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INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

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

- the statement of financial position as at March 31, 2022
- the statement of income and other comprehensive loss 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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.

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.

- 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.



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- 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.

KPMG LLP

Chartered Professional Accountants

Regina, Canada

May 26, 2022

Saskatchewan Telecommunications

Statement of Income and Other Comprehensive Loss

For the year ended March 31,		2022	2021
Thousands of dollars	Note		
Revenue	3	\$1,237,238	\$1,254,215
Other income	4	1,153	5,891
		1,238,391	1,260,106
Expenses			
Goods and services purchased		546,361	560,784
Salaries, wages and benefits		327,542	330,811
Internal labour capitalized		(21,399)	(21,665)
Depreciation - property, plant and equipment	12	195,302	178,269
Depreciation - right-of-use assets	13	5,969	5,822
Amortization	14	32,995	31,032
Saskatchewan taxes	5	27,483	26,298
		1,114,253	1,111,351
Results from operating activities		124,138	148,755
Net finance expense	6	24,012	21,836
Net income		100,126	126,919
Other comprehensive loss			
Items that will be reclassified to net income			
Unrealized losses (gains) on sinking funds		3,514	(2,168)
Reclassification to net income of realized gains on sinking funds		-	6,974
Net sinking fund market value losses	15	3,514	4,806
Items that will never be reclassified to net income			
Net actuarial losses on employee benefit plans	24	348	930
Total other comprehensive loss		3,862	5,736
Total comprehensive income		\$96,264	\$121,183

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, 2021	\$322,572	\$103,349	\$572,602	\$998,523
Net income	-	-	100,126	100,126
Other comprehensive loss	-	(3,862)	-	(3,862)
Total comprehensive income	-	(3,862)	100,126	96,264
Dividends declared	-	-	90,113	90,113
Balance at March 31, 2022	\$322,572	\$99,487	\$582,615	\$1,004,674
Balance at April 1, 2020	\$322,572	\$109,085	\$559,909	\$991,566
Net income	-	-	126,919	126,919
Other comprehensive loss	-	(5,736)	-	(5,736)
Total comprehensive income	-	(5,736)	126,919	121,183
Dividends declared	-	-	114,226	114,226
Balance at March 31, 2021	\$322,572	\$103,349	\$572,602	\$998,523

See Accompanying Notes

Saskatchewan Telecommunications

Statement of Financial Position

As at March 31,		2022	2021
Thousands of dollars	Note		
Assets			
Current assets			
Trade and other receivables	7	\$176,726	\$187,797
Inventories	8	23,435	26,250
Prepaid expenses	9	46,982	44,132
Contract assets	10	75,283	65,965
Contract costs	11	9,303	8,988
		331,729	333,132
Contract assets	10	27,472	31,602
Contract costs	11	3,906	4,602
Property, plant and equipment	12	1,987,853	1,899,632
Right-of-use assets	13	40,206	39,077
Intangible assets	14	397,103	261,272
Sinking funds	15	67,573	56,558
Other assets	16	9,139	10,704
		\$2,864,981	\$2,636,579
Liabilities and Province's equity			
Current liabilities			
Bank indebtedness		\$5,697	\$5,117
Trade and other payables	17	164,995	164,946
Dividend payable		26,460	34,306
Contract liabilities	18	49,651	49,154
Lease liabilities	23	6,275	5,466
Other liabilities	19	5,062	8,893
		258,140	267,882
Contract liabilities	18	249	489
Notes payable	20	261,330	276,167
Deferred income – government funding	21	15,057	17,234
Long-term debt	22	1,273,500	1,022,626
Lease liabilities	23	35,640	34,714
Employee benefit obligations	24	10,282	12,247
Provisions	25	6,109	6,697
		1,860,307	1,638,056
Commitments and contingencies	30		
Subsequent event	31		
Province of Saskatchewan's equity			
Equity advance	26	322,572	322,572
Accumulated other comprehensive income		99,487	103,349
Retained earnings		582,615	572,602
		1,004,674	998,523
		\$2,864,981	\$2,636,579

See Accompanying Notes

On behalf of the Board

/s/ Grant Kook
Grant Kook
May 26, 2022

/s/ Alan Migneault
Alan Migneault

Saskatchewan Telecommunications

Statement of Cash Flows

For the year ended March 31,		2022	2021
Thousands of dollars	Note		
Operating activities			
Net income		\$100,126	\$126,919
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	12, 13, 14	234,266	215,123
Net finance expense	6	24,012	21,836
Interest paid		(35,198)	(45,424)
Interest received		6,819	6,190
Amortization of government funding	21	(5,844)	(5,837)
Other		5,247	2,140
Net change in non-cash working capital	27a	4,790	(3,512)
		334,218	317,435
Investing activities			
Property, plant and equipment expenditures		(285,929)	(279,982)
Intangible asset expenditures - finite life		(23,635)	(20,477)
Intangible asset expenditures - indefinite life		(145,205)	-
Government funding	21	-	519
		(454,769)	(299,940)
Financing activities			
Proceeds from long-term debt	22, 27b	251,527	263,741
Repayment of long-term debt	22, 27b	-	(276,600)
Net repayment of notes payable	27b	(14,837)	(3,642)
Sinking fund redemptions	15, 27b	-	133,931
Payment of lease liabilities	23, 27b	(5,360)	(5,434)
Sinking fund instalments	15, 27b	(13,400)	(13,916)
Dividends paid	27b	(97,959)	(114,265)
		119,971	(16,185)
Increase (decrease) in cash		(580)	1,310
Bank indebtedness, beginning of year		(5,117)	(6,427)
Bank indebtedness, end of year		\$(5,697)	\$(5,117)

See Accompanying Notes

Saskatchewan Telecommunications – March 31, 2022

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, and 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.

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.

Notes to Financial Statements

Note 2 – Basis of presentation, continued

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or the CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

Accounting estimates and judgments

Judgment involves identifying the appropriate asset or CGU; and making assumptions about future market conditions over the long-term life of the assets or CGUs.

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

Fair value

Accounting policies

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

The three levels of the fair value hierarchy are:

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

Notes to Financial Statements

Note 2 – Basis of presentation, continued

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.

Reclassifications

Certain elements of the 2020/21 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

Additional accounting policies

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

Note	Topic	Accounting policies	Accounting estimates and judgments	Page
3	Revenue from contracts with customers	X	X	8
4	Other income			10
5	Saskatchewan taxes			11
6	Net finance expense	X		11
7	Trade and other receivables	X	X	12
8	Inventories	X	X	12
9	Prepaid expenses			13
10	Contract assets	X	X	13
11	Contract costs	X	X	14
12	Property, plant and equipment	X	X	15
13	Right-of-use assets	X	X	18
14	Intangible assets	X	X	20
15	Sinking funds	X		22
16	Other assets			23
17	Trade and other payables	X		23
18	Contract liabilities	X	X	23
19	Other liabilities			24

Note	Topic	Accounting policies	Accounting estimates and judgments	Page
20	Notes payable	X		24
21	Deferred income – government funding	X	X	25
22	Long-term debt	X		25
23	Lease liabilities	X	X	27
24	Employee benefits	X	X	29
25	Provisions	X	X	34
26	Equity advances and capital disclosures		X	35
27	Statement of cash flows – supporting information			37
28	Financial instruments and related risk management	X		38
29	Related party transactions			44
30	Commitments and contingencies		X	44
31	Subsequent event			45

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 2 – Basis of presentation, continued

Application of amendments to International Financial Reporting Standards

The corporation did not adopt any amendments causing a material impact to the financial statements.

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, 2022 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.

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

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

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 consumer and business customers.

Notes to Financial Statements

Note 3 – Revenue from contracts with customers, continued

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, including device financing, customers pay monthly over a contract term of up to 24 months for consumer 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 consumer 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 is recognized in the period earned, as services are provided, based on access to the Corporation's facilities. Services are paid on a monthly basis except where a billing schedule has been established. Payments received in advance are recorded as contract liabilities and recognized as revenue upon satisfaction of the related performance obligation.

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 customers under long-term contracts that can generally extend up to five years.

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 3 – Revenue from contracts with customers, continued

Supporting information

Disaggregation of revenue

For the year ended March 31,	2022	2021
Thousands of dollars		
Revenue		
Wireless network services and equipment	\$613,538	\$610,538
Fixed broadband and data services	284,496	274,706
Wireline communication services	178,022	196,785
maxTV services	100,563	104,315
Customer premise equipment	20,055	25,622
IT solutions services	14,071	12,952
Other services	26,493	29,297
	\$1,237,238	\$1,254,215

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, 2022. The unsatisfied portion of the transaction price of the performance obligations relates to monthly services, which is expected to be recognized as follows:

As at March 31,	2022	2021
Thousands of dollars		
1 year or less	\$164,257	\$145,923
Between 1 and 3 years	63,099	65,716
Greater than 3 years	2,542	-
	\$229,898	\$211,639

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.

Note 4 – Other income

For the year ended March 31,		2022	2021
Thousands of dollars			
	Note		
Net loss on retirement or disposal of property, plant and equipment		\$(6,244)	\$(5,610)
Amortization of government funding	21	5,844	5,837
Other		1,553	5,664
		\$1,153	\$5,891

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 5 – Saskatchewan taxes

For the year ended March 31,	2022	2021
Thousands of dollars		
Saskatchewan corporate capital tax	\$20,256	\$19,043
Grants-in-lieu of taxes	7,227	7,255
	\$27,483	\$26,298

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, 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,		2022	2021
Thousands of dollars	Note		
Recognized in net income			
Interest on long-term debt		\$36,872	\$42,456
Other interest expense		(71)	145
Interest capitalized		(5,075)	(4,941)
Net interest expense		31,726	37,660
Interest on lease liabilities	23	973	986
Net interest on defined benefit liability	24	(901)	(455)
Accretion expense	25	163	154
Finance expense		31,961	38,345
Sinking fund earnings			
Realized earnings	15	(1,129)	(3,345)
Reclassification of realized sinking fund market value gains	15	-	(6,974)
		(1,129)	(10,319)
Interest income		(6,820)	(6,190)
Finance income		(7,949)	(16,509)
Net finance expense		\$24,012	\$21,836
Interest capitalization rate		2.94%	3.62%

Notes to Financial Statements

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 (ECL). When estimating lifetime ECL, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information. The Corporation considers accounts receivable to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full.

Accounting estimates and judgments

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

Supporting information

As at March 31,		2022	2021
Thousands of dollars	Note		
Customer financing receivables ¹	28	\$33,210	\$36,082
Trade receivables			
Customer accounts receivable		75,320	77,959
Accrued receivables – customer	28	2,272	2,229
Allowance for doubtful accounts	28	(3,400)	(7,207)
Due from Holdco	28	11,463	12,209
Other	28	66,583	76,132
		185,448	197,404
Current portion		176,726	187,797
Long-term portion - disclosed within other assets	16	8,722	9,607
Total trade and other receivables	28	\$185,448	\$197,404

¹Customer financing receivables are amounts owed by customers under financing agreements that are yet to be billed.

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 8 – Inventories, continued

Supporting information

As at March 31, Thousands of dollars	2022	2021
Inventories for resale	\$19,827	\$25,699
Materials and supplies	3,608	551
	\$23,435	\$26,250

The cost of inventories recognized as an expense during the year was \$70.5 million (2020/21 – \$75.7 million).

For the year ended March 31, 2022, write-downs of inventory to net realizable value amounted to \$0.5 million (2020/21 – \$0.3 million).

Note 9 – Prepaid expenses

As at March 31, Thousands of dollars	2022	2021
Prepaid expenses	\$45,159	\$42,670
Short-term prepaid customer incentives	1,823	1,462
	\$46,982	\$44,132

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 reclassified as trade receivables when the right to consideration becomes conditional only as to the passage of time, typically consistent with the pattern of delivery of the related goods or services. 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 ECL. When estimating ECL, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, including forward-looking information. It is assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 10 – Contract assets, continued

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,		2022	2021
Thousands of dollars	Note		
Balance at April 1,		\$99,720	\$84,158
Contract assets recognized in the current period		95,977	100,657
		195,697	184,815
Amortization of contract assets		(84,465)	(78,611)
Contract terminations transferred to trade receivables		(7,096)	(6,484)
		104,136	99,720
Impairment allowance		(1,381)	(2,153)
		102,755	97,567
Current portion		75,283	65,965
Long-term portion		27,472	31,602
Balance at March 31,	28	\$102,755	\$97,567

Note 11 – Contract costs

Accounting policies

Incremental costs of obtaining a contract with a customer are recognized in the statement of financial position when the costs meet the criteria for deferral and it has been determined that the costs will be recoverable. The costs are principally composed of sales commissions and prepaid contract fulfillment costs.

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 11 – Contract costs, continued

Supporting information

As at March 31, Thousands of dollars	2022	2021
Balance at April 1,	\$13,590	\$10,278
Contract costs recognized in the current period	11,601	14,333
	25,191	24,611
Amortization included in goods and services purchased	(11,050)	(10,150)
Terminations	(932)	(871)
	13,209	13,590
Current portion	9,303	8,988
Long-term portion	3,906	4,602
Balance at March 31,	\$13,209	\$13,590

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.

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.

Notes to Financial Statements

Note 12 – Property, plant and equipment, continued

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.

Saskatchewan Telecommunications – March 31, 2022

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, 2021	\$3,699,188	\$481,888	\$131,458	\$198,987	\$24,835	\$4,536,356
Additions	80,858	-	28,809	180,014	577	290,258
Transfers	198,817	41,692	88	(240,597)	-	-
Retirements, disposals and adjustments	(60,287)	(2,153)	(31,184)	-	-	(93,624)
Balance at March 31, 2022	\$3,918,576	\$521,427	\$129,171	\$138,404	\$25,412	\$4,732,990
Balance at April 1, 2020	\$3,633,505	\$456,707	\$151,871	\$144,591	\$23,282	\$4,409,956
Additions	44,956	-	22,106	213,048	1,561	281,671
Transfers	132,460	25,938	254	(158,652)	-	-
Retirements, disposals and adjustments	(111,733)	(757)	(42,773)	-	(8)	(155,271)
Balance at March 31, 2021	\$3,699,188	\$481,888	\$131,458	\$198,987	\$24,835	\$4,536,356
Accumulated depreciation						
Balance at April 1, 2021	\$2,405,897	\$161,871	\$68,956	\$ -	\$ -	\$2,636,724
Depreciation	159,030	13,044	23,228	-	-	195,302
Retirements, disposals and adjustments	(55,089)	(701)	(31,099)	-	-	(86,889)
Balance at March 31, 2022	\$2,509,838	\$174,214	\$61,085	\$ -	\$ -	\$2,745,137
Balance at April 1, 2020	\$2,370,320	\$150,442	\$87,647	\$ -	\$ -	\$2,608,409
Depreciation	142,671	11,901	23,697	-	-	178,269
Retirements, disposals and adjustments	(107,094)	(472)	(42,388)	-	-	(149,954)
Balance at March 31, 2021	\$2,405,897	\$161,871	\$68,956	\$ -	\$ -	\$2,636,724
Carrying amounts						
At April 1, 2021	\$1,293,291	\$320,017	\$62,502	\$198,987	\$24,835	\$1,899,632
At March 31, 2022	\$1,408,738	\$347,213	\$68,086	\$138,404	\$25,412	\$1,987,853
At April 1, 2020	\$1,263,185	\$306,265	\$64,224	\$144,591	\$23,282	\$1,801,547
At March 31, 2021	\$1,293,291	\$320,017	\$62,502	\$198,987	\$24,835	\$1,899,632

Notes to Financial Statements

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.

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.

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 lease payments to be included in the lease liability; the incremental borrowing rate or implicit lease rate as appropriate; additional amounts to be included in the calculation of the right-of-use asset; and the useful lives of right-of-use assets.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

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, 2021	\$16,163	\$28,641	\$6,192	\$50,996
Additions	2,531	1,256	3,406	7,193
Retirements and adjustments	(409)	-	-	(409)
Balance at March 31, 2022	\$18,285	\$29,897	\$9,598	\$57,780
Balance at April 1, 2020	\$13,238	\$27,413	\$6,222	\$46,873
Additions	2,985	1,290	7	4,282
Retirements and adjustments	(60)	(62)	(37)	(159)
Balance at March 31, 2021	\$16,163	\$28,641	\$6,192	\$50,996
Accumulated depreciation				
Balance at April 1, 2021	\$6,272	\$4,765	\$882	\$11,919
Depreciation	3,043	2,417	509	5,969
Retirements and adjustments	(322)	7	1	(314)
Balance at March 31, 2022	\$8,993	\$7,189	\$1,392	\$17,574
Balance at April 1, 2020	\$3,302	\$2,478	\$443	\$6,223
Depreciation	3,043	2,299	480	5,822
Retirements and adjustments	(73)	(12)	(41)	(126)
Balance at March 31, 2021	\$6,272	\$4,765	\$882	\$11,919
Carrying amounts				
At April 1, 2021	\$9,891	\$23,876	\$5,310	\$39,077
At March 31, 2022	\$9,292	\$22,708	\$8,206	\$40,206
At April 1, 2020	\$9,936	\$24,935	\$5,779	\$40,650
At March 31, 2021	\$9,891	\$23,876	\$5,310	\$39,077

Notes to Financial Statements

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.

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 directly attributable 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).

Saskatchewan Telecommunications – March 31, 2022

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, 2021	\$284,432	\$120,905	\$8,749	\$414,086
Acquisitions – acquired	4,788	145,205	13,738	163,731
Acquisitions – internally developed	3,867	-	435	4,302
Transfers	13,540	-	(13,540)	-
Retirements, disposals and adjustments	(16,806)	1,170	-	(15,636)
Balance at March 31, 2022	\$289,821	\$267,280	\$9,382	\$566,483
Balance at April 1, 2020	\$420,195	\$120,905	\$12,171	\$553,271
Acquisitions – acquired	3,870	-	12,928	16,798
Acquisitions – internally developed	5,973	-	959	6,932
Transfers	17,309	-	(17,309)	-
Retirements, disposals and adjustments	(162,915)	-	-	(162,915)
Balance at March 31, 2021	\$284,432	\$120,905	\$8,749	\$414,086
Accumulated amortization				
Balance at April 1, 2021	\$152,814	\$ -	\$ -	\$152,814
Amortization	32,995	-	-	32,995
Retirements, disposals and adjustments	(16,429)	-	-	(16,429)
Balance at March 31, 2022	\$169,380	\$ -	\$ -	\$169,380
Balance at April 1, 2020	\$284,690	\$ -	\$ -	\$284,690
Amortization	31,032	-	-	31,032
Retirements, disposals and adjustments	(162,908)	-	-	(162,908)
Balance at March 31, 2021	\$152,814	\$ -	\$ -	\$152,814
Carrying amounts				
Balance at April 1, 2021	\$131,618	\$120,905	\$8,749	\$261,272
At March 31, 2022	\$120,441	\$267,280	\$9,382	\$397,103
At April 1, 2020	\$135,505	\$120,905	\$12,171	\$268,581
At March 31, 2021	\$131,618	\$120,905	\$8,749	\$261,272

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

Saskatchewan Telecommunications – March 31, 2022

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 control premium associated with these publicly traded share prices. The resulting adjusted ratio using Level 3 fair value hierarchy inputs, was then applied to the estimated EBITDA of the unit to determine the recoverable amount of the unit. Impairment testing indicated no impairment as at March 31, 2022.

Note 15 – Sinking funds

Accounting policies

Sinking funds have been classified as fair value through other comprehensive income (OCI) 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 both hold to collect and sell. 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 OCI are measured at fair value. Realized gains or losses are recorded in net income and unrealized gains and losses are recorded in 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	Note	2022	2021
Balance at April 1,		\$56,558	\$171,060
Instalments		13,400	13,916
Earnings			
Realized earnings	6	1,129	3,345
Reclassification of realized sinking fund market value gains	6	-	6,974
		1,129	10,319
Redemptions		-	(133,931)
Net valuation adjustment		(3,514)	(4,806)
Balance at March 31,		\$67,573	\$56,558

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

Years ending

March 31,	Thousands of dollars
2023	\$18,178
2024	18,178
2025	17,678
2026	17,178
2027	17,178

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 16 – Other assets

As at March 31,		2022	2021
Thousands of dollars	Note		
Long-term prepaid customer incentives		\$350	\$1,029
Customer financing receivables	7	8,722	9,607
Other		67	68
		\$9,139	\$10,704

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, cancelled, or expire.

Supporting information

As at March 31,	2022	2021
Thousands of dollars		
Trade payables and accrued liabilities	\$128,353	\$121,840
Payroll and other employee-related liabilities	26,621	33,221
Other	10,021	9,885
	\$164,995	\$164,946

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 18 – Contract liabilities, continued

Supporting information

As at March 31,	2022	2021
Thousands of dollars		
Balance at April 1,	\$49,643	\$50,265
Contract liabilities recognized in the current period	333,344	320,348
Recognized in revenue	382,987	370,613
Terminations	(333,069)	(320,948)
	(18)	(22)
	49,900	49,643
Current portion	49,651	49,154
Long-term portion	249	489
Balance at March 31,	\$49,900	\$49,643

Note 19 – Other liabilities

As at March 31,		2022	2021
Thousands of dollars	Note		
Advance billings		\$48	\$41
Customer deposits		2,340	3,010
Current portion of deferred income - government funding		2,175	5,842
Foreign exchange derivative liability	28	499	-
		\$5,062	\$8,893

Note 20 – Notes payable

Accounting policies

The Corporation initially recognizes notes payable 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, cancelled, or expire.

Supporting information

Notes payable are due to the Holdco. These unsecured notes are due on demand and have a weighted average interest rate of 2.71% (2020/21 – 2.62%). Holdco has waived its right to demand repayment for a period of at least 12 months from the date of the financial statements

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

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 OCI 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.

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 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. To date, the Corporation has received funding of \$3.2 million which has been applied to capital. Additional spending will be conducted in the next fiscal year.

As at March 31,	2022			2021
Thousands of dollars	Fully funded programs with all obligations fulfilled	Connect to Innovate	Total	Total
Balance at April 1,	\$20,091	\$2,985	\$23,076	\$28,394
Funding received	-	-	-	519
	20,091	2,985	23,076	28,913
Amortization	5,712	132	5,844	5,837
	14,379	2,853	17,232	23,076
Current portion - disclosed within other liabilities	2,042	133	2,175	5,842
Long-term portion	12,337	2,720	15,057	17,234
Balance at March 31,	\$14,379	\$2,853	\$17,232	\$23,076

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 22 – Long-term debt, continued

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

Supporting information

As at March 31,	2022	2021
Thousands of dollars		
Balance at April 1,	\$1,022,626	\$1,035,646
Long-term debt issuances	251,527	263,741
Long-term debt repayments	-	(276,600)
Amortization of net premiums	(653)	(161)
Balance at March 31,	\$1,273,500	\$1,022,626

Unsecured advances from the Province of Saskatchewan

Thousands of dollars		Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	Outstanding amount	
Issue date	Maturity date					March 31, 2022	2021
May 2014	June 2024	3.11	3.20	\$50,000	\$88	\$50,088	\$50,129
December 2010	December 2025	4.15	4.15	50,000	-	50,000	50,000
December 2017	June 2027	2.56	2.65	50,000	218	50,218	50,257
March 1999	March 2029	5.18	5.60	35,000	-	35,000	35,000
February 2021	June 2030	1.51	2.20	50,000	2,651	52,651	52,954
February 2012	February 2042	3.49	3.40	150,000	(1,810)	148,190	148,126
December 2013	June 2045	4.09	3.90	150,000	(4,335)	145,665	145,553
December 2016	June 2048	3.35	3.30	75,000	(641)	74,359	74,344
May 2017	June 2048	3.22	3.30	50,000	672	50,672	50,688
April 2019	June 2050	2.81	3.10	100,000	5,542	105,542	105,671
April 2020	June 2050	2.57	3.10	100,000	10,634	110,634	110,890
September 2021	December 2052	2.67	2.80	245,000	6,452	251,452	-
June 2018	June 2058	3.01	2.95	50,000	(603)	49,397	49,388
June 2020	June 2060	2.37	2.35	100,000	(368)	99,632	99,626
Total due to Province of Saskatchewan				\$1,255,000	\$18,500	\$1,273,500	\$1,022,626

On September 15, 2021, the Corporation issued \$245.0 million of long-term debt at a premium of \$6.5 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 2.80%, an effective interest rate of 2.67%, and matures on December 2, 2052.

The Corporation's long-term debt is unsecured. As at March 31, 2022, principal repayments due in each of the next five years were as follows:

Millions of dollars	Years ending March 31,				
	2023	2024	2025	2026	2027
Principal repayments	\$ -	\$ -	\$50.0	\$50.0	\$ -

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

Notes to Financial Statements

Note 23 – 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	2022	2021
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$6,297	\$6,302
One to five years	18,577	17,997
More than five years	23,669	23,420
Total undiscounted lease liabilities at March 31,	\$48,543	\$47,719

As at March 31, Thousands of dollars	2022	2021
Discounted lease liabilities included in the statement of financial position		
Current portion	\$6,275	\$5,466
Long-term portion	35,640	34,714
Total discounted lease liabilities at March 31,	\$41,915	\$40,180

Amounts recognized in the statement of income and other comprehensive loss

For the year ended March 31, Thousands of dollars	Note	2022	2021
Interest on lease liabilities	6	\$973	\$986

Amounts recognized in the statement of cash flows

For the year ended March 31, Thousands of dollars	Note	2022	2021
Interest paid on lease liabilities	6	\$973	\$986
Lease liability principal payments		5,360	5,434
Total cash outflow for leases		\$6,333	\$6,420

Notes to Financial Statements

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 (i.e., the asset ceiling limit). To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in 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.

Notes to Financial Statements

Note 24 – Employee benefits, continued

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 mortality rates result in a higher obligation while lower indexing assumptions result in a lower obligation. The combined impact of the assumptions could, at some point, require additional contributions to the plan.

Supporting information

Defined benefit plans (Plans A 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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 24 – Employee benefits, continued

Funding

The Corporation is responsible for adequately funding Plan A. Contributions are determined by actuarial valuations. The contributions reflect actuarial assumptions about future investment returns, salary projections, and future service benefits. An actuarial valuation for accounting purposes was performed at March 31, 2020. The latest valuation for funding purposes was performed as of March 31, 2020.

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 contributions are not required.

Plan B is unfunded. The Corporation expects to pay \$1.4 million in the next year related to Plan B.

Defined benefit obligation

Actuarial assumptions

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

As at March 31,	2022		2021	
	Plan A	Plan B	Plan A	Plan B
Discount rate - end of year	3.90%	3.80% #	3.10%	2.50%
Inflation rate	2.25%	- #	2.25%	-
Expected salary increase	-	In Scope: 2.0% per annum Management: 2.0% per annum	-	In Scope: 1.0% in the first year, 2.0% per annum thereafter Management: 2.0% per annum
Post-retirement index	1.60%	- #	1.60%	-
Future mortality	CPM 2014 Private (Adjusted 100% for males and 110% for females) with Improvement Scale MI-2017	-	CPM 2014 Private (Adjusted 100% for males and 110% for females) with Improvement Scale MI-2017	-
Estimated average remaining employee service life	-	7.3 years	-	7.6 years

At March 31, 2022, the weighted average duration of the Plan A defined benefit obligation was 10.0 years (2020/21 – 10.9 years).

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 24 – Employee benefits, continued

Sensitivity analysis

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

As at March 31, 2022	Defined benefit obligation			
	Plan A		Plan B	
	Increase	Decrease	Increase	Decrease
Thousands of dollars				
Discount rate (1% movement)	\$(81,195)	\$96,072	\$(477)	\$528
Inflation (1% movement)	(42,981)	(10,671)	-	-
Future indexing (0.4% increase and 1% decrease)	38,423	(95,086)	-	-
Salary increase (1% movement)	-	-	530	(497)

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:

For the year ended March 31,	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
Thousands of dollars						
Balance at April 1,	\$1,005,018	\$953,873	\$(992,771)	\$(941,044)	\$12,247	\$12,829
Included in net income						
Current service cost	-	-	379	457	379	457
Interest cost (income)	30,073	34,023	(30,974)	(34,478)	(901)	(455)
	30,073	34,023	(30,595)	(34,021)	(522)	2
Included in OCI						
Remeasurement loss (gain):						
- Actuarial loss (gain) arising from demographic assumptions	231	13,633	-	-	231	13,633
financial assumptions	(76,190)	69,928	-	-	(76,190)	69,928
- Return on plan assets excluding interest income	-	-	17,041	(97,463)	17,041	(97,463)
- Effect of asset ceiling limit	-	-	59,266	14,832	59,266	14,832
	(75,959)	83,561	76,307	(82,631)	348	930
Other						
Benefits paid	(65,157)	(66,439)	63,366	64,925	(1,791)	(1,514)
Balance at March 31,	\$893,975	\$1,005,018	\$(883,693)	\$(992,771)	\$10,282	\$12,247
Represented by:						
Net defined benefit liability (Plan A)					\$ -	\$ -
Net defined benefit liability (Plan B)					10,282	12,247
					\$10,282	\$12,247

Notes to Financial Statements

Note 24 – Employee benefits, continued

Plan assets

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

Asset category	2022	2021
Pooled bond funds	43.0%	37.7%
Pooled real estate	17.5%	15.3%
Pooled mortgage fund	13.2%	9.7%
Non-North American pooled equity funds	11.1%	16.4%
U.S. pooled equity fund	6.8%	9.9%
Canadian equities	6.3%	9.0%
Short-term investments	1.6%	1.3%
Canadian pooled equity funds	0.5%	0.7%
	100.0%	100.0%

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	17 - 33%	25%	24%
Fixed income	56- 64%	60%	58%
Real estate	12 - 18%	15%	18%

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

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

Defined contribution 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 \$20.0 million for the year ended March 31, 2022 (2020/21 – \$20.2 million).

Notes to Financial Statements

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.

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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 25 – Provisions, continued

Supporting information

Thousands of dollars	Decommissioning provisions	Environmental provisions	Total
Balance at April 1, 2021	\$6,300	\$397	\$6,697
Provisions made	22	-	22
Change in assumptions	(620)	(2)	(622)
Accretion expense	163	-	163
Settled during the period	(35)	(116)	(151)
Balance at March 31, 2022	\$5,830	\$279	\$6,109

Assumptions

As at March 31,	2022
Discount rate, end of period	2.96% - 3.39%
Long-term inflation rate	2.00%
Undiscounted cash flows (thousands)	\$12,621

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, 2022, is as follows:

Thousands of dollars	0.5% increase	0.5% decrease
Discount rate	\$(563)	\$649
Inflation rate	775	(669)

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 57.9% (2020/21 – 56.8%).

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,		2022	2021
Thousands of dollars	Note		
Long-term debt	22	\$1,273,500	\$1,022,626
Notes payable		261,330	276,167
Bank indebtedness		5,697	5,117
Less: Sinking funds	15	67,573	56,558
Net debt (a)		1,472,954	1,247,352
Province of Saskatchewan's equity (b)		1,004,674	998,523
Capitalization		\$2,477,628	\$2,245,875
Debt ratio		59.5%	55.5%

a) Net debt excludes lease liabilities.

b) Equity includes equity advances, accumulated other comprehensive income and retained earnings at the end of the period.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 27 – Statement of cash flows – supporting information

a) Net change in non-cash working capital

For the year ended March 31,	2022	2021
Thousands of dollars		
Net change in non-cash working capital balances related to operations		
Trade and other receivables	\$11,071	\$3,451
Inventories	2,815	(11,041)
Prepaid expenses	(2,850)	(586)
Contract assets	(5,188)	(14,870)
Contract costs	381	(3,312)
Trade and other payables	(2,206)	24,057
Contract liabilities	257	(622)
Other liabilities	(167)	199
Other	677	(788)
	\$4,790	\$(3,512)

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

Thousands of dollars	Assets		Liabilities			Total
	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	
Balance at April 1, 2021	\$(56,558)	\$1,022,626	\$276,167	\$40,180	\$34,306	\$1,316,721
Changes from financing cash flows						
Proceeds from loans and borrowings	-	251,527	398,925	-	-	650,452
Repayment of borrowings	-	-	(413,762)	(5,360)	-	(419,122)
Sinking fund redemptions	-	-	-	-	-	-
Instalments	(13,400)	-	-	-	-	(13,400)
Dividends paid	-	-	-	-	(97,959)	(97,959)
Total changes from financing cash flows	(13,400)	251,527	(14,837)	(5,360)	(97,959)	119,971
Other changes						
Dividend declared	-	-	-	-	90,113	90,113
Sinking fund earnings	(1,129)	-	-	-	-	(1,129)
Sinking fund valuation adjustments	3,514	-	-	-	-	3,514
New leases and assumption changes	-	-	-	7,095	-	7,095
Amortization of net premium on long-term debt	-	(653)	-	-	-	(653)
Total other changes	2,385	(653)	-	7,095	90,113	98,940
Balance at March 31, 2022	\$(67,573)	\$1,273,500	\$261,330	\$41,915	\$26,460	\$1,535,632

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

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

Thousands of dollars	Assets	Liabilities				Total
	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	
Balance at April 1, 2020	\$(171,060)	\$1,035,646	\$279,809	\$41,365	\$34,345	\$1,220,105
Changes from financing cash flows						
Proceeds from loans and borrowings	-	263,741	612,948	-	-	876,689
Repayment of borrowings	-	(276,600)	(616,590)	(5,434)	-	(898,624)
Sinking fund redemptions	133,931	-	-	-	-	133,931
Instalments	(13,916)	-	-	-	-	(13,916)
Dividends paid	-	-	-	-	(114,265)	(114,265)
Total changes from financing cash flows	120,015	(12,859)	(3,642)	(5,434)	(114,265)	(16,185)
Other changes						
Dividend declared	-	-	-	-	114,226	114,226
Sinking fund earnings	(10,319)	-	-	-	-	(10,319)
Sinking fund valuation adjustments	4,806	-	-	-	-	4,806
New leases and assumption changes	-	-	-	4,249	-	4,249
Amortization of net premium on long-term debt	-	(161)	-	-	-	(161)
Total other changes	(5,513)	(161)	-	4,249	114,226	112,801
Balance at March 31, 2021	\$(56,558)	\$1,022,626	\$276,167	\$40,180	\$34,306	\$1,316,721

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.

Notes to Financial Statements

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, \$67.6 million (2020/21 – \$56.6 million) in sinking funds, which is required for long-term debt issues. At March 31, 2022, 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. Due to the maturity profile of the assets held, these risks are considered low. As a result, the Corporation has no financial instruments in place to offset interest rate risk as of March 31, 2022 and has not provided a sensitivity analysis of the impact of interest rate changes 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, 2022 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, 2022, currency fluctuations in excess of 15% 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 could have a \$19.8 million unfavourable effect on cash flow and net income while a 15% strengthening could have a \$19.8 million favourable effect on cash flow and net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. At March 31, 2022, the Corporation had foreign currency derivatives with the notional value of \$37.8 million CAD outstanding (2020/21 – \$nil). 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, including device financing receivables, unbilled revenue, contract assets, sinking funds, and interest receivable.

Saskatchewan Telecommunications – March 31, 2022

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,		2022	2021
Thousands of dollars	Note		
Trade and other receivables	7	\$185,448	\$197,404
Contract assets	10	102,755	97,567
Sinking funds	15	67,573	56,558
		\$355,776	\$351,529

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 impacts:

Allowance for doubtful accounts

As at March 31,		2022	2021
Thousands of dollars	Note		
Balance at April 1,		\$7,207	\$2,307
Less: accounts written off		(5,920)	(7,515)
Recoveries		1,372	4,604
Provisions for losses		741	7,811
Balance at March 31,	7	\$3,400	\$7,207

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

The aging of trade and other receivables receivable is detailed as follows:

Trade and other receivables

As at March 31,		2022	2021
Thousands of dollars	Note		
Customer financing receivables	7	\$33,210	\$36,082
Trade receivables not past due		56,073	62,658
Trade receivables past due			
30–60 Days		11,841	8,621
61–90 Days		2,665	4,277
Greater than 90 Days		4,741	2,403
Allowance for doubtful accounts	7	(3,400)	(7,207)
Accrued receivables – customer	7	2,272	2,229
Due from Holdco	7	11,463	12,209
Other	7	66,583	76,132
Trade and other receivables		\$185,448	\$197,404

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 the 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 ECL 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,		2022	2021
Thousands of dollars	Note		
Balance at April 1,		\$2,153	\$1,461
Provisions for losses		1,534	3,986
Transferred to accounts receivable allowance		(2,306)	(3,294)
Balance at March 31,	10	\$1,381	\$2,153

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

Contract assets

As at March 31,		2022	2021
Thousands of dollars	Note		
Amortization period			
Within 1 year		\$76,311	\$67,524
Greater than 1 year		27,825	32,196
Gross contract assets		104,136	99,720
Allowance for credit losses	10	(1,381)	(2,153)
Net contract assets	10	\$102,755	\$97,567

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						
	Carrying Amount	Total	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
As at March 31, 2022							
Long-term debt (a)	\$1,273,500	\$2,203,981	\$20,048	\$20,048	\$40,095	\$212,985	\$1,910,805
Notes payable	261,330	275,491	3,540	3,540	268,411	-	-
Trade and other payables	164,995	164,995	164,995	-	-	-	-
Bank indebtedness	5,697	5,697	5,697	-	-	-	-
	\$1,705,522	\$2,650,164	\$194,280	\$23,588	\$308,506	\$212,985	\$1,910,805
As at March 31, 2021							
Long-term debt (a)	\$1,022,626	\$1,745,904	\$16,580	\$16,580	\$33,160	\$195,855	\$1,483,729
Notes payable	276,167	290,639	3,618	3,618	283,403	-	-
Trade and other payables	164,946	164,946	164,946	-	-	-	-
Bank indebtedness	5,117	5,117	5,117	-	-	-	-
	\$1,468,856	\$2,206,606	\$190,261	\$20,198	\$316,563	\$195,855	\$1,483,729

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

Notes to Financial Statements

Note 28 – Financial instruments and related risk management, continued

Fair value

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

Fair value of financial assets and liabilities

As at March 31,				2022		2021	
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	Level 2	\$185,448	\$185,448	\$197,404	\$197,404
Sinking funds	15	FVOCI	Level 2	67,573	67,573	56,558	56,558
Financial liabilities							
Bank indebtedness		Amortized cost	Level 1	\$5,697	\$5,697	\$5,117	\$5,117
Trade and other payables	17	Amortized cost	Level 2	164,995	164,995	164,946	164,946
Notes payable	20	Amortized cost	Level 2	261,330	261,330	276,167	276,167
Long-term debt	22	Amortized cost	Level 2	1,273,500	1,213,202	1,022,626	1,066,698
Derivative financial instruments							
Foreign exchange derivative liability	19	FVTPL	Level 2	\$499	\$499	\$ -	\$ -

- (a) Classification details are: FVOCI – fair value through other comprehensive income and FVTPL – fair value through profit and loss.
- (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 OCI, 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 and no items transferred between levels in either the current year or the prior year.

Embedded derivatives

The Corporation had no contracts with embedded derivatives in either the current year or the prior year.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

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.

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, 2022, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 8.7% of revenue (2020/21 – 9.5%), 13.7% of operating expenses (2020/21 – 11.9%), and 3.3% of property, plant and equipment expenditures (2020/21 – 2.2%).

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,	2022	2021
Thousands of dollars		
Short-term employee benefits	\$3,900	\$4,587
Post-employment benefits - defined contribution plan	248	270
	\$4,148	\$4,857

Note 30 – Commitments and contingencies

Commitments

As at March 31, 2022, the Corporation has the following significant commitments:

- Operating activities \$113.4 million (2020/21 – \$102.7 million), and
- Capital activities \$119.3 million (2020/21– \$43.0 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

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, 2022, 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.

Saskatchewan Telecommunications – March 31, 2022

Notes to Financial Statements

Note 31 – Subsequent event

Effective April 1, 2022, the operations of Directwest, an indirectly wholly owned subsidiary of Holdco, were transitioned to the Corporation. On that date, Directwest's net assets were transferred to the Corporation for no consideration. Directwest will continue to operate as a stand-alone department within the Corporation.