



Financial Statements of
DIRECTWEST CORPORATION

March 31, 2021

Directwest Corporation (Directwest)

www.directwest.com

Directwest, a wholly-owned subsidiary of SaskTel, is the exclusive provider of Mysask411, Saskatchewan's best source for local information. For over 100 years, Directwest has been connecting buyers and sellers with the most complete, used and preferred sources for Local Search in Saskatchewan.

Offering a wide range of Marketing Services that help businesses connect and interact with their customers, Directwest continually launches innovative, consumer driven products and services while delivering a strong, measurable return on investment (ROI) to advertisers.

With a Head Office in Regina and a satellite office in Saskatoon, Directwest employs 89 local full-time equivalent employees serving over 17,000 customers across Saskatchewan.

President's Message

Directwest's financial results for 2020/21 once again remained strong as the traditional Local Search industry continues to experience significant declines in revenues and earnings even further exasperated this past year by the impacts of COVID-19 on the local small business economy. The cash flows generated have allowed Directwest to remain a significant contributor to SaskTel's overall financial performance. Directwest's strategy is to maintain its Saskatchewan leading marketing services product suite through advertising bundles, continued growth in Digital Out of Home (DOOH) billboard media, and new product development all supported by delivering superior customer service.

Total revenue was \$26.1M compared to \$28.8M in 2019/20, as growth generated from Digital Marketing Services and DOOH only partially offset the declines experienced in the print directory business. The company is reporting Net Income of \$3.2M which is \$0.6M ahead of budget. In addition, Directwest contributed \$6.5M in cash to the shareholder through a dividend payment (\$3.3M) and royalties (\$3.2M). Despite sales contractions absorbed due to negative customer pandemic impacts, the company handled the challenges and rose to the occasion.

Directwest's focus is on growing the Saskatchewan economy by helping local businesses win with Marketing Services. With the globalization of the economy, Saskatchewan small and medium sized businesses (SMBs) are looking for partners to help them navigate the competitive digital media landscape in and outside the province. In 2020/21 when COVID-19 struck these demands rose sharply as SMBs had to quickly pivot to operating digitally as consumer demand dropped and demanded new purchase delivery models. Directwest is assisting thousands of these SMBs through a multi-platform approach including print, online, mobile, digital out of home, and other digital web and social mediums that enable Directwest to deliver strong measurable ROI to advertisers.

The emphasis for 2021/22 will be on further growth in marketing services, product advancements that assist SMBs to evolve digitally, and continuing the development of the company's workforce into digital professionals. Directwest will also continue to support local Saskatchewan businesses through expert marketing consultation that will drive consumer leads and assist with the provincial recovery from COVID-19.

In closing, I would like to thank our customers, business partners and employees for collaborating to keep everyone safe while driving success for the year ahead. Directwest is dedicated to being Saskatchewan businesses' marketing champion at home and around the world!

A handwritten signature in black ink, appearing to read 'K. Jeannot', written in a cursive style.

Keith Jeannot
President & CEO, Directwest

Management's Responsibility for Financial Statements

The accompanying financial statements, included in the annual report of Directwest Corporation for the fiscal year ended March 31, 2021, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The policies set out have been consistently applied to all the periods presented. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

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

The Board of Directors fulfills its responsibility with regard to the financial statements through periodic meetings with management as well as with the internal and external auditors. Both the internal and external auditors have free access to the Board of Directors to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Board of Directors has met with management and the external auditor to review the Corporation's annual financial statements prior to approval by the Board of Directors.

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



Keith Jeannot
President and
Chief Executive Officer
May 3, 2021



Kristian Wells
CFO and Vice-President
Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the financial statements of DirectWest Corporation (the "Corporation"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of income and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, comprising a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the President's Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.



Page 2

We obtained the information, other than the financial statements and the auditors' report thereon, included in the President's Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Regina, Canada
May 3, 2021

Statement of Income and Other Comprehensive Income

For the year ended March 31,		2021	2020
Thousands of dollars	Note		
Revenue - marketing services	3	\$26,124	\$28,807
Expenses			
Goods and services purchased		11,430	13,192
Salaries, wages and benefits		9,460	9,412
Depreciation - property, plant and equipment	7	745	739
Depreciation - right-of-use assets	8	337	322
Amortization	9	920	2,391
Impairment loss		-	4,906
		22,892	30,962
Results from operating activities		3,232	(2,155)
Net finance expense	4	67	55
Net income (loss) and total comprehensive income (loss)		\$3,165	\$(2,210)

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

See Accompanying Notes

Statement of Changes in Equity

Thousands of dollars	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at April 1, 2020	\$ -	\$9,437	\$(309)	\$9,128
Net income and total comprehensive income	-	-	3,165	3,165
Dividend declared	-	-	4,400	4,400
Balance at March 31, 2021	\$ -	\$9,437	\$(1,544)	\$7,893
Balance at April 1, 2019	\$ -	\$9,437	\$5,201	\$14,638
Net loss and total comprehensive loss	-	-	(2,210)	(2,210)
Dividend declared	-	9,437	2,991	12,428
Dividend declared	-	-	3,300	3,300
Balance at March 31, 2020	\$ -	\$9,437	\$(309)	\$9,128

See Accompanying Notes

Directwest Corporation

Statement of Financial Position

As at March 31, Thousands of dollars	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	5	\$5,413	\$4,305
Trade and other receivables	6	2,068	2,120
Prepaid expenses		1,684	1,858
		9,165	8,283
Property, plant and equipment	7	3,001	3,021
Right-of-use assets	8	3,253	3,694
Intangible assets	9	3,450	3,966
		\$18,869	\$18,964
Liabilities and Shareholder's equity			
Current liabilities			
Trade and other payables	10	\$2,060	\$1,764
Dividend payable		4,400	3,300
Contract liabilities	11	1,010	1,031
Current portion of lease liabilities	12	295	294
		7,765	6,389
Provisions	13	166	-
Lease liabilities	12	3,045	3,447
		10,976	9,836
Shareholder's equity			
Share capital	14	-	-
Contributed surplus	14	9,437	9,437
Deficit		(1,544)	(309)
		7,893	9,128
		\$18,869	\$18,964

See Accompanying Notes

On behalf of the Board



Doug Burnett
May 3, 2021



Charlene Gavel

Directwest Corporation

Statement of Cash Flows

For the year ended March 31,		2021	2020
Thousands of dollars	Note		
Operating activities			
Net income (loss)		\$3,165	\$(2,210)
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	7, 8, 9	2,002	3,452
Impairment loss	9	-	4,906
Net finance expense	4	67	55
Interest paid	12	(91)	(92)
Interest received		27	37
Net change in non-cash working capital	16(a)	502	(319)
		5,672	5,829
Investing activities			
Property, plant and equipment expenditures		(562)	(1,021)
Intangible asset expenditures		(404)	(1,228)
		(966)	(2,249)
Financing activities			
Payment of lease liabilities	12, 16(b)	(298)	(275)
Dividends paid	16(b)	(3,300)	-
		(3,598)	(275)
Increase in cash		1,108	3,305
Cash and cash equivalents, beginning of year		4,305	1,000
Cash and cash equivalents, end of year		\$5,413	\$4,305
Comprised of:			
Bank indebtedness		\$(464)	\$(589)
Short-term investments	5	5,877	4,894
		\$5,413	\$4,305

See Accompanying Notes

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 1 – General information

Directwest Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4S 3Y2. The Corporation is incorporated under the Canada *Business Corporations Act* and is wholly owned by Saskatchewan Telecommunications Holding Corporation (Holdco) through its subsidiary SaskTel Investments Inc. The Corporation promotes and supplies marketing services in Saskatchewan.

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

Note 2 – Basis of presentation

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

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

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

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

Accounting policies, estimates, and judgments

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

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

COVID-19 impact assessment

The COVID-19 pandemic continues to cause significant disruption to the Canadian and world economies. Although the impact of the pandemic on the Corporation has not been as severe as initially expected, the Corporation continues to assess and monitor the impact of the pandemic on its operations. The magnitude and duration of the pandemic continues to be uncertain and, if it causes significant disruption for an extended period, the impacts to the Corporation will increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and potential asset impairment.

Estimates of these impacts have been included where appropriate. Given the uncertainty of the magnitude and duration of the pandemic it is not possible to determine if there are significant additional impacts on current operations or reported asset and liability values.

Notes to Financial Statements

Note 2 – Basis of presentation, continued

Impairment testing

Accounting policies

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

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

Accounting estimates, and judgments

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

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

Fair value

Accounting policies

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

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 policies

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

Additional accounting policies

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

Note	Topic	Accounting Policies	Accounting Estimates, and Judgments	Page
3	Revenue from contracts with customers	X		7
4	Net finance expense	X		8
5	Cash and cash equivalents	X		8
6	Trade and other receivables	X	X	8
7	Property, plant and equipment	X	X	9
8	Right-of-use assets	X	X	10
9	Intangible assets	X	X	12
10	Trade and other payables	X		15
11	Contract liabilities	X	X	15
12	Lease liabilities	X	X	16

Note	Topic	Accounting Policies	Accounting Estimates, and Judgments	Page
13	Provisions	X	X	17
14	Share capital, contributed surplus and additional capital disclosures			19
15	Employee benefits	X		19
16	Statement of cash flows – supporting information			20
17	Financial instruments and related risk management	X		21
18	Related party transactions			24
19	Contingencies		X	24

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 2 – Basis of presentation, continued

Application of amendments to International Financial Reporting Standards

Adoption of amendments to the Conceptual Framework for Financial Reporting

The Corporation has adopted the amendments to the Conceptual Framework for Financial Reporting (the Conceptual Framework) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of the Conceptual Framework, the Corporation has applied the Conceptual Framework prospectively. The amendments provide revisions to the Conceptual Framework, a comprehensive set of concepts for financial reporting. There was no impact to the financial statements upon adoption of the amendments to the framework.

Adoption of amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

The Corporation has adopted the amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IAS 1 and IAS 8, the Corporation has applied the amendments to IAS 1 and IAS 8 prospectively. The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. There was no impact to the financial statements upon adoption of the amendments to the standards.

Adoption of amendments to IFRS 3 *Business combinations*

The Corporation has adopted the amendments to IFRS 3 *Business combinations* (IFRS 3) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IFRS 3, the Corporation has applied IFRS 3 prospectively. The amendments to IFRS 3 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. There was no impact to the financial statements upon adoption of the amendments to the standard.

New standards, amendments to standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after April 1, 2021 or later periods. The Corporation does not expect a significant impact of these pronouncements on its results and financial position.

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.

Revenue is earned through the sale of marketing services and is generally recognized in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the advertising, commencing with the display date. Amounts billed in advance for marketing services are deferred as contract liabilities and recognized over the life of the contract. Customer payments are due monthly as the services are provided. Contracts are typically one year or less.

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.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 4 – Net finance expense

Accounting policies

Finance income is comprised of interest income on interest bearing financial assets.

Finance expenses are composed of interest expense on lease liabilities measured at amortized cost, and accretion expense on provisions. 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,	2021	2020
Thousands of dollars		
Recognized in net income		
Interest on lease liabilities	\$91	\$92
Interest on provisions	3	-
Finance expense	94	92
Interest income	(27)	(37)
Net finance expense	\$67	\$55

Note 5 – Cash and cash equivalents

Accounting policies

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

Supporting information

Included in cash and cash equivalents at March 31, 2021 was \$5.9 million (2019/20 – \$4.9 million) in short-term investments with a weighted average interest rate of 0.15% (2019/20 – 1.67%).

Note 6 – Trade and other receivables

Accounting policies

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

The allowance for doubtful accounts on trade and other receivables is always recorded at lifetime expected credit losses. When estimating lifetime expected credit loss, 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.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 6 – Trade and other receivables, continued

Supporting information

As at March 31, Thousands of dollars	Note	2021	2020
Trade receivables	17	\$2,055	\$2,115
Other		13	5
		\$2,068	\$2,120

Note 7 – 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 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 is reflected in net income for the year.

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

Depreciation is recognized in 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
Equipment, office furniture and leaseholds	1 – 10 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 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.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 7 – Property, plant and equipment, continued

Supporting information

Thousands of dollars	Equipment, office furniture, and leaseholds
Cost	
Balance at April 1, 2020	\$5,610
Additions	725
Balance at March 31, 2021	\$6,335
Balance at April 1, 2019	\$5,186
Additions	1,021
Retirements and disposals	(597)
Balance at March 31, 2020	\$5,610
Accumulated depreciation	
Balance at April 1, 2020	\$2,589
Depreciation	745
Balance at March 31, 2021	\$3,334
Balance at April 1, 2019	\$2,447
Depreciation	739
Retirements and disposals	(597)
Balance at March 31, 2020	\$2,589
Carrying amounts	
At April 1, 2020	\$3,021
At March 31, 2021	\$3,001
At April 1, 2019	\$2,739
At March 31, 2020	\$3,021

Note 8 – Right-of-use assets

Accounting policies

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

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

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the Corporation; and
- an estimate of costs to be incurred by the Corporation 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 Corporation 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.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 8 – Right-of-use assets, continued

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

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

Accounting estimates, and judgments

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

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

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

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 8 – Right-of-use assets, continued

Supporting information

Thousands of dollars	Land	Buildings	Total
Cost			
Balance at April 1, 2020	\$2,657	\$1,359	\$4,016
Additions	118	-	118
Retirements and adjustments	(178)	(66)	(244)
Balance at March 31, 2021	\$2,597	\$1,293	\$3,890
Balance at April 1, 2019	\$2,431	\$1,359	\$3,790
Additions	226	-	226
Balance at March 31, 2020	\$2,657	\$1,359	\$4,016
Accumulated depreciation			
Balance at April 1, 2020	\$215	\$107	\$322
Depreciation	228	109	337
Retirements and adjustments	(22)	-	(22)
Balance at March 31, 2021	\$421	\$216	\$637
Balance at April 1, 2019	\$ -	\$ -	\$ -
Depreciation	215	107	322
Balance at March 31, 2020	\$215	\$107	\$322
Carrying amounts			
At April 1, 2020	\$2,442	\$1,252	\$3,694
At March 31, 2021	\$2,176	\$1,077	\$3,253
At April 1, 2019	\$2,431	\$1,359	\$3,790
At March 31, 2020	\$2,442	\$1,252	\$3,694

Note 9 – 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 contractual rights. 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

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 9 – Intangible assets, continued

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 development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

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

Contractual rights related to marketing services that are expected to provide future economic benefits are initially recorded at cost less accumulated amortization and any accumulated impairment losses.

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

<u>Asset</u>	<u>Estimated useful life</u>
Software	1 – 10 years
Contractual rights	9 – 15 years

Accounting estimates, and judgments

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

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).

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 9 – Intangible assets, continued

Supporting information

Thousands of dollars	Goodwill	Contractual rights	Software	Under development	Total
Cost					
Balance at April 1, 2020	\$ -	\$2,758	\$17,802	\$294	\$20,854
Acquisitions	-	-	17	-	17
Acquisitions - internally developed	-	-	-	387	387
Transfers	-	-	538	(538)	-
Balance at March 31, 2021	\$ -	\$2,758	\$18,357	\$143	\$21,258
Balance at April 1, 2019	\$222	\$2,758	\$16,489	\$400	\$19,869
Acquisitions	-	-	20	363	383
Acquisitions - internally developed	-	-	-	845	845
Transfers	-	-	1,314	(1,314)	-
Impairment loss	(222)	-	-	-	(222)
Retirements and disposals	-	-	(21)	-	(21)
Balance at March 31, 2020	\$ -	\$2,758	\$17,802	\$294	\$20,854
Amortization					
Balance at April 1, 2020	\$ -	\$432	\$16,456	\$ -	\$16,888
Amortization	-	356	564	-	920
Balance at March 31, 2021	\$ -	\$788	\$17,020	\$ -	\$17,808
Balance at April 1, 2019	\$ -	\$216	\$9,618	\$ -	\$9,834
Amortization	-	216	2,175	-	2,391
Impairment loss	-	-	4,684	-	4,684
Retirements and disposals	-	-	(21)	-	(21)
Balance at March 31, 2020	\$ -	\$432	\$16,456	\$ -	\$16,888
Carrying amounts					
At April 1, 2020	\$ -	\$2,326	\$1,346	\$294	\$3,966
At March 31, 2021	\$ -	\$1,970	\$1,337	\$143	\$3,450
At April 1, 2019	\$222	\$2,542	\$6,871	\$400	\$10,035
At March 31, 2020	\$ -	\$2,326	\$1,346	\$294	\$3,966

Impairment testing for the cash-generating unit containing finite-life intangible assets under development

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

Management has applied a value-in-use discounted cash flows methodology using the Board-approved 2021 - 2025 financial plan as well as a terminal value capitalization. The expected risk to the CGU cash flows were included in the cash flow projections. The resulting cash flows were then discounted to the present value using a rate reflecting the weighted average cost of capital of the Corporation.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 9 – Intangible assets, continued

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

Discount rate	9.55%
Terminal value capitalization	12.00%
Growth rate applied to terminal value period	-2.50%

The impairment test indicated no impairment at March 31, 2021.

Note 10 – 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, cancelled, or expire.

Supporting information

As at March 31,	2021	2020
Thousands of dollars		
Trade payables and accrued liabilities	\$654	\$425
Payroll and other employee-related liabilities	1,406	1,339
	\$2,060	\$1,764

Note 11 – 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.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 11 – Contract liabilities, continued

Supporting information

As at March 31,	2021	2020
Thousands of dollars		
Balance at April 1,	\$1,031	\$1,199
Contract liabilities recognized in the current period	2,272	2,387
	3,303	3,586
Recognized in revenue	(2,293)	(2,555)
Balance at March 31,	1,010	1,031
Current portion	1,010	1,031
Long-term portion	\$ -	\$ -

Note 12 – 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 Corporation under residual value guarantees;
- the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation 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.

The Corporation has not elected to utilize the recognition exemption for short-term or low-value leases.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 12 – Lease liabilities, continued

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 and estimation of the incremental borrowing rate or implicit lease rate as appropriate.

Supporting information

As at March 31, Thousands of dollars	2021	2020
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$376	\$385
One to five years	1,485	1,631
More than five years	2,217	2,587
Total undiscounted lease liabilities at March 31,	\$4,078	\$4,603
Discounted lease liabilities included in the statement of financial position at March 31,		
Current	295	294
Non-current	\$3,045	\$3,447
Amounts recognized in net income		
For the year ended March 31, Thousands of dollars	2021	2020
Interest on lease liabilities	\$91	\$92
Amounts recognized in the statement of cash flows		
For the year ended March 31, Thousands of dollars	2021	2020
Interest paid on lease liabilities	\$91	\$92
Lease liability principal payments	298	275
Total cash outflow for leases	\$389	\$367

Note 13 – 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.

Notes to Financial Statements

Note 13 – Provisions, continued

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 digital billboards in the period in which the digital billboards are 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. 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.

Accounting estimates, and judgments

Judgment is involved in the estimation of the future liabilities for decommissioning, 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
Balance at April 1, 2020	\$ -
Provisions made	163
Accretion expense	3
Balance at March 31, 2021	\$166

Assumptions

As at March 31,	2021
Discount rate, end of period	2.46%
Long-term inflation rate	2.00%
Undiscounted cash flows (thousands)	\$220

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 2023 and 2038. No funds have been set aside by the Corporation to settle the decommissioning provisions.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 13 – Provisions, continued

Sensitivity of assumptions

Sensitivity of provisions to changes in the discount rate and inflation rate on the recorded liability as at March 31, 2021, is as follows:

Thousands of dollars	Decommissioning provisions	
	0.5% increase	0.5% decrease
Discount rate	\$(8)	\$9
Inflation rate	9	(9)

Note 14 – Share capital and contributed surplus, and additional capital disclosures

Share capital and contributed surplus

As at March 31,	2021	2020
Thousands of dollars		
Share capital		
Authorized - unlimited number of class A common shares		
Issued - 100 shares	\$ -	\$ -
Contributed surplus	9,437	9,437
	\$9,437	\$9,437

Additional capital disclosures

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Corporation, and to ensure adequate returns to the shareholder.

The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation monitors capital on the basis of approved budgets and forecasts, and required funding for the Corporation.

The Corporation's strategy, which is to maintain sufficient cash for the continued development of targeted markets, is unchanged from 2019/20.

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

Note 15 – Employee benefits

The Corporation has a defined contribution pension plan for its employees.

Accounting policies

Defined contribution plan

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

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 15 – Employee benefits, continued

Short-term benefits

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

Supporting information

The defined contribution pension plan requires the Corporation to contribute 6.25% of employees' pensionable earnings, and employees to contribute a minimum of 5.25% of pensionable earnings.

The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2020/21 pension cost and employer contributions for the Public Employees Pension Plan were \$0.5 million (2019/20 – \$0.5 million).

Note 16 – Statement of cash flows – supporting information

a) Net change in non-cash working capital

For the year ended March 31,	2021	2020
Thousands of dollars		
Net change in non-cash working capital balances related to operations		
Trade and other receivables	\$53	\$85
Prepaid expenses	174	200
Trade and other payables	296	(436)
Contract liabilities	(21)	(168)
	\$502	\$(319)

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

Thousands of dollars	Lease liabilities	Dividend payable	Total
Balance at April 1, 2020	\$3,741	\$3,300	\$7,041
Changes from financing cash flows			
Lease liability principal repayments	(298)	-	(298)
Dividend paid	-	(3,300)	(3,300)
Total changes from financing cash flows	(298)	(3,300)	(3,598)
Other changes			
Dividend declared	-	4,400	4,400
New leases and assumption changes	(103)	-	(103)
Total other changes	(103)	4,400	4,297
Balance at March 31, 2021	\$3,340	\$4,400	\$7,740

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 16 – Statement of cash flows – supporting information, continued

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

Thousands of dollars	Lease liabilities	Dividend payable	Total
Balance at April 1, 2019	\$3,790	\$ -	\$3,790
Changes from financing cash flows			
Lease liability principal repayments	(275)	-	(275)
Dividend paid	-	-	-
Total changes from financing cash flows	(275)	-	(275)
Other changes			
Dividend declared	-	3,300	3,300
New leases and assumption changes	226	-	226
Total other changes	226	3,300	3,526
Balance at March 31, 2020	\$3,741	\$3,300	\$7,041

Note 17 – 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 other comprehensive income.

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

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

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

Supporting information

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates. The Corporation uses a number of financial instruments to manage these exposures when deemed appropriate. 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.

Notes to Financial Statements

Note 17 – Financial instruments and related risk management, continued

Market risk

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

Foreign currency risk

The Corporation is exposed to currency risk, primarily U.S. dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net income.

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. Credit risk related to short-term investments is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized because of the large and diverse customer base covering many business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary. In addition, pursuant to an agreement with Saskatchewan Telecommunications (SaskTel), the Corporation mitigates its credit risk from customers by selling its receivables to SaskTel for a fee, at which point the asset is derecognized.

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

As at March 31,	2021	2020
Thousands of dollars		
Short-term investments	\$5,877	\$4,894
Trade and other receivables	2,068	2,120
	\$7,945	\$7,014

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 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 and assessing collectability based on an aging of the accounts and default probabilities.

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 as well as future collection policy and economic environment impacts 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 the previously mentioned factors. Based on the current assessment, potential impairment losses are considered to be minimal and therefore no allowance for doubtful accounts is required.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 17 – Financial instruments and related risk management, continued

The aging of customer accounts receivable is detailed as follows:

Customer accounts receivable

As at March 31,	2021	2020
Thousands of dollars		
Current	\$2,028	\$2,086
30–60 Days	8	28
61–90 Days	18	-
Greater than 90 Days	1	1
Customer accounts receivable	\$2,055	\$2,115

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. As a wholly-owned subsidiary of Holdco, a Provincial Crown corporation, the Corporation 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.

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

Thousands of dollars	Contractual Cash Flows		
	Carrying amount	Total	0-6 months
As at March 31, 2021			
Trade and other payables	\$2,060	\$2,060	\$2,060
As at March 31, 2020			
Trade and other payables	\$1,764	\$1,764	\$1,764

Fair values

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

Fair value of financial assets and liabilities

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term maturity of these financial instruments. All financial instruments are measured using Level 2 inputs.

There were no financial instruments measured at fair value using Level 3 inputs in 2019/20 or 2020/21 and no items transferred between levels in 2019/20 or 2020/21.

Embedded derivatives

The Corporation had no contracts with embedded derivatives as at March 31, 2020 and March 31, 2021.

Directwest Corporation – March 31, 2021

Notes to Financial Statements

Note 18 – Related party transactions

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

Routine operating transactions with related parties were conducted in the normal course of business and were accounted for at the exchange amount. For the year ended March 31, 2021, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 9% (2019/20 – 8%) of revenues, 23% (2019/20 – 20%) of expenses, and 19% (2019/20 – 16%) of property, plant and equipment expenditures.

Key management personnel compensation

In addition to their salaries, the Corporation also provides non-cash benefits to executive officers and a defined contribution pension.

Key management personnel compensation is comprised of:

For the year ended March 31, Thousands of dollars	2021	2020
Short-term employee benefits	\$881	\$865
Post-employment benefits - defined contribution	45	53
	\$926	\$918

Note 19 – Contingencies

Contingencies

Accounting estimates, and judgments

The Corporation becomes involved in various litigation in the ordinary course of business. Prediction of the outcome of such uncertain events (i.e. being virtually certain, probable, remote or undeterminable), determination of whether recognition or disclosure in the financial statements is required and estimation of potential financial effects are matters for judgment. Where no amounts are recognized, such amounts are contingent, and disclosure may be appropriate, however, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

