Second Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

Second Quarter Report 2018/19

For the Period Ending September 30, 2018

Saskatchewan Telecommunications Holding Corporation (the Corporation; SaskTel) is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications, Directwest, SecurTek, and SaskTel International) offer a wide array of products, services, and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,900 full-time equivalents (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 the best customer experience through our superior networks, exceptional service, advanced solutions and applications."*

Financial Highlights

As required by International Financial Reporting Standards (IFRS), effective April 1, 2018, the Corporation has adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) as described below and in *Note 2 Basis of presentation,* of the unaudited condensed consolidated financial statements. The Corporation has adopted IFRS 15 using the cumulative effect method which requires that the cumulative effect of initially applying IFRS 15 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18, IAS 11 and IFRIC 18, the standards in effect at the time.

The explanations found within the Financial Highlights and the Management's Discussion and Analysis will compare the current fiscal period with the previous comparative fiscal period, both excluding the impacts of IFRS 15, unless otherwise stated.

Consolidated Net Income

	Three months ended September 30,				**Six months ended September 30,**					
	Excluding the impacts of IFRS 15				**Excluding the impacts of IFRS 15**					**2018**
Millions of dollars	**2018**	2017	Change	% Change	**2018**	2017	Change	% Change	Impacts of IFRS 15	**As reported upon adoption of IFRS 15**
Revenue	**$309.1**	$317.0	$(7.9)	(2.5)	**$622.9**	$626.3	$(3.4)	(0.5)	$9.6	**$632.5**
Other income	**1.7**	0.3	1.4	*nmf*[1]	**2.4**	1.0	1.4	140.0	-	**2.4**
	310.8	317.3	(6.5)	(2.0)	**625.3**	627.3	(2.0)	(0.3)	9.6	**634.9**
Expenses	**265.1**	273.5	(8.4)	(3.1)	**539.6**	546.3	(6.7)	(1.2)	12.6	**552.2**
Results from operating activities	**45.7**	43.8	1.9	4.3	**85.7**	81.0	4.7	5.8	(3.0)	**82.7**
Net finance expense	**7.5**	9.2	(1.7)	(18.5)	**14.9**	17.9	(3.0)	(16.8)	-	**14.9**
Net income	**$38.2**	$34.6	$3.6	10.4	**$70.8**	$63.1	$7.7	12.2	$(3.0)	**$67.8**

1. nmf - no meaningful figure

Net income for the six months ended September 30, 2018 is $70.8 million, up $7.7 million (12.2%) from the same period in 2017/18. Revenues decreased to $622.9 million, down $3.4 million (0.5%) from the same period in 2017/18 primarily due to decreased marketing services, international consulting, wireline access and long-distance revenues partially offset by increased Internet, wireless and security monitoring revenues.

Expenses for the six months ended September 30, 2018 decreased to $539.6 million, down $6.7 million from the same period in 2017/18. This decrease is primarily driven by decreased goods and services, direct expenses and customer acquisition costs.

Net finance expense was $14.9 million, down $3.0 million over the same period in 2017/18, primarily driven by interest income on the net pension plan asset versus interest expense on the net pension liability in 2017/18 and increased income from customer late payment charges.

Adoption of IFRS 15 has resulted in a reduction to net income of $3.0 million in the six months ended September 30, 2018.

Management Discussion and Analysis

November 7, 2018

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the second quarter 2018/19. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal period ended March 31, 2018. 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 consult Management's Discussion & Analysis in SaskTel's 2017/18 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, 2018.

Results of Operations

Revenue

Millions of dollars	**2018**	2017	Change	% Change	Impacts of IFRS 15	**2018 As reported upon adoption of IFRS 15**
	Excluding the impacts of IFRS 15					
Three months ended September 30	**$309.1**	$317.0	$(7.9)	(2.5)	$6.1	**$315.2**
Six months ended September 30	**$622.9**	$626.3	$(3.4)	(0.5)	$9.6	**$632.5**

Revenues for the second quarter were $309.1 million, down $7.9 million from the same period in 2017/18. Year-to-date revenues were $622.9 million which represents a $3.4 million decrease from 2017/18. This decrease is primarily driven by; decreased marketing services and international consulting revenues, as well as, local and enhanced service and long-distance revenues as a result of customers moving from wireline to wireless services, commonly referred to as wireless substitution. The reductions are partially offset by growth in Internet subscribers and increased revenue per subscriber, increased subscriber growth of the wireless customer base and increased revenue per customer, increased managed and emerging services revenue from increased accesses, and increased security monitoring services revenue due to increased subscribers.

Adoption of IFRS 15 has resulted in an increase in revenue of $9.6 million in the six months ended September 30, 2018.

Expenses

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15					
Three months ended September 30	**$265.1**	$273.5	$(8.4)	(3.1)	$6.4	**$271.5**
Six months ended September 30	**$539.6**	$546.3	$(6.7)	(1.2)	$12.6	**$552.2**

Expenses for the second quarter of 2018/19 decreased to $265.1 million, down $8.4 million from the same period in 2017/18. Year-to-date expenses of $539.6 million were $6.7 million lower than the same period in 2017/18 due to decreased goods and services purchased, net salaries and direct costs. Goods and services purchased, excluding direct costs, decreased $4.4 million due to continued cost management related to general and administrative expenses including contracts and marketing and advertising. Direct expenses decreased $3.9 million mainly due to lower content expense, lower roaming expenses and lower wireless acquisition and retention costs; partially offset by increased customer premise equipment cost of sales. Depreciation and amortization increased $1.4 million primarily due to increased plant in service partially offset by reduced depreciation related to CDMA assets retired in the previous fiscal year and a decrease in wireless asset depreciation due to a change in the estimated useful life in the previous fiscal year. Net salaries, wages and benefits decreased $0.5 million.

Adoption of IFRS 15 has resulted in an increase in expenses of $12.6 million in the six months ended September 30, 2018.

Net finance expense

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15					
Three months ended September 30	**$7.5**	$9.2	$(1.7)	(18.5)	-	**$7.5**
Six months ended September 30	**$14.9**	$17.9	$(3.0)	(16.8)	-	**$14.9**

Net finance expense for the second quarter of 2018/19 was $7.5 million, down $1.7 million over the same period in 2017/18. Year-to-date net finance expense decreased to $14.9 million from $17.9 million in 2017/18. This is driven primarily by interest income on the net pension asset of the defined benefit plan versus interest expense on the net pension liability in 2017/18 and increased income from customer late payment charges due to a rate increase.

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15					
Six months ended September 30	**$138.4**	$164.1	$(25.7)	(15.7)	$(4.9)	**$133.5**

Cash provided by operating activities for the six months ended September 30, 2018 was down $25.7 million compared to the same period in 2017/18 primarily due to increased working capital requirements partially offset by increased cash from operations after adjusting for non-cash items.

Adoption of IFRS 15 has resulted in a decrease in cash provided by operating activities of $4.9 million in the six months ended September 30, 2018.

Cash used in investing activities

Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15					
Six months ended September 30	**$123.5**	$118.3	$5.2	4.4	$(4.9)	**$118.6**

Cash used in investing activities in the six months ended September 30, 2018 increased to $123.5 million, up $5.2 million from the same period in 2017/18 primarily due to spending related to access demand, network modernization and facilities revitalization.

Adoption of IFRS 15 has resulted in a decrease in cash used in investing activities of $4.9 million in the six months ended September 30, 2018.

Capital Spending

Six months ended September 30 Millions of dollars	2018	2017	Change	% Change	Impacts of IFRS 15	2018 As reported upon adoption of IFRS 15
	Excluding the impacts of IFRS 15					
Property, plant and equipment	**$110.1**	$100.0	$10.1	10.1	-	**$110.1**
Intangible assets	**16.6**	23.3	(6.7)	(28.7)	$(4.9)	**11.7**
	$126.7	$123.4	$3.4	(2.8)	$(4.9)	**$121.8**

Total capital expenditures for the first six months of 2018/19 were $126.7 million, up $3.4 million from the same period in 2017/18.

SaskTel's net spending on property, plant and equipment for the first six months of 2018/19 was $110.1 million, up $10.1 million from the same period in 2017/18 primarily due to spending to meet increased demand for access in communities, network infrastructure and core facility renovations. SaskTel's net spending on intangible assets was $16.6 million, down $6.7 million from the same period in 2017/18.

Adoption of IFRS 15 has resulted in a decrease in capital expenditures of $4.9 million in the six months ended September 30, 2018.

Capital expenditures in 2018/19 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: increased internet access speeds; enhanced *maxTV* services; increased 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	**2018**	2017	Change	% Change	Impacts of IFRS 15	**2018 As reported upon adoption of IFRS 15**
	Excluding the impacts of IFRS 15					
Six months ended September 30	**$21.7**	$47.7	$(26.0)	(54.5)	-	**$21.7**

Cash used in financing activities in the six months ended September 30, 2018 was $21.7 million compared to $47.7 million for the same period in 2017/18. This is primarily due to increased net borrowing partially offset by increased dividend and sinking fund requirements compared to 2017/18.

Liquidity and capital resource ratios

Debt ratio

	September 30, 2018	March 31, 2018	Change	Impacts of IFRS 15	**September 30, 2018 As reported upon adoption of IFRS 15**
	Excluding the impacts of IFRS 15				
Debt ratio	**47.1%**	46.2%	0.9%	(1.9%)	**45.2%**

The debt ratio increased to 47.1%, up from 46.2% at March 31, 2018. The overall level of net debt increased $42.0 million during the period due to increased borrowings and reduced cash balances, partially offset by increased sinking fund installments.

Equity increased by $8.8 million to the end of the second quarter of 2018/19 after recording net income of $70.8 million, other comprehensive loss of $2.2 million and dividends of $59.9 million, up $4.9 million from 2017/18.

Adoption of IFRS 15 has resulted in a decrease in the debt ratio of 1.9 percentage points in the six months ended September 30, 2018.

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 loss and retained earnings at the period end.

2018/19 Outlook

The 2017/18 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2019 of $133.0 million. This target excludes the impact of IFRS 15 as estimates of the impact were not available at the time the budget was finalized. At this time, SaskTel believes it will meet this target.

Risk Assessment

The 2017/18 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 experience, broadband penetration, 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 enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, assess and govern key corporate risks. SaskTel's key corporate risk profile remains unchanged at September 30, 2018.

Adoption of IFRS 15

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) with a date of initial application of April 1, 2018 as described above and in *Note 2 Basis of presentation,* of the unaudited condensed consolidated financial statements. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method which requires that the cumulative effect of initially applying IFRS 15 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 18 *Transfers of Assets from* Customers, the standards in effect at the time.

IFRS 15 primarily impacts the timing of revenue recognition, the classification of revenue between products and services, and accounting for costs to obtain and fulfil contracts. Like many telecommunication companies, the Corporation is materially impacted by the application of IFRS 15. These impacts are discussed below and in Note 2 of the condensed consolidated interim financial statements.

Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount, usually the price of the device. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the statement of financial position, to be realized over the term of the customer contract.

As revenue allocated to a satisfied performance obligation is no longer limited to the non-contingent amount, a greater portion of the total revenue recognized during the term of a customer contract may be attributed to a delivered product, resulting in a corresponding decrease in service revenue.

Sales commissions, customer account acquisition costs and other incremental costs of obtaining a contract with a customer are recognized in the statement of financial position and amortized on a basis consistent with the period and pattern of delivery of products or services to the customer. These costs were previously expensed as incurred.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Loss

		(Unaudited)			
		Three months ended September 30,		Six months ended September 30,	
Thousands of dollars	Note	**2018**	2017	**2018**	2017
Revenue	3	**$315,203**	$316,970	**$632,450**	$626,260
Other income	3	**1,735**	262	**2,445**	1,018
		316,938	317,232	**634,895**	627,278
Expenses					
Goods and services purchased		**132,763**	132,996	**265,518**	256,999
Salaries, wages and benefits		**89,290**	91,868	**185,843**	186,355
Internal labour capitalized		**(5,870)**	(6,084)	**(12,577)**	(12,544)
Depreciation	5	**40,301**	38,434	**80,040**	80,278
Amortization	6	**8,551**	10,058	**17,324**	19,818
Saskatchewan taxes		**6,439**	6,215	**16,093**	15,387
		271,474	273,487	**552,241**	546,293
Results from operating activities		**45,464**	43,745	**82,654**	80,985
Net finance expense	4	**7,474**	9,206	**14,868**	17,912
Net income		**37,990**	34,539	**67,786**	63,073
Other comprehensive income (loss)					
Items that will be reclassified to net income					
Sinking fund market value losses		**(2,719)**	(1,748)	**(2,258)**	(1,299)
Items that will never be reclassified to net income					
Net actuarial gains (losses) on defined benefit pension plan	8	**36**	1,219	**72**	(3,186)
Total other comprehensive loss		**(2,683)**	(529)	**(2,186)**	(4,485)
Total comprehensive income		**$35,307**	$34,010	**$65,600**	$58,588

All net income and total comprehensive loss 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 (restated see note 2)	Total equity
Balance at April 1, 2018				
As previously reported	**$250,000**	**$100,171**	**$723,520**	**$1,073,691**
Impact of adoption of IFRS 15	**-**	**-**	**89,117**	**89,117**
As restated	**250,000**	**100,171**	**812,637**	**1,162,808**
Net income	**-**	**-**	**67,786**	**67,786**
Other comprehensive loss	**-**	**(2,186)**	**-**	**(2,186)**
Total comprehensive income (loss) for the period	-	**(2,186)**	**67,786**	**65,600**
Dividends declared	**-**	**-**	**59,872**	**59,872**
Balance at September 30, 2018	**$250,000**	**$97,985**	**$820,551**	**$1,168,536**
Balance at April 1, 2017	$250,000	$(6,744)	$711,416	$954,672
Net income	-	-	63,073	63,073
Other comprehensive loss	-	(4,485)	-	(4,485)
Total comprehensive income (loss) for the period	-	(4,485)	63,073	58,588
Dividends declared	-	-	54,950	54,950
Balance at September 30, 2017	$250,000	$(11,229)	$719,539	$958,310

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **September 30, 2018**	March 31, 2018
Assets			
Current assets			
Cash		**$10,507**	$17,292
Trade and other receivables	11a	**122,890**	118,232
Inventories	11a	**19,237**	23,964
Prepaid expenses	11a	**43,889**	55,168
Contract assets	3	**56,800**	-
Contract costs	3	**16,139**	-
		269,462	214,656
Long-term contract assets	3	**18,489**	-
Long-term contract costs	3	**40,104**	-
Property, plant and equipment	5	**1,812,947**	1,779,527
Intangible assets	6	**280,811**	331,014
Sinking funds	11c	**163,291**	155,564
Other assets		**6,233**	9,150
		$2,591,337	$2,489,911
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	11a	**$138,021**	$169,903
Dividend payable		**29,936**	26,506
Notes payable	11c	**136,440**	143,069
Contract liabilities	3	**55,475**	-
Other liabilities	11a	**8,968**	68,693
		368,840	408,171
Long-term contract liabilities	3	**971**	-
Deferred revenue		**-**	6,013
Deferred income – government funding		**28,731**	31,849
Long-term debt	7, 11c	**1,003,065**	953,494
Employee benefit obligations	8	**15,079**	16,118
Provisions	9	**6,115**	575
		1,422,801	1,416,220
Province of Saskatchewan's equity			
Equity advance		**250,000**	250,000
Accumulated other comprehensive income		**97,985**	100,171
Retained earnings	11c	**820,551**	723,520
		1,168,536	1,073,691
		$2,591,337	$2,489,911

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

		(Unaudited)	
		Six months ended September 30,	
Thousands of dollars	Note	**2018**	2017
Operating activities			
Net income		**$67,786**	$63,073
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization	5, 6	**97,364**	100,096
Net financing expense	4	**14,868**	17,912
Interest paid		**(23,557)**	(21,590)
Interest received		**4,306**	2,914
Amortization of government funding	3	**(3,118)**	(2,782)
Other		**624**	78
Net change in non-cash working capital	11b	**(24,717)**	4,384
		133,556	164,085
Investing activities			
Property, plant and equipment expenditures		**(107,260)**	(97,699)
Intangible assets expenditures		**(11,348)**	(23,294)
Government funding		**-**	2,730
		(118,608)	(118,263)
Financing activities			
Proceeds from long-term debt	11c	**49,363**	50,748
Net repayment of notes payable	11c	**(6,629)**	(57,194)
Sinking fund installments	11c	**(8,025)**	(6,275)
Dividends paid	11c	**(56,442)**	(34,975)
		(21,733)	(47,696)
Decrease in cash		**(6,785)**	(1,874)
Cash, beginning of period		**17,292**	11,067
Cash, end of period		**$10,507**	$9,193

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the six months ended September 30, 2018

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 six months ended September 30, 2018 should be read in conjunction with the Saskatchewan Telecommunications Holding Corporation's (the Corporation) March 31, 2018 audited consolidated financial statements. The interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. These interim financial statements do not include all of the information required for full annual financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 except as discussed in the "Application of new International Financial Reporting Standards" section of this note.

The interim financial statements as at and for the six-month period ended September 30, 2018 were approved by the Board of Directors on November 7, 2018.

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 are measured at fair value, and
- The 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 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 include the following:

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

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

- Revenue recognition,
- Credit risk assessment of financial instruments,
- Useful lives and depreciation rates for property, plant and equipment,
- Useful lives and amortization rates for intangible assets,
- The measurement of employee benefit obligations, and
- Accounting for provisions.

Changes in accounting estimates

The Corporation has recognized estimates related to decommissioning liabilities effective April 1, 2018, see Note 9 – *Provisions*. Previously these liabilities were estimated to not be significant.

The impact of initial recognition at April 1, 2018, is an increase in property, plant and equipment of $5.6 million and a corresponding increase in decommissioning liabilities. The impacts on net income are as follows:

	Fiscal year ending March 31,					
Millions of dollars	2019	2020	2021	2022	2023	2024 and beyond
Depreciation expense - increase	$0.3	$0.3	$0.3	$0.3	$0.3	$4.0
Accretion expense - increase	0.3	0.3	0.3	0.3	0.3	4.1
Total	$0.6	$0.6	$0.6	$0.6	$0.6	$8.1

Application of new International Financial Reporting Standards

Adoption of IFRS 15 *Revenue from Contracts with Customers*

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) with a date of initial application of April 1, 2018. In accordance with the transition provisions of IFRS 15, the Corporation has applied IFRS 15 using the cumulative effect method i.e. by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. As a result, comparative information has not been restated and continues to be reported under IAS 18 *Revenue* (IAS 8), IAS 11 *Construction Contracts* (IAS 11) and IFRIC 18 *Transfers of Assets from Customers* (IFRIC 18), the standards in effect at the time. In adopting IFRS 15, the Corporation has elected to apply the following expedients:

a) The Corporation will apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application;
b) The Corporation will not retrospectively restate contract modifications for all contract modifications that occur before the date of initial application of the standard when:
    i. Identifying the satisfied and unsatisfied performance obligations;
    ii. Determining the transaction price; and
    iii. Allocating the transaction price to the satisfied and unsatisfied performance obligations.

Note 2 – Basis of presentation, continued

c) The Corporation will recognize revenue from contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice;
d) The Corporation will not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period for contracts that have an original expected duration of one year or less and contracts where the right to consideration from a customer corresponds directly with the value to the customer of the Corporation's performance completed to date in the amount to which the Corporation has the right to invoice;
e) The Corporation will not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at the contract inception, that the period between when the Corporation transfers the good or service to the customer and when the customer pays for the service will be one year or less; and
f) The Corporation may apply the standard to a portfolio of contracts. Specific contract types will be assessed to determine if the portfolio method is most appropriate.

The application of IFRS 15 has significant impacts on the recognition of revenue, specifically from wireless contracts, and the treatment of costs incurred to acquire customer contracts. The details of the significant changes and quantitative impacts are set out below.

Sale of wireless devices through corporate stores
For wireless devices sold in a bundled package through a corporate store, revenue was limited to the amount that was not contingent on the provision of future wireless services, typically the amount of consideration received from the customer upon signing the contract. Under IFRS 15, the total consideration in a contract is allocated to all products and services included in the contract, based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Corporation sells wireless devices and services.

Sale of wireless devices through dealers
For wireless devices sold in a bundled package through dealers, no revenue was recognized by the Corporation under IAS 18, as the dealer was determined to be the principal in the transaction. Under IFRS 15, the Corporation is deemed to be acting as the principal and thus the total consideration in a contract is allocated to all products and services included in the contract and included in the Corporation's revenue. The consideration is allocated based on the stand-alone selling price of the products and services included in the contract. The stand-alone selling prices are determined based on the list prices at which the Corporation sells wireless devices and services. In addition, direct costs are recognized in goods and services purchased.

Cost of obtaining customer contracts
The Corporation previously recognized commissions payable to dealers and employees related to contracts as selling expenses when they were incurred, and customer acquisition costs related to service contracts as intangible assets. Under IFRS 15, the commissions and customer acquisition costs are capitalized as costs of obtaining a contract when they are incremental. These costs are amortized consistently with the pattern of revenue of the related contract if the commissions are expected to be recovered.

Service connection charge revenue and expense
These amounts were amortized over the term of the anticipated customer relationship. Under IFRS 15, these amounts are recognized when the related service is performed.

Activation fees
The Corporation previously recognized activation fees over the term of the contract. Under IFRS 15 these fees do not relate to a specific performance obligation and as such are included as a component of the consideration allocated to the other performance obligations included in specific contracts.

Note 2 – Basis of presentation, continued

Customer incentives
Incentive amounts provided to customers were recognized based on the intent of the incentive and recognized either at the point in time the incentive was available to the customer or over the remaining term of the customer contract. Under IFRS 15, these incentives are recognized based on the pattern of delivery of the performance obligations as a result of the incentive. Incentives related to a contract as a whole are included in the allocation of consideration within the contract. Incentives related to customer retention are recognized over the remaining term of the contract. Incentives specific to an event are recognized when the event occurs.

The impacts of adoption of IFRS 15 are as follows:

Transition

Thousands of dollars	Impact of adopting IFRS 15 at April 1, 2018
Retained earnings	
Closing balance under previous standards at March 31, 2018	$723,520
Device sales through corporate stores and dealers	77,700
Costs of obtaining customer contracts	10,821
Activation fee revenue	1,267
Service connection charge revenue	7,787
Service connection charge expenses	(4,793)
Customer incentives	(3,665)
Total equity adjustments	89,117
Opening balance under IFRS 15 at April 1, 2018	$812,637

Impact on net income

	Three months ended September 30, 2018			Six months ended September 30, 2018		
Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	**As reported upon adoption of IFRS 15**	Excluding the impacts of IFRS 15	Impact of IFRS 15	**As reported upon adoption of IFRS 15**
Revenue	$309,056	$6,147	**$315,203**	$622,857	$9,593	**$632,450**
Other income	1,735	-	**1,735**	2,445	-	**2,445**
	310,791	6,147	**316,938**	625,302	9,593	**634,895**
Expenses						
Goods and services purchased	124,307	8,456	**132,763**	248,748	16,770	**265,518**
Salaries, wages and benefits	89,290	-	**89,290**	185,843	-	**185,843**
Internal labour capitalized	(5,870)	-	**(5,870)**	(12,577)	-	**(12,577)**
Depreciation	40,301	-	**40,301**	80,040	-	**80,040**
Amortization - intangible assets	10,625	(2,074)	**8,551**	21,454	(4,130)	**17,324**
Saskatchewan taxes	6,439	-	**6,439**	16,093	-	**16,093**
	265,092	6,382	**271,474**	539,601	12,640	**552,241**
Results from operating activities	45,699	(235)	**45,464**	85,701	(3,047)	**82,654**
Net finance expense	7,474	-	**7,474**	14,868	-	**14,868**
Net income	38,225	(235)	**37,990**	70,833	(3,047)	**67,786**
Other comprehensive income						
Items that will be reclassified to net income						
Sinking fund market value losses	(2,719)	-	**(2,719)**	(2,258)	-	**(2,258)**
Items that will never be reclassified to net income						
Actuarial gains on employee benefit plans	36	-	**36**	72	-	**72**
	(2,683)	-	**(2,683)**	(2,186)	-	**(2,186)**
Total comprehensive income	$35,542	$(235)	**$35,307**	$68,647	$(3,047)	**$65,600**

Note 2 – Basis of presentation, continued

Impact on the statement of financial position

As at September 30, 2018 Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15 at date of adoption	Current period impact of IFRS 15	Reclassifications[1]	**As reported upon adoption of IFRS 15**
Assets					
Current assets					
Cash	$10,507	$ -	$ -	$ -	**$10,507**
Trade and other receivables	122,890	-	-	-	**122,890**
Inventories	19,237	-	-	-	**19,237**
Prepaid expenses	49,470	(5,156)	(425)	-	**43,889**
Contract assets	-	57,390	(590)	-	**56,800**
Contract costs	-	8,270	79	7,790	**16,139**
	202,104	60,504	(936)	7,790	**269,462**
Long-term contract assets	-	20,310	(1,821)	-	**18,489**
Long-term contract costs	-	2,550	-	37,554	**40,104**
Property, plant and equipment	1,812,947	-	-	-	**1,812,947**
Intangible assets	326,155	-	-	(45,344)	**280,811**
Sinking funds	163,291	-	-	-	**163,291**
Other assets	9,812	(3,302)	(277)	-	**6,233**
	$2,514,309	$80,062	$(3,034)	$ -	**$2,591,337**
Liabilities and Province's equity					
Current liabilities					
Trade and other payables	$138,021	$ -	$ -	$ -	**$138,021**
Dividend payable	29,936	-	-	-	**29,936**
Notes payable	136,440	-	-	-	**136,440**
Contract liabilities	-	-	-	55,475	**55,475**
Other liabilities	69,088	(4,626)	(19)	(55,475)	**8,968**
	373,485	(4,626)	(19)	-	**368,840**
Long-term contract liabilities	-	-	-	971	**971**
Deferred revenue	5,368	(4,429)	32	(971)	**-**
Deferred income – government funding	28,731	-	-	-	**28,731**
Long-term debt	1,003,065	-	-	-	**1,003,065**
Employee benefit obligations	15,079	-	-	-	**15,079**
Provisions	6,115	-	-	-	**6,115**
	1,431,843	(9,055)	13	-	**1,422,801**
Commitments and contingencies					
Province of Saskatchewan's equity					
Equity advance	250,000	-	-	-	**250,000**
Accumulated other comprehensive income	97,985	-	-	-	**97,985**
Retained earnings	734,481	89,117	(3,047)	-	**820,551**
	1,082,466	89,117	(3,047)	-	**1,168,536**
	$2,514,309	$80,062	$(3,034)	$ -	**$2,591,337**

1. Reclassification of certain amounts to conform with IFRS 15 presentation requirements

Note 2 – Basis of presentation, continued

Impact on the statement of cash flows – selected lines

For the six months ended September 30, 2018 Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	**As reported upon adoption of IFRS 15**
Operating activities			
Net income	$70,833	(3,047)	**$67,786**
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	101,494	(4,130)	**97,364**
Net finance expense	14,868	-	**14,868**
Interest paid	(23,557)	-	**(23,557)**
Interest received	4,306	-	**4,306**
Amortization of government funding	(3,118)	-	**(3,118)**
Other	624	-	**624**
Net change in non-cash working capital	(27,021)	2,304	**(24,717)**
Cash flows from operating activities	138,429	(4,873)	**133,556**
Investing activities			
Property, plant and equipment expenditures	(107,260)	-	**(107,260)**
Intangible asset expenditures	(16,221)	4,873	**(11,348)**
	(123,481)	4,873	**(118,608)**

Impact on revenue classification

	Three months ended September 30, 2018			Six months ended September 30, 2018		
Thousands of dollars	Excluding the impacts of IFRS 15	Impact of IFRS 15	**As reported upon adoption of IFRS 15**	Excluding the impacts of IFRS 15	Impact of IFRS 15	**As reported upon adoption of IFRS 15**
Services revenue						
Wireless services	$130,223	$(19,801)	**$110,422**	$259,277	$(39,110)	**$220,167**
maxTV, internet and data services	90,049	-	**90,049**	178,282	-	**178,282**
Local and enhanced services	46,317	-	**46,317**	93,403	-	**93,403**
Equipment and professional services	10,721	25,676	**36,397**	26,602	48,960	**75,562**
Long distance services	8,409	-	**8,409**	17,046	-	**17,046**
Marketing services	7,772	-	**7,772**	15,838	-	**15,838**
Security monitoring services	7,013	-	**7,013**	13,992	-	**13,992**
International software and consulting services	1,583	-	**1,583**	3,445	-	**3,445**
Other services	6,969	272	**7,241**	14,972	(257)	**14,715**
	309,056	6,147	**315,203**	622,857	9,593	**632,450**
Other income						
Net loss on retirement or disposal of property, plant and equipment	(652)	-	**(652)**	(1,524)	-	**(1,524)**
Amortization of government funding	1,680	-	**1,680**	3,118	-	**3,118**
Other	707	-	**707**	851	-	**851**
	1,735	-	**1,735**	2,445	-	**2,445**
	$310,791	$6,147	**$316,938**	$625,302	$9,593	**$634,895**

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 or International Financial Reporting Interpretations Committee. These include:

Standard	Description	Impact	Effective Date
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

Accounting policies

The following accounting policy discussion is presented to illustrate the impact of IFRS 15 on the Corporation's accounting policies.

Revenue from contracts with customers

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 our customers. When the Corporation acts as the principal in these arrangements, the Corporation recognizes revenue based on the amounts billed to our customers. Otherwise, the Corporation recognizes the net amount that the Corporation retains as revenue.

Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions, and prepaid contract fulfillment costs are recognized on the statement of financial position.

Note 3 – Revenue and other income, continued

Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

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

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

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

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

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

For wireline customers, products are usually paid in full at the point of sale and services are paid on a monthly basis except where a billing schedule has been established with certain business customers under long-term contracts that can generally extend up to 5 years.

Marketing revenue is generated from conventional, digital media and out of home advertising.

Revenue is earned through the sale of print, on-line and out of home marketing services. Marketing service revenue is generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the services, commencing with the display date. Amounts billed in advance for marketing services are deferred and recognized over the life of the contract. Customer payments are due monthly as the services are provided.

Revenue for perpetual licences is recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, the elements are assessed to determine which elements are integral to the perpetual licence and which are separate performance obligations. Revenue is recognized in accordance with the assessment of performance obligations to be delivered. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenue for customized software projects and consulting services is recognized using the percentage-of-completion method. Amounts billed or paid in advance of services provided are recorded as contract liabilities.

Accounting estimates and judgments

The application of IFRS 15 requires the Corporation to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless 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

Note 3 – Revenue and other income, continued

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 within IFRS 15 and whether the costs will be recoverable.

Supporting information

	Three months ended September 30,		Six months ended September 30,	
Thousands of dollars	**2018**	2017	**2018**	2017
Services revenue				
Wireless services	**$110,422**	$128,902	**$220,167**	$254,889
maxTV, Internet and data services	**90,049**	89,130	**178,282**	175,436
Local and enhanced services	**46,317**	50,060	**93,403**	101,198
Equipment and professional services	**36,397**	13,885	**75,562**	24,936
Long distance services	**8,409**	9,634	**17,046**	19,543
Marketing services	**7,772**	8,570	**15,838**	17,619
Security monitoring services	**7,013**	6,667	**13,992**	13,253
International software and consulting services	**1,583**	2,297	**3,445**	4,513
Other services	**7,241**	7,825	**14,715**	14,873
	315,203	316,970	**632,450**	626,260
Other income				
Net loss on retirement or disposal of property, plant and equipment	**(652)**	(1,188)	**(1,524)**	(1,732)
Amortization of government funding	**1,680**	1,432	**3,118**	2,782
Other	**707**	18	**851**	(32)
	1,735	262	**2,445**	1,018
	$316,938	$317,232	**$634,895**	$627,278

Contract assets

As at Thousands of dollars	**September 30, 2018**
Balance at April 1, 2018	**$77,700**
Contract assets recognized in the current period	**37,457**
	115,157
Contract assets transferred to customer accounts receivable	**(36,976)**
Contract terminations transferred to customer accounts receivable	**(2,892)**
	75,289
Current portion	**56,800**
Long-term portion	**$18,489**

Note 3 – Revenue and other income, continued

Contract costs

As at Thousands of dollars	September 30, 2018
Balance at April 1, 2018	**$55,432**
Costs recognized in the current period	**10,629**
	66,061
Amortization included in goods and services purchased	**(9,818)**
	56,243
Current portion	**16,139**
Long-term portion	**$40,104**

Contract liabilities

As at Thousands of dollars	September 30, 2018
Balance at April 1, 2018	**$56,613**
Contract liabilities recognized in the current period	**177,632**
	234,245
Recognized in revenue	**(177,799)**
	56,446
Current portion	**55,475**
Long-term portion	**$971**

Note 4 – Net finance expense

	Three months ended September 30,		Six months ended September 30,	
Thousands of dollars	**2018**	2017	**2018**	2017
Recognized in consolidated net income				
Interest on long-term debt	**$11,725**	$11,030	**$23,112**	$21,869
Interest on short-term debt	**466**	208	**946**	417
Interest capitalized	**(1,604)**	(1,194)	**(3,181)**	(2,391)
Net interest expense	**10,587**	10,044	**20,877**	19,895
Net interest on defined benefit liability	**63**	1,020	**127**	2,041
Interest on provisions	**65**	-	**130**	-
Finance expense	**10,715**	11,064	**21,134**	21,936
Sinking earnings	**(1,058)**	(415)	**(1,960)**	(1,110)
Interest income on loans and receivables	**(2,183)**	(1,443)	**(4,306)**	(2,914)
Finance income	**(3,241)**	(1,858)	**(6,266)**	(4,024)
Net finance expense	**$7,474**	$9,206	**$14,868**	$17,912

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the six months ended September 30, 2018

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, 2018	**$3,468,486**	**$519,868**	**$167,649**	**$172,220**	**$38,489**	**$4,366,712**
Additions	**34,981**	**-**	**4,234**	**70,719**	**163**	**110,097**
Transfers	**59,685**	**4,250**	**9,083**	**(73,018)**	**-**	**-**
Retirements, disposals and adjustments	**(20,389)**	**5,233**	**(5,822)**	**-**	**(4)**	**(20,982)**
Balance at September 30, 2018	**$3,542,763**	**$529,351**	**$175,144**	**$169,921**	**$38,648**	**$4,455,827**
Balance at April 1, 2017	$3,527,447	$512,386	$176,236	$145,736	$38,344	$4,400,149
Additions	93,617	30	16,590	140,387	156	250,780
Transfers	101,396	11,110	1,397	(113,903)	-	-
Retirements and disposals	(253,974)	(3,658)	(26,574)	-	(11)	(284,217)
Balance at March 31, 2018	$3,468,486	$519,868	$167,649	$172,220	$38,489	$4,366,712
Accumulated depreciation						
Balance at April 1, 2018	**$2,307,931**	**$168,712**	**$110,542**	**$ -**	**$ -**	**$2,587,185**
Depreciation	**62,763**	**6,604**	**10,673**	**-**	**-**	**80,040**
Retirements and disposals	**(18,432)**	**(90)**	**(5,823)**	**-**	**-**	**(24,345)**
Balance at September 30, 2018	**$2,352,262**	**$175,226**	**$115,392**	**$ -**	**$ -**	**$2,642,880**
Balance at April 1, 2017	$2,433,054	$157,358	$116,503	$ -	$ -	$2,706,915
Depreciation	124,306	12,625	20,635	-	-	157,566
Retirements and disposals	(249,429)	(1,271)	(26,596)	-	-	(277,296)
Balance at March 31, 2018	$2,307,931	$168,712	$110,542	$ -	$ -	$2,587,185
Carrying amounts						
At April 1, 2018	**$1,160,555**	**$351,156**	**$57,107**	**$172,220**	**$38,489**	**$1,779,527**
At September 30, 2018	**$1,190,501**	**$354,125**	**$59,752**	**$169,921**	**$38,648**	**$1,812,947**
At April 1, 2017	$1,094,393	$355,028	$59,733	$145,736	$38,344	$1,693,234
At March 31, 2018	$1,160,555	$351,156	$57,107	$172,220	$38,489	$1,779,527

Note 6 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts (restated see Note 2)	Spectrum licenses	Under development	Total
Cost						
Balance at April 1, 2018						
As previously reported	**$5,976**	**$392,388**	**$121,997**	**$108,738**	**$12,277**	**$641,376**
Impact of adoption of IFRS 15	**-**	**-**	**(119,239)**	**-**	**-**	**(119,239)**
As restated	**5,976**	**392,388**	**2,758**	**108,738**	**12,277**	**522,137**
Acquisitions	**-**	**96**	**-**	**-**	**8,199**	**8,295**
Acquisitions – internally developed	**-**	**2,280**	**-**	**-**	**1,146**	**3,426**
Transfers		**8,336**	**-**	**-**	**(8,336)**	**-**
Retirements, disposals and adjustments	**-**	**(5,560)**	**-**	**-**	**-**	**(5,560)**
Balance at September 30, 2018	**$5,976**	**$397,540**	**$2,758**	**$108,738**	**$13,286**	**$528,298**
Balance at April 1, 2017	$5,976	$350,322	$108,171	$108,738	$21,497	$594,704
Acquisitions	-	4,088	13,826	-	19,103	37,017
Acquisitions – internally developed	-	5,312	-	-	8,926	14,238
Transfers	-	37,249	-	-	(37,249)	-
Retirements and disposals	-	(4,583)	-	-	-	(4,583)
Balance at March 31, 2018	$5,976	$392,388	$121,997	$108,738	$12,277	$641,376
Accumulated amortization						
Balance at April 1, 2018						
As previously reported	**$ -**	**$235,735**	**$74,627**	**$ -**	**$ -**	**$310,362**
Impact of adoption of IFRS 15	**-**	**-**	**(74,627)**	**-**	**-**	**(74,627)**
As restated	**-**	**235,735**	**-**	**-**	**-**	**235,735**
Amortization	**-**	**17,216**	**108**	**-**	**-**	**17,324**
Retirements, disposals and adjustments	**-**	**(5,572)**	**-**	**-**	**-**	**(5,572)**
Balance at September 30, 2018	**$ -**	**$247,379**	**$108**	**$ -**	**$ -**	**$247,487**
Balance at April 1, 2017	$ -	$209,078	$66,794	$ -	$ -	$275,872
Amortization	-	32,344	7,833	-	-	40,177
Retirements and disposals	-	(5,687)	-	-	-	(5,687)
Balance at March 31, 2018	$ -	$235,735	$74,627	$ -	$ -	$310,362
Carrying amounts						
At April 1, 2018	**$5,976**	**$156,653**	**$2,758**	**$108,738**	**$12,277**	**$286,402**
At September 30, 2018	**$5,976**	**$150,161**	**$2,650**	**$108,738**	**$13,286**	**$280,811**
At April 1, 2017	$5,976	$141,244	$41,377	$108,738	$21,497	$318,832
At March 31, 2018	$5,976	$156,653	$47,370	$108,738	$12,277	$331,014

Note 7 – Long-term debt

On June 26, 2018, the Corporation issued $50 million of long-term debt at a discount of $0.6 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 2.95%, an effective interest rate of 3.01%, and matures on June 2, 2058.

Note 8 – Employee benefit obligations

Other comprehensive loss results, in part, 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:

	2018/19	2017/18
June 30	**3.50%**	3.30%
September 30	**3.70%**	3.40%
December 31	**n/a**	3.20%
March 31	**n/a**	3.40%

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 which has been offset by the impact of the asset ceiling limit.

	Six months ended September 30,	
Thousands of dollars	**2018**	2017
Actuarial gain (loss) on accrued benefit obligation	**$34,881**	$(12,836)
Return on plan assets excluding interest income	**5,697**	9,650
Effect of asset ceiling limit	**(40,506)**	-
Actuarial gain (loss) on employee benefit plans	**$72**	$(3,186)

Note 9 – Provisions

Accounting policy

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

Note 9 – Provisions, continued

and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

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

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. 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.

Supporting information

Thousands of dollars	Decommissioning provisions	Environmental provisions	Total
Cost			
Balance at April 1, 2018	**$ -**	**$575**	**$575**
Provision for decommissioning and environmental remediation liabilities	**5,613**	**25**	**5,638**
Change in assumptions	**(183)**	**-**	**(183)**
Accretion expense	**130**	**-**	**130**
Settled during the period	**-**	**(45)**	**(45)**
Balance at September 30, 2018	**$5,560**	**$555**	**$6,115**
Balance at April 1, 2017	$ -	$ -	$ -
Provision for environmental remediation liabilities	-	575	575
Balance at March 31, 2018	$ -	$575	$575

Note 10 – 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 budgeted ratio for 2018/19 is 51.3%.

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.

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

The debt ratio is as follows:

As at Thousands of dollars	**September 30, 2018**	March 31, 2018
Long-term debt	**$1,003,065**	$953,494
Short-term debt	**136,440**	143,069
Less: Sinking funds	**163,291**	155,564
Cash	**10,507**	17,292
Net debt	**965,707**	923,707
Equity (a)	**1,168,536**	1,073,691
Capitalization	**$2,134,243**	$1,997,398
Debt ratio	**45.2%**	46.2%

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

Note 11 – Additional financial information

a) Statement of Financial Position

As at Thousands of dollars	**September 30, 2018**	March 31, 2018
Trade and other receivables		
Customer accounts receivable	**$100,163**	$87,200
Accrued receivables - customer	**2,498**	2,697
Allowance for doubtful accounts	**(2,166)**	(2,349)
	100,495	87,548
High cost serving area subsidy	**2,635**	2,400
Other	**19,760**	28,284
	$122,890	$118,232
Inventories		
Inventories for resale	**$16,547**	$22,452
Materials and supplies	**2,690**	1,512
	$19,237	$23,964
Prepaid expenses		
Prepaid expenses	**$43,131**	$48,109
Deferred service connection charges	**-**	2,531
Short-term prepaid customer incentives	**758**	4,528
	$43,889	$55,168
Trade and other payables		
Trade accounts payable and accrued liabilities	**$97,475**	$128,103
Payroll and other employee-related liabilities	**30,161**	32,438
Other	**10,385**	9,362
	$138,021	$169,903
Other liabilities		
Advance billings	**$33**	$55,958
Deferred customer activation and connection fees	**-**	3,732
Current portion of deferred income - government funding	**5,676**	5,677
Customer deposits	**3,172**	3,279
Risk management liabilities	**87**	47
	$8,968	$68,693

Note 11 – Additional financial information, continued

b) Non-cash working capital changes

Thousands of dollars	Six months ended September 30, 2018	2017
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(4,658)**	$20,034
Inventories	**4,726**	4,048
Prepaid expenses	**6,123**	282
Trade and other payables	**(32,752)**	(19,767)
Other liabilities	**575**	207
Deferred revenue	**-**	(1,209)
Contract assets	**2,411**	-
Contract liabilities	**(319)**	-
Contract costs	**(823)**	
Other	**-**	789
	$(24,717)	$4,384

c) Changes in liabilities arising from financing activities

	Assets	Liabilities		Equity	
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Retained earnings (restated see Note 2)	Total
Balance at April 1, 2018	$(155,564)	$953,494	$143,069	$812,637	$1,753,636
Changes from financing cash flows					
Proceeds from loans and borrowings	-	49,363	437,950	-	487,313
Repayment of borrowings	-	-	(444,579)	-	(444,579)
Installments	(8,025)	-	-	-	(8,025)
Dividends paid	-	-	-	(56,442)	(56,442)
Total changes from financing cash flows	(8,025)	49,363	(6,629)	(56,442)	(21,733)
Other changes					
Asset and liability related					
Sinking fund earnings	(1,960)	-	-	-	(1,960)
Sinking fund valuation adjustments	2,258	-	-	-	2,258
Amortization of net discount on long-term debt	-	208	-	-	208
Total asset and liability-related other changes	298	208	-	-	506
Total equity-related other changes	-	-	-	64,356	64,356
Balance at September 30, 2018	$(163,291)	$1,003,065	$136,440	$820,551	$1,796,765

Note 11 – Additional financial information, continued

c) Changes in liabilities arising from financing activities, continued

Thousands of dollars	Assets Sinking funds	Liabilities Long-term debt	 Notes payable	Equity Retained earnings	Total
Balance at April 1, 2017	$(141,033)	$851,949	$177,105	$711,416	$1,599,437
Changes from financing cash flows					
Proceeds from loans and borrowings	-	50,748	328,485	-	379,233
Repayment of borrowings	-	-	(385,679)	-	(385,679)
Installments	(6,275)	-	-	-	(6,275)
Dividends paid	-	-	-	(34,975)	(34,975)
Total changes from financing cash flows	(6,275)	50,748	(57,194)	(34,975)	(47,696)
Other changes					
Asset and liability related					
Sinking fund earnings	(1,110)	-	-	-	(1,110)
Sinking fund valuation adjustments	1,299	-	-	-	1,299
Amortization of net discount on long-term debt	-	213	-	-	213
Total liability-related other changes	189	213	-	-	402
Total equity-related other changes		-	-	43,098	43,098
Balance at September 30, 2017	$(147,119)	$902,910	$119,911	$719,539	$1,595,241

Note 12 – 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. At September 30, 2018, the Corporation had foreign currency derivatives outstanding with face values of $19.0 million and maturities up to December 31, 2018. The Corporation does not actively trade financial instruments.

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 Thousands of dollars	Classification (a)	Fair value hierarchy	**September 30, 2018** **Carrying Amount**	 **Fair Value**	March 31, 2018 Carrying Amount	 Fair Value
Financial assets						
Investments - sinking funds	FVOCI	Level 2	**$163,291**	**$163,291**	$155,564	$155,564
Financial liabilities						
Long-term debt	OL	Level 2	**$1,003,065**	**$1,088,007**	$953,494	$1,056,426
Derivative financial instruments						
Foreign exchange derivative liability	FVTPL	Level 2	**$87**	**$87**	$47	$47

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

Note 12 – Financial risk management, continued

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 2017/18 or 2018/19 and no items transferred between levels in 2017/18 or 2018/19.

Investments carried at fair value through OCI
Investments carried at fair value through OCI 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.

Derivative financial instruments
The fair value of derivative financial instruments that are used to manage foreign currency exposure risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or on current rates offered to us for financial instruments of similar maturity, as well as discounted future cash flows determined using current rates for similar financial instruments of similar maturities subject to similar risks (such fair value estimates being largely based on the Canadian dollar versus U.S. dollar forward exchange rate as at the statement of financial position dates).

Note 13 – Future performance obligations

As at Thousands of dollars	**September 30, 2018**
1 year or less	**$126,839**
Between 1 and 3 years	**47,706**
Greater than 3 years	**-**
	$174,545

Note 14 – Comparative information

Certain of the 2017/18 comparative information has been reclassified to conform with the financial statement presentation adopted for the current fiscal period.