SaskTel

First Quarter Report

Contents:

Pandemic Impact on Operating Environment 1

Highlights 2

MD&A
- Forward–Looking Information 3
- Results of Operations 3
- Financial Condition 5
- Cash Flows 6
- Capital Resource Ratio 6
- Capital Spending 7
- 2021/22 Outlook 7
- Risk Assessment 7

Financial Statements
- Condensed Consolidated Interim Statement of Income and Other Comprehensive Income 8
- Condensed Consolidated Interim Statement of Changes in Equity 9
- Condensed Consolidated Interim Statement of Financial Position 10
- Condensed Consolidated Interim Statement of Cash Flows 11
- Notes to Condensed Consolidated Interim Financial Statements 12

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2021/22

For the Period Ending June 30, 2021

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

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

Pandemic Impact on Operating Environment

SaskTel's annual report discussed the continuing impact of the COVID-19 pandemic. The COVID-19 pandemic has caused significant disruption to the Canadian and world economies. While there has been minimal impact to the Corporation as a result of the pandemic, the Corporation continues to assess and monitor the impact of the pandemic on its operations. However minimal the impacts of the pandemic have been, the magnitude and duration of the pandemic continues to be uncertain and the impacts to the Corporation could increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and asset impairment. Measures to combat the spread of the pandemic have intensified over the last several months, including significant vaccine administration programs. As the pandemic has progressed, the risk of experiencing negative impacts from reduced customer spending or SaskTel's inability to serve customers has diminished.

As noted, the impacts of the pandemic on the Corporation have been minimal and estimates of any impacts have been included where appropriate. At this point in the recovery process, it is not anticipated that there will be significant additional impacts, however, given the uncertainty of the magnitude and duration of the pandemic it is not possible to determine if there will be significant additional impacts on current operations or reported asset and liability values.

Highlights

FINANCIAL

Net Income	Revenue	Return on Equity	Capital Investment
$23.0M	$311.2M	8.5%	$59.0M
(31.6%) vs Q1 2020/21	+ 0.8% vs Q1 2020/21	+ 1.8 percentage points vs Q1 2020/21 Based on Q1 2020/21 and Q1 2021/22 Net Income YEE	(2.3%) vs Q1 2020/21

CUSTOMER CONNECTIONS

Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
+3.6%	+1.8%	+1.7%	+14.3%	(5.9%)
Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Decline yr/yr

Broadband Internet	
June 2021	**835,598**
June 2020	806,294
March 2021	831,807

maxTV Service	
June 2021	**112,807**
June 2020	110,811
March 2021	114,120

Wireless	
June 2021	**642,885**
June 2020	632,425
March 2021	639,239

Fibre	
June 2021	**152,889**
June 2020	133,725
March 2021	149,867

Wireline Voice	
June 2021	**286,601**
June 2020	304,655
March 2021	289,934

Consolidated Net Income

Quarter ended June 30,

Millions of dollars	2021	2020	Change	% Change
Revenue	$311.2	$308.6	$2.6	0.8
Other income	0.3	2.6	(2.3)	(88.5)
	311.5	311.2	0.3	0.1
Expenses	282.1	267.0	15.1	5.7
Results from operating activities	29.4	44.2	(14.8)	(33.5)
Net finance expense	6.4	10.6	(4.2)	(39.6)
Net income	$23.0	$33.6	$(10.6)	(31.6)

Net income for the first quarter of 2021/22 is $23.0 million, down $10.6 million (31.6%) from the same period in 2020/21.

Revenue increased to $311.2 million, up $2.6 million (0.8%) from the same period in 2020/21. This is primarily due to customer growth in wireless, partially offset by decreased revenue from wireline services.

Expenses for the first quarter of 2021/22 increased to $282.1 million, up $15.1 million from the same period in 2020/21. This increase is primarily driven by increased direct expenses, and depreciation and amortization expense.

Net finance expense was $6.4 million, down $4.2 million from the same period in 2020/21 primarily driven by reduced interest expense related to lower interest rates on outstanding long-term debt and increased interest income on overdue accounts.

Management's Discussion and Analysis

August 12, 2021

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of 2021/22. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2021. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please refer to Management's Discussion & Analysis in SaskTel's 2020/21 annual report.

These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These interim statements have been approved by the SaskTel Board of Directors on August 12, 2021.

Results of Operations

Revenue

Millions of dollars	**2021**	2020	Change	% Change
Three months ended June 30,	**$311.2**	$308.6	$2.6	0.8

Revenue for the first quarter of 2021/22 increased to $311.2 million, up $2.6 million or 0.8% from the same period in 2020/21. This increase is primarily driven by customer growth in wireless, fixed broadband and data, and maxTV services. Wireless network and equipment revenue increased due to increased activations, higher revenue per device due to a higher percentage of premium-value devices sales, and a higher mix of converged customers. Wireless wholesale revenue increased due to increased network usage by customers of other carriers. Fixed broadband and data services have increased primarily due to increased accesses and increased revenue per user. maxTV services increased due to growth of the maxTV Stream subscriber base compared to the same quarter in the previous year. Increases were partially offset by decreased wireline communications revenue due to ongoing erosion of legacy voice revenues and a reduction in non-recurring customer premise equipment (CPE) sales.

Expenses

Millions of dollars	2021	2020	Change	% Change
Three months ended June 30,	**$282.1**	$267.0	$15.1	5.7

Expenses for the first quarter of 2021/22 increased to $282.1 million, up $15.1 million from the same period in 2020/21. Goods and services purchased, excluding direct expenses, increased $2.0 million due to increased consulting, contract, and advertising spending. Direct expenses increased $6.1 million primarily due to increased wireless device sales, partially offset by lower CPE sales. Net salaries, wages and benefits increased $2.1 million due to economic and contracted annual increases and reduced capitalized labour. Depreciation and amortization increased $4.9 million due asset life changes and a higher asset base as we continue to invest in our fixed and wireless broadband networks.

Net finance expense

Millions of dollars	2021	2020	Change	% Change
Three months ended June 30,	**$6.4**	$10.6	$(4.2)	(39.6)

Net finance expense for the first quarter of 2021/22 was $6.4 million, down $4.2 million over the same period in 2020/21. This is driven by decreased interest on long term debt of $3.9 million primarily due to lower average interest rates on outstanding debt and increased interest on overdue accounts of $1.8 million due to resumption of late payment charges, which were temporarily suspended under the Crown Utility Interest Deferral Program in 2020/21, partially offset by reduced sinking fund earnings of $1.2 million due to sinking fund redemptions in fiscal 2020/21.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2021 to June 30, 2021 are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Cash	**$(9.3)**	See condensed consolidated statement of cash flows
Trade and other receivables	**(46.2)**	Reinstatement of collection processes and timing of receipts of non-customer related receivables
Inventories	**(6.5)**	Reduced inventory related to wireless devices due to timing of shipments and increased sales
Prepaid expenses	**8.2**	Additional contracts related to software licenses and maintenance
Contract assets	**(1.5)**	Amortization of existing contract assets to revenue partially offset by new contract assets related to contracts initiated during the period
Contract costs	**(0.8)**	Amortization of existing contract costs partially offset by deferral of contract costs related to contracts initiated during the period
Property, plant and equipment	**4.7**	Capital spending partially offset by depreciation, retirements and disposals
Right-of-use assets	**(1.3)**	Depreciation of right-of-use assets partially offset by recognition of additional leased assets
Intangible assets	**(3.9)**	Amortization partially offset by capital spending on software
Sinking funds	**12.0**	Installments, earnings and market value gains
Other assets	**(1.4)**	Primarily related to a lower current portion of device financing
Trade and other payables	**(29.7)**	Timing of payments for operations, capital spending, and interest
Notes payable	**(7.0)**	Repayment of notes payable from operations partially offset by capital spending requirements
Contract liabilities	**3.0**	Timing of revenue recognition related to contract liabilities
Other liabilities	**0.1**	No significant change
Deferred income – government funding	**(1.0)**	Amortization of funding to revenue
Long-term debt	**(0.1)**	No significant change
Lease liabilities	**(1.6)**	Long-term portion of additional lease liability offset by principal repayments
Employee benefit obligations	**(0.4)**	No significant change
Provisions	**-**	No significant change
Equity	**1.0**	Total comprehensive income less dividends declared

Cash Flows

Cash provided by operating activities

Millions of dollars	2021	2020	Change	% Change
Three months ended June 30,	$101.1	$66.4	$34.7	52.3

Cash provided by operating activities in the first quarter of 2021/22 increased to $101.1 million, up $34.7 million from the same period in 2020/21, primarily due to reduced working capital requirements.

Cash used in investing activities

Millions of dollars	2021	2020	Change	% Change
Three months ended June 30,	$58.2	$59.1	$(0.9)	(1.5)

Cash used in investing activities in the first quarter of 2021/22 decreased to $58.2 million, down $0.9 million from the same period in 2020/21, due to reduced spending on the Wireless Saskatchewan project, and wireless growth related to LTE and Wi-Fi, partially offset by increased spending on fibre facilities and the 5G network modernization program.

Cash provided by (used in) financing activities

Millions of dollars	2021	2020	Change	% Change
Three months ended June 30,	$(52.2)	$57.5	$(109.7)	(190.8)

Cash used in financing activities in the first quarter of 2021/22 was $52.2 million versus a source of funds of $57.5 million in the same period in 2020/21, a change of $109.7 million. This is primarily due to an increase in net debt in the previous period and increased dividend and sinking fund payments in the current period.

Capital Resource Ratio

Debt ratio

	June 30, 2021	March 31, 2021	Change
Debt ratio	50.2%	50.4%	(0.2)

The debt ratio decreased to 50.2%, down from 50.4% at March 31, 2021. The overall level of net debt decreased $9.8 million during the first quarter primarily due to reduced borrowing and increased sinking funds, partially offset by reduced cash.

Equity increased by $1.0 million in the first quarter of 2021/22 after recording comprehensive income of $23.5 million and dividend of $22.5 million.

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

Capital Spending

Millions of dollars	2021	2020	Change	% Change
Property, plant and equipment	$54.7	$56.7	$(2.0)	(3.5)
Intangible assets	4.3	3.7	0.6	16.2
Three months ended June 30,	$59.0	$60.4	$(1.4)	(2.3)

Total capital expenditures for the first quarter of 2021/22 were $59.0 million, down $1.4 million from the same period in 2020/21.

SaskTel's net spending on property, plant and equipment for the first quarter of 2021/22 was $54.7 million, down $2.0 million from the same period in 2020/21. This is a result of reduced spending on the Wireless Saskatchewan program, which is nearing completion, as well as, reduced spending on wireless LTE and Wi-Fi facilities, partially offset by increased spending on the 5G network modernization program, expansion of the fibre network, increased access demand services and customer network facilities. SaskTel's net spending on intangible assets was $4.3 million, up $0.6 million from the same period in 2020/21 due to increased spending on internal systems.

Capital expenditures in 2021/22 will focus on further investment in the core Saskatchewan network including: FTTP, 5G network modernization, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increased internet access speeds; enhanced maxTV service; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

2021/22 Outlook

The 2020/21 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2022 of $100.0 million. At this time, SaskTel believes it will meet this target.

Risk Assessment

The 2020/21 Annual Report discussed the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks, including the impact of the COVID-19 pandemic. Strategic Risks are risks that may inhibit SaskTel from achieving goals and targets outlined in its Strategic Plan including the following areas: customer experience, broadband, transformation, and financial sustainability. Core Business Risks are risks associated with the execution of SaskTel's business functions including the following areas: operational, financial, and compliance and legal.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, and assess key corporate risks. As of June 30, 2021, SaskTel's key risk profile has remained unchanged for the most part. As the pandemic has progressed, the risk of experiencing negative impacts from reduced customer spending or SaskTel's inability to serve customers has diminished.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2021	2020
Revenue	3	**$311,183**	$308,630
Other income		**258**	2,588
		311,441	311,218
Expenses			
Goods and services purchased		**128,290**	120,175
Salaries, wages and benefits		**91,330**	89,814
Internal labour capitalized		**(5,074)**	(5,687)
Depreciation - property, plant & equipment	5	**48,297**	43,927
Depreciation - right-of-use assets	6	**1,553**	1,544
Amortization	7	**8,199**	7,669
Saskatchewan taxes		**9,471**	9,596
		282,066	267,038
Results from operating activities		**29,375**	44,180
Net finance expense	4	**6,379**	10,547
Net income		**22,996**	33,633
Other comprehensive income			
Items that will be reclassified to net income			
Sinking fund market value gains		**672**	8,039
Items that will never be reclassified to net income			
Net actuarial losses on defined benefit pension plan	8	**(181)**	(115)
Total other comprehensive income		**491**	7,924
Total comprehensive income		**$23,487**	$41,557

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

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

Thousands of dollars	Equity advances	Accumulated other comprehensive income	Retained earnings	Total equity
	(Unaudited)			
Balance at April 1, 2021	**$237,000**	**$102,666**	**$848,866**	**$1,188,532**
Net income	**-**	**-**	**22,996**	**22,996**
Other comprehensive income	**-**	**491**	**-**	**491**
Total comprehensive income	**-**	**491**	**22,996**	**23,487**
Dividend declared	**-**	**-**	**22,508**	**22,508**
Balance at June 30, 2021	**$237,000**	**$103,157**	**$849,354**	**$1,189,511**
Balance at April 1, 2020	$237,000	$109,204	$835,784	$1,181,988
Net income	-	-	33,633	33,633
Other comprehensive income	-	7,924	-	7,924
Total comprehensive income	-	7,924	33,633	41,557
Dividend declared	-	-	18,398	18,398
Balance at June 30, 2020	$237,000	$117,128	$851,019	$1,205,147

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) June 30, 2021	March 31, 2021
Assets			
Current assets			
Cash		$14,395	$23,694
Trade and other receivables	10a	137,030	183,194
Inventories		19,814	26,347
Prepaid expenses		54,575	46,343
Contract assets	10a	69,014	66,567
Contract costs		19,290	19,224
		314,118	365,369
Contract assets	10a	28,407	32,396
Contract costs		56,225	57,110
Property, plant and equipment	5	2,005,138	2,000,391
Right-of-use assets	6	40,417	41,706
Intangible assets	7	260,087	264,012
Sinking funds	10c	96,582	84,619
Other assets		9,428	10,856
		$2,810,402	$2,856,459
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	10a	$142,257	$171,990
Dividend payable	10c	22,508	32,688
Notes payable	10c	212,916	219,892
Contract liabilities	10a	59,629	56,629
Other liabilities		16,203	16,111
		453,513	497,310
Contract liabilities	10a	445	489
Deferred income – government funding		16,198	17,234
Long-term debt	10c	1,096,488	1,096,606
Lease liabilities		35,451	37,087
Employee benefit obligations	8	11,892	12,337
Provisions		6,904	6,864
Province of Saskatchewan's equity			
Equity advance		237,000	237,000
Accumulated other comprehensive income		103,157	102,666
Retained earnings		849,354	848,866
		1,189,511	1,188,532
		$2,810,402	$2,856,459
Subsequent event	13		

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2021	2020
Operating activities			
Net income		$22,996	$33,633
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5, 6, 7	58,049	53,140
Net finance expense	4	6,379	10,547
Interest paid		(13,433)	(17,768)
Interest received		2,011	611
Amortization of government funding		(1,460)	(1,442)
Other		2,627	119
Net change in non-cash working capital	10b	23,909	(12,415)
		101,078	66,425
Investing activities			
Property, plant and equipment expenditures		(53,711)	(55,210)
Intangible assets expenditures		(4,441)	(3,849)
		(58,152)	(59,059)
Financing activities			
Proceeds from long-term debt	10c	-	210,742
Net repayment of notes payable	10c	(6,976)	(119,060)
Payment of lease liabilities	10c	(1,511)	(1,460)
Sinking fund instalments	10c	(11,050)	(7,300)
Dividend paid	10c	(32,688)	(25,448)
		(52,225)	57,474
Increase (decrease) in cash		(9,299)	64,840
Cash, beginning of period		23,694	17,221
Cash, end of period		$14,395	$82,061

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2021

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 services.

Note 2 – Basis of presentation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the three months ended June 30, 2021 should be read in conjunction with the Corporation's March 31, 2021 audited consolidated financial statements. The interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim financial statements do not include all of the information required for full annual financial statements.

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

The interim financial statements as at and for the three month period ended June 30, 2021 were approved by the Board of Directors on August 12, 2021.

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

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

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

Use of estimates and judgments
The preparation of the interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on several factors, including historical experience, current events including but not limited to the COVID-19 pandemic and actions that the Corporation may undertake in the future, and other assumptions that the Corporation believes are reasonable under the circumstances. Actual results may differ from these estimates.

Note 2 – Basis of presentation, continued

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

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

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

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

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

Application of new International Financial Reporting Standards, and amendments to standards and interpretations

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after April 1, 2021 or later periods. There was no impact to the interim financial statements upon adoption of these new standards and amendments to the existing standards.

Note 3 – Revenue from contracts with customers

	Three months ended June 30,	
Thousands of dollars	**2021**	2020
Revenue		
Wireless network services and equipment	**$141,848**	$134,117
Fixed broadband and data services	**69,210**	66,920
Wireline communication services	**46,157**	51,570
maxTV service	**26,054**	25,443
Security monitoring services	**8,597**	8,607
Marketing services	**6,354**	6,601
Customer premise equipment	**3,231**	5,513
IT solutions services	**3,151**	3,178
International software and consulting services	**2,095**	1,997
Other services	**4,486**	4,684
	$311,183	$308,630

Note 4 – Net finance expense

Thousands of dollars	Three months ended June 30, 2021	2020
Recognized in consolidated net income		
Interest on long-term debt	$9,258	$13,160
Interest on short-term debt	63	423
Interest capitalized	(759)	(1,239)
Net interest expense	8,562	12,344
Interest on lease liabilities	252	266
Net interest on defined benefit liability	(223)	(112)
Accretion expense	40	57
Finance expense	8,631	12,555
Sinking fund earnings	(241)	(1,397)
Interest income	(2,011)	(611)
Finance income	(2,252)	(2,008)
Net finance expense	$6,379	$10,547
Interest capitalization rate	2.81%	3.92%

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2021	**$3,704,946**	**$613,989**	**$133,101**	**$199,286**	**$41,275**	**$4,692,597**
Additions	**17,536**	**-**	**1,703**	**35,386**	**41**	**54,666**
Transfers	**90,561**	**34,260**	**88**	**(124,909)**	**-**	**-**
Retirements, disposals and adjustments	**(10,290)**	**(892)**	**(8,329)**	**-**	**-**	**(19,511)**
Balance at June 30, 2021	**$3,802,753**	**$647,357**	**$126,563**	**$109,763**	**$41,316**	**$4,727,752**
Balance at April 1, 2020	$3,639,106	$587,515	$153,572	$145,124	$39,723	$4,565,040
Additions	45,898	-	22,131	214,332	1,561	283,922
Transfers	132,460	27,456	254	(160,170)	-	-
Retirements, disposals and adjustments	(112,518)	(982)	(42,856)	-	(9)	(156,365)
Balance at March 31, 2021	$3,704,946	$613,989	$133,101	$199,286	$41,275	$4,692,597
Accumulated depreciation						
Balance at April 1, 2021	**$2,412,628**	**$210,683**	**$68,895**	**$ -**	**$ -**	**$2,692,206**
Depreciation	**38,441**	**4,093**	**5,763**	**-**	**-**	**48,297**
Retirements, disposals and adjustments	**(9,922)**	**(376)**	**(7,591)**	**-**	**-**	**(17,889)**
Balance at June 30, 2021	**$2,441,147**	**$214,400**	**$67,067**	**$ -**	**$ -**	**$2,722,614**
Balance at April 1, 2020	$2,376,967	$195,695	$87,723	$ -	$ -	$2,660,385
Depreciation	143,712	15,606	23,643	-	-	182,961
Retirements, disposals and adjustments	(108,051)	(618)	(42,471)	-	-	(151,140)
Balance at March 31, 2021	$2,412,628	$210,683	$68,895	$ -	$ -	$2,692,206
Carrying amounts						
At April 1, 2021	**$1,292,318**	**$403,306**	**$64,206**	**$199,286**	**$41,275**	**$2,000,391**
At June 30, 2021	**$1,361,606**	**$432,957**	**$59,496**	**$109,763**	**$41,316**	**$2,005,138**
At April 1, 2020	$1,262,139	$391,820	$65,849	$145,124	$39,723	$1,904,655
At March 31, 2021	$1,292,318	$403,306	$64,206	$199,286	$41,275	$2,000,391

As at June 30, 2021, the Corporation is committed to spend $68.2 million on property, plant and equipment (March 31, 2021 - $37.9 million).

Note 6 – Right-of-use assets

Thousands of dollars	Plant and equipment	Buildings and improvements	Land	Total
Cost				
Balance at April 1, 2021	**$16,223**	**$29,264**	**$8,789**	**$54,276**
Additions	**591**	**-**	**-**	**591**
Retirements and adjustments	**-**	**(63)**	**-**	**(63)**
Balance at June 30, 2021	**$16,814**	**$29,201**	**$8,789**	**$54,804**
Balance at April 1, 2020	$13,298	$27,724	$8,879	$49,901
Additions	2,985	1,602	124	4,711
Retirements and adjustments	(60)	(62)	(214)	(336)
Balance at March 31, 2021	$16,223	$29,264	$8,789	$54,276
Accumulated depreciation				
Balance at April 1, 2021	**$6,302**	**$4,965**	**$1,303**	**$12,570**
Depreciation	**737**	**649**	**167**	**1,553**
Retirements and adjustments	**327**	**(63)**	**-**	**264**
Balance at June 30, 2021	**$7,366**	**$5,551**	**$1,470**	**$14,387**
Balance at April 1, 2020	$3,314	$2,578	$658	$6,550
Depreciation	3,060	2,399	708	6,167
Retirements and adjustments	(72)	(12)	(63)	(147)
Balance at March 31, 2021	$6,302	$4,965	$1,303	$12,570
Carrying amounts				
At April 1, 2021	**$9,921**	**$24,299**	**$7,486**	**$41,706**
At June 30, 2021	**$9,448**	**$23,650**	**$7,319**	**$40,417**
At April 1, 2020	$9,984	$25,146	$8,221	$43,351
At March 31, 2021	$9,921	$24,299	$7,486	$41,706

Note 7 – Intangible assets

Thousands of dollars	Software	Spectrum licences	Under development	Total
Cost				
Balance at April 1, 2021	**$304,612**	**$120,905**	**$8,750**	**$434,267**
Acquisitions	**1,650**	**-**	**1,849**	**3,499**
Acquisitions – internally developed	**791**	**-**	**35**	**826**
Transfers	**4,870**	**-**	**(4,870)**	**-**
Retirements, disposals and adjustments	**(2,882)**	**-**	**-**	**(2,882)**
Balance at June 30, 2021	**$309,041**	**$120,905**	**$5,764**	**$435,710**
Balance at April 1, 2020	$440,413	$120,905	$12,172	$573,490
Acquisitions	4,068	-	12,928	16,996
Acquisitions – internally developed	6,360	-	959	7,319
Transfers	17,309	-	(17,309)	-
Retirements, disposals and adjustments	(163,538)	-	-	(163,538)
Balance at March 31, 2021	$304,612	$120,905	$8,750	$434,267
Accumulated amortization and impairment losses				
Balance at April 1, 2021	**$170,255**	**$ -**	**$ -**	**$170,255**
Amortization	**8,199**	**-**	**-**	**8,199**
Retirements, disposals and adjustments	**(2,831)**		**-**	**(2,831)**
Balance at June 30, 2021	**$175,623**	**$ -**	**$ -**	**$175,623**
Balance at April 1, 2020	$302,004	$ -	$ -	$302,004
Amortization	31,781	-	-	31,781
Retirements, disposals and adjustments	(163,530)	-	-	(163,530)
Balance at March 31, 2021	$170,255	$ -	$ -	$170,255
Carrying amounts				
At April 1, 2021	**$134,357**	**$120,905**	**$8,750**	**$264,012**
At June 30, 2021	**$133,418**	**$120,905**	**$5,764**	**$260,087**
At April 1, 2020	$138,409	$120,905	$12,172	$271,486
At March 31, 2021	$134,357	$120,905	$8,750	$264,012

Note 8 – Employee benefit obligations

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

	2021/22	2020/21
June 30	3.10%	3.00%
September 30	n/a	2.50%
December 31	n/a	2.50%
March 31	n/a	3.10%

In addition to the other comprehensive loss impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net decrease in the employee benefit obligations for the period which has been partially offset by the impact of the asset ceiling limit.

	Three months ended June 30,	
Thousands of dollars	2021	2020
Actuarial loss on accrued benefit obligation	$ -	$(71,773)
Return on plan assets excluding interest income	34,593	61,866
Effect of asset ceiling limit	(34,774)	9,792
Net actuarial loss on employee benefit plans	$(181)	$(115)

Note 9 – Capital management

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

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

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

The Corporation reviews the debt ratio targets of its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the consolidated entity. The budgeted ratio for 2021/22 is 52.5%.

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

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

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

Note 9 – Capital management, continued

The debt ratio is as follows:

As at Thousands of dollars	**June 30, 2021**	March 31, 2021
Long-term debt	**$1,096,488**	$1,096,606
Notes payable	**212,916**	219,892
Less: Sinking funds	**96,582**	84,619
Cash	**14,395**	23,694
Net debt [(a)]	**1,198,427**	1,208,185
Province of Saskatchewan's equity [(b)]	**1,189,511**	1,188,532
Capitalization	**$2,387,938**	$2,396,717
Debt ratio	**50.2%**	50.4%

a) Net debt excludes lease liabilities
b) Equity includes equity advances, accumulated other comprehensive income and retained earnings at the end of the period.

Note 10 – Additional financial information

a) Statement of financial position

As at Thousands of dollars	Note	**June 30, 2021**	March 31, 2021
Trade and other receivables			
Customer accounts receivable		**$104,961**	$111,770
Accrued receivables - customer		**1,793**	2,547
Allowance for doubtful accounts	11	**(6,626)**	(7,578)
		100,128	106,739
Other		**36,902**	76,455
		$137,030	$183,194
Contract assets			
Opening balance		**$101,116**	$85,350
Contract assets recognized in the current period		**20,219**	101,563
		121,335	186,913
Amortization of contract assets		**(20,832)**	(79,250)
Contract terminations transferred to trade receivables		**(1,866)**	(6,547)
		98,637	101,116
Impairment allowance		**(1,216)**	(2,153)
Closing balance		**97,421**	98,963
Current portion		**69,014**	66,567
Long-term portion		**$28,407**	$32,396

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2021

Note 10 – Additional financial information, continued

a) *Statement of financial position, continued*

As at Thousands of dollars	June 30, 2021	March 31, 2021
Trade and other payables		
Trade payables and accrued liabilities	$100,893	$124,939
Payroll and other employee-related liabilities	30,560	36,788
Other	10,804	10,263
	$142,257	$171,990

Contract liabilities		
Opening balance	$57,118	$56,385
Contract liabilities recognized in the current period	84,914	328,650
	142,032	385,035
Recognized in revenue	(81,954)	(327,895)
Terminations	(4)	(22)
Closing balance	60,074	57,118
Current portion	59,629	56,629
Long-term portion	$445	$489

b) **Non-cash working capital changes**

	Three months ended June 30,	
Thousands of dollars	2021	2020
Net change in non-cash working capital balances related to operations		
Trade and other receivables	$46,164	$(12,833)
Inventories	6,533	(1,945)
Prepaid expenses	(8,232)	(3,208)
Contract assets	1,542	6,596
Contract costs	819	306
Trade and other payables	(25,991)	(3,946)
Contract liabilities	2,956	2,167
Other liabilities	120	353
Other	(2)	95
	$23,909	$(12,415)

Note 10 – Additional financial information, continued

c) Changes in liabilities arising from financing activities

	Assets	Liabilities				
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Total
Balance at April 1, 2021	**$(84,619)**	**$1,096,606**	**$219,892**	**$42,861**	**$32,688**	**$1,307,428**
Changes from financing cash flows						
Proceeds from loans and borrowings	**-**	**-**	**481,743**	**-**	**-**	**481,743**
Repayment of borrowings	**-**	**-**	**(488,719)**	**(1,511)**	**-**	**(490,230)**
Instalments	**(11,050)**	**-**	**-**	**-**	**-**	**(11,050)**
Dividend paid	**-**	**-**	**-**	**-**	**(32,688)**	**(32,688)**
Total changes from financing cash flows	**(11,050)**	**-**	**(6,976)**	**(1,511)**	**(32,688)**	**(52,225)**
Other changes						
Dividend declared	**-**	**-**	**-**	**-**	**22,508**	**22,508**
Sinking fund earnings	**(241)**	**-**	**-**	**-**	**-**	**(241)**
Sinking fund valuation adjustments	**(672)**	**-**	**-**	**-**	**-**	**(672)**
New leases and assumption changes	**-**	**-**	**-**	**264**	**-**	**264**
Amortization of net premium on long-term debt	**-**	**(118)**	**-**	**-**	**-**	**(118)**
Total other changes	**(913)**	**(118)**	**-**	**264**	**22,508**	**21,741**
Balance at June 30, 2021	**$(96,582)**	**$1,096,488**	**$212,916**	**$41,614**	**$22,508**	**$1,276,944**
Balance at April 1, 2020	$(198,490)	$1,109,529	$188,851	$44,095	$25,448	$1,169,433
Changes from financing cash flows						
Proceeds from loans and borrowings	-	210,742	58,196	-	-	268,938
Repayment of borrowings	-	-	(177,256)	(1,460)	-	(178,716)
Instalments	(7,300)	-	-	-	-	(7,300)
Dividend paid	-	-	-	-	(25,448)	(25,448)
Total changes from financing cash flows	(7,300)	210,742	(119,060)	(1,460)	(25,448)	57,474
Other changes						
Dividend declared	-	-	-	-	18,398	18,398
Sinking fund earnings	(1,397)	-	-	-	-	(1,397)
Sinking fund valuation adjustments	(8,039)	-	-	-	-	(8,039)
New leases and assumption changes	-	-	-	293	-	293
Amortization of net discount on long-term debt	-	43	-	-	-	43
Total other changes	(9,436)	43	-	293	18,398	9,298
Balance at June 30, 2020	$(215,226)	$1,320,314	$69,791	$42,928	$18,398	$1,236,205

Note 11 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation uses 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. At June 30, 2021, the Corporation had foreign currency derivatives outstanding with notional values of $31.4 million and maturities up to April 29, 2022. The Corporation does not actively trade financial instruments.

The Corporation's financial risks, while impacted by the pandemic, have not changed significantly from the prior period.

Note 11 – Financial risk management, continued

Market risks
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. These risks have not changed significantly from the prior period.

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.

As at			June 30, 2021		March 31, 2021	
Thousands of dollars	Classification (a)	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Investments - sinking funds	FVOCI	Level 2	$96,582	$96,582	$84,619	$84,619
Financial liabilities						
Long-term debt	Amortized cost	Level 2	$1,096,488	$1,213,588	$1,096,606	$1,161,618
Derivative financial instruments						
Foreign exchange derivative liability	FVTPL	Level 2	$283	$283	$ -	$ -

(a) Classification details are: FVOCI – fair value through other comprehensive income, FVTPL – fair value through profit or loss

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

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

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

There were no items measured at fair value using Level 3 inputs during 2020/21 or to date in 2021/22 and no items transferred between levels in 2020/21 or to date in 2021/22.

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

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

Note 11 – Financial risk management, continued

Derivative financial instruments carried at fair value through profit or loss
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 current rates offered to the Corporation 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).

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, including device financing receivables, unbilled revenue, contract assets, sinking funds, interest receivable and counterparties to financial derivatives. The maximum exposure to credit risk is represented by the carrying amounts reported in the statement of financial position. There is minimal credit risk related to non-customer related financial instruments and derivative instruments at June 30, 2021 due to the investment-grade assets held within the sinking funds and investment-grade counterparties to derivative instruments.

Credit risk related to customer related financial instruments is primarily reflected in the allowance for doubtful accounts. The allowance for doubtful accounts had previously been increased mainly due to the impact of the COVID-19 pandemic. The allowance is assessed regularly to ensure a reasonable provision for potential credit losses. Details are noted below:

Allowance for doubtful accounts	Three months	
Period ended June 30, Thousands of dollars	**2021**	2020
Balance, beginning of period	**$7,578**	$2,606
Less: accounts written off	**(2,119)**	(1,073)
Recoveries	**417**	609
Provisions for losses	**750**	732
Balance, end of period	**$6,626**	$2,874

Note 12 – COVID-19

The Corporation's telecommunications and security operations have been recognized by Canadian governments as essential services. To date there has been minimal impact as a result of the emergency measures adopted to combat the spread of the COVID-19 pandemic, and the resulting economic conditions on the Corporation's business. Measures to combat the spread of the pandemic have intensified over the last several months, including significant vaccine administration programs. As the pandemic has progressed, the risk of experiencing negative impacts from reduced customer spending or SaskTel's inability to serve customers has diminished.

Note 13 – Subsequent event

Subsequent to the period end and as a result of participation in the Mobile Broadband Services – 3500 MHz Auction, the Corporation purchased 68 licenses of spectrum for $145.1 million.