# Second
# Quarter Report



Saskatchewan Telecommunications Holding Corporation

Second Quarter Report 2024/25

For the Period Ended September 30, 2024

**Saskatchewan Telecommunications Holding Corporation** (the "Corporation", or "SaskTel") is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications and Saskatchewan Telecommunications International Inc.) offer a wide array of products, services, and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,200 full-time equivalent employees (FTEs), making the Corporation one of Saskatchewan's largest employers.

Our vision is "*Be the best at connecting people to their world*" and our mission is *"To provide an exceptional customer experience."*

# Consolidated Highlights

## FINANCIAL

| Net Income | Revenue | Return on Equity | Capital Expenditures |
|---|---|---|---|
| $47.1M | $669.7M | 7.2% | $203.6M |
| +0.9% vs. Q2 2023/24 | +0.8% vs. Q2 2023/24 | +0.2 percentage points vs. Q2 2023/24 | +8.8% vs. Q2 2023/24 |

## CUSTOMER CONNECTIONS

| Broadband Internet | maxTV Service | Wireless | Fibre | Wireline Voice |
|---|---|---|---|---|
| +2.2% | (1.2%) | +1.6% | +10.7% | (6.1%) |
| Subscriber Growth yr/yr | Subscriber Decline yr/yr | Subscriber Growth yr/yr | Subscriber Growth yr/yr | Subscriber Decline yr/yr |

| | Broadband Internet | maxTV Service | Wireless | Fibre | Wireline Voice |
|---|---|---|---|---|---|
| **September 2024** | **912,080** | **110,252** | **673,843** | **204,613** | **235,064** |
| September 2023 | 892,422 | 111,597 | 663,365 | 184,760 | 250,373 |
| March 2024 | 899,518 | 111,166 | 666,046 | 193,422 | 242,221 |

## Consolidated Net Income

| Millions of dollars | Three months ended September 30, 2024 | 2023 | Change | % Change | Six months ended September 30, 2024 | 2023 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Revenue | $338.2 | $338.7 | $(0.5) | (0.1) | $669.7 | $664.7 | $5.0 | 0.8 |
| Other loss | (0.1) | (0.1) | 0.0 | - | (0.3) | (0.6) | 0.3 | 50.0 |
| Total revenue and other loss | 338.1 | 338.6 | (0.5) | (0.1) | 669.4 | 664.1 | 5.3 | 0.8 |
| Expenses | 300.6 | 301.8 | (1.2) | (0.4) | 601.8 | 598.6 | 3.2 | 0.5 |
| Results from operating activities | 37.5 | 36.8 | 0.7 | 1.9 | 67.6 | 65.5 | 2.1 | 3.2 |
| Net finance expense | 10.0 | 9.8 | 0.2 | 2.0 | 20.5 | 18.8 | 1.7 | 9.0 |
| Net income | $27.5 | $27.0 | $0.5 | 1.9 | $47.1 | $46.7 | $0.4 | 0.9 |

*1. nmf - no meaningful figure*

Net income for the six months ended September 30, 2024, was $47.1 million, an increase of $0.4 million (0.9%) from the same period in 2023/24.

Revenue for the six months ended September 30, 2024, was $669.7 million, an increase of $5.0 million (0.8%) from the same period in 2023/24 primarily due to continued growth in fixed broadband and data services; wireless network services, other services, IT solutions and maxTV services. The increase was partially offset by reduced customer premise equipment sales and wireline communications revenue.

Expenses for the six months ended September 30, 2024, were $601.8 million, an increase of $3.2 million (0.5%) from the same period in 2023/24. This increase was primarily due to increased salaries, wages and benefits partially offset by decreased depreciation and amortization.

Net finance expense for the six months ended September 30, 2024, was $20.5 million, an increase of $1.7 million (9.0%) over the same period in 2023/24.

# Management's Discussion and Analysis

**November 7, 2024**

## Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the six-month period ended September 30, 2024. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2024. 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 and Analysis in SaskTel's 2023/24 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 November 7, 2024.

## Results of Operations

### Revenue

| Millions of dollars | **2024** | 2023 | Change | % Change |
|---|---|---|---|---|
| Three months ended September 30, | **$338.2** | $338.7 | $(0.5) | (0.1) |
| Six months ended September 30, | **669.7** | 664.7 | 5.0 | 0.8 |

Revenue for the second quarter of 2024/25 was $338.2 million, a $0.5 million (0.1%) decrease from the same period in 2023/24.

Year-to-date revenue was $669.7 million, a $5.0 million (0.8%) increase year-over-year. The increase was due to increased wireless network services primarily due to higher wholesale revenues. The increase was supplemented by growth in fixed broadband and data services comprised of continued customer demand for higher bandwidth services and increased fibre accesses, growth in other services revenue due to increased customer contributions, as well as increased in IT solutions services due to growth in new customers and increased market demand. These were partially offset by decreased customer premise equipment sales, lower wireline communication services due to the ongoing erosion of legacy voice revenues and reduced marketing services demands.

*Results of operations, continued*

## Expenses

| Millions of dollars | **2024** | 2023 | Change | % Change |
|---|---|---|---|---|
| Three months ended September 30, | **$300.6** | $301.8 | $(1.2) | (0.4) |
| Six months ended September 30, | **601.8** | 598.6 | 3.2 | 0.5 |

Expenses for the second quarter of 2024/25 were $300.6 million, a $1.2 million (0.4%) decrease from the same period in 2023/24.

Year-to-date expenses were $601.8 million, a $3.2 million (0.5%) increase from the same period in 2023/24. Net salaries and wages increased $5.1 million due to economic increases and salary progression. The increase was partially offset by a decrease in depreciation and amortization of $1.4 million due to completion of amortization on various intangible assets and decreased Saskatchewan taxes of $0.3 million.

## Net finance expense

| Millions of dollars | **2024** | 2023 | Change | % Change |
|---|---|---|---|---|
| Three months ended September 30, | **$10.0** | $9.8 | $0.2 | 2.0 |
| Six months ended September 30, | **20.5** | 18.8 | 1.7 | 9.0 |

Net finance expense for the second quarter of 2024/25 was $10.0 million, a $0.2 million (2.0%) increase from the same period in 2023/24.

Year-to-date net finance expense was $20.5 million, a $1.7 million (9.0%) increase from the same period in 2023/24. Finance expenses increased by $3.6 million due to higher net debt. This was partially offset by increased finance income of $1.8 million primarily due to higher sinking fund earnings and increased interest income.

## Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2024 to September 30, 2024, are discussed below:

| Millions of dollars | Increase (decrease) | Explanation |
|---|---|---|
| **Assets** | | |
| Trade and other receivables | (37.7) | Timing of non-customer related receivables |
| Inventories | (13.7) | Timing of receipt of devices and device sales |
| Prepaid expenses | 1.5 | Timing of contracts received and amortization of existing contracts |
| Contract assets | (8.5) | Amortization of existing contracts offset by new contracts |
| Contract costs | (3.3) | Contract activations and cost to obtain customer accounts |
| Property, plant and equipment | 81.0 | Capital spending primarily on wireless and fibre projects partially offset by depreciation, retirements, and disposals |
| Right-of-use assets | 1.2 | New lease contracts partially offset by depreciation, retirements and adjustments of leased assets |
| Intangible assets | 7.8 | Capitalization of spectrum auction purchase |
| Sinking funds | 16.7 | Installments and earnings |
| Other assets | (2.9) | Classification of spectrum deposit to intangible assets as final payment was made |
| **Liabilities and Province's Equity** | | |
| Bank indebtedness | (2.3) | See Interim Condensed Consolidated Statement of Cash Flows |
| Trade and other payables | 2.7 | Timing of payments for operations and capital spending |
| Accrued interest | 0.1 | No significant change |
| Dividend payable | 0.2 | No significant change |
| Notes payable | (33.0) | Repayment of notes payable due to issuance of long-term debt |
| Contract liabilities | (4.9) | Timing of revenue recognition related to contract liabilities |
| Lease liabilities | 1.6 | New contracts offset by repayment of lease liabilities |
| Other liabilities | (0.1) | No significant change |
| Deferred income – government funding | (0.7) | No significant change |
| Long-term debt | 47.9 | New debt issuances offset by maturation of debt |
| Employee benefit obligations | (0.4) | No significant change |
| Accumulated other comprehensive income | 3.0 | See Interim Condensed Consolidated Statement of Income and Other Comprehensive Loss |
| Retained earnings | 27.9 | Total comprehensive income less dividends declared |

# Cash Flows

## Cash provided by operating activities

| Millions of dollars | 2024 | 2023 | Change | % Change |
|---|---|---|---|---|
| Six months ended September 30, | **$224.8** | $141.6 | $83.2 | 58.8 |

Cash provided by operating activities for the six months ended September 30, 2024, was $224.8 million, an increase of $83.2 million (58.8%) compared to the same period in 2023/24, primarily due to decreased working capital requirements.

## Cash used in investing activities

| Millions of dollars | 2024 | 2023 | Change | % Change |
|---|---|---|---|---|
| Six months ended September 30, | **$(206.5)** | $(164.7) | $(41.8) | (25.4) |

Cash used in investing activities for the six months ended September 30, 2024, was $206.5 million, an increase of $41.8 million (25.4%) from the same period in 2023/24 due to timing of cash payments related to capital expenditures.

## Cash provided by (used in) financing activities

| Millions of dollars | 2024 | 2023 | Change | % Change |
|---|---|---|---|---|
| Six months ended September 30, | **$(16.1)** | $7.5 | $(23.6) | *nmf*[1] |

Cash used in financing activities for the six months ended September 30, 2024 was $16.1 million, an increase of $23.6 million from the same period in 2023/24 primarily due to decreased net proceeds from debt issuances after repayments of long-term debt and notes payable.

# Capital Resource Ratio

## Debt ratio

| | September 30, 2024 | March 31, 2024 | Change |
|---|---|---|---|
| Debt ratio | **55.4%** | 56.0% | (0.6) |

The debt ratio decreased to 55.4%, a decrease of 0.6 percentage points from March 31, 2024. The overall level of net debt decreased by $4.0 million during the period due to repayment of notes payable and maturation of long-term debt partially offset by new debt issuances.

Equity increased $30.9 million for the six months ending September 30, 2024, after recording a net income of $47.1 million, other comprehensive income of $3.0 million, and declared dividends of $19.2 million.

The debt ratio is calculated as net debt divided by end-of-period capitalization. Net debt is defined as total debt, including total long-term debt, notes payable, and bank indebtedness, excluding lease liabilities, less sinking funds, and cash. Capitalization includes net debt, equity advances, accumulated other comprehensive income and retained earnings at the period end.

## Capital Expenditures

| Millions of dollars | 2024 | 2023 | Change | % Change |
|---|---|---|---|---|
| Property, plant and equipment | **$181.4** | $173.1 | $8.3 | 4.8 |
| Intangible assets | **22.2** | 14.0 | 8.2 | 58.6 |
| Six months ended September 30, | **$203.6** | $187.1 | $16.5 | 8.8 |

Total capital expenditures for the six months ended September 30, 2024, were $203.6 million, an increase of $16.5 million (8.8%) from the same period in 2023/24.

Spending on property, plant and equipment for the six months ended September 30, 2024, was $181.4 million, an increase of $8.3 million (4.8%) from the same period in 2023/24. The increase was due to ongoing investment in the Corporation's fibre infrastructure and Information Systems equipment, partially offset by lower spending on the 5G network build and other materials and supplies. Spending on intangible assets was $22.2 million, an increase of $8.2 million (58.6%) from the same period in 2023/24, primarily due to increased spending on spectrum licenses, partially offset by decreased spending on software.

For the remainder of 2024/25, capital expenditures will focus on further investment in the core Saskatchewan network including 5G network build, northern rural broadband, Fibre-to-the-X (FTTx), wireless network enhancements and basic network demand. This network investment will expand the reach of our 5G and fibre networks, enhance the reliability and resiliency of our networks and allow SaskTel to provide advanced broadband and wireless technologies.

## 2024/25 Outlook

The 2023/24 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2025 of $96.0 million. At this time SaskTel believes it will meet its target.

## Risk Assessment

The 2023/24 Annual Report discussed the key strategic and core business risks and uncertainties facing SaskTel that may inhibit SaskTel from achieving the strategic goals outlined in its Strategic Plan – exceptional customer experience, leading the market in broadband services, simplifying, automating, and transforming the business, empowering a high-performance workforce, and driving growth, financial sustainability, and innovation. Key Strategic Risks are risks associated with the company’s business environment including the following areas: competitiveness, regulatory considerations, and alliances and partnerships. Core Business Risks are risks associated with the execution of SaskTel’s business functions including the following areas: networks, systems, physical infrastructure, and cybersecurity.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, and assess key corporate risks. As of September 30, 2024, SaskTel’s key risk profile remains unchanged from that disclosed in its annual report dated March 31, 2024.

# Condensed Consolidated Interim Financial Statements

## Condensed Consolidated Interim Statement of Income and Other Comprehensive Income (Loss)

(Unaudited)

| | | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|---|
| Thousands of dollars | Note | **2024** | 2023 | **2024** | 2023 |
| **Revenue** | 3 | **$338,170** | $338,717 | **$669,711** | $664,738 |
| **Other loss** | | **(90)** | (132) | **(290)** | (622) |
| Total revenue and other loss | | **338,080** | 338,585 | **669,421** | 664,116 |
| **Expenses** | | | | | |
| Goods and services purchased | | **153,033** | 157,327 | **300,825** | 301,027 |
| Salaries, wages and benefits | | **90,727** | 86,212 | **185,671** | 178,579 |
| Internal labour capitalized | | **(7,602)** | (6,959) | **(16,114)** | (14,133) |
| Depreciation - property, plant & equipment | 5 | **49,032** | 48,455 | **96,906** | 96,334 |
| Depreciation - right-of-use assets | | **1,866** | 1,540 | **3,568** | 3,102 |
| Amortization | 6 | **6,926** | 8,119 | **13,744** | 16,173 |
| Saskatchewan taxes | | **6,627** | 7,080 | **17,178** | 17,517 |
| Total expenses | | **300,609** | 301,774 | **601,778** | 598,599 |
| **Results from operating activities** | | **37,471** | 36,811 | **67,643** | 65,517 |
| **Net finance expense** | 4 | **9,967** | 9,816 | **20,545** | 18,784 |
| **Net income** | | **27,504** | 26,995 | **47,098** | 46,733 |
| **Other comprehensive income (loss)** | | | | | |
| **Items that will be reclassified to net income** | | | | | |
| Unrealized gains (losses) on sinking funds | | **5,297** | (6,609) | **5,390** | (7,542) |
| **Items that will never be reclassified to net income** | | | | | |
| Net actuarial losses on employee benefit obligations | 8 | **(1,210)** | (1,265) | **(2,418)** | (2,531) |
| **Total other comprehensive income (loss)** | | **4,087** | (7,874) | **2,972** | (10,073) |
| **Total comprehensive income** | | **$31,591** | $19,121 | **$50,070** | $36,660 |

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 | Retained earnings | Total equity |
|---|---|---|---|---|
| **Balance at April 1, 2024** | **$237,000** | **$86,863** | **$978,992** | **$1,302,855** |
| **Net income** | **-** | **-** | **47,098** | **47,098** |
| **Other comprehensive income** | **-** | **2,972** | **-** | **2,972** |
| **Total comprehensive income** | **-** | **2,972** | **47,098** | **50,070** |
| **Dividends declared** | **-** | **-** | **(19,200)** | **(19,200)** |
| **Balance at September 30, 2024** | **$237,000** | **$89,835** | **$1,006,890** | **$1,333,725** |
| | | | | |
| Balance at April 1, 2023 | $237,000 | $92,423 | $921,742 | $1,251,165 |
| Net income | - | - | 46,733 | 46,733 |
| Other comprehensive loss | - | (10,073) | - | (10,073) |
| Total comprehensive income (loss) | - | (10,073) | 46,733 | 36,660 |
| Dividends declared | - | - | (17,900) | (17,900) |
| Balance at September 30, 2023 | $237,000 | $82,350 | $950,575 | $1,269,925 |

*See Accompanying Notes*

# Condensed Consolidated Interim Statement of Financial Position

| As at<br>Thousands of dollars | Note | (Unaudited)<br>September 30, 2024 | March 31, 2024 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Trade and other receivables | | $173,308 | $211,043 |
| Inventories | | 37,472 | 51,147 |
| Prepaid expenses | | 58,746 | 57,222 |
| Contract assets | | 72,572 | 76,220 |
| Contract costs | | 21,898 | 22,418 |
| Current portion of sinking funds | | - | 4,662 |
| **Total current assets** | | 363,996 | 422,712 |
| **Contract assets** | | 23,836 | 28,645 |
| **Contract costs** | | 45,015 | 47,762 |
| **Property, plant and equipment** | 5 | 2,428,437 | 2,347,476 |
| **Right-of-use assets** | | 42,204 | 41,024 |
| **Intangible assets** | 6 | 394,163 | 386,372 |
| **Sinking funds** | | 152,891 | 131,530 |
| **Other assets** | | 10,485 | 13,379 |
| **Total assets** | | $3,461,027 | $3,418,900 |
| **Liabilities and Province's equity** | | | |
| **Current liabilities** | | | |
| Bank indebtedness | | $212 | $2,469 |
| Trade and other payables | | 161,833 | 159,154 |
| Accrued interest | | 17,014 | 16,914 |
| Dividend payable | | 9,600 | 9,449 |
| Notes payable | | 126,798 | 159,759 |
| Contract liabilities | | 56,906 | 61,727 |
| Lease liabilities | | 7,029 | 7,131 |
| Current portion of long-term debt | | - | 50,004 |
| Other liabilities | | 2,931 | 3,031 |
| **Total current liabilities** | | 382,323 | 469,638 |
| **Contract liabilities** | | 9 | 75 |
| **Deferred income – government funding** | | 13,184 | 13,913 |
| **Long-term debt** | 7 | 1,680,064 | 1,582,128 |
| **Lease liabilities** | | 37,584 | 35,884 |
| **Employee benefit obligations** | | 8,259 | 8,612 |
| **Provisions** | | 5,879 | 5,795 |
| **Total liabilities** | | 2,127,302 | 2,116,045 |
| **Province of Saskatchewan's equity** | | | |
| Equity advance | | 237,000 | 237,000 |
| Accumulated other comprehensive income | | 89,835 | 86,863 |
| Retained earnings | | 1,006,890 | 978,992 |
| **Total equity** | | 1,333,725 | 1,302,855 |
| **Total liabilities and equity** | | $3,461,027 | $3,418,900 |

*See Accompanying Notes*

# Condensed Consolidated Interim Statement of Cash Flows

| | | (Unaudited) | |
|---|---|---|---|
| | | Six months ended September 30, | |
| Thousands of dollars | Note | **2024** | 2023 |
| **Operating activities** | | | |
| Net income | | **$47,098** | $46,733 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 5, 6 | **114,218** | 115,609 |
| Net finance expense | 4 | **20,545** | 18,784 |
| Interest paid | | **(32,253)** | (26,567) |
| Interest received | | **3,371** | 2,923 |
| Other | | **6,419** | 5,450 |
| Net change in non-cash working capital | 10 | **65,377** | (21,378) |
| **Cash flows provided by operating activities** | | **224,775** | 141,554 |
| **Investing activities** | | | |
| Property, plant and equipment expenditures | | **(186,981)** | (158,010) |
| Intangible assets expenditures - finite life | | **(20,690)** | (14,292) |
| Net proceeds on disposal of assets | | **1,220** | 7,582 |
| **Cash flows used in investing activities** | | **(206,451)** | (164,720) |
| **Financing activities** | | | |
| Proceeds from long-term debt | 7 | **98,014** | 148,270 |
| Repayment of long-term debt | | **(50,004)** | - |
| Repayment of notes payable | | **(32,960)** | (107,097) |
| Sinking fund redemptions | | **4,634** | - |
| Payment of lease liabilities | | **(3,152)** | (2,930) |
| Sinking fund instalments | | **(13,550)** | (11,550) |
| Dividends paid | | **(19,049)** | (19,236) |
| **Cash flows provided by (used in) financing activities** | | **(16,067)** | 7,457 |
| **Increase (decrease) in cash** | | **2,257** | (15,709) |
| **Cash (bank indebtedness), beginning of period** | | **(2,469)** | 18,347 |
| **Cash (bank indebtedness), end of period** | | **$(212)** | $2,638 |

*See Accompanying Notes*

## 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 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, marketing, security, software products, and consulting services.

## Note 2 – Basis of presentation

**Statement of compliance**
These unaudited condensed consolidated financial statements (the interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting.* These interim financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

These interim financial statements were approved by the Corporation's Board of Directors on November 7, 2024.

**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 other comprehensive income financial instruments and 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.

*Note 2 – Basis of presentation, continued*

**Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS Accounting 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. These estimates and assumptions are based on several factors, including historical experience, current events, and actions that the Corporation may undertake in the future, and other assumptions that the Corporation believes are reasonable under the circumstances. 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.

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

- Revenue recognition,
- Classification of intangible assets – indefinite life, and
- Classification of financial instruments.

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

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

**Application of new IFRS Standards, and amendments to standards and interpretations**

The Corporation adopted the following accounting amendments that were effective for our interim and annual consolidated financial statements commencing April 1, 2024. The adoption of these standards has not had a material impact on the Corporation’s financial results and financial position.

- Classification of liabilities as current or non-current and non-current liabilities with covenants (Amendments to IAS 1, *Presentation of Financial Statements*);
- Lease liability in a sale and leaseback (Amendments to IFRS 16, *Leases*);
- Supplier finance arrangements (Amendment to IAS 7, *Statement of Cash flows* and IFRS 7, *Financial Instruments: Disclosures*).

*Note 2 – Basis of presentation, continued*

**New standards and interpretations not yet adopted**

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

**IFRS 18 *Presentation and Disclosure of Financial Statements***

Under the new standard the presentation of financial results on the face of the income statement and disclosure of information in the notes to the financial statements will change.

A more structured income statement will introduce two formally defined and required subtotals on the face of the income statement, requirement to classify income and expenses into three new distinct categories and operating expenses are analyzed directly on the face of the income statement.

Standard will be effective for the Corporation’s fiscal year beginning April 1, 2027.

The Corporation is currently evaluating the impact of IFRS 18 on the financial statements.

**IFRS 19 *Subsidiaries without Public Accountability: Disclosures***

This is a voluntary standard that applies to subsidiaries without public accountability, but whose parent corporations prepare consolidated financial statements under IFRS. The standard simplifies disclosures on various topics.

No material impact on the Holding Corporation. The Corporation is currently evaluating the impact of IFRS 19 on the subsidiary financial statements.

Standard will be effective for the Corporation’s fiscal year beginning April 1, 2027.

## Note 3 – Revenue from contracts with customers

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| Thousands of dollars | **2024** | 2023 | **2024** | 2023 |
| **Revenue** | | | | |
| Wireless network services and equipment | **$165,226** | $160,828 | **$322,597** | $316,946 |
| Fixed broadband and data services | **80,071** | 76,891 | **158,798** | 153,321 |
| Wireline communication services | **36,593** | 39,269 | **73,858** | 79,017 |
| maxTV services | **23,874** | 23,812 | **47,997** | 47,274 |
| Security monitoring services | **8,751** | 8,245 | **17,324** | 16,638 |
| Customer premise equipment | **4,660** | 12,151 | **11,455** | 17,835 |
| IT solutions services | **5,088** | 4,188 | **10,019** | 8,212 |
| Marketing services | **4,893** | 5,100 | **9,955** | 10,376 |
| Other services | **4,865** | 4,283 | **9,758** | 7,630 |
| International software and consulting services | **4,149** | 3,950 | **7,950** | 7,489 |
| **Total revenue** | **$338,170** | $338,717 | **$669,711** | $664,738 |

## Note 4 – Net finance expense

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| Thousands of dollars | **2024** | 2023 | **2024** | 2023 |
| **Net finance expense** | | | | |
| Interest on long-term debt | **$14,708** | $13,488 | **$28,694** | $25,517 |
| Interest on short-term debt | **1,224** | 1,081 | **2,889** | 2,986 |
| Interest capitalized | **(1,818)** | (2,124) | **(3,600)** | (3,945) |
| Interest on lease liabilities | **356** | 281 | **690** | 565 |
| Accretion expense | **59** | 54 | **118** | 109 |
| **Finance expense** | **14,529** | 12,780 | **28,791** | 25,232 |
| Sinking fund earnings | **(1,601)** | (485) | **(2,392)** | (978) |
| Net interest on defined benefit liability | **(1,242)** | (1,273) | **(2,483)** | (2,547) |
| Interest income | **(1,719)** | (1,206) | **(3,371)** | (2,923) |
| **Finance income** | **(4,562)** | (2,964) | **(8,246)** | (6,448) |
| **Total net finance expense** | **$9,967** | $9,816 | **$20,545** | $18,784 |
| Interest capitalization rate | | | **3.46%** | 3.31% |

## 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, 2024** | **$4,158,191** | **$694,464** | **$125,470** | **$124,739** | **$41,956** | **$5,144,820** |
| Additions | **40,747** | **-** | **17,728** | **122,795** | **117** | **181,387** |
| Transfers | **62,453** | **15,606** | **59** | **(78,118)** | **-** | **-** |
| Retirements, disposals and adjustments | **(66,134)** | **(1,359)** | **(8,445)** | **-** | **-** | **(75,938)** |
| **Balance at September 30, 2024** | **$4,195,257** | **$708,711** | **$134,812** | **$169,416** | **$42,073** | **$5,250,269** |
| Balance at April 1, 2023 | $3,983,514 | $667,120 | $132,702 | $153,178 | $41,799 | $4,978,313 |
| Additions | 44,852 | - | 18,387 | 280,759 | 157 | 344,155 |
| Transfers | 268,310 | 38,056 | 2,832 | (309,198) | - | - |
| Retirements, disposals and adjustments | (138,485) | (10,712) | (28,451) | - | - | (177,648) |
| Balance at March 31, 2024 | $4,158,191 | $694,464 | $125,470 | $124,739 | $41,956 | $5,144,820 |
| **Accumulated depreciation** | | | | | | |
| **Balance at April 1, 2024** | **$2,478,980** | **$256,137** | **$62,227** | **$ -** | **$ -** | **$2,797,344** |
| Depreciation | **75,866** | **9,132** | **11,908** | **-** | **-** | **96,906** |
| Retirements, disposals and adjustments | **(63,150)** | **(844)** | **(8,424)** | **-** | **-** | **(72,418)** |
| **Balance at September 30, 2024** | **$2,491,696** | **$264,425** | **$65,711** | **$ -** | **$ -** | **$2,821,832** |
| Balance at April 1, 2023 | $2,461,594 | $242,568 | $66,397 | $ - | $ - | $2,770,559 |
| Depreciation | 148,720 | 18,223 | 23,657 | - | - | 190,600 |
| Retirements, disposals and adjustments | (131,334) | (4,654) | (27,827) | - | - | (163,815) |
| Balance at March 31, 2024 | $2,478,980 | $256,137 | $62,227 | $ - | $ - | $2,797,344 |
| **Carrying amounts** | | | | | | |
| **At April 1, 2024** | **$1,679,211** | **$438,327** | **$63,243** | **$124,739** | **$41,956** | **$2,347,476** |
| **At September 30, 2024** | **$1,703,561** | **$444,286** | **$69,101** | **$169,416** | **$42,073** | **$2,428,437** |
| At April 1, 2023 | $1,521,920 | $424,552 | $66,305 | $153,178 | $41,799 | $2,207,754 |
| At March 31, 2024 | $1,679,211 | $438,327 | $63,243 | $124,739 | $41,956 | $2,347,476 |

## Note 6 – Intangible assets

| Thousands of dollars | Software | Spectrum licences | Under development | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at April 1, 2024** | **$219,992** | **$274,374** | **$26,825** | **$521,191** |
| Acquisitions | **6,299** | **12,189** | **1,720** | **20,208** |
| Acquisitions – internally developed | **1,337** | **-** | **631** | **1,968** |
| Transfers | **107** | **-** | **(107)** | **-** |
| Retirements, disposals and adjustments | **(8,147)** | **-** | **-** | **(8,147)** |
| **Balance at September 30, 2024** | **$219,588** | **$286,563** | **$29,069** | **$535,220** |
| | | | | |
| Balance at April 1, 2023 | $263,718 | $271,149 | $23,434 | $558,301 |
| Acquisitions | 9,501 | 3,225 | 8,271 | 20,997 |
| Acquisitions – internally developed | 2,565 | - | 777 | 3,342 |
| Transfers | 5,657 | - | (5,657) | - |
| Retirements, disposals and adjustments | (61,449) | - | - | (61,449) |
| Balance at March 31, 2024 | $219,992 | $274,374 | $26,825 | $521,191 |
| | | | | |
| **Accumulated amortization** | | | | |
| **Balance at April 1, 2024** | **$134,819** | **$ -** | **$ -** | **$134,819** |
| Amortization | **13,744** | **-** | **-** | **13,744** |
| Retirements, disposals and adjustments | **(7,506)** | **-** | **-** | **(7,506)** |
| **Balance at September 30, 2024** | **$141,057** | **$ -** | **$ -** | **$141,057** |
| | | | | |
| Balance at April 1, 2023 | $164,058 | $ - | $ - | $164,058 |
| Amortization | 31,926 | - | - | 31,926 |
| Retirements, disposals and adjustments | (61,165) | - | - | (61,165) |
| Balance at March 31, 2024 | $134,819 | $ - | $ - | $134,819 |
| | | | | |
| **Carrying amounts** | | | | |
| **At April 1, 2024** | **$85,173** | **$274,374** | **$26,825** | **$386,372** |
| **At September 30, 2024** | **$78,531** | **$286,563** | **$29,069** | **$394,163** |
| | | | | |
| At April 1, 2023 | $99,660 | $271,149 | $23,434 | $394,243 |
| At March 31, 2024 | $85,173 | $274,374 | $26,825 | $386,372 |

## Note 7 – Long-term debt

On June 11, 2024, the Corporation issued $100.0 million of long-term debt at a discount of $2.0 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 4.20%, an effective interest rate of 4.32%, and matures on December 2, 2054.

## Note 8 – Employee benefit obligations

Other comprehensive income (loss) results, in part, from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plan, 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:

| | 2024/2025 | 2023/2024 |
|---|---|---|
| June 30 | 5.00% | 4.90% |
| September 30 | 4.50% | 5.70% |
| December 31 | n/a | 4.60% |
| March 31 | n/a | 4.80% |

In addition to the other comprehensive loss 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 which has been partially offset by the impact of the asset ceiling limit.

| | Six months ended September 30, | |
|---|---|---|
| Thousands of dollars | 2024 | 2023 |
| Actuarial gain (loss) on accrued benefit obligation | $(19,831) | $58,582 |
| Actuarial gain (loss) on plan assets | 22,936 | (56,885) |
| Effect of asset ceiling limit | (5,523) | (4,228) |
| Net actuarial losses on employee benefit obligations | $(2,418) | $(2,531) |

## Note 9 – 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 revenue 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 expenditures. 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 budgeted ratio for 2024/25 is 56.7%.

The Corporation raises most of its capital requirements through internal operating activities, short-term debt, 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.

*Note 9 – Capital management, continued*

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

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

The debt ratio is as follows:

| **As at**<br>Thousands of dollars | **September 30, 2024** | March 31, 2024 |
|---|---|---|
| Long-term debt | **$1,680,064** | $1,632,132 |
| Notes payable | **126,798** | 159,759 |
| Bank indebtedness | **212** | 2,469 |
| Less: Sinking funds | **152,891** | 136,192 |
| Net debt | **1,654,183** | 1,658,168 |
| Province of Saskatchewan's equity (a) | **1,333,725** | 1,302,855 |
| Capitalization | **$2,987,908** | $2,961,023 |
| Debt ratio | **55.4%** | 56.0% |

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

## Note 10 – Additional financial information

### Non-cash working capital changes

| | Six months ended September 30, | |
|---|---|---|
| Thousands of dollars | **2024** | 2023 |
| Net change in non-cash working capital balances related to operations | | |
| Trade and other receivables | **$37,735** | $(39,747) |
| Inventories | **13,675** | 8,710 |
| Prepaid expenses | **(1,524)** | 216 |
| Contract assets | **8,457** | 5,335 |
| Contract costs | **3,267** | 2,469 |
| Trade and other payables | **8,813** | 3,514 |
| Contract liabilities | **(4,887)** | (1,629) |
| Other liabilities | **(100)** | (204) |
| Other | **(59)** | (42) |
| Total net change in non-cash working capital balances related to operations | **$65,377** | $(21,378) |

## Note 11 – 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 does not actively trade financial instruments.

**Market risks**
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. These risks have not changed significantly from the prior period.

**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.

| **As at** | | | **September 30, 2024** | | March 31, 2024 | |
|---|---|---|---|---|---|---|
| Thousands of dollars | Classification | Fair value hierarchy | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Financial assets** | | | | | | |
| Sinking funds | FVOCI (a) | Level 2 | **$ 152,891** | **$ 152,891** | $ 136,192 | $ 136,192 |
| **Financial liabilities** | | | | | | |
| Long-term debt | Amortized cost | Level 2 | **$ 1,680,064** | **$ 1,512,206** | $ 1,632,132 | $ 1,485,221 |

(a) FVOCI – fair value through other comprehensive income

**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, bank indebtedness, trade and other payables, accrued interest, and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

*Note 11 – Financial risk management, continued*

For financial instruments, 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.

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

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.

**Financial instruments measured at fair value through other comprehensive income**
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.

**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. Current credit risk relates to trade and other receivables, including device financing receivables, unbilled revenue, and interest receivable, as well as contract assets and sinking funds.