity and modernize key components so that it may meet the needs of Saskatchewan residents and businesses and continue to support the growing economy. These improvements include: capacity improvements to our wireline and wireless networks; improvements to our rural transport infrastructure to accommodate rural growth of fixed and mobile voice, video and data services, and expansion of northern fibre facilities, which will bring high-speed bandwidth services to northern residents and businesses.

SaskTel Facility Renovation (2017/18 – $21.3 million)

SaskTel facilities are a vital part of SaskTel's network. These facilities host a large amount of critical network equipment used to provide Telco services to SaskTel customers. The current facility renovation program includes replacing end-of-life electrical equipment, which will provide greater capacity, reliability, and maintainability. Building upgrades will protect the critical site's infrastructure from air and water penetration and provide greater energy efficiency.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

SaskTel's discussion and analysis of our financial position and results of operations are based on the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Significant accounting policies, estimates, and judgments are contained in the consolidated financial statements. See *Basis of presentation (Note 2)* to the consolidated financial statements for accounting policies, estimates, and judgments applicable to the financial statements as a whole, as well as specific notes for more information about the accounting principles, estimates, and judgments that SaskTel uses for each applicable account in preparing its financial statements. Certain of these policies could have a significant impact on financial results, including: capitalization and depreciation or amortization of property, plant and equipment, and intangible assets; impairment of assets and cash-generating units, assumptions related to pension obligations and the fair value of financial instruments.

Note 2 also describes key changes in accounting standards as well as proposed changes to accounting standards that have not yet been adopted, and how they affect our financial statements.

FIVE-YEAR RECORD OF SERVICE

Consolidated Statement of Income and Other Comprehensive Income

($ millions)	12 months ended March 31, 2018	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	12 months ended December 31, 2013
Revenue	$ 1,253.2	$ 1,282.8	$ 1,569.6	$ 1,231.0	$ 1,205.7
Other income	1.4	10.1	4.6	1.7	14.2
	1,254.6	1,292.9	1,574.2	1,232.7	1,219.9
Expenses					
Goods and services purchased	523.3	541.2	673.9	548.9	541.6
Salaries, wages, and benefits	377.7	380.6	474.8	374.4	364.4
Internal labour capitalized	(26.6)	(25.9)	(27.3)	(23.1)	(22.8)
Depreciation	157.6	163.0	211.4	166.2	155.5
Amortization	40.2	38.4	43.6	41.5	27.6
Saskatchewan taxes	26.8	26.2	31.0	25.8	25.7
	1,099.0	1,123.5	1,407.4	1,133.7	1,092.0
Results from operating activities	155.6	169.4	166.8	99.0	127.9
Net finance expense	(34.6)	(34.6)	(40.1)	(22.6)	(37.2)
Net income	$ 121.0	$ 134.8	$ 126.7	$ 76.4	$ 90.7
Other comprehensive income (loss)	106.9	53.5	(5.9)	(57.3)	190.6
Total comprehensive income	$ 227.9	$ 188.3	$ 120.8	$ 19.1	$ 281.3

Consolidated Statement of Financial Position

As at ($ millions)	March 31, 2018	March 31, 2017	March 31, 2016	December 31, 2014	December 31, 2013
Current assets	$ 214.7	$ 232.9	$ 218.9	$ 167.2	$ 181.2
Property, plant, and equipment	1,779.5	1,693.2	1,594.3	1,511.6	1,451.5
Other long-term assets	495.7	468.4	439.9	390.1	361.0
Total assets	$ 2,489.9	$ 2,394.5	$ 2,253.1	$ 2,068.9	$ 1,993.7
Current liabilities	$ 408.7	$ 422.3	$ 463.1	$ 375.3	$ 518.1
Long-term debt	953.5	851.9	777.3	776.8	581.2
Other long-term liabilities	54.0	165.6	216.4	203.8	147.2
Province of Saskatchewan's equity	1,073.7	954.7	796.3	713.0	747.2
Total liabilities and Province of Saskatchewan's equity	$ 2,489.9	$ 2,394.5	$ 2,253.1	$ 2,068.9	$ 1,993.7

Consolidated Statement of Cash Flows

($ millions)	12 months ended March 31, 2018	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	12 months ended December 31, 2013
Cash and cash equivalents, beginning of year	$ 11.1	$ 16.1	$ 8.9	$ 24.4	$ 3.5
Cash provided by operating activities	332.7	324.1	333.6	271.0	275.2
Cash used in investing activities	(293.0)	(311.9)	(370.4)	(279.1)	(341.1)
Cash provided by (used in) financing activities	(33.5)	(17.2)	44.0	(7.4)	86.8
Increase (decrease) in cash from continuing ops	6.2	(5.0)	7.2	(15.5)	20.9
Cash and cash equivalents, end of year	$ 17.3	$ 11.1	$ 16.1	$ 8.9	$ 24.4

Financial Indicators

($ millions)	12 months ended March 31, 2018	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013
Return on equity	11.9%	15.4%	16.8%	10.5%	14.0%
Debt ratio	46.2%	47.9%	51.9%	52.8%	49.1%
Dividends declared	$ 108.9	$ 30.0	$ 37.5	$ 53.3	$ 81.1
Dividends paid	$ 89.9	$ 30.0	$ 30.0	$ 83.7	$ 73.6
Capital expenditures	$ 302.0	$ 316.1	$ 378.0	$ 282.7	$ 355.8

Consolidated Statement of Income and Other Comprehensive Income

($ millions)	Q4 2017/18	Q3 2017/18	Q2 2017/18	Q1 2017/18	Q4 2016/17	Q3 2016/17	Q2 2016/17	Q1 2016/17
Revenue	$ 309.8	$ 317.1	$ 317.0	$309.3	$ 334.6	$ 319.8	$ 317.6	$ 310.8
Other income	(0.4)	0.7	0.3	0.8	7.8	(0.7)	1.2	1.8
	309.4	317.8	317.3	310.1	342.4	319.1	318.8	312.6
Expenses								
Goods and services purchased	124.3	142.0	133.0	124.0	134.1	150.4	134.5	122.2
Salaries, wages, and benefits	95.9	95.4	91.9	94.5	98.7	94.9	91.7	95.3
Internal labour capitalized	(7.1)	(6.9)	(6.1)	(6.5)	(6.8)	(6.6)	(6.1)	(6.4)
Depreciation	38.8	38.6	38.4	41.8	39.9	41.5	39.5	42.1
Amortization	10.2	10.1	10.1	9.8	9.7	9.4	9.5	9.8
Saskatchewan taxes	5.5	5.9	6.2	9.2	5.1	4.9	6.8	9.4
	267.6	285.1	273.5	272.8	280.7	294.5	275.9	272.4
Results from operating activities	41.8	32.7	43.8	37.3	61.7	24.6	42.9	40.2
Net finance expense	(8.3)	(8.4)	(9.2)	(8.7)	(8.4)	(15.1)	(6.8)	(4.3)
Net income	$ 33.5	$ 24.3	$ 34.6	$ 28.6	$ 53.3	$ 9.5	$ 36.1	$ 35.9
Other comprehensive income (loss)	21.2	90.2	(0.5)	(4.0)	10.2	59.7	(5.1)	(11.4)
Total comprehensive income	$ 54.7	$ 114.5	$ 34.1	$ 24.6	$ 63.5	$ 69.2	$ 31.0	$ 24.5

Annual Operating Statistics

	March 31,			December 31,	
As at	2018	2017	2016	2014	2013
Customer Accesses					
Wireless*	607,448	615,882	614,221	618,083	615,694
Wireline*	361,350	388,519	413,052	442,471	466,639
Internet (includes *maxTV* subscribers)	279,031	275,356	264,196	258,705	253,256
maxTV subscribers	110,881	110,591	107,321	103,716	101,147
Total accesses	1,358,710	1,390,348	1,398,790	1,422,975	1,436,736

* Does not include SaskTel internal use.

	12 months ended March 31, 2018	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013
Employees and payroll					
Total employees	3,880	3,916	3,956	3,999	4,079
Salaries earned (000s)	$ 325,095	$ 326,761	$ 361,265	$ 322,173	$ 314,390

GLOSSARY

4G (Fourth Generation): The generation of wireless technologies that includes HSPA+, LTE, and LTE advanced, as defined by the International Telecommunications Union.

Broadband: Telecommunications services that allow the simultaneous high-speed transmission of voice, data, and video at speeds of 1.5 Mbps and above.

CDMA (code division multiple access): A wireless technology that spreads a signal over a frequency band that is larger than the signal in order to enable the use of a common band by many users and achieve signal security and privacy.

CRTC (Canadian Radio-television and Telecommunications Commission): The federal regulator for radio and television broadcasters, and cable TV and telecommunications companies in Canada.

Data centre: A facility for hosted applications and data storage and management.

Fibre network: Hair-thin glass fibres along which light pulses are transmitted. Optical fibre networks are used to transmit large amounts of data between locations.

FTTx (Fibre to the x): A collective term for any broadband network architecture using optical fibre to replace all or part of the existing copper local loops. FTTH denotes fibre to the home, FTTP denotes premises, and FTTN denotes node or neighbourhood.

HSPA+ (high-speed packet access plus): A 4G technology capable of delivering manufacturer-rated wireless data download speeds of up to 21 Mbps (typical speeds of 4 to 6 Mbps expected). HSPA+ dual-cell technology can double those download speeds.

Internet of Things (IoT): A network of uniquely identifiable end points (or things) that interact without human intervention, most commonly over a wireless network. These systems collect, analyze, and act on information in real time and can be deployed to enable the creation of smart connected businesses, homes, cars, and cities.

IP (Internet Protocol): A packet-based protocol for delivering data across networks.

IPTV (Internet Protocol Television): A television service that uses a two-way digital broadcast signal sent through a network by way of a streamed broadband connection to a dedicated set-top box.

LTE (Long-Term Evolution): A 4G mobile telecommunications technology that is the leading global wireless industry standard.

Over-the-top (OTT): Content, services and applications in a video environment where the delivery occurs through a medium other than the established video delivery infrastructure.

Postpaid: A conventional method of payment for services where a subscriber is billed and pays for a significant portion of services and usage in arrears, after consuming the services.

Prepaid: A method of payment for wireless services that allows a customer to prepay for a set amount of airtime and/or data in advance of actual usage.

Roaming: A service offered by wireless network operators that allows subscribers to use their mobile phones while in the service area of another operator.

Spectrum: The range of electromagnetic radio frequencies used in the transmission of voice, data, and video. The capacity of a wireless network is in part a function of the amount of spectrum licensed and used by the carrier.

Wi-Fi (wireless fidelity): Networking technology that allows any user with a Wi-Fi-enabled device to connect to a wireless access point or hotspot in high-traffic public locations.

NON-GAAP AND OTHER FINANCIAL MEASURES

Capital intensity: This measure provides a basis for comparing the level of capital expenditures to those of other companies of varying size within the same industry.

This measure is calculated as capital expenditures (excluding spectrum licences and non-monetary transactions) divided by total operating revenues.

Debt ratio: The debt ratio measures the capitalization of the Corporation. This measure allows for capital structure comparison with other companies in the same industry.

It is defined as net debt divided by total capitalization. Net debt is defined as long-term and short-term debt minus cash and sinking funds. Total capitalization is defined as net debt plus period end equity.

EBITDA (earnings before interest, taxes, depreciation, and amortization): EBITDA is used as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric.

EBITDA is defined as operating revenue minus operating expenses. Operating revenue is defined as total revenue exclusive of other income. Operating expenses are defined as the sum of goods and services purchases, salaries, wages, and benefits less internal labour capitalized.

EBITDA margin: EBITDA margin is the percentage of operating revenue available for debt coverage, capital investment, and return to the shareholder. EBITDA margin is defined as EBITDA divided by operating revenue.

ROE (return on equity): ROE measures the return to the shareholders based on the equity retained by the Corporation. The calculation is defined as net income divided by average equity for the fiscal period.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, included in the annual report of Saskatchewan Telecommunications Holding Corporation for the fiscal year ended March 31, 2018, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The policies set out have been consistently applied to all the periods presented unless otherwise noted. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

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

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

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

Doug Burnett
Acting President and
Chief Executive Officer
May 31, 2018

Charlene Gavel
Chief Financial Officer

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Doug Burnett, Acting President and Chief Executive Officer of Saskatchewan Telecommunications Holding Corporation (SaskTel), and I, Charlene Gavel, Chief Financial Officer of SaskTel, certify the following:

a. That we have reviewed the financial statements included in the annual report of SaskTel. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the annual report, fairly present, in all material respects, the financial condition, results of operations, and cash flows, as of March 31, 2018, and for the periods presented in the financial statements.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the annual report of SaskTel do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskTel is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskTel has designed internal controls over financial reporting that are appropriate to the circumstances of SaskTel.

d. That SaskTel conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, SaskTel can provide reasonable assurance that internal controls over financial reporting as of March 31, 2018, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Doug Burnett
Acting President and
Chief Executive Officer
May 31, 2018

Charlene Gavel
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Telecommunications Holding Corporation which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Telecommunications Holding Corporation as at March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
May 31, 2018
Regina, Canada

Consolidated Statement of Income and Other Comprehensive Income

For the year ended March 31, Thousands of dollars	Note	2018	2017
Revenue	3	$ 1,253,177	$ 1,282,777
Other income	3	1,380	10,129
		1,254,557	1,292,906
Expenses			
Goods and services purchased		523,346	541,239
Salaries, wages and benefits		377,768	380,582
Internal labour capitalized		(26,634)	(25,921)
Depreciation	10	157,566	163,025
Amortization	11	40,177	38,389
Saskatchewan taxes	4	26,768	26,173
		1,098,991	1,123,487
Results from operating activities		155,566	169,419
Net finance expense	5	34,531	34,580
Net income		121,035	134,839
Other comprehensive income			
Items that will be reclassified to net income			
Sinking fund market value gains	12	726	–
Items that will never be reclassified to net income			
Actuarial gains on employee benefit plans	19	106,189	53,489
Total other comprehensive income		106,915	53,489
Total comprehensive income		$ 227,950	$ 188,328

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

See Accompanying Notes

Consolidated Statement of Changes in Equity

Thousands of dollars	Equity advances	Accumulated other comprehensive income (loss) (restated see Note 2)	Retained earnings (restated see Note 2)	Total equity
Balance at April 1, 2017				
As previously reported	$ 250,000	$ (1,546)	$ 706,218	$ 954,672
Impact of adoption of IFRS 9	–	(5,198)	5,198	–
As restated	250,000	(6,744)	711,416	954,672
Net income	–	–	121,035	121,035
Other comprehensive income	–	106,915	–	106,915
Total comprehensive income	–	106,915	121,035	227,950
Dividends declared	–	–	108,931	108,931
Balance at March 31, 2018	$ 250,000	$ 100,171	$ 723,520	$ 1,073,691
Balance at April 1, 2016	$ 250,000	$ (55,035)	$ 601,379	$ 796,344
Net income	–	–	134,839	134,839
Other comprehensive income	–	53,489	–	53,489
Total comprehensive income	–	53,489	134,839	188,328
Dividends declared	–	–	30,000	30,000
Balance at March 31, 2017	$ 250,000	$ (1,546)	$ 706,218	$ 954,672

See Accompanying Notes

Consolidated Statement of Financial Position

As at March 31, Thousands of dollars	Note	2018	2017
Assets			
Current assets			
Cash	6	$ 17,292	$ 11,067
Trade and other receivables	7	118,232	144,990
Inventories	8	23,964	25,462
Prepaid expenses	9	55,168	51,371
		214,656	232,890
Property, plant and equipment	10	1,779,527	1,693,234
Intangible assets	11	331,014	318,832
Sinking funds	12	155,564	141,033
Other assets	13	9,150	8,542
		$ 2,489,911	$ 2,394,531
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	14	$ 170,478	$ 169,149
Dividend payable		26,506	7,500
Notes payable	15	143,069	177,105
Other liabilities	16	68,693	68,525
		408,746	422,279
Deferred revenue		6,013	8,055
Deferred income – government funding	17	31,849	38,237
Long-term debt	18	953,494	851,949
Employee benefit obligations	19	16,118	119,339
		1,416,220	1,439,859
Commitments and contingencies	24		
Province of Saskatchewan's equity			
Equity advance	20	250,000	250,000
Accumulated other comprehensive income (loss)		100,171	(1,546)
Retained earnings		723,520	706,218
		1,073,691	954,672
		$ 2,489,911	$ 2,394,531

See Accompanying Notes

On behalf of the Board

Grant Kook
May 31, 2018

Glenys Sylvestre

Consolidated Statement of Cash Flows

For the year ended March 31, Thousands of dollars	Note	2018	2017
Operating activities			
Net income		$ 121,035	$ 134,839
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	10, 11	197,743	201,414
Net finance expense	5	34,531	34,580
Interest paid		(43,744)	(41,113)
Interest received		6,479	5,778
Amortization of government funding	17	(6,260)	(5,739)
Other		1,256	5,194
Net change in non-cash working capital	21a	21,644	(10,842)
		332,684	324,111
Investing activities			
Property, plant and equipment expenditures		(244,951)	(264,840)
Intangible asset expenditures		(51,112)	(53,805)
Government funding	17	3,079	6,709
		(292,984)	(311,936)
Financing activities			
Proceeds from long-term debt	18, 21b	101,127	74,285
Net repayment of notes payable	21b	(34,036)	(52,126)
Sinking fund instalments	12, 21b	(10,641)	(9,366)
Dividends paid	21b	(89,925)	(30,000)
		(33,475)	(17,207)
Increase (decrease) in cash		6,225	(5,032)
Cash, beginning of year		11,067	16,099
Cash, end of year		$ 17,292	$ 11,067

See Accompanying Notes

Notes to Consolidated Financial Statements

Note 1 – General information

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

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

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

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

Note 2 – Basis of presentation

Certain of the Corporation's accounting policies that relate to the consolidated financial statements as well as estimates and judgments the Corporation has made and how they impact amounts reported in the consolidated financial statements, are incorporated in this section. Where an accounting policy, estimate or judgment is applicable to a specific note to the accounts, the policy is described within that note. This note also describes new standards, amendments, or interpretations that were either effective and applied by the Corporation during the current year, or that were not yet effective.

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain items that are not carried at historical cost as noted in specific accounting policies.

Functional currency

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

Accounting policies, estimates, and judgments

The accounting policies, estimates and judgments included in this section relate to the consolidated financial statements, as a whole. Estimates and judgments may impact reported amounts of revenues and expenses, reported amounts of assets and liabilities, and disclosure of contingencies.

Accounting policies have been applied consistently by the Corporation and its subsidiaries throughout all periods presented unless otherwise indicated.

Basis of consolidation

Accounting policies

Business combinations

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

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

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

Note 2 – Basis of presentation, continued

Subsidiaries

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

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

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

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

Subsidiary	Principal Activity
Saskatchewan Telecommunications (SaskTel)	Telecommunications
Saskatchewan Telecommunications International, Inc. (SaskTel International)	Telecommunications software solutions and consulting
Directwest Corporation (Directwest)	Marketing services
SecurTek Monitoring Solutions Inc. (SecurTek)	Security monitoring

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

Transactions eliminated on consolidation

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

Accounting estimates and judgments

Judgment involves assessing control, which entails determining whether the Corporation has the power to direct the relevant activities of the investee. Consideration is given to: voting rights; the relative size and dispersion of the voting rights held by other shareholders; the extent of participation by those shareholders in appointing key management personnel or board members; the right to direct the investee to enter into transactions for the Corporation's benefit; and the exposure, or rights, to variability of returns from the Corporation's involvement with the investee.

Impairment testing

Accounting policies

Assets that have an indefinite useful life (i.e. spectrum licences and goodwill) or intangible assets that are not yet ready for use are not subject to amortization and are tested at least annually for impairment (typically in the third quarter), or more frequently if events or circumstances indicate there may be an impairment. At the end of each reporting period, the Corporation reviews the carrying amounts of its assets in use, including property, plant and equipment, and identifiable intangible assets with finite lives, to determine whether there is any indication that they have suffered an impairment loss.

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

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

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

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

Accounting estimates and judgments

Judgment involves identifying the appropriate asset or CGU; determining the appropriate discount rate for assessing value in use; and making assumptions about future cash flows and market conditions over the long-term life of the assets or CGUs.

The Corporation cannot predict if specific events that potentially trigger impairment will occur, when they may occur, or how they may affect reported asset amounts. Unexpected declines in future cash flow potential or significant unanticipated technology changes could impact carrying values and the potential for impairment.

Fair value

Accounting policies

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. For financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs. The Corporation's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Accounting estimates and judgments

Fair values estimates are at a point-in-time and may change in subsequent reporting periods due to market conditions or other factors. Estimates can be determined using multiple methods, which can cause values (or a range of reasonable values) to differ. In addition, estimates may require assumptions about future price, volatility, liquidity, discount and inflation rates, defaults, and other relevant variables. The estimates of fair value may not accurately reflect the amounts that could be realized. Determination of the level hierarchy is based on the Corporation's assessment of inputs that are significant to the fair value measurement and is subject to estimation and judgment.

Foreign currency transactions

Accounting policies

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

Note 2 – Basis of presentation, continued

Comparative information

Certain of the 2016/17 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

Additional accounting policies

Additional significant accounting policies, estimates and judgments are disclosed throughout the following notes with the related financial disclosures.

Note	Topic	Accounting Policies	Accounting Estimates and Judgments	Page
3	Revenue and other income	X		56
4	Saskatchewan taxes			57
5	Net finance expense	X		57
6	Cash	X		58
7	Trade and other receivables	X	X	58
8	Inventories	X	X	59
9	Prepaid expenses			59
10	Property, plant and equipment	X	X	60
11	Intangible assets	X	X	62
12	Sinking funds	X		64
13	Other assets			65
14	Trade and other payables	X		65
15	Notes payable	X		65
16	Other liabilities			66

Note	Topic	Accounting Policies	Accounting Estimates and Judgments	Page
17	Deferred income – government funding	X	X	66
18	Long-term debt	X		67
19	Employee benefits	X	X	68
20	Equity advance and capital disclosures		X	73
21	Consolidated statement of cash flows – supporting information			74
22	Financial instruments and related risk management	X		75
23	Related party transactions			79
24	Commitments and contingencies		X	79

Application of new and revised International Financial Reporting Standards

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and amendments that were applied by the Corporation.

IAS 7 Statement of cash flows

Effective April 1, 2017, the Corporation has adopted the disclosure requirements in *Disclosure Initiative (amendments to IAS 7)* in accordance with the provisions of the standard. Consequently, the Corporation has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended March 31, 2018. Comparative information has not been presented (see Note 21b – *Consolidated statement of cash flows — supporting information — Reconciliation of changes in liabilities to cash flows arising from financing activities*).

IFRS 9 *Financial Instruments*

Effective April 1, 2017, the Corporation has early adopted IFRS 9 *Financial Instruments* issued in July 2014 (IFRS 9) with a date of initial application of April 1, 2017. The Corporation has elected to adopt the standard retrospectively with impacts recorded in retained earnings as of April 1, 2017. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Corporation adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2017/18 but generally have not been applied to comparative information.

Note 2 – Basis of presentation, continued

The key changes to the Corporation's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The Corporation measures loss allowances at an amount equal to the lifetime ECL for financial assets measured at amortized cost and 12-month ECL for sinking fund investments at FVOCI, which have been determined to have a low credit risk at the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information. It is assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Corporation considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held)
- The financial asset is 90 days or more past due

Assets measured at amortized cost (accounts receivable) are assessed based on business segment, an aging of the accounts within each segment, and default probabilities within each segment. Based on this analysis, the application of the ECL model has not had a significant impact on impairment assessment for accounts receivable.

Assets measured at FVOCI (sinking funds) are assessed based on the credit risk rating of the investments held in the sinking funds. The Corporation considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Corporation considers this to be AA or higher per DBRS or Aa3 or higher per Moody's. Investments held within the sinking funds are rated investment grade and there have been no defaults of assets held within the sinking funds. As a result, the application of the ECL model has not had a significant impact on impairment assessments.

Note 2 – Basis of presentation, continued

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively in accordance with specific transition provisions of the standard. The impacts are outlined below:

The following table summarizes the impact of transition to IFRS 9 on retained earnings and accumulated other comprehensive income at April 1, 2017.

Thousands of dollars	Impact of adopting IFRS 9 at April 1, 2017
Retained earnings	
Closing balance under IAS 39 (March 31, 2017)	$ 706,218
Reclassification of sinking funds as FVOCI	5,198
Opening balance under IFRS 9 (April 1, 2017)	$ 711,416
Accumulated other comprehensive loss	
Closing balance under IAS 39 (March 31, 2017)	$ (1,546)
Reclassification of sinking funds as FVOCI	(5,198)
Opening balance under IFRS 9 (April 1, 2017)	$ (6,744)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held and the related cash flow characteristics
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Corporation assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at April 1, 2017.

Thousands of dollars	Original classification under IAS 39[1]	New classification under IFRS 9[1]	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash	FVTPL	FVTPL	$ 11,067	$ 11,067
Trade and other receivables	LAR	Amortized cost	144,990	144,990
Sinking funds	FVTPL	FVOCI	141,033	141,033
Total financial assets			$ 297,090	$ 297,090
Financial liabilities				
Trade and other payables	OL	OL	$ 169,149	$ 169,149
Notes payable	OL	OL	177,105	177,105
Long-term debt	OL	OL	851,949	851,949
Foreign exchange contracts used for hedging	FVTPL	FVTPL	64	64
Total financial liabilities			$ 1,198,267	$ 1,198,267

[1]LAR – loans and receivables, FVOCI – fair value through other comprehensive income, FVTPL – fair value through profit or loss, OL – other liabilities.

The application of IFRS 9 resulted in the reclassifications set out in the table above. The explanations for the most significant reclassifications follow.

Note 2 – Basis of presentation, continued

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. Based on application of the expected credit loss model, the allowance for doubtful accounts remains unchanged at April 1, 2017 on transition to IFRS 9.

Sinking fund investments previously classified as fair value through profit or loss are now classified at fair value through other comprehensive income. The Corporation intends to match the duration of the financial assets to the duration of the debt that the assets are funding and therefore the business model is to both hold to collect contractual cash flows (payments of principal and interest) as well as sale proceeds realized through matching of durations. Realized gains or losses are recorded in net income and unrealized gains and losses are recorded in other comprehensive income (OCI). Fair value gains in the amount of $0.7 million, recognized in OCI, would have been recognized in net income based on the IAS 39 classification of fair value through profit or loss.

New standards and interpretations not yet adopted

Certain new standards, interpretations, and amendments to existing standards were issued by the IASB or IFRIC that are mandatory for fiscal periods beginning after March 31, 2018. These include:

Standard	Description	Impact	Effective Date
IFRS 15 Revenue from contracts with customers	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 non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.	IFRS 15 will primarily impact the timing of revenue recognition, the classification of revenues between products and services, and accounting for costs to obtain and fulfill contracts. Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the balance sheet, to be realized over the term of the customer contract. Significant judgments will need to be made when defining the enforceable rights and obligations of a contract, in determining whether a promise to deliver goods or services is considered distinct, and to determine when the customer obtains control of the distinct good or service. A detailed implementation plan has been established, which will result in necessary system and process changes throughout 2018 and 2019 to determine the impact on the Corporation's 2018/19 financial statements and key performance metrics, and determine the impact on historical comparative information. As a result, it is not yet possible to determine the impact of the new standard on the Corporation's financial statements, however, the Corporation anticipates the most significant impacts will be on wireless services. While total wireless revenues recognized from a customer contract will not likely change significantly, revenue recognition will be accelerated for certain customer contracts and a greater proportion of revenue will be reclassified as equipment revenue.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain practical expedients available. Early adoption is permitted. The Corporation is planning to adopt the standard effective April 1, 2018.
IFRS 16 Leases	Under the new standard, all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee — the lease customer), treating all leases as finance leases.	IFRS 16 may affect the classification, measurement, and valuation of leases. The Corporation is currently evaluating the impact of IFRS 16 on the financial statements.	Fiscal years beginning on or after January 1, 2019, applied retrospectively with certain practical expedients available. Early adoption is permitted.

Note 3 – Revenue and other income

Accounting policies

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

Where the Corporation acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

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

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

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

Revenues are earned through the sale of print and online marketing services. Marketing service revenues are generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the services, commencing with the display date. Amounts billed in advance for marketing services are deferred and recognized over the life of the contract.

Revenues for perpetual licences are recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, perpetual licence revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the licence, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenues for customized software projects and consulting services are recognized using the percentage-of-completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

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

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

Note 3 – Revenue and other income, continued

Supporting information

For the year ended March 31, Thousands of dollars	Note	2018	2017
Services revenue			
Wireless		$ 512,479	$ 526,531
maxTV service, internet, and data services		349,387	337,494
Local and enhanced services		197,578	214,496
Equipment		49,845	60,259
Long distance services		37,246	41,989
Marketing services		33,657	37,051
Security monitoring services		26,805	24,513
International software and consulting services		8,929	7,883
Other services		37,251	32,561
		1,253,177	1,282,777
Other income			
Net loss on retirement or disposal of property, plant and equipment		(5,182)	(6,276)
Amortization of government funding	17	6,260	5,739
Other		302	10,666
		1,380	10,129
		$ 1,254,557	$ 1,292,906

Note 4 – Saskatchewan taxes

For the year ended March 31, Thousands of dollars	2018	2017
Saskatchewan corporate capital tax	$ 19,785	$ 18,549
Grants-in-lieu of taxes	6,983	7,624
	$ 26,768	$ 26,173

Note 5 – Net finance expense

Accounting policies

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

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

Note 5 – Net finance expense, continued

Supporting information

For the year ended March 31, Thousands of dollars	Note	2018	2017
Recognized in consolidated net income			
Interest on long-term debt		$ 44,312	$ 40,823
Interest on short-term debt		1,072	1,339
Interest capitalized		(5,290)	(5,579)
Net interest expense		40,094	36,583
Sinking funds market value losses	12	–	932
Net interest on defined benefit liability	19	4,080	5,945
Finance expense		44,174	43,460
Sinking funds earnings	12	(3,164)	(3,102)
Interest income on receivables		(6,479)	(5,778)
Finance income		(9,643)	(8,880)
Net finance expense		$ 34,531	$ 34,580
Interest capitalization rate		4.28%	4.05%

Note 6 – Cash

Accounting policies

The Corporation classifies cash and cash equivalents, including amounts with a maturity of 90 days or less, as financial instruments through profit and loss. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net income in the period in which the gains and losses arise.

Note 7 – Trade and other receivables

Accounting policies

The Corporation initially recognizes trade and other receivables at fair value on the date that they are originated. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any provision for impairment losses of trade accounts receivable.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss (ECL), the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information. It is assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Accounting estimates and judgments

Determining when amounts are deemed uncollectible requires judgment. Estimates of the allowance for doubtful accounts are based on the likelihood of collecting accounts receivable based on past experience, taking into consideration current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the allowance for doubtful accounts will be increased by recording an additional expense.

Note 7 – Trade and other receivables, continued

Supporting information

As at March 31, Thousands of dollars	Note	2018	2017
Accounts receivables			
Customer accounts receivable	22	$ 87,200	$ 83,416
Accrued receivables – customer		2,697	3,597
Allowance for doubtful accounts	22	(2,349)	(2,384)
		87,548	84,629
High-cost serving area subsidy		2,400	2,420
Other		28,284	57,941
		$ 118,232	$ 144,990

Note 8 – Inventories

Accounting policies

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

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

Accounting estimates and judgments

Judgment involves determining the appropriate measure of net realizable value.

Supporting information

As at March 31, Thousands of dollars	2018	2017
Inventories for resale	$ 22,452	$ 24,173
Materials and supplies	1,512	1,289
	$ 23,964	$ 25,462

The cost of inventories recognized as an expense during the year was $74.4 million (2016/17 – $76.9 million).

For the year ended March 31, 2018, writedowns of inventory to net realizable value amounted to $0.4 million (2016/17 – $0.1 million).

Note 9 – Prepaid expenses

As at March 31, Thousands of dollars	2018	2017
Prepaid expenses	$ 48,109	$ 42,761
Deferred service connection charges	2,531	3,323
Short-term customer incentives	4,528	5,287
	$ 55,168	$ 51,371

Note 10 – Property, plant and equipment

Accounting policies

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

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

When property, plant and equipment is disposed of or retired, the related cost and accumulated depreciation is eliminated from the accounts. Any resulting gain or loss, determined as the difference between the sale proceeds and the carrying amount of the asset, is reflected in net income for the year.

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

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

Asset	Estimated useful life
Buildings and improvements	20–75 years
Plant and equipment	3–50 years
Office furniture and equipment	3–17 years

Depreciation methods, useful lives, and residual values are reviewed at each financial reporting date and adjusted if appropriate.

Accounting estimates and judgments

Judgment involves determining: which costs are directly attributable (e.g., labour and related costs); appropriate timing for cessation of cost capitalization, considering the circumstances in which the asset is to be operated, normally predetermined by management with reference to functionality; the appropriate level of componentization (for individual components for which different depreciation methods or rates are appropriate); which repairs and maintenance constitute betterments, resulting in extended asset life or functionality; the estimated useful life over which such costs should be depreciated; and the method of depreciation.

Asset residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate, and are treated as changes in accounting estimates.

The Corporation assesses its existing assets and their useful lives in connection with the review of network operating plans at the end of each reporting period. When it is determined that assigned asset lives do not reflect the expected remaining period of benefit, prospective changes are made to their remaining useful lives. Uncertainties are inherent in estimating the impact of future technologies. Changes in these assumptions could result in material adjustments to estimates, which could result in impairments or changes to depreciation expense in future periods, particularly if useful lives are significantly reduced.

Note 10 – Property, plant and equipment, continued

Change in accounting estimate

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

	Years ending March 31,					
Millions of dollars	2018	2019	2020	2021	2022	2023 and beyond
Depreciation expense increase (decrease)	$ (6.0)	$ (9.9)	$ (10.6)	$ (11.2)	$ 10.0	$ 27.7

Supporting information

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2017	$ 3,527,447	$ 512,386	$ 176,236	$ 145,736	$ 38,344	$ 4,400,149
Additions	93,617	30	16,590	140,387	156	250,780
Transfers	101,396	11,110	1,397	(113,903)	–	–
Retirements, disposals, and adjustments	(253,974)	(3,658)	(26,574)	–	(11)	(284,217)
Balance at March 31, 2018	$ 3,468,486	$ 519,868	$ 167,649	$ 172,220	$ 38,489	$ 4,366,712
Balance at April 1, 2016	$ 3,384,440	$ 470,908	$ 157,951	$ 148,707	$ 37,507	$ 4,199,513
Additions	49,727	3,647	18,608	186,430	917	259,329
Transfers	148,534	38,808	2,075	(189,401)	(16)	–
Retirements, disposals, and adjustments	(55,254)	(977)	(2,398)	–	(64)	(58,693)
Balance at March 31, 2017	$ 3,527,447	$ 512,386	$ 176,236	$ 145,736	$ 38,344	$ 4,400,149
Accumulated depreciation						
Balance at April 1, 2017	$ 2,433,054	$ 157,358	$ 116,503	$ –	$ –	$ 2,706,915
Depreciation	124,306	12,625	20,635	–	–	157,566
Retirements, disposals, and adjustments	(249,429)	(1,271)	(26,596)	–	–	(277,296)
Balance at March 31, 2018	$ 2,307,931	$ 168,712	$ 110,542	$ –	$ –	$ 2,587,185
Balance at April 1, 2016	$ 2,359,252	$ 146,716	$ 99,207	$ –	$ –	$ 2,605,175
Depreciation	131,844	11,212	19,969	–	–	163,025
Retirements, disposals, and adjustments	(58,042)	(570)	(2,673)	–	–	(61,285)
Balance at March 31, 2017	$ 2,433,054	$ 157,358	$ 116,503	$ –	$ –	$ 2,706,915
Carrying amounts						
At April 1, 2017	$ 1,094,393	$ 355,028	$ 59,733	$ 145,736	$ 38,344	$ 1,693,234
At March 31, 2018	$ 1,160,555	$ 351,156	$ 57,107	$ 172,220	$ 38,489	$ 1,779,527
At April 1, 2016	$ 1,025,188	$ 324,192	$ 58,744	$ 148,707	$ 37,507	$ 1,594,338
At March 31, 2017	$ 1,094,393	$ 355,028	$ 59,733	$ 145,736	$ 38,344	$ 1,693,234

Note 11 – Intangible assets

Accounting policies

Intangible assets are defined as being identifiable, able to bring future economic benefits to the Corporation, and controlled by the Corporation. An asset meets the identifiability criterion when it is separable or arises from contractual rights.

Intangible assets are recorded initially at cost of acquisition or development and relate primarily to software, customer accounts, spectrum licences, and goodwill. Internally generated intangible assets relate primarily to software. An intangible asset is recognized when it is probable that the expected future economic benefits attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably.

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

Capitalized software is measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining software as well as expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as an expense as incurred.

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

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 2 – *Basis of consolidation*. Subsequently goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

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

Asset	Estimated useful life
Software	1–10 years
Customer accounts	2–15 years

Accounting estimates and judgments

Judgment is applied to determine expenditures eligible for capitalization, the method of amortization, the appropriate timing for cessation of cost capitalization, and classification of certain intangible assets as indefinite-life intangible assets.

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

Estimation is applied to determine expected useful lives used in the amortization of intangible assets with finite lives. Changes in accounting estimates can result from changes in useful life or the expected pattern of consumption of an asset (taken into account by changing the amortization period or method, as appropriate).

Goodwill is allocated to CGUs or groups of CGUs for the purpose of impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation is made to those CGUs or groups of CGUs expected to benefit from the business combination in which the goodwill arose.

Note 11 – Intangible assets, continued

Supporting information

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licences	Under development	Total
Cost						
Balance at April 1, 2017	$ 5,976	$ 350,322	$ 108,171	$ 108,738	$ 21,497	$ 594,704
Acquisitions	–	4,088	13,826	–	19,103	37,017
Acquisitions – internally developed	–	5,312	–	–	8,926	14,238
Transfers	–	37,249	–	–	(37,249)	–
Disposals	–	(4,583)	–	–	–	(4,583)
Balance at March 31, 2018	$ 5,976	$ 392,388	$ 121,997	$ 108,738	$ 12,277	$ 641,376
Balance at April 1, 2016	$ 5,976	$ 324,737	$ 92,035	$ 108,738	$ 7,180	$ 538,666
Acquisitions	–	12,681	16,136	–	25,323	54,140
Acquisitions – internally developed	–	1,974	–	–	690	2,664
Transfers	–	11,696	–	–	(11,696)	–
Disposals	–	(766)	–	–	–	(766)
Balance at March 31, 2017	$ 5,976	$ 350,322	$ 108,171	$ 108,738	$ 21,497	$ 594,704
Accumulated amortization						
Balance at April 1, 2017	$ –	$ 209,078	$ 66,794	$ –	$ –	$ 275,872
Amortization	–	32,344	7,833	–	–	40,177
Disposals	–	(5,687)	–	–	–	(5,687)
Balance at March 31, 2018	$ –	$ 235,735	$ 74,627	$ –	$ –	$ 310,362
Balance at April 1, 2016	$ –	$ 177,381	$ 60,231	$ –	$ –	$ 237,612
Amortization	–	31,826	6,563	–	–	38,389
Disposals	–	(129)	–	–	–	(129)
Balance at March 31, 2017	$ –	$ 209,078	$ 66,794	$ –	$ –	$ 275,872
Carrying amounts						
At April 1, 2017	$ 5,976	$ 141,244	$ 41,377	$ 108,738	$ 21,497	$ 318,832
At March 31, 2018	$ 5,976	$ 156,653	$ 47,370	$ 108,738	$ 12,277	$ 331,014
At April 1, 2016	$ 5,976	$ 147,356	$ 31,804	$ 108,738	$ 7,180	$ 301,054
At March 31, 2017	$ 5,976	$ 141,244	$ 41,377	$ 108,738	$ 21,497	$ 318,832

Impairment testing for the cash-generating unit containing goodwill and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, goodwill and a portion of finite-life assets under development are allocated to one CGU: Directwest. This is the lowest level within the Corporation at which goodwill is monitored for internal management purposes, which is not higher than the Corporation's operating segments.

Management has applied the value-in-use valuation methodology for the CGU using the Board-approved 2019–2023 financial plan, as well as terminal value capitalization. The expected cash flows and terminal value were then discounted at a rate to reflect the expected return and risk for the CGU.

Note 11 – Intangible assets, continued

The key material assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

Discount rate	12%
Terminal value capitalization	12%
Growth rate	-2.5%

Impairment testing indicated no impairment at March 31, 2018.

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

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

The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio that was then adjusted for a demonstrable minority discount associated with these publicly traded share prices. The resulting adjusted ratio was then applied to the estimated 2017/18 EBITDA of the unit to determine the recoverable amount of the unit. Impairment testing indicated no impairment at March 31, 2018.

Note 12 – Sinking funds

Accounting policies

Sinking funds have been designated as fair value through other comprehensive income because the Corporation intends to match the duration of the financial assets to the duration of the debt that the assets are funding and therefore the business model is to both hold to collect contractual cash flows (payments of principal and interest) as well as sale proceeds realized through matching of durations. The investments are managed through the Saskatchewan Ministry of Finance who makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management and investment strategy. Subsequent to initial recognition, financial assets at fair value through other comprehensive income are measured at fair value. Realized gains or losses are recorded in net income and unrealized gains and losses are recorded in other comprehensive income (OCI).

Supporting information

Under conditions attached to the long-term debt, the Corporation is required to pay annually into sinking funds, administered by the Saskatchewan Ministry of Finance, amounts representing 1% to 2% of the debt outstanding. The fund includes the Corporation's required contributions, its proportional share of earnings and its proportional share of revaluation gains or losses.

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

Thousands of dollars	**2018**	2017
Balance at April 1,	**$ 141,033**	$ 129,497
Instalments	**10,641**	9,366
Earnings	**3,164**	3,102
Valuation adjustment	**726**	(932)
Balance at March 31,	**$ 155,564**	$ 141,033

Note 12 – Sinking funds, continued

Sinking fund instalments due in each of the next five fiscal years ending March 31 are as follows:

Years ending March 31,	Thousands of dollars
2019	$ 12,391
2020	12,391
2021	12,391
2022	8,125
2023	8,125

Note 13 – Other assets

As at March 31, Thousands of dollars	2018	2017
Deferred service connection charges	$ 2,262	$ 3,501
Long-term customer incentives	1,107	2,026
Financing leases	5,769	3,004
Other	12	11
	$ 9,150	$ 8,542

Note 14 – Trade and other payables

Accounting policies

The Corporation initially recognizes trade and other payables on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

Supporting information

As at March 31, Thousands of dollars	2018	2017
Trade payables and accrued liabilities	$ 128,103	$ 127,374
Payroll and other employee-related liabilities	32,438	32,242
Other	9,937	9,533
	$ 170,478	$ 169,149

Note 15 – Notes payable

Accounting policies

The Corporation initially recognizes debt securities issued on the date that they are originated. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

Supporting information

Notes payable are due to the Province of Saskatchewan's General Revenue Fund (GRF). These notes have varying maturities from April 2, 2018, to September 4, 2018, and have a weighted average effective interest rate of 1.31% (2016/17 – 0.60%).

Note 16 – Other liabilities

As at March 31, Thousands of dollars	Note	2018	2017
Advance billings		$ 55,958	$ 54,623
Deferred customer activation and connection fees		3,732	4,290
Current portion of deferred income – government funding	17	5,677	5,525
Customer deposits		3,279	4,023
Risk management liabilities	22	47	64
		$ 68,693	$ 68,525

Note 17 – Deferred income – government funding

Accounting policies

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

Accounting estimates and judgments

Judgment is required in determining whether certain funding is a transaction with the shareholder acting in their capacity as a shareholder or whether the funding would be available to other parties for a specific purpose (i.e. is the government acting in its capacity as shareholder or as a government).

Supporting information

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

As part of the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation (SCN) to the Corporation, the Province of Saskatchewan through the Ministry of Education has provided $1.3 million in funding for distance education hardware upgrades: $0.5 million has been applied to capital expenditures and $0.8 million to operating expenditures.

In conjunction with the Aboriginal Affairs and Northern Development Canada (AANDC) funding agreement, the Corporation has received funding of $17.1 million for internet service to selected First Nations schools and health facilities in Saskatchewan (FNS&H), as well as $8.8 million in conjunction with the First Nations Service Improvement Project (FNSIP).

Through the Connecting Canadians program (CCDN) sponsored by Innovation, Science and Economic Development Canada, the Corporation has received funding to provide access to high-speed internet in rural and remote parts of Saskatchewan in the amount of $7.2 million, $7.0 million has been applied to capital expenditures and $0.2 million to operating expenditures.

In conjunction with an AANDC funding agreement, the Corporation has received funding of $2.4 million to provide dedicated internet service to specific First Nation offices and Tribal Council offices (FTFN). To date expenditures included $0.7 million of capital expenditures and $0.3 million of operating expenditures. The balance of the funding will be applied against expenditures in the next year.

Note 17 – Deferred income – government funding, continued

As at March 31, Thousands of dollars	2018 RIP	2018 SCN	2018 FNSIP	2018 FNS&H	2018 CCDN	2018 FTFN	2018 Total	2017 Total
Balance at April 1,	$ 22,086	$ 268	$ 5,895	$ 6,023	$ 7,296	$ 2,194	$ 43,762	$ 43,186
Funding accrued	–	–	–	–	(3,055)	–	(3,055)	(395)
Funding received	–	–	–	–	2,953	126	3,079	6,710
	22,086	268	5,895	6,023	7,194	2,320	43,786	49,501
Amortization	4,285	91	500	239	451	694	6,260	5,739
	17,801	177	5,395	5,784	6,743	1,626	37,526	43,762
Current portion	4,285	45	500	239	608	–	5,677	5,525
	$ 13,516	$ 132	$ 4,895	$ 5,545	$ 6,135	$ 1,626	$ 31,849	$ 38,237

Note 18 – Long-term debt

Accounting policies

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

Supporting information

As at March 31, Thousands of dollars	2018	2017
Balance at April 1,	$ 851,949	$ 777,256
Long-term debt issues	101,127	74,285
Amortization of debt discounts net of premiums	418	408
Balance at March 31,	$ 953,494	$ 851,949

Unsecured advances from the Province of Saskatchewan

Thousands of dollars Issue date	Maturity date	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	Outstanding amount March 31, 2018	Outstanding amount March 31, 2017
July 2010	July 2020	4.01	3.90	$ 150,000	$ (359)	$ 149,641	$ 149,497
November 1990	December 2020	10.18	10.08	126,600	(290)	126,310	126,221
May 2014	June 2024	3.11	3.20	50,000	243	50,243	50,278
December 2010	December 2025	4.15	4.15	50,000	–	50,000	50,000
March 1999	March 2029	5.97	5.75	75,000	(1,296)	73,704	73,623
March 1999	March 2029	5.18	5.60	35,000	–	35,000	35,000
February 2012	February 2042	3.49	3.40	150,000	(2,051)	147,949	147,894
December 2013	June 2045	4.09	3.90	150,000	(4,757)	145,243	145,148
December 2016	June 2048	3.35	3.30	75,000	(699)	74,301	74,288
May 2017	June 2048	3.22	3.30	50,000	735	50,735	–
December 2017	June 2027	2.56	2.65	50,000	368	50,368	–
Total due to Province of Saskatchewan				$ 961,600	$ (8,106)	$ 953,494	$ 851,949

Note 18 – Long-term debt, continued

On May 9, 2017, the Corporation issued $50.0 million of long-term debt at a premium of $0.7 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.30%, an effective interest rate of 3.22%, and matures on June 2, 2048.

On December 7, 2017, the Corporation issued $50.0 million of long-term debt at a premium of $0.4 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 2.65%, an effective interest rate of 2.56%, and matures on June 2, 2027.

The Corporation's long-term debt is unsecured. As at March 31, 2018, principal repayments due in each of the next five years were as follows:

	Years ending March 31,				
Millions of dollars	2019	2020	2021	2022	2023
Principal repayments	$ –	$ –	$ 276.6	$ –	$ –

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

Note 19 – Employee benefits

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

Accounting policies

Defined benefit plans (Plans A & B)

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

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

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

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

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

Defined contribution plans (Plan C)

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

Note 19 – Employee benefits, continued

Short-term benefits and termination benefits

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

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

Accounting estimates and judgments

Estimates and judgments are required to determine discount rates, indexing assumptions, retirement age, and mortality rates. These assumptions are determined by management and are reviewed at least annually by the Corporation's independent actuaries.

The most significant assumptions used to calculate the net employee benefit plan's obligation include; the discount rate, the indexing assumption, and the mortality rate. The discount rate is the interest rate used to determine the present value of the future cash flows that the Corporation expects will be required to settle employee benefit obligations. It is based on the yield of long-term, high-quality, corporate fixed income investments (AA credit-rated bonds) with terms reflecting the profile of the plan members. The indexing assumption is the estimate of the future inflation rate, which impacts the future liabilities of the plan. The mortality rate impacts the future liability based on the estimated life expectancy of plan members.

The Corporation determines the appropriate discount rates at the end of each reporting period and the indexing assumptions and mortality rates at least at each actuarial study date. Changes in these assumptions could have an effect on the Corporation's cash flows through an effect on the projected benefit obligation. Lower discount rates and indexing assumptions result in a higher obligation while lower mortality rates result in a lower obligation. The combined impact of the assumptions could, at some point, require additional contributions to the plan.

Supporting information

Defined benefit plans (Plans A & B)

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

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

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

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

Plan B, the service recognition defined benefit plan provided a retiring allowance of two days salary per year of service, which is payable on retirement. Based on the Collective Agreement between the Corporation and Unifor, ratified April 22, 2005, the service recognition defined benefit program was curtailed effective March 19, 2005.

Note 19 – Employee benefits, continued

Funding

The Corporation is responsible for adequately funding Plan A. Contributions are determined by actuarial valuations. The contributions reflect actuarial assumptions about future investment returns, salary projections, and future service benefits. An actuarial valuation for accounting purposes was performed at March 31, 2017. The latest valuation for funding purposes was performed as of March 31, 2017.

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

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

Plan B is unfunded. The Corporation expects to pay $1.3 million in the next year related to Plan B.

Defined benefit obligation

Actuarial assumptions

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

As at March 31,	2018		2017	
	Plan A	Plan B	Plan A	Plan B
Discount rate – end of period	3.40%	3.20%	3.50%	3.10%
Inflation rate	2.25%	–	2.50%	–
Expected salary increase	–	0% in 2018/19 2.5% thereafter	–	3.00%
Post-retirement index	1.60%	–	100% of CPI to a maximum of 2%	–
Future mortality	Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM improvement Scale B		Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM improvement Scale B	
Estimated average remaining employee service life	–	9.2 years	–	9.6 years

At March 31, 2018, the weighted average duration of the defined benefit obligation was 11.2 years (2016/17 – 11.6 years).

Sensitivity analysis

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

	Defined benefit obligation			
	Plan A		Plan B	
As at March 31, 2018 Thousands of dollars	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	$ (105,310)	$ 126,772	$ (999)	$ 1,123
Inflation (1% movement)	(61,828)	110	–	–
Future indexing (0.4% increase and 1% decrease)	52,275	(115,789)	–	–
Salary increase (1% movement)	–	–	966	(879)

Note 19 – Employee benefits, continued

Movement in the present value of the defined benefit obligation

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
For the year ended March 31, Thousands of dollars	**2018**	2017	**2018**	2017	**2018**	2017
Balance at April 1,	$ 1,149,585	$ 1,165,200	$ (1,030,246)	$ (997,320)	$ 119,339	$ 167,880
Included in net income						
Current service cost	–	–	384	360	384	360
Interest cost (income)	38,968	40,632	(34,888)	(34,687)	4,080	5,945
	38,968	40,632	(34,504)	(34,327)	4,464	6,305
Included in OCI						
Remeasurement loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	(26,685)	–	–	–	(26,685)	–
- financial assumptions	(40,854)	12,697	–	–	(40,854)	12,697
- Return on plan assets excluding interest income	–	–	(45,695)	(66,186)	(45,695)	(66,186)
- Effect of asset ceiling limit	–	–	7,045	–	7,045	–
	(67,539)	12,697	(38,650)	(66,186)	(106,189)	(53,489)
Other						
Benefits paid	(68,394)	(68,944)	66,898	67,587	(1,496)	(1,357)
Balance at March 31,	$ 1,052,620	$ 1,149,585	$ (1,036,502)	$ (1,030,246)	$ 16,118	$ 119,339
Represented by:						
Net defined benefit liability (Plan A)					$ –	$ 100,997
Net defined benefit liability (Plan B)					16,118	18,342
					$ 16,118	$ 119,339

Note 19 – Employee benefits, continued

Plan assets

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

As at March 31, Thousands of dollars	2018	2017
Asset category		
Short-term investments	$ 5,489	$ 14,315
Pooled real estate	171,059	152,776
Canadian equities	58,223	69,283
Canadian pooled equity funds	8,648	10,124
U.S. pooled equity fund	112,615	129,920
Non-North American pooled equity funds	186,194	212,639
Bonds	600	452
Pooled bond funds	454,037	393,737
	996,865	983,246
Investments under securities lending program		
Short-term investments	2,514	1,240
Canadian equities	44,670	45,773
	47,184	47,013
Total investments	1,044,049	1,030,259
Effect of asset ceiling limit	(7,045)	–
Net investments	$ 1,037,004	$ 1,030,259

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

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

Asset mix	Range	Target	Actual
Equities	40–50%	45%	39%
Real estate	10–20%	15%	17%
Fixed income	30–50%	40%	44%

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

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

Defined contribution plans (Plan C)

Plan C, the defined contribution pension plan, requires the Corporation to contribute 7.45% of employees' pensionable earnings and employees to contribute a minimum of 4.45% of pensionable earnings. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's pension cost and employer contributions for the Public Employees Pension Plan are $22.1 million for the year ended March 31, 2018 (2016/17 – $22.3 million).

Note 20 – Equity advance and capital disclosures

Accounting estimates and judgments

The Corporation periodically receives funding from its parent and sole equity holder, CIC. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, e.g. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 17 – *Deferred income – government funding*).

Supporting information

The Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in the Corporation by CIC.

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

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by the Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The target ratio for 2017/18 was 51.2%.

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

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

The debt ratio is as follows:

As at March 31, Thousands of dollars	Note	**2018**	2017
Long-term debt	18	**$ 953,494**	$ 851,949
Notes payable		**143,069**	177,105
Less: Sinking funds	12	**155,564**	141,033
Cash		**17,292**	11,067
Net debt		**923,707**	876,954
Province of Saskatchewan's equity		**1,073,691**	954,672
Capitalization		**$ 1,997,398**	$ 1,831,626
Debt ratio		**46.2%**	47.9%

Note 21 – Consolidated statement of cash flows – supporting information

a) Non-cash working capital changes

For the year ended March 31, Thousands of dollars	2018	2017
Net change in non-cash working capital balances related to operations		
Trade and other receivables	$ 23,703	$ (12,597)
Inventories	1,498	(835)
Prepaid expenses	(3,797)	(6,035)
Trade and other payables	1,329	10,959
Other liabilities	168	399
Deferred revenues	(2,042)	(2,361)
Other	785	(372)
	$ 21,644	$ (10,842)

b) Reconciliation of changes in liabilities to cash flows arising from financing activities

	Assets	Liabilities		Equity	
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Retained earnings (restated see Note 2)	Total
Balance at April 1, 2017	$ (141,033)	$ 851,949	$ 177,105	$ 711,416	$ 1,599,437
Changes from financing cash flows					
Proceeds from loans and borrowings	–	101,127	622,900	–	724,027
Instalments	(10,641)	–	–	–	(10,641)
Repayment of borrowings	–	–	(656,936)	–	(656,936)
Dividends paid	–	–	–	(89,925)	(89,925)
Total changes from financing cash flows	(10,641)	101,127	(34,036)	(89,925)	(33,475)
Other changes					
Asset and liability related					
Sinking fund earnings	(3,164)	–	–	–	(3,164)
Sinking fund valuation adjustments	(726)	–	–	–	(726)
Amortization of net discount on long-term debt	–	418	–	–	418
Total liability-related other changes	(3,890)	418	–	–	(3,472)
Total equity-related other changes	–	–	–	102,029	102,029
Balance at March 31, 2018	$ (155,564)	$ 953,494	$ 143,069	$ 723,520	$ 1,664,519

Note 22 – Financial instruments and related risk management

Accounting policies

The Corporation initially recognizes financial assets and financial liabilities in the consolidated financial statements at fair value (normally the transaction price) adjusted for transaction costs. Transaction costs related to financial assets or financial liabilities at fair value through profit or loss are recognized immediately in net income. Regular way purchases and sales of financial assets are accounted for on the trade date. Financial instruments recorded at fair value on an ongoing basis are remeasured at each reporting date and changes in the fair value are recorded in either net income or OCI.

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

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

Derivatives may be embedded in hybrid contracts that also include a non-derivative host. If a hybrid contract contains a host that is a financial asset within the scope of IFRS 9, the entire contract is classified as a financial asset. If a hybrid contract contains a host that is not an asset with the scope of IFRS 9, an embedded derivative is treated as a separate derivative when the economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are typically measured at fair value with subsequent changes recognized in net income.

Supporting information

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

Market risk

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

Interest rate risk

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

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, $155.6 million (2016/17 – $141.0 million) in sinking funds, which is required for certain long-term debt issues. At March 31, 2018, the GRF has invested these funds primarily in provincial and federal government bonds with varying maturities to coincide with related debt maturities and they are managed based on this maturity profile and market conditions. The Corporation may be exposed to interest rate risk on the sinking funds. Assuming all other variables remain constant at March 31, 2018, a yield curve shift in excess of 1.0% could have a material impact on net income. Specifically, a 1.0% weakening in interest rates (or bond yields) could have a 9.1% ($12.1 million) favourable effect on net income while a 1.0% strengthening would have a 9.1% ($12.1 million) unfavourable effect on net income.

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk as of March 31, 2018. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates at March 31, 2018, with maturities of 2020 and beyond.

Note 22 – Financial instruments and related risk management, continued

Foreign currency risk

The Corporation is exposed to currency risk, primarily U.S. dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at March 31, 2018, currency fluctuations in excess of 15.0% would have a material impact on the cash flow of the Corporation. Specifically, a 15.0% weakening in the Canadian dollar versus the U.S. dollar exchange rate could have a $16.7 million unfavourable effect on cash flow while a 15.0% strengthening could have a $16.7 million favourable effect on cash flow. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. At March 31, 2018, the Corporation had foreign currency derivatives outstanding with face values of $17.4 million with maturities up to May 31, 2018. The Corporation does not actively trade derivative financial instruments.

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure as follows:

As at March 31, Thousands of dollars	Note	2018	2017
Cash		$ 17,292	$ 11,067
Trade and other receivables	7	118,232	144,990
Sinking funds	12	155,564	141,033
		$ 291,088	$ 297,090

Trade and other receivables

The Corporation considers evidence of impairment for trade and other receivables at both a specific asset and collective level. Trade and other receivables and unbilled revenue are diversified among many residential, farm, and commercial customers primarily throughout Saskatchewan.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics, specifically based on business segment, an aging of the accounts within each segment and default probabilities within each segment.

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

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed regularly based on an analysis of the aging of customer accounts receivable, an estimate of outstanding amounts that are considered to be uncollectible, and future collection policy and economic environment impacts.

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

Allowance for doubtful accounts

As at March 31, Thousands of dollars	2018	2017
Balance at April 1,	$ 2,384	$ 2,227
Less: accounts written off	(9,412)	(14,791)
Recoveries	4,069	7,164
Provisions for losses	5,308	7,784
Balance at March 31,	$ 2,349	$ 2,384

Note 22 – Financial instruments and related risk management, continued

Customer accounts receivable

As at March 31, Thousands of dollars	Note	2018	2017
Current		$ 69,563	$ 67,399
30–60 days		13,556	10,355
61–90 days		2,568	2,462
Greater than 90 days		1,513	3,200
Gross customer accounts receivable	7	87,200	83,416
Allowance for doubtful accounts	7	(2,349)	(2,384)
Net customer accounts receivable		$ 84,851	$ 81,032

Sinking funds

The credit risk related to sinking funds is assessed based on the credit risk rating of the investments held in the sinking funds. The Corporation considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Corporation considers this to be AA or higher per DBRS or Aa3 or higher per Moody's. Investments held within the sinking funds consist primarily of provincial and federal government bonds which are rated investment grade. In addition, there have been no defaults of assets held within the sinking fund. As a result, sinking funds are considered to have low credit risk and no loss allowance is deemed necessary.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial transactions.

Liquidity risk

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

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

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

Thousands of dollars			Contractual Cash Flows				
As at March 31, 2018	Carrying amount	Total	0–6 months	7–12 months	1–2 years	3–5 years	More than 5 years
Long-term debt (a)	$ 953,494	$ 1,521,650	$ 22,478	$ 22,479	$ 44,959	$ 367,163	$ 1,064,571
Notes payable	143,069	143,534	143,534	–	–	–	–
Trade and other payables	170,478	170,478	170,478	–	–	–	–
Derivative financial liabilities	47	47	47	–	–	–	–
	$ 1,267,088	$ 1,835,709	$ 336,537	$ 22,479	$ 44,959	$ 367,163	$ 1,064,571
As at March 31, 2017							
Long-term debt (a)	$ 851,949	$ 1,402,237	$ 20,991	$ 20,992	$ 41,984	$ 376,850	$ 941,420
Notes payable	177,105	177,261	177,261	–	–	–	–
Trade and other payables	169,149	169,149	169,149	–	–	–	–
Derivative financial liabilities	64	64	64	–	–	–	–
	$ 1,198,267	$ 1,748,711	$ 367,465	$ 20,992	$ 41,984	$ 376,850	$ 941,420

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

Note 22 – Financial instruments and related risk management, continued

Fair value

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

Fair value of financial assets and liabilities

As at March 31,				2018		2017	
Thousands of dollars	Note	Classification (a)	Fair value heirarchy (b)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets							
Cash		FVTPL	Level 1	$ 17,292	$ 17,292	$ 11,067	$ 11,067
Trade and other receivables	7	Amortized cost	N/A	118,232	118,232	144,990	144,990
Sinking funds	12	FVOCI	Level 2	155,564	155,564	141,033	141,033
Financial liabilities							
Trade and other payables	14	OL	N/A	170,478	170,478	169,149	169,149
Notes payable		OL	Level 1	143,069	143,069	177,105	177,105
Long-term debt	18	OL	Level 2	953,494	1,056,426	851,949	972,359
Derivative financial instruments							
Foreign exchange derivative liability	16	FVTPL	Level 2	47	47	64	64

(a) Classification details are:
FVTPL – fair value through profit or loss FVOCI – fair value through OCI OL – other liabilities

(b) See Note 2 – *Basis of presentation* for discussion of the policies related to fair value measurements.

Financial instruments measured at fair value through profit or loss

Cash

The carrying values of cash is assumed to approximate fair value.

Investments carried at fair value through other comprehensive income

Sinking funds

The fair value of sinking funds, classified as fair value through other comprehensive income, 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.

Financial instruments measured at amortized cost

Trade and other receivables, trade and other payables and notes payable

The carrying values of 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.

Long-term debt

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

Derivative financial instruments

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

Note 22 – Financial instruments and related risk management, continued

There were no items measured at fair value using Level 3 inputs in 2016/17 or 2017/18 and no items transferred between levels in 2016/17 or 2017/18.

Derivatives

Derivative financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, are as follows:

As at March 31,	2018			2017	
Thousands of dollars	Maximum maturity date	Notional amount	Fair value and carrying value	Notional amount	Fair value and carrying value
Derivatives used to manage:					
Currency risk arising from U.S. dollar denominated purchases	May 2018	$ 17,445	$ 47	$ 34,195	$ 64

Embedded derivatives

The Corporation had no contracts with embedded derivatives as at March 31, 2017, and March 31, 2018.

Note 23 – Related party transactions

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

Routine operating transactions with related parties were conducted in the normal course of business and were accounted for at the exchange amount. For the year ended March 31, 2018, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 6.6% of revenues (2016/17 – 6.4%), 46.4% of other income (2016/17 – 36.2%), 11.1% of operating expenses (2016/17 – 10.7%) and 0.9% of property, plant and equipment expenditures (2016/17 – 0.8%).

In addition, the Corporation provided management and administrative services to the Corporation's defined benefit pension plan in the amount of $0.3 million on a cost recovery basis for the year ended March 31, 2018 (2016/17 – $0.3 million).

Key management personnel compensation

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

Key management personnel compensation is composed of:

For the year ended March 31, Thousands of dollars	2018	2017
Short-term employee benefits	$ 5,165	$ 4,851
Post-employment benefits – defined contribution plans	352	278
	$ 5,517	$ 5,129

Note 24 – Commitments and contingencies

Commitments

Supporting information

As at March 31, 2018, the Corporation has the following significant commitments:

- Operating activities $77.5 million (2016/17 – $60.8 million)
- Capital projects $24.0 million (2016/17 – $10.2 million)
- Foreign currency contracts $17.4 million (2016/17 – $34.2 million)

Note 24 – Commitments and contingencies, continued

Non-cancellable operating lease commitments are as follows:

As at March 31, Thousands of dollars	2018	2017
Less than 1 year	$ 7,448	$ 8,411
Between 1 and 5 years	14,679	17,939
Greater than 5 years	7,240	8,338
	$ 29,367	$ 34,688

During the year ended March 31, 2018, the Corporation recognized $13.9 million (2016/17 – $14.4 million) as rent expense related to operating leases.

Contingencies

Accounting estimates and judgments

The Corporation becomes involved in various litigation and regulatory matters in the ordinary course of business. Prediction of the outcome of such uncertain events (i.e. being virtually certain, probable, remote, or undeterminable), determination of whether recognition or disclosure in the consolidated financial statements is required and estimation of potential financial effects are matters for judgment. Where no amounts are recognized, such amounts are contingent and disclosure may be appropriate, however, the potential for large liabilities exists and therefore these estimates could have a material impact on the Corporation's consolidated financial statements.

Supporting information

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

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

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at March 31, 2018, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Board of Directors

Grant Kook

Chair of the Board

Grant J. Kook is Founder, President, Chief Executive Officer, and Chair of Westcap Mgt. Ltd., a leading venture capital and private equity fund manager with over half a billion in assets under management. Founded over 25 years ago, Westcap has an uncompromising vision to build long-term value for retail and institutional investors in a broad range of investment funds, including Saskatchewan's first Retail Venture Capital Fund, Golden Opportunities Fund Inc. Westcap is also the Fund Manager to HeadStart on a Home, First Nations and Métis Fund, First Nations Business Development Fund, and a high net worth Management Buyout Fund. Mr. Kook is also President and Chief Executive Officer of Cheung On Investments Group Ltd., an international investor syndicated Fund, and has been the President and Chief Executive Officer of the Ramada Hotels (Regina and Saskatoon) since 1992.

Mr. Kook serves on the boards of numerous private and publicly traded companies, including Saskatchewan Blue Cross and 3sHealth Shared Services Saskatchewan, Saskatchewan Health Authority, and the Saskatchewan Teachers' Federation Investment Committee. He is the past Vice President of the Canadian Venture Capital and Private Equity Association (CVCA), past member of the World Entrepreneurs Association, and was the Co-chair of the Saskatchewan-Asia Advisory Council. He is active in many community organizations, including serving as Voluntary Past Chair of the Children's Hospital Foundation of Saskatchewan, Executive Committee Member of the Mike Weir Miracle Golf Drive for Kids, Sponsorship Chair for the 2006 PotashCorp Vanier Cup, and 2004 Canadian Nokia Brier, Vice President of Sponsorship for 2010 Canadian World Junior Hockey Championship, Director of 2012 Tim Horton's Brier, Chair of 2013 and 2014 CIS University Cup, and past Board Member of the new Saskatchewan Hockey Hall of Fame.

Grant is a recipient of the 2013 Saskatchewan Order of Merit, 2012 Queen Elizabeth II Diamond Jubilee Commemorative Medal, and Commemorative Medal for the Centennial of Saskatchewan. He is the recipient of the 2014 Saskatoon Tourism Leadership award, the 2008 B'nai Brith – We are Proud of You Award, Ernst & Young nominee for Entrepreneur of the Year in 1998 and 2003, and was recognized in 2008 as one of the Province's Most Influential Men by *Saskatchewan Business Magazine*.

Richard Ahenakew

Board Member

Richard Ahenakew is the General Manager of the Northern Lights Casino in Prince Albert, beginning his career there in 1996, and holding a variety of positions within the organization before assuming his current role.

A proud member of the Ahtahkakoop First Nation, Mr. Ahenakew has been appointed to serve on the Ahtahkakoop Cree Developments Board, offering insight to business strategies and community initiatives. He has also served on the Saskatchewan Chamber of Commerce for over eight years, and has the distinction of being the first President of First Nations background appointed to the Saskatchewan Chamber Board, a milestone within Canada.

In 2011, Saskatchewan Polytechnic presented Richard with an honorary diploma recognizing his work to promote studies, post-secondary schooling, and youth mentorship. In 2012, he was recognized for his outstanding contributions within his community, province, and country, and received the Queen Elizabeth II Diamond Jubilee Medal of Distinction. Recognizing workplace safety, Richard was instrumental in taking the lead for the Prince Albert mini Safety Charter signing and is a strong advocate for Mission Zero.

Richard has also worked closely with the Red Cross Society throughout the province as a Volunteer, Board Member and now, Chairperson. He is also presently an active member of the Saskatchewan CAA Board of Directors and serves on the Prince Albert Board of Police Commissioners as Chairperson. He has also served on the Prince Albert Tourism Board of Directors and as President and Advisor for Northern Lights Casino Pow Wow.

Richard studied at the Saskatchewan Indian Federated College and has a P.A. Douglas & Associates Management certificate, a University of Reno Nevada Gaming Management certificate, and a Queens School of Business Executive certificate.

Richard enjoys spending time with his family and is a collector of vintage history books and warplane memorabilia.

Joel Friesen

Board Member

Joel Friesen has been a partner with Anderson & Company law firm in Swift Current since 2013, having initially joined the firm in 2008. Prior to this, he completed his articles in Regina after completing his Commerce (with Distinction) and Law degrees at the University of Saskatchewan in 2006.

Mr. Friesen currently serves on the Board of Directors for the Elmwood Golf Club and coaches minor hockey in Swift Current. He also serves as the President of the Swift Current Saskatchewan Party Constituency Association.

In the past, he has served on numerous other boards and committees, including the Water Appeal Board and Swift Current Library Board. Joel has also been active in the local community coaching kids' hockey, lacrosse and basketball.

JoeAnne Hardy

Board Member

JoeAnne Hardy is the President of WBM Technologies Inc. She first joined WBM and the Information Technology industry in 1996. Today, WBM's four offices in British Columbia, Alberta, and Saskatchewan employ 260 team members focused on delivering technology solutions across Western Canada.

Born and raised in Saskatchewan, JoeAnne has served in various leadership roles in the North American IT industry, including three consecutive terms as president of the Trust X Alliance, an IT industry association with a global membership of 350 leading IT service organizations.

JoeAnne has also been recognized by *CDN Magazine* as one of the top 10 women in IT in Canada.

As a long-time member of Saskatoon's Business Association, the NSBA, she became a member of the Board of Directors in 2015, served on the Economic Development Committee, and currently serves as Director and Chair of the Executive Committee.

In 2016, JoeAnne was nominated and successfully completed the Quantum Shift Program at the Ivey School of Business, as well as the Institute of Corporate Directors, Directors Education Program through the Edwards School of Business.

JoeAnne resides between Calgary, Saskatoon, Vancouver, and Regina during the workweek. Most weekends find her enjoying the beautiful city of Saskatoon with her family, and an ever-growing collection of bicycles and running shoes!

Rachel Heidecker

Board Member

Rachel Heidecker is a leader in business strategy and transformation specializing in technology, innovation, management and marketing. She is an experienced executive, manager and strategist with 20 years of experience in ICT. Rachel is a strong believer in creative thinking, continuous improvement, measured results, and enabling business through technology.

Rachel obtained her Chartered Director (C.Dir.) designation from The Directors College through McMaster University and the Conference Board of Canada. She is an M.B.A. and B.Sc. graduate of the University of Saskatchewan and received a postgraduate diploma (PgD) in Software Technology from the University of Calgary.

Rachel was previously a director and manager at the University of Saskatchewan overseeing teams responsible for continuous improvement of shared services, web applications and development, teaching and learning systems and library search and discovery systems. She has taught Management and Marketing courses as an instructor of business strategy and strategic decision-making at the Edwards School of Business.

Rachel grew up in Regina and is currently a resident of Osler, Saskatchewan. She is passionate about the arts and may be seen in a variety of flamenco dance performances around Saskatoon.

Jerri Hoback

Board Member

Jerri Hoback has earned several designations since completing a Bachelor of Commerce (B.Comm.) from the University of Saskatchewan. She holds a CMA-CPA accounting designation and obtained her Chartered Director (C.Dir.) designation from The Directors College through McMaster University and the Conference Board of Canada.

Ms. Hoback has worked as an accountant in a wide variety of industries, in Alberta and Saskatchewan. She has experience in oil and gas services, electronics manufacturing, financial services, and as a public accountant, performing assurance and audit engagements.

Jerri has held positions on several local boards, associations, and committees, and currently holds an elected seat in the University of Saskatchewan Senate.

Darrell Kennedy

Board Member

Darrell Kennedy is the owner of Timberstone Distribution, a wholesale masonry, stucco, siding, landscaping, and flooring distribution company with locations across Western Canada. He also owns Discovery Marketing, a corporate ad and apparel company. Prior to that, he worked as the Territory Sales and Marketing Manager for TaylorMade Adidas Golf.

Mr. Kennedy is a Board Member of the Saskatchewan Masonry Institute and the Regina and Region Home Builders Association. He is a long-time Board Member at the Royal Regina Golf Club and has chaired many golf tournaments, including the Inaugural Shooting Stars Foundation Golf Tournament hosted by Jamie Heward and Mike Sillinger.

Darrell has a Professional Business Management certificate and a Business Administration diploma from Lethbridge Community College.

Pamela Lothian

Board Member

Pamela Lothian is a graduate of the University of Saskatchewan, obtaining a Bachelor of Arts (Political Science) degree in 1982, and a law degree in 1985. She articled with and then joined the law firm of McDougall Ready (now McDougall Gauley LLP), later becoming the first woman to achieve partnership with McDougall Ready in the firm's 100-plus-year history. Pamela practised with the firm for 13 years before electing to concentrate on her second career as a homemaker raising two daughters.

Ms. Lothian is a Past President of the Regina Bar Association and a Director of the Regina Community Basketball Association and the Arthritis Society of Saskatchewan.

She is currently a Director of Lex Capital Corp., a Regina-based family investment vehicle, and of Lex Capital Management Inc., a private equity fund management company. She also served as Co-chair for the Volunteer Committee for the CIS Women's National Basketball Championships hosted by the University of Regina in 2009.

Gayle MacDonald

Board Member

Gayle MacDonald is an independent business owner. She manages a farm operation in the Kindersley area and is a partner in Supreme Source for Sports in Kindersley. She is also involved as an equity investor in other business ventures.

Ms. MacDonald was born and raised in Plenty, Saskatchewan. She attended the University of Saskatchewan and graduated with a diploma in Orthoptics from the University Hospital Department of Ophthalmology. She went on to open the Orthoptic Clinic at the Pasqua Hospital in Regina. She is also a graduate of Quantum Shift Ivey School of Business at Western University and Certified Director graduate of The Directors College c/o Conference Board of Canada.

Gayle has served as a community representative on the board of Sun West School, and formerly as a Director of Canterra Seeds Ltd.

She is mother of three adult children and a very proud grandmother of two grandsons and one granddaughter. She has been an active member in the community, coaching and participating in various sports as well as entertaining with musical contributions and supporting many events promoting community programs and fundraising events.

Rick Orr

Board Member

Rick Orr is currently the Executive Director of the Prince Albert Downtown Business Improvement District. He was elected to city council for Ward 2 in the City of Prince Albert for one term from October 2012 to October 2016. He has been a member of the Economic Development Committee, PA District Planning Commission, PA Community Futures, Heritage and Museums Committee, Pehonan Parkway Board, PA Downtown Business Development Association, and various other committees.

Mr. Orr was appointed to the SGI Board of Directors in 2008, serving for nine years as a member of the Governance and Human Resources Committee, Risk Committee and Audit and Finance Committee. He has completed all five modules of the Chartered Director program.

Rick retired after working for 15 years in the real estate industry. Previously he worked in the television, radio, electronic and cable industry for 20 years and spent 10 years working at SIAST Kelsey Institute in Saskatoon.

Rick lives in Prince Albert with his wife, Kathy, and is actively involved in many community organizations and volunteer activities.

John Ritchie

Board Member

John Ritchie retired as First Vice President, Branch Manager, and Investment Advisor for CIBC Wood Gundy after 46 years of service, having grown the Saskatchewan operation fourfold by delivering excellent financial performance.

Mr. Ritchie has served as Vice Chair of Skate Canada, Regina, and Co-founder and Chair of the Saskatchewan Open Squash Championships. Previously, he has chaired the Investment Dealers Association of Saskatchewan and the Regina United Way (Division), and has served as a Board Member for Potash Corporation of Saskatchewan.

Glenys Sylvestre

Board Member

Glenys Sylvestre is Executive Director, University Governance, at the University of Regina. She has been with the U of R for over 18 years, previously serving as Associate Dean and instructor with the Paul J. Hill School of Business. Prior to her employment with the University, she was an Audit and Assurance Manager at Deloitte & Touche.

Ms. Sylvestre is a Chartered Professional Accountant, and was awarded Fellowship in 2007. She served for six years as a Councillor with the Institute of Chartered Accountants of Saskatchewan, including service as President and Chair. She also obtained the Chartered Director designation in 2011.

Glenys facilitates board and executive training and development sessions for numerous organizations on topics such as fundamentals of accounting, risk management, interpretation of financial information, and monitoring financial performance. She has served on several community boards, including Arcola East Community Association, Regina Exhibition Association Limited, and Gymnastics Saskatchewan.

Board Committees

Audit and Risk Committee

Glenys Sylvestre, Chair
Darrell Kennedy, Member
Gayle MacDonald, Member
Jerri Hoback, Member
John Ritchie, Member
JoeAnn Hardy, Member

Corporate Growth and Technology Committee

John Ritchie, Chair
Jerri Hoback, Member
Joel Friesen, Member
Rachel Heidecker, Member
Rick Orr, Member

Environment and Human Resources Committee

Pamela Lothian, Chair
Glenys Sylvestre, Member
JoeAnne Hardy, Member
Richard Ahenakew, Member
Rick Orr, Member

Governance Committee

Gayle MacDonald, Chair
Darrell Kennedy, Member
Joel Friesen, Member
Pamela Lothian, Member
Rachel Heidecker, Member
Richard Ahenakew, Member

SaskTel Executive

Doug Burnett

Acting President and Chief Executive Officer (CEO)

In June 2017, Doug Burnett was appointed Acting President and CEO. Prior to his appointment, Doug served as Vice President of Human Resources and Corporate Services where he was responsible for SaskTel's Corporate Services, Human Resources, Industrial Relations as well as its Health, Safety, Environment, and Diversity divisions.

Doug began his career at SaskTel in 1990 as Corporate Counsel, providing legal advice and services to the Corporation in every facet of business. During this time, he worked on several international projects, as well as providing advice to Human Resources and Industrial Relations. Prior to joining SaskTel, Doug practised law in Regina from 1983 to 1989.

He holds a Bachelor of Arts from the University of Regina, a Bachelor of Laws from the University of Saskatchewan, and a Certified Human Resources Professional (CHRP) designation. He is a member of the Law Society of Saskatchewan and serves as a board member for the Wicihitowin Foundation, SecurTek, Directwest, SaskTel International, Junior Achievement, and West Wind Aviation.

Doug was born and raised in Regina and is active in his community. He enjoys sports of any kind, particularly water-skiing and snow-skiing.

Kevin Adair

Vice President of Customer Services – Operations

Kevin Adair began his career at SaskTel in 1996 as a summer student in Customer Services, working as a Customer Services Technician (CST). Kevin has held a variety of positions in Customer Services, from CST positions to management positions in dispatch, provincial workforce management, provincial construction, and operations. He has also worked in finance and prior to his appointment as Vice President, was Director of Customer Services for Regina.

In addition to his extensive experience in Customer Services, Kevin holds a Bachelor of Administration with Distinction from the University of Regina, as well as a CPA, CMA designation. He is a governor for Junior Achievement of Northern Saskatchewan, Vice President of the Saskatchewan Common Ground Alliance (SCGA), and serves on the board of Enactus University of Saskatchewan.

Residing in Saskatoon, Kevin and his family are actively involved in the community.

Jim Dundas

Chief Information Officer

Prior to joining SaskTel, Jim Dundas was regional Vice President for CGI, where he had overall executive responsibility for operations in Saskatchewan. He received the prestigious CGI Builder Award for exceptional leadership achievements, having grown the Saskatchewan operation fourfold by delivering excellent client satisfaction and financial performance.

Throughout his 36-year career in the information technology industry, he has held positions with Saskatchewan Government Insurance, Saskatchewan Workers Compensation Board, and Co-operators Data Services Limited.

Jim also serves as the CEO of SaskTel International, a fully owned subsidiary of Saskatchewan Telecommunications, providing solutions to communication service providers and network service operators worldwide.

He was born, raised, and educated in Saskatchewan, loves cottage life and remains active on the family farm.

Charlene Gavel

Chief Financial Officer

Charlene Gavel is responsible for the Corporation's financial activities and provides leadership in the development of financial strategies. She is also responsible for Corporate Security.

Charlene has extensive experience and has held a variety of senior leadership positions throughout her career. Most recently she has held the position of Vice President and Chief Financial Officer at SaskTel International. Prior to that, Charlene held positions with the Regina Qu'Appelle Health Region as Chief Financial Officer and Vice President of Financial Services, and at Information Services Corporation (ISC) as Chief Financial Officer and Vice President of Finance and Administration. Charlene currently serves on the boards of SaskTel International, SecurTek, Directwest, the Public Employees' Pension Plan, and the Regina Downtown Business Improvement District Board.

Daryl Godfrey

Chief Technology Officer

As Chief Technology Officer, Daryl Godfrey's 35-year career with SaskTel includes senior positions in Network Planning and Provisioning, SaskTel International, Business Development, and Stentor. His SaskTel International assignments include Network Services Director in Leicester, UK and Chief Technology Officer for Tanzania Telecommunications Company. Daryl has held positions in the Regina Engineering Society and on the board of TR Labs. He is a member of the Advisory Board for the University of Regina Faculty of Engineering and Applied Science. Daryl has a BScME and P.Eng from the University of Saskatchewan and is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS).

Darcee MacFarlane

Vice President, Corporate and Government Relations

As Vice President of Corporate Communications and Government Relations for SaskTel, Darcee MacFarlane is accountable for media relations, internal communications, customer relations, and community relations for the Corporation. Darcee has over 25 years with SaskTel, and has held a variety of positions in Marketing Communications, Media Relations, Customer Relations, Community Relations, Internal Communications, and Government Relations.

She was born and raised in Saskatchewan. Darcee has a Bachelor of Arts degree and Public Relations certificate from the University of Regina, as well as a Corporate Social Responsibility certificate from the University of Toronto. She is a member of the IABC (International Association of Business Communicators) and serves on the Board of Directors for Computers for Schools.

Shara McCormick

Acting Vice President, Human Resources and Corporate Service

Shara has worked at SaskTel since 1994 in various management roles in Marketing, SaskTel Advance Interactive Solutions, and SaskTel Human Resources. She has been the Director of Training and Development, Director of HR – Strategic Planning, Staffing and Performance Management, and most recently the Senior Director of Human Resources and Corporate Services.

Shara has a Master of Business Administration degree and a Bachelor of Business Administration degree, with Distinction, from the University of Regina, and completed the Certificate in Internet Marketing from the University of British Columbia. She has also been a Sessional Lecturer at the University of Regina. She is the past Vice Chair of the Technical Safety Authority of Saskatchewan (TSASK) Board of Directors and the Chair of the TSASK Human Resources Board Committee.

Greg Meister

Vice President, Business Sales and Solutions

Greg Meister leads the SaskTel team responsible for Business Sales, and Marketing, along with Delivery and Assurance of the advanced suite of security, network, hosted, and premise-based infrastructure services for SaskTel's business customers. These services are delivered and assured by Greg's team of experienced certified IT and communication professionals over Saskatchewan's most advanced networks, and hosted in advanced data centres, designed, built, and operated by SaskTel.

Prior to his appointment as Vice President, Business Sales and Solutions, Greg was Vice President of SaskTel's Customer Services Operations, where he was responsible for the Corporation's advanced networks: delivery of installation and repair services, and the construction of facilities. Beginning his career with SaskTel in 1993, he has held positions in Marketing, Sales, and Operations, allowing Greg and his family to live and participate in the communities of Regina, Prince Albert, North Battleford, and Saskatoon.

Greg holds a Bachelor of Commerce degree from the University of Saskatchewan where he focused in the areas of Finance and Marketing. He has received certificates for extension programs from the University of British Columbia and Queen's University. As a dedicated volunteer, Greg is President of Saskatchewan Crime Stoppers, Vice President of the Saskatoon Gun Club, Director with Saskatchewan Skeet Shooting Corp., and is a member of the Northern Advisory Board.

Born, raised, and educated in Saskatchewan, Greg enjoys living in the growing community of Warman with his wife Nadine and daughter Cassidy.

John Meldrum

Vice President of Corporate Counsel and Regulatory Affairs and Chief Privacy Officer

As Vice President of Corporate Counsel and Regulatory Affairs, John Meldrum's portfolio includes the provision of legal guidance, advice, and services to the Corporation. He is also responsible for the areas of Carrier Relations, Carrier Services, Land and Easements, and Regulatory Affairs, including regulatory policy matters, as well as SaskTel's Legal Department.

John worked five summers with the Corporation while attending University and in 1977, after receiving his Bachelor of Laws degree from the University of Saskatchewan, joined SaskTel as a solicitor in the Legal Department. In May of 1984, John became General Counsel and Corporate Secretary and in September 1986, he became Vice President, Corporate Counsel and held that position until he was appointed to his current position.

In December 2000, he received the Queen's Counsel (QC) designation. John is a member of The Canadian Bar Association and The Law Society of Saskatchewan. He serves on the boards of Directwest, SecurTek, SaskTel International, and the University of Regina Rams Football Club.

Stacey Sandison

Chief Strategy Officer

Stacey Sandison has had an extensive career at SaskTel, with successful leadership responsibilities in marketing, sales, and operations. As Chief Strategy Officer, Stacey is accountable for corporate strategic planning, corporate marketing strategy, service development, corporate program prioritization, and brand management.

She holds a Bachelor of Business Administration degree from the University of Regina and a Master's in Business Administration degree from Ellis College in New York.

Stacey is a past board member of SecurTek, the Canadian Wireless Telecom Association, and the RCMP Foundation. She is a board member of Directwest.

Katrine White

Vice President, Consumer Sales and Solutions

As Vice President of Consumer Sales and Solutions, Katrine White leads the team responsible for all sales, marketing, and operations for SaskTel's consumer market. This includes the development and management of SaskTel's wireless voice and data services, *maxTV* service, internet products and wireline phone service. She is also accountable for industry-leading sales, customer service, and support channels.

Prior to this, Katrine held a number of positions with increasing accountability at SaskTel and SaskTel Mobility in consumer and business product management, advertising and communications, customer loyalty, and strategic planning.

Katrine earned a Bachelor of Commerce degree from the University of Saskatchewan and a certificate in Marketing from Queen's University. She serves on the Hospitals of Regina Foundation Board and is a group leader at Evolution Fitness.

She is married with three children, loves to travel, and spend time at the lake.

Corporate Governance Statement

AUTHORITY

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

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

BOARD APPOINTMENTS

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

KEY ACCOUNTABILITIES

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

On October 15, 2014, the CSA announced amendments to National Instrument 58-101 Disclosure of Corporate Governance Practices, effective December 31, 2014.

The amendments implement a "comply or explain" disclosure model regarding the representation of women on boards and in executive officer positions, and the director selection process. The amendments do not introduce any mandatory quotas or targets. They are intended to increase transparency regarding the representation of women on boards and in senior management. There are no sanctions for non-compliance.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
COMPOSITION OF THE BOARD		
NP 58-201, section 3.1 3.1 The board should have a majority of independent directors.	The majority of directors on the SaskTel Board (12 out of 12) are independent.	Yes
NI 58-101F1, sections 1(a) to (d) 1(a) Disclose the identity of directors who are independent; (b) Disclose the identity of directors who are not independent and the basis for that determination; (c) Disclose whether the majority of directors are independent; and (d) Disclose whether a director is a director of any other issuer that is a reporting issuer.	**Grant Kook**, Chair: *INDEPENDENT* – President and CEO, Westcap Mgt. Ltd. **Richard Ahenakew**: *INDEPENDENT* – General Manager, Northern Lights Casino **Joel Friesen**: *INDEPENDENT* – Lawyer, Anderson and Company **JoAnne Hardy**: *INDEPENDENT* – President, WBM Saskatoon **Rachel Heidecker**: *INDEPENDENT* – Consultant **Jerri Hoback**: *INDEPENDENT* – Accountant **Darrell Kennedy**: *INDEPENDENT* – Entrepreneur – Business Owner **Pamela Lothian**: *INDEPENDENT* – Lawyer **Gayle MacDonald**: *INDEPENDENT* – Independent Business Owner **Rick Orr**: *INDEPENDENT* – Retired **John Ritchie**: *INDEPENDENT* – Retired **Glenys Sylvestre**: *INDEPENDENT* – Executive Lead, University Governance at the University of Regina The determination of independence is made by the Governance Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees. Section 1(d) does not apply to SaskTel as SaskTel does not have share capital, and is not an issuer.	Yes
NP 58-201, section 3.2 3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in Board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder, and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, section 1(f) 1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair.	Grant Kook is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder, is responsible for presiding over meetings of the Board and ensuring that the Board discharges its fiduciary and legal responsibilities. The Chair's primary duties include: • chairing meetings of the Board, ensuring meetings are properly convened, and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to Board, committee, or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders	Yes
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.	As a Standing Agenda item, the Board holds an in-camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, section 1(e) 1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.	There were nine (9) Board meetings held in 2017/18, and during all nine regular meetings, in-camera sessions without management present but including all directors were held. Board practices that facilitate open and candid discussion among and independent judgment by directors include: • holding in-camera sessions of no fixed duration where directors are encouraged to raise any issues of concern • having an independent director as Chair of the Board • clearly delineating the division of responsibilities between Board and management • providing for the Board/directors to access external advice The Board is satisfied that its governance practices foster full and open discussion and debate, and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.	Yes
NI 58-101F1, section 1(g) 1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The Board held nine (9) meetings in 2017/18. The number of Board meetings attended by each director in 2017/18 is set out below.	Yes

Director	Meetings Attended*
Grant Kook, Chair	9 (9)**
Richard Ahenakew	7 (9)
Joel Friesen	9 (9)
JoAnne Hardy	9 (9)
Rachel Heidecker	9 (9)
Jerri Hoback	9 (9)
Darrell Kennedy	9 (9)
Pamela Lothian	9 (9)
Gayle MacDonald	8 (9)
Rick Orr	9 (9)
John Ritchie	9 (9)
Glenys Sylvestre	9 (9)

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

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

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
BOARD MANDATE **NP 58-201, section 3.4** 3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the Corporation and responsibility for: (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) succession planning, including appointing, training and monitoring senior management; (e) adopting a communications policy for the Corporation; (f) the integrity of the Corporation's internal control and management information systems; and (g) developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation. The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.	The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including the responsibility to function as stewards of the Corporation and to: • provide leadership in setting the Corporation's long-range strategic direction and annually approve the Corporation's overall strategic plan • participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks • appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes • adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public • monitor the integrity of the Corporation's internal control and management information systems The Board has approved Terms of Reference for directors where the expectations and responsibilities of individual directors are delineated. SaskTel regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is composed of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices that promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g) the Board has delegated responsibility to the Governance Committee to oversee the Corporation's approach to corporate governance.	Substantial compliance
NI 58-101F1, section 2 2 Disclose the text of the board's written mandate.	The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
POSITION DESCRIPTIONS **NP 58-201, section 3.5** 3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.	The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors, and has adopted a Position Description for the CEO. The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Board Terms of Reference address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management. The Environment and Human Resources (EHR) Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities, and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.	Yes
NI 58-101F1, sections 3(a) and (b) 3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position. (b) Disclose whether the board and CEO have developed a written position description for the CEO.	The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee, and the CEO.	Yes
ORIENTATION AND CONTINUING EDUCATION **NP 58-201, sections 3.6 and 3.7** 3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make, and the nature and operation of the business. 3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities, and ensure their knowledge of the Corporation's business is current.	Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes, and best practices in corporate governance. Other development opportunities made available to directors are described on the next page.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-101F1, sections 4(a) and (b) 4(a) Describe the measures taken to orient new directors to the role of the board, committees, and directors and to the nature of the Corporation's business. (b) Describe the measures taken to provide continuing education opportunities for all directors.	The Corporation provides all members appointed to the Board with a comprehensive *Directors' Reference Manual*, and new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure, and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Prior to some regular Board meetings, outside experts in various aspects of the telecommunications industry are invited to speak to the Board and senior management. Management has also delivered educational sessions to directors to explain technical aspects of the business. Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees, and directors, the skills directors need to effectively discharge their responsibilities and best practices, and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the Corporation or the Board.	Yes
CODE OF BUSINESS CONDUCT AND ETHICS **NP 58-201, section 3.8** 3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers, and employees of the Corporation designed to promote integrity and deter wrongdoing. The code should address: (a) conflicts of interest, including transactions and agreements where a director or officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the Corporation's security holders, customers, suppliers, competitors, and employees; (e) compliance with laws, rules, and regulations; and (f) reporting of illegal or unethical behaviour.	Board members must comply with the *Directors' Code of Conduct*, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskTel's *Code of Business Conduct*, which includes a whistle-blowing policy. Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation, and provide a mechanism to report illegal or unethical behaviour.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, section 5(a) 5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers, and employees of the Corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.	A copy of the *Directors' Code of Conduct* can be obtained by contacting CIC. A copy of the *Code of Business Conduct* can be obtained by contacting SaskTel. Committees of the Board monitor compliance with the *Directors' Code* and the Business Code. The Governance Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor, and enforce the *Directors' Code*. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the *Directors' Code*. The Audit and Risk Committee monitors the financial performance of the Corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls, and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of Corporate assets. The Audit Committee receives quarterly risk management reports, including reports related to legal risks. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and all directors receive summaries of risk management reports. The EHR Committee monitors compliance with environmental, health and safety, and human resource programs, including compliance with the Business Code. The Committee receives reports from management that address, among other things, compliance with related policies, legislation, and regulations. The Chair of the Committee reports any issues raised at the Committee level to the Board at each regular meeting of the Board. SaskTel does not have share capital and is not an issuer. Therefore, no material change reports have been filed.	Yes
NP 58-201, section 3.9 3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full Board. No waivers from either Code have been granted to any director or officer in 2017/18.	Yes
NI 58-101F1, section 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter. In 2005, the Board adopted a disclosure form to enable directors to declare their directorships on and material interests in businesses other than SaskTel, their knowledge of the business their associates have or may transact with SaskTel and any material contracts they may have entered into with SaskTel or its subsidiaries. The required information excludes the acquisition of services available to the general public. The completed form is provided to the Governance Committee, the Corporate Secretary, and their advisors to assist them in proactively addressing potential conflict of interests. Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, section 5(c) 5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management. The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the *Code of Business Conduct* and any directives or policies of the Board or the shareholder. In 2005, the *Code of Business Conduct* was revised to incorporate a whistle-blowing mechanism to facilitate reporting by employees of issues of concern. Issues arising under the *Code of Business Conduct* are reported to and monitored by the EHR Committee and management reports to the Governance Committee respecting significant issues that have arisen pursuant to the whistle-blowing policy. Whistle-blowing reports may also be made directly to the Chair of the Governance Committee.	Yes
NOMINATION OF DIRECTORS		
NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	The Governance Committee functions as the nominating committee. All six (6) members of the Governance Committee, including the Committee Chair, are independent directors.	Yes
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	Appointments of directors of SaskTel are a decision made by the government through an Order in Council. The Governance Committee may, through their responsibility as nominating committee, recommend qualified nominees to the SaskTel Board for consideration and to have those nominees be recommended for consideration to the CIC Board and ultimately the government. The Board, through the Governance Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience, and diversity on the Board to support the strategic direction and operating needs of the Corporation. The Governance Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a Skills Profile that delineates the competencies of current directors and identifies any skill gaps, while seeking and recommending to the Board any nominees who have the required competencies to fill identified gaps. In addition to competencies and skills, current practices encourage diversity in the composition of the Board. In seeking candidates, the Committee may receive recommendations from the directors, senior management, and the shareholder. Potential candidates may be interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation, and whether they have the time to devote to board work. The Committee may recommend a list of candidates for each vacant position to the Board, which in turn would recommend candidates to the shareholder for approval. The shareholder has the legislative authority to make Board appointments. The Committee believes that following best practices related to board appointments, maintaining a skills matrix, and recruiting candidates who possess the required combination of skills, background, and diversity to add value to corporate decision-making supports an objective nomination process.	Substantial Compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	The Governance Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board.	Substantial compliance
NI 58-101F1, section 6(c) 6(c) If the board has a nominating committee, describe the responsibilities, powers, and operation of the committee.	The Governance Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers, and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and may make recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.12 3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.	The Board's nomination process is described above, and it meets the guidelines of the Instrument. By legislation, the Board is composed of a maximum of twelve (12) directors. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.	Yes
NP 58-201, section 3.13 3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.	The Governance Committee identifies the skills sets that are required for the Board. The identification and appointment of directors of SaskTel are a decision made by the Government through an Order in Council.	Partial compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.14 3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.	The process followed by the Governance Committee complies with that set out in the Policy and is described above.	Partial compliance
COMPENSATION **NP 58-201, section 3.15** 3.15 The board should appoint a compensation committee composed entirely of independent directors.	The EHR Committee performs the functions of a compensation committee. Currently the five (5) of five (5) members of the EHR Committee, including the Committee Chair, are independent directors.	Yes
NI 58-101F1, section 7(a) and (b) 7(a) Describe the process by which the board determines compensation for the directors and officers of the Corporation. (b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.	All members of the EHR Committee, which serves as the Compensation Committee, are independent directors. CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board. Each director receives an annual retainer for acting as a Board member. The remuneration levels established by CIC for members of the Board are set out below.	Yes

Director Remuneration Schedule	
Board Chair retainer	$ 38,600.00
Board member retainer	$ 24,125.00
Audit and Risk Committee Chair retainer	$ 3,355.50
Other Committee Chair retainer	$ 2,412.50
Committee member meeting fee (Meeting Fees = Full day $750; Half day $375 – less than 4 hours)	$ 723.75

The Board 2017/18 remuneration amounts were voluntarily reduced 3.5% by Board motion.

A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board.

CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the EHR Committee.

The EHR Committee reviews and recommends to the Board: changes to the design of the Corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual Corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.16 3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees), and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.	The Board has approved Terms of Reference for the EHR Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy, except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.	Substantial compliance
NI 58-101F1, section 7(c) (c) If the board has a compensation committee, describe the responsibilities, powers, and operation of the committee.	The EHR Committee serves as the Compensation Committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.17 3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.	The EHR Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation. Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs, and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskTel does not have equity-based plans. Director compensation is determined by CIC. Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.	Substantial compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
OTHER BOARD COMMITTEES		
NI 58-101F1, section 8		
8 If the board has standing committees of the board, other than audit, compensation, and nominating committees, identify the committees and describe their function.	In addition to the Audit and Risk, Governance and Environment and Human Resources Committees, the Board also has a Corporate Growth and Technology (CGT) Committee. The CGT Committee: works with management to develop a growth strategy and related policies; reviews and recommends investments and divestitures; monitors and reports to the Board respecting the performance of investments; and reviews and makes recommendations concerning the evolution of technology in the Corporation, long-term technology strategies and technology investments. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
BOARD ASSESSMENTS		
NP 58-201, section 3.18		
3.18 The board, its committees, and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.	Board, Board Chair, Committee Chair, and Committee evaluations as well as director peer assessments are performed annually on a three-year cycle, with comprehensive Board and Board Chair evaluations being conducted one year, Committee Chair and Committee evaluations being conducted the next year, and director peer evaluations the third year. The evaluations take into consideration the elements of the Policy. In 2017, Committee and Committee Chair evaluations were conducted.	Yes
NI 58-101F1, section 9		
9 Disclose whether the board, its committees, and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.	The Governance Committee, oversees the implementation of the above evaluation processes. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members. Board, Chair, Committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair, or director is managing well and to highlight areas that may benefit from additional focus and attention. Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs, and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement. The Governance Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
CSA National Policy 58-101 Disclosure of Corporate Governance Practices		
10 Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	The appointment and removal of directors is the prerogative of the Lieutenant Governor in Council pursuant to *The Saskatchewan Telecommunications Holding Corporation Act*. Director appointments are not subject to term limits.	No
11(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.	CIC has a written "Board of Directors' Appointment Policy." While the Policy does not specifically refer to the identification and nomination of female Directors, it requires Crown Boards to include "diversity candidates." The term "diversity candidates" is not defined but it is interpreted as including women, Aboriginal persons, and visible minorities.	Partial Compliance
(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions; (ii) the measures taken to ensure that the policy has been effectively implemented; (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy; and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	CIC maintains statistics regarding diversity of each Crown Board, including progress made in the percentage of women serving on Crown Boards. Annually, CIC forwards information to the shareholder to be considered when Board appointment decisions are made. The information includes the skill sets required for the Board and diversity statistics. As of March 31, 2017, the Board was composed of six (6) women out of a total of twelve (12) members (50%). As of March 31, 2018, the Board was composed of six (6) women out of a total of twelve (12) members (50%).	Yes
12 Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	It is the responsibility of Executive Council to consider the level of representation of women on the Board.	Partial Compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
13 Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	Executive Officer appointments are made by the CEO in consultation with the Board. The CEO gives consideration to the level of representation of women in Executive Officer positions, along with other relevant factors, when making Executive Officer appointments.	Yes
14(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.	Although the CIC policy requires Crown Board to include "diversity candidates," the CIC policy does not adopt a specific target for representation of women on the Board.	No
14(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target; and (ii) the annual and cumulative progress of the issuer in achieving the target.	On August 13, 2015, SaskTel adopted a policy to provide a target regarding women in Executive Officer positions. The current target is to have at least 40% women in Executive Officer positions by 2020.	Yes
15(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women. (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	The Board is currently composed of twelve (12) members, six (6) of whom are women (50%). Currently, five (5) of the eleven (11) Executive Officers are women.	Yes

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