First Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2016/17

For the Period Ending June 30, 2016

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel is the leading full service communications provider in Saskatchewan, offering a wide range of communications products and services including competitive voice, data, Internet, entertainment, security monitoring, messaging, cellular, wireless data and directory services. In addition, SaskTel International offers software solutions and project consulting in countries around the world.

SaskTel and our wholly-owned subsidiaries have a workforce of approximately 3,900 full time equivalent employees.

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

Financial Highlights

Consolidated Net Income

Quarter ended June 30, Millions of dollars	**2016**	2015	Change	% Change
Revenue	**$309.5**	$317.4	$(7.9)	(2.5)
Other income	**1.8**	1.4	0.4	28.6
	311.3	318.8	(7.5)	(2.4)
Expenses	**271.1**	278.4	(7.3)	(2.6)
Results from operating activities	**40.2**	40.4	(0.2)	(0.5)
Net finance expense	**4.3**	12.5	(8.2)	(65.6)
Net income	**$35.9**	$27.9	$8.0	28.7

Net income for the first quarter of 2016/17 is $35.9 million, up $8.0 million (28.7%) from the same period in 2015/16. Revenues decreased to $309.5 million, down $7.9 million (2.5%) from the same period in 2015/16. This is primarily due to reduced revenues from legacy services and equipment sales.

Expenses for the first quarter of 2016/17 decreased to $271.1 million, down $7.3 million from the same period in 2015/16. This decrease is primarily driven by reduced goods and services purchased and decreased depreciation and amortization.

Net finance expense was $4.3 million, down $8.2 million from the same period in 2015/16 primarily driven by increased sinking fund fair value gains compared to the same period in 2015/16.

Management's Discussion and Analysis

August 11, 2016

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of the 2016/17 fiscal year. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal period ended March 31, 2016. Some sections of this discussion include forward-looking statements about SaskTel's corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please refer to Management's Discussion & Analysis in SaskTel's 2015/16 annual report. These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34, "Interim Financial Reporting". These interim statements have been approved by the SaskTel Board of Directors on August 11, 2016.

Results of Operations

Revenue

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$309.5**	$317.4	$(7.9)	(2.5)

Revenue for the first quarter of 2016/17 decreased to $309.5 million, down $7.9 million or 2.5% from the same period in 2015/16. This decrease is primarily due to a` lower number of accesses from local, enhanced, and long distance services due to "cord cutters", wireless displacement, and little to no organic growth as a result of "cord nevers", as well as, reduced premise equipment sales. The decreases are partially offset by an increase in Internet revenue resulting from increased accesses.

Expenses

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$271.1**	$278.4	$(7.3)	(2.6)

Expenses for the first quarter of 2016/17 decreased to $271.1 million, down $7.3 million from the same period in 2015/16. Goods and services purchased decreased $5.9 million as a result of: reduced maintenance and support related to retired legacy systems; improved contract management; and reduced direct expenses including: satellite expenses due to product exit; *maxTV* content costs; and roaming rates. These reductions are partially offset by increased customer acquisition costs. Net salaries, wages and benefits increased $0.6 million primarily due to contracted economic increases partially offset by increased internal labour capitalized. Depreciation and amortization has decreased $1.9 million largely due to adjustments to the useful lives of certain assets to coincide with revised exit dates for the related technologies.

Net finance expense

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$4.3**	$12.5	$(8.2)	(65.6)

Net finance expense for the first quarter of 2016/17 was $4.3 million, down $8.2 million over the same period in 2015/16. This is driven by sinking fund fair value gains compared to fair value losses in the same period in 2015/16.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$64.6**	$90.7	$(26.1)	(28.8)

Cash provided by operating activities in the first quarter of 2016/17 decreased to $64.6 million, down $26.1 million from the same period in 2015/16, primarily due to increased working capital requirements.

Cash used in investing activities

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$60.6**	$63.2	$(2.6)	(4.1)

Cash used in investing activities in the first quarter of 2016/17 decreased to $60.6 million, down $2.6 million primarily due to planned capital spending reductions from the same period in 2015/16.

Capital Spending

Total capital expenditures for the first quarter of 2016/17 were $61.5 million, down $2.1 million from the same period in 2015/16.

SaskTel's net spending on property, plant and equipment for the first quarter of 2016/17 was $54.1 million, consistent with the same period in 2015/16. Planned spending reductions on FTTP were offset by increased spending on data centre functionality and the Mosaic Stadium infrastructure project. SaskTel's net spending on intangible assets was $7.4 million, down $1.6 million from the same period in 2015/16.

Capital expenditures in 2016/17 will focus on further investment in the core Saskatchewan network including: FTTP, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increase Internet access speeds; enhanced *maxTV* services; increase wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

Cash used in financing activities

Millions of dollars	**2016**	2015	Change	%
Three months ended June 30	**$5.6**	$23.5	$(17.9)	(76.2)

Cash used in financing activities in the first quarter of 2016/17 was $5.6 million, down $17.9 million from the same period in 2015/16. This is due to the increased short term borrowings compared to repayment of short term borrowings in the same period of 2015/16.

Liquidity and capital resource ratios

Debt ratio

	June 30, 2016	March 31, 2016
Debt ratio	**51.4%**	51.9%

The debt ratio decreased to 51.4%, down from 51.9% at March 31, 2016. The overall level of net debt decreased $1.1 million during the first quarter primarily due to increased sinking funds partially offset by increased short-term debt and reduced cash.

Equity increased by $17.0 million in the first quarter of 2016/17 after recording comprehensive income of $24.5 million and dividends of $7.5 million.

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

2016/17 Outlook

The 2015/16 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2017 of $104.2 million. At this time SaskTel believes it will meet this target.

Risk Assessment

The 2015/16 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. The Strategic Risks include risks that may inhibit SaskTel from achieving its Strategic Plan including the following areas: customer, broadband, transformation, and profitability. The Core Business Risks focus on risks associated with the execution of SaskTel's business functions including the following areas: operational, financial and compliance and legal.

A strong governance process for risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor and assess key risks. SaskTel's key risk profile remains unchanged at June 30, 2016.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

		(Unaudited)	
		Three months ended June 30,	
Thousands of dollars	Note	**2016**	2015
Revenue	3	**$309,527**	$317,375
Other income	3	**1,827**	1,419
		311,354	318,794
Expenses			
Goods and services purchased		**130,422**	136,352
Salaries, wages and benefits		**95,231**	93,534
Depreciation	5	**42,127**	44,015
Amortization	6	**9,804**	9,794
Internal labour capitalized		**(6,453)**	(5,326)
		271,131	278,369
Results from operating activities		**40,223**	40,425
Net finance expense	4	**4,310**	12,486
Net income		**35,913**	27,939
Other comprehensive income (loss)			
Items that will never be reclassified to net income			
Net actuarial gains (losses) on defined benefit pension plan	7	**(11,366)**	33,467
Total comprehensive income		**$24,547**	$61,406

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

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

Thousands of dollars	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at April 1, 2016	**$250,000**	**$(55,035)**	**$601,379**	**$796,344**
Net income	**-**	**-**	**35,913**	**35,913**
Other comprehensive loss	**-**	**(11,366)**	**-**	**(11,366)**
Total comprehensive income (loss) for the period	**-**	**(11,366)**	**35,913**	**24,547**
Dividends declared	**-**	**-**	**7,500**	**7,500**
Balance at June 30, 2016	**$250,000**	**$(66,401)**	**$629,792**	**$813,391**
Balance at April 1, 2015	$250,000	$(54,954)	$525,493	$720,539
Net income	-	-	27,939	27,939
Other comprehensive income	-	33,467	-	33,467
Total comprehensive income for the period	-	33,467	27,939	61,406
Dividends declared	-	-	7,500	7,500
Balance at June 30, 2015	$250,000	$(21,487)	$545,932	$774,445

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **June 30, 2016**	March 31, 2016
Assets			
Current assets			
Cash		**$14,511**	$16,099
Trade and other receivables	9a	**138,265**	132,788
Inventories	9a	**24,846**	24,627
Prepaid expenses	9a	**43,221**	45,336
		220,843	218,850
Property, plant and equipment	5	**1,605,210**	1,594,338
Intangible assets	6	**298,605**	301,054
Sinking funds		**136,274**	129,497
Other assets		**8,421**	9,322
		$2,269,353	$2,253,061
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	9a	**$140,407**	$158,190
Dividend payable		**7,500**	7,500
Notes payable		**233,179**	229,231
Other liabilities	9a	**68,320**	68,126
		449,406	463,047
Deferred revenue		**9,836**	10,417
Deferred revenue – government funding		**38,815**	38,117
Long-term debt		**777,354**	777,256
Employee benefit obligations	7	**180,551**	167,880
		1,455,962	1,456,717
Province of Saskatchewan's equity			
Equity advance		**250,000**	250,000
Accumulated other comprehensive loss		**(66,401)**	(55,035)
Retained earnings		**629,792**	601,379
		813,391	796,344
		$2,269,353	$2,253,061

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

		(Unaudited)	
		Three months ended June 30,	
Thousands of dollars	Note	**2016**	2015
Operating activities			
Net income		**$35,913**	$27,939
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization	5, 6	**51,931**	53,809
Net financing expense	4	**4,310**	12,486
Interest paid		**(11,847)**	(11,638)
Interest received		**1,426**	994
Amortization of government funding	3	**(1,264)**	(1,278)
Other		**1,720**	1,334
Net change in non-cash working capital	9b	**(17,624)**	7,022
		64,565	90,668
Investing activities			
Property, plant and equipment expenditures		**(53,103)**	(53,924)
Intangible assets expenditures		**(7,498)**	(9,251)
		(60,601)	(63,175)
Financing activities			
Net proceeds (repayment) of notes payable		**3,948**	(14,000)
Sinking fund installments		**(2,000)**	(2,000)
Dividends paid		**(7,500)**	(7,500)
		(5,552)	(23,500)
Increase (decrease) in cash		**(1,588)**	3,993
Cash, beginning of period		**16,099**	10,046
Cash, end of period		**$14,511**	$14,039

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2016

Note 1 – General information

Saskatchewan Telecommunications Holding Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4P 3Y2. The Corporation is a Saskatchewan Provincial Crown corporation operating under the authority of The Saskatchewan Telecommunications Holding Corporation Act and, as such, the Corporation and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation.

One of the Corporation's subsidiaries, Saskatchewan Telecommunications (SaskTel) is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) under the Telecommunications Act (Canada).

The Corporation markets and supplies a range of wireless, voice, entertainment, Internet, data, equipment, print and online advertising, security, software and consulting products and services.

Note 2 – Basis of presentation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the three months ended June 30, 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) March 31, 2016 audited consolidated financial statements.

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

The interim financial statements as at and for the three month period ended June 30, 2016 were approved by the Board of Directors on August 11, 2016.

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

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

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

Use of estimates and judgments
The preparation of the interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Note 2 – Basis of presentation, continued

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

- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life, and
- Accounting for government funding.

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

- Useful lives and depreciation rates for property plant and equipment,
- Useful lives and amortization rates for intangible assets, and
- The measurement of employee benefit obligations.

Application of revised International Financial Reporting Standards

The following new standards, and amendments to standards, effective for fiscal periods beginning on or after January 1, 2016, have been applied in preparing these financial statements:

Standard	Description	Impact
Amendments to IAS 1, Presentation of financial statements	Issued to improve the effectiveness of presentation and disclosure in financial reports, with the objective of reducing immaterial disclosures.	The adoption of these standards had no material impact on the financial statements.
Amendments to IAS 16, Property, plant and equipment and IAS 38, Intangible assets	Issued to clarify acceptable methods of depreciation and amortization.	The adoption of these standards had no material impact on the financial statements.
Amendments to IFRS 11, Joint arrangements	Issued to provide additional guidance on accounting for the acquisition of an interest in a joint operation.	The adoption of these standards had no material impact on the financial statements.

New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee. These include:

Standard	Description	Impact	Effective Date
Amendments to IAS 7, Statement of cash flows	Issued to require a reconciliation of the opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes.	The Corporation is currently evaluating the impact of these amendments on the financial statements, but does not anticipate a significant impact on operations from adoption.	Fiscal years beginning on or after January 1, 2017, applied prospectively.
IFRS 9 Financial instruments	The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges.	IFRS 9 may affect the classification, measurement and valuation of certain assets and liabilities. The Corporation is currently evaluating the impact of IFRS 9 on the financial statements.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions. Early adoption is permitted.

Note 2 – Basis of presentation, continued

Standard	Description	Impact	Effective Date
IFRS 15 Revenue from contracts with customers	This standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.	IFRS 15 will affect how the Corporation accounts for revenues from contracts with customers and the related contract costs for wireless operations and other segments. The Corporation is currently evaluating the impact of IFRS 15 on the financial statements.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain practical expedients available. Early adoption is permitted.
IFRS 16 Leases	Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.	IFRS 16 may affect the classification, measurement and valuation of leases. The Corporation is currently evaluating the impact of IFRS 16 on the financial statements.	Fiscal years beginning on or after January 1, 2019, applied retrospectively with certain practical expedients available. Early adoption is permitted.

Note 3 – Revenue and other income

Thousands of dollars	Three months ended June 30, 2016	2015
Services revenue		
Wireless	**$122,628**	$124,312
maxTV, Internet and data services	**83,255**	82,030
Local and enhanced services	**55,387**	58,927
Long distance services	**11,031**	12,280
Equipment	**13,660**	15,173
Advertising services	**9,744**	10,402
Security monitoring services	**5,761**	5,702
International software and consulting services	**1,514**	2,130
Other services	**6,547**	6,419
	309,527	317,375
Other income		
Net loss on retirement or disposal of property, plant and equipment	**(484)**	(601)
Amortization of government funding	**1,264**	1,278
Other	**1,047**	742
	1,827	1,419
	$311,354	$318,794

Note 4 – Net finance expense

Thousands of dollars	Three months ended June 30, 2016	2015
Interest expense on financial liabilities measured at amortized cost	**$10,435**	$10,356
Interest capitalized	**(1,409)**	(1,539)
Net interest expense	**9,026**	8,817
Net change in fair value of unimpaired financial assets at fair value through profit or loss	**-**	4,517
Net interest on defined benefit liability	**1,487**	1,428
Finance expense	**10,513**	14,762
Net change in fair value of unimpaired financial assets at fair value through profit or loss	**(3,993)**	-
Interest income on unimpaired financial assets at fair value through profit or loss	**(785)**	(1,283)
Interest income on loans and receivables	**(1,425)**	(993)
Finance income	**(6,203)**	(2,276)
Net finance expense recognized in consolidated net income	**$4,310**	$12,486
Interest capitalization rate	**4.01%**	4.34%

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2016	**$3,384,440**	**$470,908**	**$157,951**	**$148,707**	**$37,507**	**$4,199,513**
Additions	**12,233**	**77**	**2,369**	**39,449**	**-**	**54,128**
Transfers	**8,625**	**1,388**	**1,612**	**(11,625)**	**-**	**-**
Retirements and disposals	**(16,451)**	**29**	**(105)**	**-**	**(6)**	**(16,533)**
Balance at June 30, 2016	**$3,388,847**	**$472,402**	**$161,827**	**$176,531**	**$37,501**	**$4,237,108**
Balance at April 1, 2015	$3,188,994	$456,894	$161,269	$157,080	$37,330	$4,001,567
Additions	55,088	301	19,609	183,135	-	258,133
Transfers	171,075	16,060	4,180	(191,508)	193	-
Retirements and disposals	(30,717)	(2,347)	(27,107)	-	(16)	(60,187)
Balance at March 31, 2016	$3,384,440	$470,908	$157,951	$148,707	$37,507	$4,199,513
Accumulated depreciation						
Balance at April 1, 2016	**$2,359,252**	**$146,716**	**$99,207**	**$ -**	**$ -**	**$2,605,175**
Depreciation for the period	**34,154**	**2,691**	**5,282**	**-**	**-**	**42,127**
Retirements and disposals	**(15,236)**	**(7)**	**(161)**	**-**	**-**	**(15,404)**
Balance at June 30, 2016	**$2,378,170**	**$149,400**	**$104,328**	**$ -**	**$ -**	**$2,631,898**
Balance at April 1, 2015	$2,249,645	$137,519	$104,810	$ -	$ -	$2,491,974
Depreciation for the year	135,372	10,703	21,529	-	-	167,604
Retirements and disposals	(25,765)	(1,506)	(27,132)	-	-	(54,403)
Balance at March 31, 2016	$2,359,252	$146,716	$99,207	$ -	$ -	$2,605,175
Carrying amounts						
At April 1, 2016	**$1,025,188**	**$324,192**	**$58,744**	**$148,707**	**$37,507**	**$1,594,338**
At June 30, 2016	**$1,010,677**	**$323,002**	**$57,499**	**$176,531**	**$37,501**	**$1,605,210**
At April 1, 2015	$939,349	$319,375	$56,459	$157,080	$37,330	$1,509,593
At March 31, 2016	$1,025,188	$324,192	$58,744	$148,707	$37,507	$1,594,338

Note 6 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licenses	Under development	Total
Cost						
Balance at April 1, 2016	**$5,976**	**$324,737**	**$92,035**	**$108,738**	**$7,180**	**$538,666**
Acquisitions	**-**	**1,409**	**1,478**	**-**	**814**	**3,701**
Acquisitions – internally developed	**-**	**500**	**-**	**-**	**3,154**	**3,654**
Transfers	**-**	**937**	**-**	**-**	**(937)**	**-**
Balance at June 30, 2016	**$5,976**	**$327,583**	**$93,513**	**$108,738**	**$10,211**	**$546,021**
Balance at April 1, 2015	$5,976	$287,233	$87,102	$73,538	$17,934	$471,783
Acquisitions	-	7,106	4,933	35,200	8,662	55,901
Acquisitions – internally developed	-	1,858	-	-	12,837	14,695
Transfers	-	32,253	-	-	(32,253)	-
Retirements and disposals	-	(3,713)	-	-	-	(3,713)
Balance at March 31, 2016	$5,976	$324,737	$92,035	$108,738	$7,180	$538,666
Accumulated amortization						
Balance at April 1, 2016	**$ -**	**$177,381**	**$60,231**	**$ -**	**$ -**	**$237,612**
Amortization for the period	**-**	**8,295**	**1,509**	**-**	**-**	**9,804**
Balance at June 30, 2016	**$ -**	**$185,676**	**$61,740**	**$ -**	**$ -**	**$247,416**
Balance at April 1, 2015	$ -	$150,326	$54,278	$ -	$ -	$204,604
Amortization for the year	-	31,339	5,953	-	-	37,292
Impairment losses	-	(2,000)	-	-	-	(2,000)
Retirements and disposals	-	(2,284)	-	-	-	(2,284)
Balance at March 31, 2016	$ -	$177,381	$60,231	$ -	$ -	$237,612
Carrying amounts						
At April 1, 2016	**$5,976**	**$147,356**	**$31,804**	**$108,738**	**$7,180**	**$301,054**
At June 30, 2016	**$5,976**	**$141,907**	**$31,773**	**$108,738**	**$10,211**	**$298,605**
At April 1, 2015	$5,976	$136,907	$32,824	$73,538	$17,934	$267,179
At March 31, 2016	$5,976	$147,356	$31,804	$108,738	$7,180	$301,054

Note 7 – Employee benefit obligations

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

	2016/17	**2015/16**
June 30	**3.50%**	3.60%
September 30	**n/a**	3.80%
December 31	**n/a**	3.90%
March 31	**n/a**	3.60%

In addition to the other comprehensive income impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net decrease in the employee benefit obligations for the period.

	Three months ended June 30,	
Thousands of dollars	**2016**	2015
Actuarial income (loss) on accrued benefit obligation	**$(13,391)**	$43,729
Return on plan assets excluding interest income	**2,025**	(10,262)
Actuarial gains (losses) on employee benefit plans	**$(11,366)**	$33,467

Note 8 – Capital management

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

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

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

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The targeted ratio for 2016/17 is 50.8%.

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 period.

Note 8 – Capital management, continued

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

The debt ratio is as follows:

As at Thousands of dollars	**June 30, 2016**	March 31, 2016
Long-term debt	**$777,354**	$777,256
Short-term debt	**233,179**	229,231
Less: Sinking funds	**136,274**	129,497
Cash	**14,511**	16,099
Net debt	**859,748**	860,891
Equity (a)	**813,391**	796,344
Capitalization	**$1,673,139**	$1,657,235
Debt ratio	**51.4%**	51.9%

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

Note 9 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	**June 30, 2016**	March 31, 2016
Trade and other receivables		
Customer accounts receivable	**$89,868**	$86,279
Accrued receivables - customer	**5,006**	2,215
Allowance for doubtful accounts	**(2,014)**	(2,227)
	92,860	86,267
High cost serving area subsidy	**2,488**	2,708
Other	**42,917**	43,813
	$138,265	$132,788
Inventories		
Inventories for resale	**$22,172**	$21,822
Materials and supplies	**2,674**	2,805
	$24,846	$24,627

Note 9 – Additional financial information, continued

As at Thousands of dollars	**June 30, 2016**	March 31, 2016
Prepaid expenses		
Prepaid expenses	**$35,636**	$37,913
Deferred service connection charges	**3,763**	3,940
Short-term customer incentives	**3,822**	3,483
	$43,221	$45,336
Trade and other payables		
Trade payables and accrued liabilities	**$99,361**	$116,237
Payroll and other employee-related liabilities	**30,291**	31,490
Other	**10,755**	10,463
	$140,407	$158,190
Other liabilities		
Advance billings	**$54,133**	$53,538
Deferred customer activation and connection fees	**4,692**	4,892
Current portion of deferred income - government funding	**5,068**	5,069
Customer deposits	**4,427**	4,627
	$68,320	$68,126

b) Supplementary cash flow information

	Three months ended June 30,	
Thousands of dollars	**2016**	2015
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(3,515)**	$(6,279)
Inventories	**(219)**	(4,777)
Prepaid expenses	**2,115**	2,902
Trade and other payables	**(17,783)**	10,199
Other liabilities	**194**	2,924
Deferred revenues	**(581)**	(299)
Other	**2,165**	2,352
	$(17,624)	$7,022

Note 10 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The Corporation's financial risks have not changed significantly from the prior period.

Note 10 – Financial risk management, continued

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

As at		**June 30, 2016**		March 31, 2016	
		Carrying	**Fair**	Carrying	Fair
Thousands of dollars	Classification (a)	**Amount**	**Value**	Amount	Value
Financial assets					
Investments - sinking funds	FVTPL	**$136,274**	**$136,274**	$129,497	$129,497
Financial liabilities					
Long-term debt	OL	**$777,354**	**$945,167**	$777,256	$923,203

(a) Classification details are:
FVTPL - fair value through profit or loss
OL - other liabilities

Fair value hierarchy

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

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

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

There were no items measured at fair value using level 3 during 2015/16 or to date in 2016/17 and no items transferred between levels in 2015/16 or to date in 2016/17.

As at	**June 30, 2016**		March 31, 2016	
Thousands of dollars	**Level 2**	**Total**	Level 2	Total
Sinking funds	**$136,274**	**$136,274**	$129,497	$129,497
Long-term debt	**$945,167**	**$945,167**	$923,203	$923,203

Investments carried at fair value through profit or loss

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

Long-term debt

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

Note 11 – Comparative figures

Certain of the 2015/16 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current fiscal period.