Saskatchewan Telecommunications International, Inc.

Statement of Income and Other Comprehensive Income

For the year ended March 31,		2020	2019
Thousands of dollars	Note		
Revenue - software and professional services	3	$15,891	$15,384
Expenses			
Goods and services purchased		6,126	5,537
Salaries, wages and benefits		6,139	6,198
Depreciation - property, plant & equipment		6	17
Depreciation - right-of-use assets	7	69	-
		12,340	11,752
Results from operating activities		3,551	3,632
Net finance income	4	64	144
Net income		3,615	3,776
Other comprehensive income			
Items that will never be reclassified to net income			
Actuarial gains on employee benefit plan	11	9	1
Total comprehensive income		$3,624	$3,777

All net income and total comprehensive income are attributable to Saskatchewan Telecommunications Holding Corporation.

See Accompanying Notes

Statement of Changes in Equity

Thousands of dollars	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at April 1, 2019	$1,000	$(1)	$3,308	$4,307
Net income	-	-	3,615	3,615
Other comprehensive income	-	9	-	9
Total comprehensive income	-	9	3,615	3,624
Dividends declared	-	-	4,481	4,481
Balance at March 31, 2020	$1,000	$8	$2,442	$3,450
Balance at April 1, 2018	$1,000	$(2)	$2,847	$3,845
Net income	-	-	3,776	3,776
Other comprehensive income	-	1	-	1
Total comprehensive income	-	1	3,776	3,777
Dividends declared	-	-	3,315	3,315
Balance at March 31, 2019	$1,000	$(1)	$3,308	$4,307

See Accompanying Notes

Statement of Financial Position

As at March 31, Thousands of dollars	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	$7,320	$10,590
Trade and other receivables	6	4,943	1,870
Prepaid expenses		245	206
Contract costs		19	-
		12,527	12,666
Contract costs		24	-
Property, plant and equipment		4	10
Right-of-use assets	7	2,519	-
		$15,074	$12,676
Liabilities and Shareholder's equity			
Current liabilities			
Trade and other payables	8	$1,422	$1,365
Dividend payable		4,481	3,315
Contract liabilities	9	3,097	3,604
Current portion of lease liabilities	10	49	-
		9,049	8,284
Lease liabilities	10	2,491	-
Employee benefit obligations	11	84	85
		11,624	8,369
Commitments and contingencies	16		
Shareholder's equity			
Share capital	12	1,000	1,000
Accumulated other comprehensive income (loss)		8	(1)
Retained earnings		2,442	3,308
		3,450	4,307
		$15,074	$12,676

See Accompanying Notes

On behalf of the Board

Doug Burnett
April 28, 2020

Charlene Gavel

Statement of Cash Flows

For the year ended March 31,		**2020**	2019
Thousands of dollars	Note		
Operating activities			
Net income		**$3,615**	$3,776
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation		**75**	17
Net finance income	4	**(64)**	(144)
Interest paid		**(70)**	-
Interest received		**142**	154
Net change in non-cash working capital	13(a)	**(3,605)**	(824)
		93	2,979
Financing activities			
Payment of lease liabilities	10, 13(b)	**(48)**	-
Dividends paid	13(b)	**(3,315)**	(4,252)
		(3,363)	(4,252)
Decrease in cash and cash equivalents		**(3,270)**	(1,273)
Cash and cash equivalents, beginning of year		**10,590**	11,863
Cash and cash equivalents, end of year		**$7,320**	$10,590

See Accompanying Notes

Notes to Financial Statements

Note 1 – General information

Saskatchewan Telecommunications International, Inc. (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 incorporated under the laws of the Province of Saskatchewan. The Corporation is a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (Holdco) with the mandate of pursuing core telecommunications business opportunities worldwide.

The financial results of the Corporation are included in the consolidated financial statements of Holdco. As a wholly owned subsidiary of Holdco, a Saskatchewan Provincial Crown corporation, the Corporation is not subject to Federal or Provincial income taxes in Canada.

Note 2 – Basis of presentation

Certain of the Corporation’s accounting policies that relate to the financial statements as well as estimates and judgments the Corporation has made and how they impact amounts reported in the 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The 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 and presentation currency

These 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 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 throughout all periods presented unless otherwise indicated.

COVID-19 impact assessment

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. The magnitude and duration of COVID-19 is uncertain and accordingly it is difficult to reliably measure the potential impact of this uncertainty on the Corporation. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and potential asset impairment.

Impairment testing

Accounting policies

At the end of each reporting period, the Corporation reviews the carrying amounts of its assets in use, including property, plant and equipment and right-of-use assets to determine whether there is any indication that they have suffered an impairment loss.

Note 2 – Basis of presentation, continued

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate 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.

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 to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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; and making assumptions about future 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, which are both unobservable and significant to the overall fair value measurement.

Accounting estimates, and judgments
Fair value 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

Note 2 – Basis of presentation, continued

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.

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 from contracts with customers	X	X	9
4	Net finance income	X		10
5	Cash and cash equivalents	X		11
6	Trade and other receivables	X	X	11
7	Right-of-use assets	X	X	11
8	Trade and other payables	X		13
9	Contract liabilities	X	X	13
10	Lease liabilities	X	X	14

Note	Topic	Accounting Policies	Accounting Estimates, and Judgments	Page
11	Employee benefits	X	X	15
12	Share capital and additional capital disclosures			17
13	Statement of cash flows – supporting information			18
14	Financial instruments and related risk management	X		19
15	Related party transactions			21
16	Commitments and contingencies		X	22

Application of new International Financial Reporting Standards
The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standard that was applied by the Corporation.

Adoption of IFRS 16 *Leases*

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

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

Note 2 – Basis of presentation, continued

c) the Corporation has recognized right-of-use assets at the date of initial application for leases previously classified as operating leases applying IAS 17, measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

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

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

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

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

Leases where the Corporation is the lessee

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

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

Note 2 – Basis of presentation, continued

The impacts of adoption of IFRS 16 are as follows:

Impact on net income

For the year ended March 31, 2020

Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Revenue - software and professional services	$15,891	-	**$15,891**
Expenses			
Goods and services purchased	6,244	(118)	**6,126**
Depreciation right-of-use assets	-	69	**69**
All other expenses	6,145	-	**6,145**
	12,389	(49)	**12,340**
Results from operating activities	3,502	49	**3,551**
Net finance income	134	(70)	**64**
Net income	$3,636	$(21)	**$3,615**

Impact on the statement of financial position

As at March 31, 2020

Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16 at date of adoption	Current period impact of IFRS 16	**As reported upon adoption of IFRS 16**
Assets				
Current assets	$12,527	$ -	$ -	**$12,527**
Right-of-use assets	-	2,537	(18)	**2,519**
Other assets	28	-	-	**28**
	$12,555	$2,537	$(18)	**$15,074**
Liabilities and Shareholder's equity				
Current liabilities				
Current portion of lease liabilities	$ -	$30	$19	**$49**
Other current liabilities	9,000	-	-	**9,000**
	9,000	30	19	**9,049**
Lease liabilities	-	2,507	(16)	**2,491**
Other liabilities	84	-	-	**84**
	9,084	2,537	3	**11,624**
Shareholder's equity	3,471	-	(21)	**3,450**
	$12,555	$2,537	$(18)	**$15,074**

Note 2 – Basis of presentation, continued

Impact on the statement of cash flows – selected lines

For the year ended March 31, 2020 Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Operating activities			
Net income	$3,636	$(21)	**$3,615**
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	6	69	**75**
Net finance income	(134)	70	**(64)**
Interest paid	-	(70)	**(70)**
Other adjustments and net change in non-cash working capital	(3,463)	-	**(3,463)**
	45	48	**93**
Financing activities			
Payment of lease liabilities	-	(48)	**(48)**
Other financing activities	(3,315)	-	**(3,315)**
	(3,315)	(48)	**(3,363)**

Operating lease commitments at March 31, 2019 were $0.2 million. The difference between the operating lease commitments at March 31, 2019 and the lease liabilities of $2.5 million at April 1, 2019 is mainly due to an increase of $4.4 million related to renewal options reasonably certain to be exercised and a reduction of $2.1 million related to discounting of future lease payments based on a weighted average incremental borrowing rate on adoption of 2.79%.

Note 3 – Revenue from contracts with customers

Accounting policies

Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts collected on behalf of third parties. Revenue is recognized when control of a product or service is transferred to a customer. When the Corporation's right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, the Corporation recognizes revenue in the amount to which the Corporation has a right to invoice.

For multiple element arrangements, the Corporation accounts for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own. The total arrangement consideration is allocated to each product or service included in the contract with the customer based on its stand-alone selling price. Stand-alone selling prices are generally determined based on the observable prices at which the Corporation sells products separately without a service contract and prices for non-bundled service offerings with the same range of services, adjusted for market conditions and other factors, as appropriate. When similar products and services are not sold separately, the Corporation uses the expected cost plus margin approach to determine stand-alone selling prices. Products and services purchased by a customer in excess of those included in the bundled arrangement are accounted for separately.

A contract asset is recognized when the Corporation's right to consideration from the transfer of products or services to a customer is conditional on the obligation to transfer other products or services. Contract assets are transferred to trade receivables when the right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when consideration is received in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Note 3 – Revenue from contracts with customers, continued

The Corporation may enter into arrangements with subcontractors and others who provide services to our customers. When the Corporation acts as the principal in these arrangements, the Corporation recognizes revenue based on the amounts billed to our customers. Otherwise, the Corporation recognizes the net amount that the Corporation retains as revenue.

Incremental costs of obtaining a contract with a customer, principally composed of sales commissions and prepaid contract fulfillment costs, are recognized in the statement of financial position.

Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Revenue for perpetual licences is recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, the elements are assessed to determine which elements are integral to the perpetual licence and which are separate performance obligations. Revenue is recognized in accordance with the assessment of performance obligations to be delivered. 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. Revenue for customized software projects and consulting services is recognized using the percentage-of-completion method. Amounts billed or paid in advance of services provided are recorded as contract liabilities. Customer payments are due in accordance with the terms of the contract with the customer: for perpetual licences, typically upon delivery of the related product or service; and for professional service contracts and multiple element contracts either; upon completion of the contract, based on specified deliverables within the contract, or based on progress billings.

Accounting estimates, and judgments

The Corporation is required to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates and judgments related to; determining the transaction price of products and services, determining the stand-alone selling prices of products and services, identification of performance obligations within a contract, including the determination of whether a promise to deliver goods or services is considered distinct, and the timing of satisfaction of performance obligations under long-term contracts. The determination of costs to obtain a contract including the identification of incremental costs also requires judgment. This includes determining whether the costs meet the deferral criteria and whether the costs will be recoverable.

Note 4 – Net finance income

Accounting policies

Finance income is comprised of interest income on funds invested classified as at amortized cost.

Finance expenses are composed of interest expense on lease liabilities measured at amortized cost.

Supporting information

For the year ended March 31, Thousands of dollars	**2020**	2019
Recognized in net income		
Interest expense on lease liabilities	**$(70)**	$ -
Interest income	**134**	144
Net finance income	**$64**	$144

Notes to Financial Statements

Note 5 – Cash and cash equivalents

Accounting policies
Cash and cash equivalents are composed of cash and short-term interest-bearing investments with Holdco that are due on demand and have a maturity date of ninety days or less.

Supporting information

Included in cash and cash equivalents are short-term investments with a weighted average interest rate of 1.67% (2018/19 – 1.81%).

Note 6 – 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.

The allowance for doubtful accounts on trade and other receivables are always recorded at lifetime expected credit losses. When estimating lifetime 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. The Corporation considers accounts receivable to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full.

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.

Supporting information

As at March 31, Thousands of dollars	Note	**2020**	2019
Customer accounts receivable	14	**$3,309**	$489
Other		**1,634**	1,381
		$4,943	$1,870

Note 7 – Right-of-use assets

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

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

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the lessee; and

Note 7 – Right-of-use assets, continued

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

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

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless the Corporation expects to obtain ownership of the asset at the end of the lease term, in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the asset. The lease term consists of the non-cancellable lease term, renewal options that are reasonably expected to be exercised and termination options that are not reasonably expected to be exercised.

Accounting estimates, and judgments

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

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

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

Supporting information

Thousands of dollars	Buildings and improvements
Cost	
Balance at April 1, 2019	**$2,537**
Additions	**51**
Balance at March 31, 2020	**$2,588**
Accumulated depreciation	
Balance at April 1, 2019	**$ -**
Depreciation	**69**
Balance at March 31, 2020	**$69**
Carrying amounts	
At April 1, 2019	**$2,537**
At March 31, 2020	**$2,519**

Notes to Financial Statements

Note 8 – 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	**2020**	2019
Trade payables and accrued liabilities	**$563**	$452
Payroll and other employee-related liabilities	**859**	913
	$1,422	$1,365

Note 9 – Contract liabilities

Accounting policies
A contract liability is recognized when consideration is received in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis. Contract liabilities are recognized in revenue upon satisfaction of the related performance obligations.

Accounting estimates, and judgments
The Corporation is required to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, which also impacts the determination of contract assets and the amortization of these assets. Estimates and judgments include estimates of the stand-alone selling prices of products and services, the identification of performance obligations within a contract, including the determination of whether a promise to deliver goods or services is considered distinct, and the timing of satisfaction of performance obligations under long-term contracts.

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$3,604**	$4,046
Contract liabilities recognized	**4,581**	4,855
	8,185	8,901
Recognized in revenue	**(5,088)**	(5,297)
	3,097	3,604
Current portion	**3,097**	3,604
Long-term portion	**$ -**	$ -

Note 10 – Lease liabilities

Accounting policies

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

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

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

After initial recognition, the lease liability is measured by:

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

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

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

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

Accounting estimates, and judgments

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

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

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

Note 10 – Lease liabilities, continued

Supporting information

As at March 31, Thousands of dollars	2020
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$119
One to five years	526
More than five years	3,675
Total undiscounted lease liabilities at March 31,	$4,320
Discounted lease liabilities included in the statement of financial position at March 31,	$2,540
Current	49
Non-current	$2,491

Amounts recognized in net income

For the year ended March 31, Thousands of dollars	2020
Interest on lease liabilities	$70

Amounts recognized in the statement of cash flows

For the year ended March 31, Thousands of dollars	2020
Interest paid on lease liabilities	$70
Lease liability principal payments	48
Total cash outflow for leases	$118

Note 11 – Employee benefits

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

Accounting policies

Service recognition defined benefit plan

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

Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the 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 11 – Employee benefits, continued

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

Accounting estimates, and judgments
Service recognition defined benefit plan
Estimates and judgments are required to determine discount rates and retirement age. These assumptions are determined by management and are reviewed annually by the Corporation's independent actuaries.

The most significant assumption used to calculate the net employee benefit plan's obligation is the discount 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 Corporation determines the appropriate discount rates at the end of every year. Changes in the discount rate could have an effect on the Corporation's cash flows through an effect on the projected benefit obligation. A lower discount rate results in a higher obligation, which could at some point require additional contributions to the plan.

Supporting information

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

Funding
Plan A is unfunded. The Corporation does not expect to have any requirement to fund the plan in the next year.

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

As at March 31,	2020	2019
Discount rate	3.40%	3.00%
Expected salary increase	In Scope: 0.0% in the first year, 1.0% in the second year, 2.0% per annum thereafter Management: 2.0% per annum	0% in 2019/20 2.0% thereafter
Estimated average remaining employee service life	8.0 years	8.4 years

The actuarial assumptions are based on management's expectations, independent actuarial advice, and guidance provided by IFRS.

Notes to Financial Statements

Note 11 – Employee benefits, continued

Sensitivity analysis
Due to the magnitude and nature of the defined benefit liability, assumption changes within realistic ranges would not have a significant impact on the Corporation's results of operations.

Movement in the present value of the defined benefit obligation - service recognition defined benefit plan

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

	Defined benefit liability	
For the year ended March 31,	**2020**	2019
Thousands of dollars		
Balance at April 1,	**$85**	$76
Included in net income		
Interest cost	**8**	10
	8	10
Included in other comprehensive income		
Remeasurement gain:		
Actuarial (gain) loss arising from		
- financial assumptions	**(10)**	(3)
- demographic assumptions	**1**	2
	(9)	(1)
Balance at March 31,	**$84**	$85

Defined contribution plan
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 2019/20 pension cost and employer contributions for the Public Employees Pension Plan are $0.4 million (2018/19 – $0.4 million).

Note 12 – Share capital and additional capital disclosures

Share capital

As at March 31,	**2020**	2019
Thousands of dollars		
Authorized - unlimited number of class A common shares		
Issued - 1,000,000 shares	**$1,000**	$1,000

Additional capital disclosures

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Corporation, and to ensure adequate returns to the shareholder. The capital structure is determined in conjunction with the shareholder based on the approved business plans and dividend policy.

The Corporation monitors capital on the basis of cash available for distribution. Balances in excess of operating requirements are distributed to the shareholder.

Notes to Financial Statements

Note 12 – Share capital and additional capital disclosures, continued

The Corporation's strategy, which is to maintain sufficient cash for the continued development of target markets, is unchanged from 2018/19.

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

Note 13 – Statement of cash flows – supporting information

a) Net change in non-cash working capital

For the year ended March 31, Thousands of dollars	**2020**	2019
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(3,073)**	$(295)
Prepaid expenses	**(39)**	27
Trade and other payables	**57**	(114)
Contract costs	**(43)**	-
Contract liabilities	**(507)**	(442)
	$(3,605)	$(824)

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

Thousands of dollars	**Lease liabilities**	**Dividend payable**	**Total**
Balance at April 1, 2019	**$2,537**	**$3,315**	**$5,852**
Changes from financing cash flows			
Repayment of borrowings	**(48)**	**-**	**(48)**
Dividend paid	**-**	**(3,315)**	**(3,315)**
Total changes from financing cash flows	**(48)**	**(3,315)**	**(3,363)**
Other changes			
Dividend declared	**-**	**4,481**	**4,481**
New leases and assumption changes	**51**	**-**	**51**
Total other changes	**51**	**4,481**	**4,532**
Balance at March 31, 2020	**$2,540**	**$4,481**	**$7,021**
Balance at April 1, 2018	$ -	$4,252	$4,252
Changes from financing cash flows			
Dividend paid	-	(4,252)	(4,252)
Total changes from financing cash flows	-	(4,252)	(4,252)
Other changes			
Dividend declared	-	3,315	3,315
Balance at March 31, 2019	$ -	$3,315	$3,315

Notes to Financial Statements

Note 14 – Financial instruments and related risk management

Accounting policies

The Corporation initially recognizes financial assets and financial liabilities in the 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. 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 other comprehensive income.

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 within 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.

Foreign currency risk

The Corporation is exposed to currency risk, primarily U.S. dollars, through transactions with foreign customers. Assuming all other variables remain constant at March 31, 2020, currency fluctuations in excess of 10% would have a material impact on net income. Specifically, a 10% strengthening in the Canadian dollar versus the U.S. dollar exchange rate could have an 17.42% unfavorable effect on net income while a 10% weakening could have an 17.42% favorable effect on net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments.

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

Note 14 – Financial instruments and related risk management, continued

affected by changes in economic or other conditions. Credit risk related to customer accounts receivable is minimized by evaluating customer credit risk and limiting credit availability when necessary.

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

As at March 31, Thousands of dollars	Note	**2020**	2019
Cash and cash equivalents	5	**$7,320**	$10,590
Trade and other receivables	6	**4,943**	1,870
		$12,263	$12,460

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 are diversified among many commercial customers.

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, as well as an aging of the accounts and likelihood of default.

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

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed regularly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible, and future collection policy and economic environment changes. Based on the current assessment, potential impairment losses are considered to be minimal and therefore no allowance for doubtful accounts is required.

Customer accounts receivable

As at March 31, Thousands of dollars	**2020**	2019
Current	**$376**	$100
30–60 Days	**14**	5
61–90 Days	**2,892**	31
Greater than 90 Days	**27**	353
	$3,309	$489

Liquidity risk
Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is wholly owned by 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.

Note 14 – Financial instruments and related risk management, continued

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

Thousands of dollars		Contractual cash flows	
As at March 31, 2020	**Carrying amount**	**Total**	**0-6 months**
Trade and other payables	**$1,422**	**$1,422**	**$1,422**
As at March 31, 2019			
Trade and other payables	$1,365	$1,365	$1,365

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

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 value of cash and cash equivalents, trade and other receivables and trade and other payables approximates the fair value of these financial instruments due to their short-term nature.

Embedded derivatives
The Corporation had no contracts with embedded derivatives as at March 31, 2019 and March 31, 2020.

Note 15 – Related party transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, Saskatchewan Telecommunications Holding Corporation. Included in these 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, 2020, the aggregate amounts of the Corporation's transactions with other government-related entities are approximately 48.2% (2018/19 – 56.9%) of revenues and 5.0% (2018/19 – 4.9%) of expenses.

Key management personnel compensation
In addition to their salaries, the Corporation also provides non-cash benefits to executive officers, a defined contribution pension and a service recognition defined benefit pension.

Notes to Financial Statements

Note 15 – Related party transactions, continued

Key management personnel compensation is composed of:

For the year ended March 31, Thousands of dollars	**2020**	2019
Short-term employee benefits	**$876**	$973
Post-employment benefits - defined contribution	**65**	78
	$941	$1,051

Note 16 – Commitments and contingencies

Commitments

As at March 31, 2020, the Corporation has the following significant commitments:

- Operating activities $0.1 million (2018/19 – $0.2 million)

Contingencies

Accounting estimates, and judgments

The Corporation becomes involved in various litigation 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 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, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.