Saskatchewan Telecommunications

Statement of Income and Other Comprehensive Income

For the year ended March 31, Thousands of dollars	Note	**2020**	2019
Revenue	3	**$1,220,727**	$1,218,544
Other income	4	**3,581**	4,484
		1,224,308	1,223,028
Expenses			
Goods and services purchased		**520,941**	534,232
Salaries, wages, and benefits		**335,293**	346,075
Internal labour capitalized		**(20,703)**	(23,347)
Depreciation - property, plant & equipment	12	**168,088**	159,054
Depreciation - right-of-use assets	13	**6,252**	-
Amortization	14	**31,167**	32,140
Saskatchewan taxes	5	**25,910**	25,794
		1,066,948	1,073,948
Results from operating activities		**157,360**	149,080
Net finance expense	6	**32,807**	28,654
Net income		**124,553**	120,426
Other comprehensive income			
Items that will be reclassified to net income			
Sinking fund market value gains	15	**3,554**	3,452
Items that will never be reclassified to net income			
Net actuarial gains on employee benefit plans	24	**704**	164
Total other comprehensive income		**4,258**	3,616
Total comprehensive income		**$128,811**	$124,042

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

See Accompanying Notes

Saskatchewan Telecommunications

Statement of Changes in Equity

Thousands of dollars	Equity advances	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at April 1, 2019	**$322,572**	**$104,827**	**$547,454**	**$974,853**
Net income	**-**	**-**	**124,553**	**124,553**
Other comprehensive income	**-**	**4,258**	**-**	**4,258**
Total comprehensive income	**-**	**4,258**	**124,553**	**128,811**
Dividends declared	**-**	**-**	**112,098**	**112,098**
Balance at March 31, 2020	**$322,572**	**$109,085**	**$559,909**	**$991,566**
Balance at April 1, 2018	$335,572	$101,211	$535,410	$972,193
Net income	-	-	120,426	120,426
Other comprehensive income	-	3,616	-	3,616
Total comprehensive income	-	3,616	120,426	124,042
Dividends declared	-	-	108,382	108,382
Repayment of equity advance	13,000	-	-	13,000
Balance at March 31, 2019	$322,572	$104,827	$547,454	$974,853

See Accompanying Notes

Saskatchewan Telecommunications

Statement of Financial Position

As at March 31,		2020	2019
Thousands of dollars	Note		
Assets			
Current assets			
Trade and other receivables	7	**$191,248**	$151,147
Inventories	8	**15,209**	19,975
Prepaid expenses	9	**43,546**	38,499
Contract assets	10	**61,032**	56,837
Contract costs	11	**6,914**	7,130
Current portion of sinking funds	15	**123,603**	-
		441,552	273,588
Contract assets	10	**21,665**	20,263
Contract costs	11	**3,364**	3,709
Property, plant and equipment	12	**1,801,547**	1,749,494
Right-of-use assets	13	**40,650**	-
Intangible assets	14	**268,581**	266,505
Sinking funds	15	**47,457**	150,664
Other assets	16	**8,727**	6,537
		$2,633,543	$2,470,760
Liabilities and Province's equity			
Current liabilities			
Bank indebtedness		**$6,427**	$2,511
Trade and other payables	17	**143,550**	154,464
Dividend payable		**34,345**	23,074
Contract liabilities	18	**49,858**	50,234
Other liabilities	19	**14,856**	9,123
Current portion of long-term debt	22	**276,464**	-
		525,500	239,406
Contract liabilities	18	**407**	478
Notes payable	20	**279,809**	279,608
Deferred income – government funding	21	**22,577**	25,815
Long-term debt	22	**759,182**	929,490
Lease liabilities	23	**35,180**	-
Employee benefit obligations	24	**12,829**	14,389
Provisions	25	**6,493**	6,721
		1,641,977	1,495,907
Commitments and contingencies	30		
Province of Saskatchewan's equity			
Equity advance	26	**322,572**	322,572
Accumulated other comprehensive income		**109,085**	104,827
Retained earnings		**559,909**	547,454
		991,566	974,853
		$2,633,543	$2,470,760

See Accompanying Notes

On behalf of the Board

Grant Kook
May 28, 2020

Glenys Sylvestre

Statement of Cash Flows

For the year ended March 31, Thousands of dollars	Note	2020	2019
Operating activities			
Net income		$124,553	$120,426
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	12, 13, 14	205,507	191,194
Net finance expense	6	32,807	28,654
Interest paid		(48,052)	(45,160)
Interest received	6	9,142	8,523
Amortization of government funding	21	(5,765)	(6,000)
Other		226	4,799
Net change in non-cash working capital	27a	(58,151)	(5,934)
		260,267	296,502
Investing activities			
Property, plant and equipment expenditures		(220,568)	(229,999)
Intangible asset expenditures		(33,836)	(27,609)
Government funding	21	2,633	-
		(251,771)	(257,608)
Financing activities			
Proceeds from long-term debt	22, 27b	105,918	49,364
Net proceeds of notes payable	27b	201	30,538
Payment of lease liabilities	23, 27b	(5,537)	-
Sinking fund instalments	15, 27b	(12,167)	(11,641)
Repayment of equity advance		-	(13,000)
Dividends paid	27b	(100,827)	(106,362)
		(12,412)	(51,101)
Decrease in cash		(3,916)	(12,207)
Cash (bank indebtedness), beginning of year		(2,511)	9,696
Bank indebtedness, end of year		$(6,427)	$(2,511)

See Accompanying Notes

Notes to Financial Statements

Note 1 – General information

Saskatchewan Telecommunications (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 Act* and, as such, the Corporation is 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, through consolidation with Saskatchewan Telecommunications Holding Corporation (Holdco).

The Corporation 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, products and services.

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 revenue 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.

Note 2 – Basis of presentation, continued

Impairment testing

Accounting policies

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

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

Notes to Financial Statements

Note 2 – Basis of presentation, continued

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 Corporation’s assessment of inputs that are significant to the fair value measurement and is subject to estimation and judgment.

Foreign currency transactions

Accounting policy

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.

Comparative information

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

Notes to Financial Statements

Note 2 – Basis of presentation, continued

Additional accounting policies

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

Application of new International Financial Reporting Standards

The 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
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.

Notes to Financial Statements

Note 2 – Basis of presentation, continued

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

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

Notes to Financial Statements

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	$1,220,727	-	**$1,220,727**
Other income	3,581	-	**3,581**
	1,224,308	-	**1,224,308**
Expenses			
Goods and services purchased	527,529	(6,588)	**520,941**
Depreciation - right-of-use assets	-	6,252	**6,252**
All other expenses	539,755	-	**539,755**
	1,067,284	(336)	**1,066,948**
Results from operating activities	157,024	336	**157,360**
Net finance expense	31,756	1,051	**32,807**
Net income	$125,268	$(715)	**$124,553**

Impact on the statement of financial position

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	$441,552	$ -	$ -	**$441,552**
Right-of-use assets	-	44,621	(3,971)	**40,650**
Other assets	2,151,341	-	-	**2,151,341**
	$2,592,893	$44,621	$(3,971)	**$2,633,543**
Liabilities and Province's equity				
Current liabilities				
Current liabilities not impacted	$510,644	$ -	$ -	**$510,644**
Other liabilities	11,191	5,758	(2,093)	**14,856**
	521,835	5,758	(2,093)	**525,500**
Lease liabilities	(2,520)	38,863	(1,163)	**35,180**
Other liabilities	1,081,297	-	-	**1,081,297**
	1,600,612	44,621	(3,256)	**1,641,977**
Province of Saskatchewan's equity	992,281	-	(715)	**991,566**
	$2,592,893	$44,621	$(3,971)	**$2,633,543**

Notes to Financial Statements

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	$125,268	$(715)	**$124,553**
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	199,255	6,252	**205,507**
Net finance expense	32,807	-	**32,807**
Interest paid	(48,052)	-	**(48,052)**
Other adjustments and net change in non-cash working capital	(54,548)	-	**(54,548)**
	254,730	5,537	**260,267**
Financing activities			
Payment of lease liabilities	-	(5,537)	**(5,537)**
Other financing activities	(6,875)	-	**(6,875)**
	(6,875)	(5,537)	**(12,412)**

Operating lease commitments at March 31, 2019 were $34.6 million. The difference between the operating lease commitments at March 31, 2019 and the lease liabilities of $44.6 million at April 1, 2019 is mainly due to an increase of $18.9 million related to renewal options reasonably certain to be exercised and a reduction of $8.9 million related to discounting of future lease payments based on a weighted average incremental borrowing rate on adoption of 2.49%.

Amendments to standards not yet adopted

Standard	Description	Impact	Effective date
IFRS 3 - Business combinations	The amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition.	The amendments to IFRS 3 – Business Combinations may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.	Prospectively for fiscal years commencing on or after January 1, 2020

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

Note 3 – Revenue from contracts with customers, continued

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.

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

Wireless revenue is principally generated from providing integrated digital wireless voice and data communications products and services to residential and business customers.

Equipment revenue from the sale of wireless handsets and devices are recognized when a customer takes possession of the product. Wireless service revenue is recognized over time, as the services are provided. For multiple element arrangements, stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate.

For wireless products and services that are sold separately, customers usually pay in full at the point of sale for products and on a monthly basis for services. For wireless products and services sold in multiple element arrangements, customers pay monthly over a contract term of up to 24 months for residential customers and up to 36 months for business customers.

Revenue is also generated from providing data, including internet access and internet protocol television (IPTV), local, long distance and security services as well as other communications services and products to residential and business customers. Revenue also includes amounts from the Corporation's wholesale business, which sells telecommunication services from or to resellers and other carriers.

Revenue from the sale of equipment is recognized when a customer takes possession of the product. Service revenue is recognized over time, as the services are provided. Revenue on certain long-term contracts is recognized using output methods based on products delivered, performance completed to date, time elapsed, or milestones met. For multiple element arrangements, stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate, or the expected cost plus margin approach for customized business arrangements.

For wireline customers, products are usually paid in full at the point of sale and services are paid on a monthly basis except where a billing schedule has been established with certain business customers under long-term contracts that can generally extend up to five years.

Notes to Financial Statements

Note 3 – Revenue from contracts with customers, continued

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 wireless 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.

Supporting information

For the year ended March 31, Thousands of dollars	2020	2019
Revenue		
Wireless network services and equipment	$575,929	$565,143
maxTV service, internet, and data services	378,291	362,151
Local and enhanced services	165,447	182,845
Long distance services	29,916	33,376
Equipment and professional services	23,272	35,287
Other services	47,872	39,742
	$1,220,727	$1,218,544

Note 4 – Other income

For the year ended March 31, Thousands of dollars	Note	2020	2019
Other income (loss)			
Net loss on retirement or disposal of property, plant and equipment		$(3,484)	$(5,742)
Amortization of government funding	21	5,765	6,000
Other		1,300	4,226
		$3,581	$4,484

Note 5 – Saskatchewan taxes

For the year ended March 31, Thousands of dollars	2020	2019
Saskatchewan corporate capital tax	$18,853	$18,716
Grants-in-lieu of taxes	7,057	7,078
	$25,910	$25,794

Note 6 – Net finance expense

Accounting policies

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

Finance expenses are composed of interest expense on financial liabilities and lease liabilities measured at amortized cost, changes in the fair value of financial assets classified as fair value through profit or loss,

Notes to Financial Statements

Note 6 – Net finance expense, continued

net interest expense on the net defined benefit liability and accretion expense on provisions, less amounts capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Supporting information

For the year ended March 31, Thousands of dollars	Note	**2020**	2019
Recognized in net income			
Interest on long-term debt		**$45,209**	$41,778
Interest on short-term debt		**4,097**	4,210
Interest capitalized		**(4,210)**	(5,831)
Net interest expense		**45,096**	40,157
Interest on lease liabilities	23	**1,051**	-
Net interest on defined benefit liability	24	**256**	233
Interest on provisions	25	**221**	244
Finance expense		**46,624**	40,634
Sinking fund earnings	15	**(4,675)**	(3,457)
Interest income		**(9,142)**	(8,523)
Finance income		**(13,817)**	(11,980)
Net finance expense		**$32,807**	$28,654
Interest capitalization rate		**3.99%**	4.16%

Note 7 – Trade and other receivables

Accounting policies

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

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.

Notes to Financial Statements

Note 7 – Trade and other receivables, continued

Supporting information

As at March 31, Thousands of dollars	Note	**2020**	2019
Accounts receivable			
Customer accounts receivable	28	**$103,000**	$103,630
Accrued receivables – customer		**1,921**	2,217
Allowance for doubtful accounts	28	**(2,307)**	(2,190)
		102,614	103,657
High-cost serving area subsidy		**683**	1,864
Due from Holdco		**58,521**	19,171
Other		**29,430**	26,455
		$191,248	$151,147

Note 8 – Inventories

Accounting policies

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

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

Accounting estimates, and judgments

Judgment involves determining the appropriate measure of net realizable value.

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Inventories for resale	**$14,597**	$19,060
Materials and supplies	**612**	915
	$15,209	$19,975

The cost of inventories recognized as an expense during the year was $68.2 million (2018/19 – $75.1 million).

For the year ended March 31, 2020, writedowns of inventory to net realizable value amounted to $0.2 million (2018/19 – $0.2 million).

Note 9 – Prepaid expenses

As at March 31, Thousands of dollars	**2020**	2019
Prepaid expenses	**$42,483**	$37,345
Short term prepaid customer incentives	**1,063**	1,154
	$43,546	$38,499

Notes to Financial Statements

Note 10 – Contract assets

Accounting policies

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.

Amortization is recognized in net income consistent with the pattern of delivery of the related goods and services, ranging from two to four years.

The allowance for impairment losses on contract assets is always recorded at lifetime expected credit losses. When estimating expected credit loss (ECL), the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information. It is assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Accounting estimates, and judgments

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. In addition, determining when amounts are deemed uncollectible requires judgment.

Estimates of the impairment losses are based on the likelihood of collecting the related accounts receivable, which is based on past experience, taking into consideration current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the impairment allowance will be increased by recording an additional expense.

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$78,036**	$78,044
Contract assets recognized	**88,003**	78,059
	166,039	156,103
Amortization of contract assets	**(76,026)**	(71,022)
Contract terminations transferred to trade receivables	**(5,855)**	(7,045)
	84,158	78,036
Impairment allowance	**(1,461)**	(936)
	82,697	77,100
Current portion	**61,032**	56,837
Long-term portion	**$21,665**	$20,263

Notes to Financial Statements

Note 11 – Contract costs

Accounting policies
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 which is typically between two and five years.

Accounting estimates, and judgments
The Corporation is required to make judgments and estimates that affect the amount and timing of costs to obtain a contract. 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, whether the costs will be recoverable and the timing of satisfaction of performance obligations under related contracts.

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$10,839**	$11,408
Contract costs recognized	**9,099**	9,345
	19,938	20,753
Amortization included in goods and services purchased	**(8,925)**	(9,030)
Terminations	**(735)**	(884)
	10,278	10,839
Current portion	**6,914**	7,130
Long-term portion	**$3,364**	$3,709

Note 12 – Property, plant and equipment

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

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

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

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

Notes to Financial Statements

Note 12 – Property, plant and equipment, continued

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

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

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

Accounting estimates, and judgments

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

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

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

Notes to Financial Statements

Note 12 – Property, plant and equipment, continued

Supporting information

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2019	**$3,533,501**	**$446,659**	**$174,243**	**$101,615**	**$22,229**	**$4,278,247**
Additions	**57,868**	**-**	**21,589**	**144,861**	**1,055**	**225,373**
Transfers	**81,448**	**11,821**	**8,616**	**(101,885)**	**-**	**-**
Retirements, disposals and adjustments	**(39,312)**	**(1,773)**	**(52,577)**	**-**	**(2)**	**(93,664)**
Balance at March 31, 2020	**$3,633,505**	**$456,707**	**$151,871**	**$144,591**	**$23,282**	**$4,409,956**
Balance at April 1, 2018	$3,464,817	$393,211	$165,591	$171,759	$22,048	$4,217,426
Additions	63,163	-	16,635	155,613	419	235,830
Transfers	165,732	49,724	10,535	(225,757)	(234)	-
Retirements, disposals and adjustments	(160,211)	3,724	(18,518)	-	(4)	(175,009)
Balance at March 31, 2019	$3,533,501	$446,659	$174,243	$101,615	$22,229	$4,278,247
Accumulated depreciation						
Balance at April 1, 2019	**$2,276,250**	**$139,921**	**$112,582**	**$ -**	**$ -**	**$2,528,753**
Depreciation	**134,211**	**11,378**	**22,499**	**-**	**-**	**168,088**
Retirements, disposals and adjustments	**(40,141)**	**(857)**	**(47,434)**	**-**	**-**	**(88,432)**
Balance at March 31, 2020	**$2,370,320**	**$150,442**	**$87,647**	**$ -**	**$ -**	**$2,608,409**
Balance at April 1, 2018	$2,302,912	$131,150	$109,379	$ -	$ -	$2,543,441
Depreciation	127,936	9,397	21,721	-	-	159,054
Retirements, disposals and adjustments	(154,598)	(626)	(18,518)	-	-	(173,742)
Balance at March 31, 2019	$2,276,250	$139,921	$112,582	$ -	$ -	$2,528,753
Carrying amounts						
At April 1, 2019	**$1,257,251**	**$306,738**	**$61,661**	**$101,615**	**$22,229**	**$1,749,494**
At March 31, 2020	**$1,263,185**	**$306,265**	**$64,224**	**$144,591**	**$23,282**	**$1,801,547**
At April 1, 2018	$1,161,905	$262,061	$56,212	$171,759	$22,048	$1,673,985
At March 31, 2019	$1,257,251	$306,738	$61,661	$101,615	$22,229	$1,749,494

Note 13 – 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.

Note 13 – Right-of-use assets, continued

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

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

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

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

Note 13 – Right-of-use assets, continued

Supporting information

Thousands of dollars	Plant and equipment	Buildings and improvements	Land	Total
Cost				
Balance at April 1, 2019	$10,191	$27,128	$7,302	$44,621
Additions	3,159	285	31	3,475
Retirements and disposals	(112)	-	(1,111)	(1,223)
Balance at March 31, 2020	$13,238	$27,413	$6,222	$46,873
Accumulated depreciation				
Balance at April 1, 2019	$ -	$ -	$ -	$ -
Depreciation	3,331	2,478	443	6,252
Retirements and disposals	(29)	-	-	(29)
Balance at March 31, 2020	$3,302	$2,478	$443	$6,223
Carrying amounts				
At April 1, 2019	$10,191	$27,128	$7,302	$44,621
At March 31, 2020	$9,936	$24,935	$5,779	$40,650

Note 14 – Intangible assets

Accounting policies

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

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

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

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

Note 14 – Intangible assets, continued

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

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

Asset	Estimated useful life
Software	1 – 10 years

Accounting estimates, and judgments

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

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

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

Notes to Financial Statements

Note 14 – Intangible assets, continued

Supporting information

Thousands of dollars	Software	Spectrum licences	Under development	Total
Cost				
Balance at April 1, 2019	**$409,354**	**$108,738**	**$2,198**	**$520,290**
Acquisitions – acquired	**4,221**	**12,167**	**10,945**	**27,333**
Acquisitions – internally developed	**4,949**	**-**	**961**	**5,910**
Transfers	**1,933**	**-**	**(1,933)**	**-**
Retirements, disposals and adjustments	**(262)**	**-**	**-**	**(262)**
Balance at March 31, 2020	**$420,195**	**$120,905**	**$12,171**	**$553,271**
Balance at April 1, 2018	$377,384	$108,738	$12,276	$498,398
Acquisitions – acquired	3,454	-	16,952	20,406
Acquisitions – internally developed	4,863	-	2,339	7,202
Transfers	29,369	-	(29,369)	-
Retirements, disposals and adjustments	(5,716)	-	-	(5,716)
Balance at March 31, 2019	$409,354	$108,738	$2,198	$520,290
Accumulated amortization				
Balance at April 1, 2019	**$253,785**	**$ -**	**$ -**	**$253,785**
Amortization	**31,167**	**-**	**-**	**31,167**
Retirements, disposals and adjustments	**(262)**	**-**	**-**	**(262)**
Balance at March 31, 2020	**$284,690**	**$ -**	**$ -**	**$284,690**
Balance at April 1, 2018	$227,361	$ -	$ -	$227,361
Amortization	32,140	-	-	32,140
Retirements and disposals	(5,716)	-	-	(5,716)
Balance at March 31, 2019	$253,785	$ -	$ -	$253,785
Carrying amounts				
Balance at April 1, 2019	**$155,569**	**$108,738**	**$2,198**	**$266,505**
At March 31, 2020	**$135,505**	**$120,905**	**$12,171**	**$268,581**
At April 1, 2018	$150,023	$108,738	$12,276	$271,037
At March 31, 2019	$155,569	$108,738	$2,198	$266,505

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

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

The Corporation's CGU impairment test was based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an

Notes to Financial Statements

Note 14 – Intangible assets, continued

Enterprise Value (EV) to the earnings before interest, taxes, depreciation and amortization (EBITDA) ratio that was then adjusted for a demonstrable minority discount associated with these publicly traded share prices. The resulting adjusted ratio using Level 3 fair value hierarchy inputs, was then applied to the estimated 2019/20 EBITDA of the unit to determine the recoverable amount of the unit. Impairment testing indicated no impairment at March 31, 2020.

Note 15 – Sinking funds

Accounting policies

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

Supporting information

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

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

Thousands of dollars	2020	2019
Balance at April 1,	$150,664	$132,114
Instalments	12,167	11,641
Earnings	4,675	3,457
Redemptions	-	-
Valuation adjustment	3,554	3,452
Total sinking funds	171,060	150,664
Current portion	123,603	-
Long-term portion	$47,457	$150,664

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

Years ending March 31,	Thousands of dollars
2021	$13,916
2022	9,650
2023	9,650
2024	9,650
2025	9,150

Notes to Financial Statements

Note 16 – Other assets

As at March 31, Thousands of dollars	**2020**	2019
Long-term prepaid customer incentives	**$243**	$444
Financing leases	**8,422**	6,033
Other	**62**	60
	$8,727	$6,537

Note 17 – 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	**$102,107**	$115,468
Payroll and other employee-related liabilities	**29,584**	28,836
Other	**11,859**	10,160
	$143,550	$154,464

Note 18 – 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 liabilities and the timing of recognition of contract liabilities as revenue. 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.

Notes to Financial Statements

Note 18 – Contract liabilities, continued

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$50,712**	$49,771
Contract liabilities recognized	**318,389**	344,662
	369,101	394,433
Recognized in revenue	**(318,815)**	(343,698)
Terminations	**(21)**	(23)
Total contract liabilities	**50,265**	50,712
Current portion	**49,858**	50,234
Long-term portion	**$407**	$478

Note 19 – Other liabilities

As at March 31, Thousands of dollars	Note	**2020**	2019
Advance billings		**$36**	$33
Current portion of deferred income - government funding	21	**5,817**	5,711
Customer deposits		**2,818**	3,379
Short-term lease liability	23	**6,185**	-
		$14,856	$9,123

Note 20 – Notes payable

Accounting policies

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

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

Supporting information

Notes payable are due to the Holdco. These unsecured notes are due on demand and have an effective interest rate of 0.70% (2018/19 – 1.72%).

Note 21 – Deferred income – government funding

Accounting policies

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

Notes to Financial Statements

Note 21 – Deferred income – government funding, continued

Accounting estimates, and judgments

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

Supporting information

The Corporation has received funding from the Province of Saskatchewan through CIC and the Ministry of Education, as well as the Government of Canada through Aboriginal Affairs and Northern Development Canada (AANDC), and Innovation, Science and Economic Development Canada (ISED), as full or partial funding of various programs including; the Rural Infrastructure Program, the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation to the Corporation, internet service to selected First Nations schools and health facilities in Saskatchewan, the First Nations Service Improvement Project, the Connecting Canadians program for the provision of access to high speed internet in rural and remote parts of Saskatchewan, and provision of dedicated internet service to specific First Nations offices and Tribal Council offices. The Corporation has fulfilled all obligations with respect to these programs.

The Corporation has entered into an agreement with ISED through the Connect to Innovate program to receive $6.5 million to partially fund provision of high-capacity broadband infrastructure in rural and remote communities. The Corporation has received funding of $2.6 million which has been applied to capital. Additional spending will be conducted in the next fiscal year.

As at March 31,	**2020**			2019
Thousands of dollars	**Fully funded programs with all obligations fulfilled**	**Connect to Innovate**	**Total**	Total
Balance at April 1,	$31,526	$ -	$31,526	$37,526
Funding received	-	2,633	2,633	-
	31,526	2,633	34,159	37,526
Amortization	5,721	44	5,765	6,000
	25,805	2,589	28,394	31,526
Current portion	5,714	103	5,817	5,711
Long-term portion	$20,091	$2,486	$22,577	$25,815

Note 22 – Long-term debt

Accounting policies

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

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

Notes to Financial Statements

Note 22 – Long-term debt, continued

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$929,490**	$879,790
Long-term debt issues	**105,918**	49,364
Amortization of debt discounts net of premiums	**238**	336
Balance at March 31,	**1,035,646**	929,490
Current portion	**276,464**	-
Long-term portion	**$759,182**	$929,490

Unsecured advances from the Province of Saskatchewan

Thousands of dollars **Issue date**	**Maturity date**	**Effective interest rate (%)**	**Coupon rate (%)**	**Par value**	**Unamortized premiums (discounts)**	**Outstanding amount March 31, 2020**	**Outstanding amount March 31,** 2019
July 2010	July 2020	4.01	3.90	$150,000	$(52)	**$149,948**	$149,791
November 1990	December 2020	10.18	10.08	126,600	(84)	**126,516**	126,408
May 2014	June 2024	3.11	3.20	50,000	168	**50,168**	50,206
December 2010	December 2025	4.15	4.15	50,000	-	**50,000**	50,000
December 2017	June 2027	2.56	2.65	50,000	295	**50,295**	50,332
March 1999	March 2029	5.18	5.60	35,000	-	**35,000**	35,000
February 2012	February 2042	3.49	3.40	150,000	(1,935)	**148,065**	148,006
December 2013	June 2045	4.09	3.90	150,000	(4,555)	**145,445**	145,342
December 2016	June 2048	3.35	3.30	75,000	(671)	**74,329**	74,315
May 2017	June 2048	3.22	3.30	50,000	704	**50,704**	50,720
April 2019	June 2050	2.81	3.10	100,000	5,796	**105,796**	-
June 2018	June 2058	3.01	2.95	50,000	(620)	**49,380**	49,370
Total due to Province of Saskatchewan				1,036,600	(954)	**1,035,646**	929,490
Current portion				276,600	(136)	**276,464**	-
Long-term portion				$760,000	$(818)	**$759,182**	$929,490

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

The Corporation's long-term debt is unsecured. As at March 31, 2020, principal repayments due in each of the next five years were as follows:

Millions of dollars	Years ending March 31, 2021	2022	2023	2024	2025
Principal repayments	$276.6	$ -	$ -	$ -	$50.0

There is a requirement attached to above advances to make annual payments into sinking fuds in amounts representing 1% to 2% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues upon maturity, on a net basis (see Note 15 – *Sinking Funds*).

Notes to Financial Statements

Note 23 – 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.

Notes to Financial Statements

Note 23 – Lease liabilities, continued

Supporting information

As at March 31, Thousands of dollars	2020
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$6,432
One to five years	17,961
More than five years	24,807
Total undiscounted lease liabilities at March 31,	$49,200
Discounted lease liabilities included in the statement of financial position at March 31,	$41,365
Current	6,185
Non-current	$35,180

Amounts recognized in net income

For the year ended March 31, Thousands of dollars	2020
Interest on lease liabilities	$1,051

Amounts recognized in the statement of cash flows

For the year ended March 31, Thousands of dollars	2020
Interest paid on lease liabilities	$1,051
Lease liability principal payments	5,537
Total cash outflow for leases	$6,588

Note 24 – Employee benefits

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

Accounting policies

Defined benefit plans (Plans A and B)

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

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

Note 24 – Employee benefits, continued

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

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

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

Defined contribution pension plan (Plan C)
A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the 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.

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

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

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

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

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

Note 24 – Employee benefits, continued

obligation. The combined impact of the assumptions could, at some point, require additional contributions to the plan.

Supporting information

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

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

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

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

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

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

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

The plan is in a surplus position, and therefore, under the going concern actuarial valuation the plan is in a surplus and therefore contributions are not required.

Plan B is unfunded. The Corporation expects to pay $1.6 million in the next year related to Plan B.

Defined benefit obligation

Actuarial assumptions
The accounting actuarial valuation includes a provision for uncommitted and ad hoc benefit increases, and uses management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The actuarial assumptions are based on management's

Note 24 – Employee benefits, continued

expectations, independent actuarial advice, and guidance provided by IFRS. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The major assumptions used in the valuations are as follows:

As at March 31,	**2020**		2019	
	Plan A	**Plan B**	Plan A	Plan B
Discount rate - end of year	**3.70%**	**3.40%**	3.20%	3.00%
Inflation rate	**2.25%**	**-**	2.25%	-
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
Post-retirement index	**1.60%**	**-**	1.60%	-
Future mortality	**Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM Improvement Scale B**	**-**	Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM Improvement Scale B	-
Estimated average remaining employee service life	**-**	**8.0 years**	-	8.4 years

At March 31, 2020, the weighted average duration of the defined benefit obligation was 10.5 years (2018/19 – 11.3 years).

Sensitivity analysis

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

	Defined benefit obligation			
As at March 31, 2020	Plan A		Plan B	
Thousands of dollars	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	$(89,843)	$106,999	($654)	$728
Inflation (1% movement)	(44,471)	(120)	-	-
Future indexing (0.4% increase and 1% decrease)	43,611	(96,756)	-	-
Salary increase (1% movement)	-	-	657	(602)

Notes to Financial Statements

Note 24 – Employee benefits, continued

Movement in the present value of the defined benefit obligation

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
For the year ended March 31,	**2020**	2019	**2020**	2019	**2020**	2019
Thousands of dollars						
Balance at April 1,	**$1,040,698**	$1,052,543	**$(1,026,309)**	$(1,036,502)	**$14,389**	$16,041
Included in net income						
Current service cost	**-**	-	**399**	355	**399**	355
Interest cost (income)	**32,191**	34,583	**(31,935)**	(34,350)	**256**	233
	32,191	34,583	**(31,536)**	(33,995)	**655**	588
Included in OCI						
Remeasurement loss (gain):						
- Actuarial loss (gain) arising from						
demographic assumptions	**25**	95	**-**	-	**25**	95
financial assumptions	**(51,586)**	22,075	**-**	-	**(51,586)**	22,075
- Return on plan assets excluding interest income	**-**	-	**32,234**	(19,914)	**32,234**	(19,914)
- Effect of asset ceiling limit	**-**	-	**18,623**	(2,420)	**18,623**	(2,420)
	(51,561)	22,170	**50,857**	(22,334)	**(704)**	(164)
Other						
Benefits paid	**(67,455)**	(68,598)	**65,944**	66,522	**(1,511)**	(2,076)
Balance at March 31,	**$953,873**	$1,040,698	**$(941,044)**	$(1,026,309)	**$12,829**	$14,389
Represented by:						
Net defined benefit liability (Plan A)					**$ -**	$ -
Net defined benefit liability (Plan B)					**12,829**	14,389
					$12,829	$14,389

Note 24 – Employee benefits, continued

Plan assets

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

As at March 31, Thousands of dollars	**2020**	2019
Asset category		
Short-term investments	**$13,125**	$7,528
Pooled real estate	**167,381**	173,388
Canadian equities	**64,059**	89,566
Canadian pooled equity funds	**6,266**	8,911
U.S. pooled equity fund	**105,338**	112,749
Non-North American pooled equity funds	**151,502**	174,390
Pooled bond funds	**340,704**	443,969
Pooled mortgage fund	**92,944**	5,007
	941,319	1,015,508
Investments under securities lending program		
Short term investments	**-**	2,180
Canadian equities	**22,668**	14,051
	22,668	16,231
Total investments	**963,987**	1,031,739
Effect of asset ceiling limit	**(21,043)**	(4,625)
Net investments	**$942,944**	$1,027,114

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

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

Asset category	Range	Target	Actual
Equities	30 - 50%	40%	36%
Real estate	12 - 18%	15%	18%
Fixed income	40 - 50%	45%	46%

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

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

Note 24 – Employee benefits, continued

Defined contribution pension plan (Plan C)
Plan C, the defined contribution pension plan requires the Corporation to contribute 7.45% of employees' pensionable earnings, and employees to contribute a minimum of 4.45% of pensionable earnings. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's pension cost and employer contributions for the Public Employees Pension Plan are $20.5 million for the year ended March 31, 2020 (2018/19 – $21.3 million).

Note 25 – Provisions

Accounting policies
A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation, or at the best estimate to settle the obligation at the end of the reporting period. The unwinding of the discount on provisions is recognized as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Decommissioning provisions
A decommissioning provision is a legal or constructive obligation associated with the decommissioning of property, plant and equipment. The Corporation recognizes decommissioning provisions in the period incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission towers, antennae, and fuel storage tanks in the period in which the facility is ready for service. The fair value of estimated decommissioning cost is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment and right-of-use assets. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the liability and the related asset. If the asset is fully depreciated, the changes are recognized in net income immediately.

Environmental remediation
A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value in net income. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in net income immediately.

Note 25 – Provisions, continued

Accounting estimates, and judgments

Judgment is involved in the estimation of the future liabilities for decommissioning and environmental remediation, the determination of the expected period until decommissioning, as well as inflation factors and discount rates to determine the present value of the provisions.

Supporting information

Thousands of dollars	Decommissioning provisions	Environmental provisions	Total
Balance at April 1, 2019	$6,249	$472	$6,721
Change in assumptions	(397)	-	(397)
Accretion expense	221	-	221
Settled during the period	-	(52)	(52)
Balance at March 31, 2020	$6,073	$420	$6,493

Assumptions

As at March 31,	2020	2019
Discount rate, end of period	1.93% - 2.84%	1.74% - 2.80%
Long-term inflation rate	2.00%	2.00%
Undiscounted cash flows (thousands)	$11,977	$12,984

Discount rates based on the Government of Saskatchewan bond yields were used to calculate the carrying values of the provisions. The costs of the decommissioning provisions will be incurred between 2025 and 2071. No funds have been set aside by the Corporation to settle the decommissioning provisions.

Sensitivity of assumptions

Sensitivity of provisions to changes in the discount rate and inflation rate on the recorded liability as at March 31, 2020, is as follows:

	Decommissioning provisions	
Thousands of dollars	0.5% increase	0.5% decrease
Discount rate	$(651)	$684
Inflation rate	989	(493)

Note 26 – Equity advances and capital disclosures

Accounting estimates, and judgments

The Corporation periodically receives funding from its parent, Holdco, and from its parent's sole equity holder, CIC. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, e.g., equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 21 – *Deferred income – government funding*).

Notes to Financial Statements

Note 26 – Equity advances and capital disclosures, continued

Supporting information

The Corporation has received equity advances from Holdco and CIC to form its equity capitalization.

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, excluding lease liabilities, divided by capitalization at the end of the year.

The Corporation reviews the debt ratio target on an annual basis to ensure consistency with industry standards. This review includes plans for capital spending. The target ratio for 2019/20 was 54.0%.

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

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

The debt ratio is as follows:

As at March 31,		**2020**	2019
Thousands of dollars	Note		
Long-term debt (a)	22	**$1,035,646**	$929,490
Notes payable (a)		**279,809**	279,608
Less: Sinking funds	15	**171,060**	150,664
Net debt		**1,144,395**	1,058,434
Province of Saskatchewan's equity (b)		**991,566**	974,853
Capitalization		**$2,135,961**	$2,033,287
Debt ratio		**53.6%**	52.1%

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

Note 27 – 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	$(40,101)	$(9,073)
Inventories	4,766	3,739
Prepaid expenses	(5,047)	8,244
Contract assets	(5,597)	9
Contract costs	561	568
Trade and other payables	(11,929)	(10,035)
Contract liabilities	(447)	941
Other liabilities	(559)	51
Other	202	(378)
	$(58,151)	$(5,934)

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

	Assets	Liabilities					
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Equity advances	Total
Balance at April 1, 2019	$(150,664)	$929,490	$279,608	$44,621	$23,074	$322,572	$1,448,701
Changes from financing cash flows							
Proceeds from loans and borrowings	-	105,918	269,775	-	-	-	375,693
Repayment of borrowings	-	-	(269,574)	(5,537)	-	-	(275,111)
Instalments	(12,167)	-	-	-	-	-	(12,167)
Dividends paid	-	-	-	-	(100,827)	-	(100,827)
Total changes from financing cash flows	(12,167)	105,918	201	(5,537)	(100,827)	-	(12,412)
Other changes							
Dividend declared	-	-	-	-	112,098	-	112,098
Sinking fund earnings	(4,675)	-	-	-	-	-	(4,675)
Sinking fund valuation adjustments	(3,554)	-	-	-	-	-	(3,554)
New leases and assumption changes	-	-	-	2,281	-	-	2,281
Amortization of net discount on long-term debt	-	238	-	-	-	-	238
Total other changes	(8,229)	238	-	2,281	112,098	-	106,388
Balance at March 31, 2020	$(171,060)	$1,035,646	$279,809	$41,365	$34,345	$322,572	$1,542,677

Note 27 – Statement of cash flows – supporting information, continued

	Assets	Liabilities					
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Equity advances	Total
Balance at April 1, 2018	$(132,114)	$879,790	$249,070	$ -	$21,054	$335,572	$1,353,372
Changes from financing cash flows							
Proceeds from loans and borrowings	-	49,364	268,111	-	-	-	317,475
Repayment of borrowings	-	-	(237,573)	-	-	-	(237,573)
Instalments	(11,641)	-	-	-	-	-	(11,641)
Repayment of equity advance	-	-	-	-	-	(13,000)	(13,000)
Dividends paid	-	-	-	-	(106,362)	-	(106,362)
Total changes from financing cash flows	(11,641)	49,364	30,538	-	(106,362)	(13,000)	(51,101)
Other changes							
Dividend declared	-	-	-	-	108,382	-	108,382
Sinking fund earnings	(3,457)	-	-	-	-	-	(3,457)
Sinking fund valuation adjustments	(3,452)	-	-	-	-	-	(3,452)
Amortization of net discount on long-term debt	-	336	-	-	-	-	336
Total other changes	(6,909)	336	-	-	108,382	-	101,809
Balance at March 31, 2019	$(150,664)	$929,490	$279,608	$ -	$23,074	$322,572	$1,404,080

Note 28 – 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. Regular way purchases and sales of financial assets are accounted for on the trade date.

Financial instruments recorded at fair value on an ongoing basis are remeasured at each reporting date and changes in the fair value are recorded in either net income or OCI.

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

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

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

Note 28 – Financial instruments and related risk management, continued

Supporting information

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates. 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. The Corporation's financial risks have not changed significantly from the prior period.

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

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

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, $171.1 million (2018/19 – $150.7 million) in sinking funds, which is required for long-term debt issues. At March 31, 2020, the General Revenue Fund (GRF) has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and they are managed based on this maturity profile and market conditions. The Corporation may be exposed to interest rate risk on the sinking funds. Assuming all other variables remain constant at March 31, 2020, a yield curve shift in excess of 1.0% would have a material impact on net income. Specifically, a 1.0% weakening in interest rates (or bond yields) could have a 12.1% ($13.1 million) favourable effect on net income while a 1.0% strengthening could have a 12.1% ($13.1 million) unfavourable effect on net income.

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

Foreign currency risk
The Corporation is exposed to currency risk, primarily U.S. dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at March 31, 2020, currency fluctuations in excess of 10% would have a material impact on the cash flow of the Corporation. Specifically, a 15% weakening in the Canadian dollar versus the U.S. dollar exchange rate would have a $15.1 million unfavourable effect on cash flow while a 15% strengthening would have a $15.1 million favourable effect on cash flow. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. At March 31, 2020, the Corporation had no foreign currency derivatives outstanding. The Corporation does not actively trade derivative financial instruments.

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

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

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

As at March 31, Thousands of dollars	Note	**2020**	2019
Trade and other receivables	7	**$191,248**	$151,147
Contract assets	10	**82,697**	77,100
Sinking funds	15	**171,060**	150,664
		$445,005	$378,911

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

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

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

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

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

Allowance for doubtful accounts

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$2,190**	$2,223
Less: accounts written off	**(10,322)**	(8,462)
Recoveries	**4,863**	3,838
Provisions for losses	**5,576**	4,591
Balance at March 31,	**$2,307**	$2,190

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

Customer accounts receivable

As at March 31, Thousands of dollars	Note	**2020**	2019
Current		**$86,303**	$86,514
30–60 Days		**13,357**	11,726
61–90 Days		**2,247**	2,153
Greater than 90 Days		**1,093**	3,237
Gross customer accounts receivable	7	**103,000**	103,630
Allowance for doubtful accounts	7	**(2,307)**	(2,190)
Net customer accounts receivable		**$100,693**	$101,440

Contract assets

The Corporation considers evidence of impairment for contract assets based on the related assessment of the impairment of trade and other receivables at both a specific asset and collective level. Trade and other receivables, and therefore contract assets, are diversified among many residential, farm, and commercial customers primarily throughout Saskatchewan. Credit risk associated with contract assets is inherently managed by the size and diversity of our customer base. The Corporation also follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary.

The Corporation maintains allowances for lifetime expected credit losses related to contract assets. Current economic conditions, historical information (including credit agency reports, if available), and the line of business from which the contract asset arose are all considered when determining impairment allowances. The same factors are considered when determining whether to write off amounts charged to the impairment allowance for contract assets.

The allowance for contract asset credit losses and the aging of contract assets are detailed as follows:

Allowance for contract asset credit losses

As at March 31, Thousands of dollars	**2020**	2019
Balance at April 1,	**$936**	$936
Additions	**2,192**	1,872
Transferred to accounts receivable allowance	**(1,667)**	(1,872)
Balance at March 31,	**$1,461**	$936

Contract assets

As at March 31, Thousands of dollars	**2020**	2019
Amortization period		
Within 1 year	**$62,110**	$57,527
Between 1 and 2 years	**22,048**	20,509
Greater than 2 years	**-**	-
Gross contract assets	**84,158**	78,036
Allowance for credit losses	**(1,461)**	(936)
Net contract assets	**$82,697**	$77,100

Note 28 – Financial instruments and related risk management, continued

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

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

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

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

The following summarizes the contractual 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**	**7-12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Long-term debt (a)	**$1,035,646**	**$1,617,563**	**$171,636**	**$142,564**	**$26,610**	**$128,497**	**$1,148,256**
Notes payable	**279,809**	**283,725**	**979**	**979**	**281,767**	**-**	**-**
Trade and other payables	**143,550**	**143,550**	**143,550**	**-**	**-**	**-**	**-**
	$1,459,005	**$2,044,838**	**$316,165**	**$143,543**	**$308,377**	**$128,497**	**$1,148,256**
As at March 31, 2019							
Long-term debt (a)	$929,490	$1,468,659	$21,061	$21,061	$311,631	$70,530	$1,044,376
Notes payable	279,608	286,600	1,748	1,748	283,104	-	-
Trade and other payables	154,464	154,464	154,464	-	-	-	-
	$1,363,562	$1,909,723	$177,273	$22,809	$594,735	$70,530	$1,044,376

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

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.

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

Fair value of financial assets and liabilities

As at March 31,				**2020**		**2019**	
Thousands of dollars	Note	Classification (a)	Fair value hierarchy (b)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets							
Trade and other receivables	7	Amortized cost	N/A	**$191,248**	**$191,248**	$151,147	$151,147
Sinking funds	15	FVOCI	Level 2	**171,060**	**171,060**	150,664	150,664
Financial liabilities							
Bank indebtedness		Amortized cost	Level 1	**$6,427**	**$6,427**	$2,511	$2,511
Trade and other payables	17	Amortized cost	N/A	**143,550**	**143,550**	$154,464	$154,464
Notes payable		Amortized cost	Level 2	**279,809**	**279,809**	279,608	279,608
Long-term debt	22	Amortized cost	Level 2	**1,035,646**	**1,128,593**	929,490	1,037,138

(a) Classification details are: FVOCI – fair value through other comprehensive income.
(b) See Note *2 – Basis of presentation* for discussion of the policies related to fair value measurements.

Financial instruments measured at amortized cost
Trade and other receivables, bank indebtedness, trade and other payables and notes payable
The carrying values of trade and other receivables, bank indebtedness, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

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

Investments carried at fair value through other comprehensive income
Sinking funds
The fair value of sinking funds, classified as fair value through other comprehensive income, is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

There were no financial instruments measured at fair value using Level 3 inputs in 2018/19 or 2019/20 and no items transferred

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

Note 29 – 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 allow government related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Note 29 – Related party transactions, continued

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 amount of the Corporation's transactions with other government-related entities are approximately 8.9% of revenue (2018/19 – 8.2%), 12.3% of operating expenses (2018/19 – 11.9%), and 3.6% of property, plant and equipment expenditures (2018/19 – 2.8%).

In addition, the Corporation provided management and administrative services to the Corporation's defined benefit pension plan in the amount of $0.3 million on a cost recovery basis for the year ended March 31, 2020 (2018/19 – $0.3 million).

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

Key management personnel compensation is composed of:

For the year ended March 31, Thousands of dollars	**2020**	2019
Short-term employee benefits	**$5,004**	$4,745
Post-employment benefits - defined contribution plan	**152**	181
	$5,156	$4,926

Note 30 – Commitments and contingencies

Commitments
As at March 31, 2020, the Corporation has the following significant commitments:
- Operating activities $91.9 million (2018/19 – $100.9 million), and
- Capital projects $18.6 million (2018/19 – $15.9 million).

Contingencies

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

Supporting information

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

Notes to Financial Statements

Note 30 – Commitments and contingencies, continued

finalized pleadings, document and oral discovery to trial. The Corporation continues to believe that it has strong defenses to the allegations as certified in the 2004 action.

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at March 31, 2020, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

Note 31 – Future performance obligations

The table below shows the revenue that the Corporation expects to recognize in the future, related to unsatisfied or partially satisfied performance obligations as at March 31, 2020. The unsatisfied portion of the transaction price of the performance obligations relates to monthly services, which is expected to be recognized as follows:

Supporting information

As at March 31, Thousands of dollars	**2020**	2019
1 year or less	**$130,334**	$137,215
Between 1 and 3 years	**52,716**	53,408
Greater than 3 years	**-**	6
	$183,050	$190,629

The Corporation has elected to utilize the following practical expedients and not disclose:

- the unsatisfied portions of performance obligations related to contracts with a duration of one year or less; and
- the unsatisfied portions of performance obligations where the revenue the Corporation recognizes corresponds with the amount invoiced to the customer.