First Quarter Report

Saskatchewan Telecommunications Holding Corporation

First Quarter Report 2023/24

For the Period Ending June 30, 2023

Saskatchewan Telecommunications Holding Corporation (the "Corporation", or "SaskTel") is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications 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 3,300 full-time equivalent employees (FTE's), 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."*

Consolidated Highlights

FINANCIAL

Net Income	Revenue	Return on Equity	Capital Expenditures
$19.7M	$326.0M	7.5%	$103.1M
(9.6%) vs. Q1 2022/23	+3.0% vs. Q1 2022/23	(1.3) percentage points vs. Q1 2022/23	+34.6% vs. Q1 2022/23

CUSTOMER CONNECTIONS

Broadband Internet	maxTV Service	Wireless	Fibre	Wireline Voice
+2.1%	+0.4%	+1.5%	+5.9%	(5.5%)
Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Growth yr/yr	Subscriber Decline yr/yr

Broadband Internet

June 2023	**887,069**
June 2022	869,206
March 2023	881,281

maxTV Service

June 2023	**110,871**
June 2022	110,402
March 2023	111,200

Wireless

June 2023	**659,722**
June 2022	649,754
March 2023	654,674

Fibre

June 2023	**180,909**
June 2022	170,796
March 2023	179,656

Wireline Voice

June 2023	**254,367**
June 2022	269,258
March 2023	257,396

Consolidated Net Income

	Three months ended June 30,			
Millions of dollars	**2023**	2022	Change	% Change
Revenue	**$326.0**	$316.4	$9.6	3.0
Other income (loss)	**(0.5)**	1.8	(2.3)	(127.8)
Total revenue and other income (loss)	**325.5**	318.2	7.3	2.3
Expenses	**296.8**	288.8	8.0	2.8
Results from operating activities	**28.7**	29.4	(0.7)	(2.4)
Net finance expense	**9.0**	7.6	1.4	18.4
Net income	**$19.7**	$21.8	$(2.1)	(9.6)

1. nmf - no meaningful figure

Net income for the three months ended June 30, 2023, was $19.7 million, a decrease of $2.1 million (9.6%) from the same period in 2022/23.

Revenue for the three months ended June 30, 2023, was $326.0 million, an increase of $9.6 million (3.0%) from the same period in 2022/23 primarily due to continued growth in wireless network services and equipment; and fixed broadband and data services. The increase was partially offset by reduced wireline communication services.

Other income (loss) for the three months ended June 30, 2023 was ($0.5) million, a decrease of $2.3 million (127.8%) from the same period in 2022/23 primarily due to losses recorded on asset retirements.

Expenses for the three months ended June 30, 2023, were $296.8 million, an increase of $8.0 million (2.8%) from the same period in 2022/23. This increase was primarily due to increased goods and services purchased.

Net finance expense for the three months ended June 30, 2023, was $9.0 million, an increase of $1.4 million (18.4%) over the same period in 2022/23. The increase was driven by an increase in interest expense resulting from higher net debt and higher interest rates, partially offset by increased sinking fund earnings.

Management's Discussion and Analysis

August 10, 2023

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the first quarter of 2023/24. This discussion and analysis should be read in conjunction with SaskTel's audited financial statements for the fiscal year ended March 31, 2023. 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 2022/23 Annual Report.

These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

These interim statements have been approved by the SaskTel Board of Directors on August 10, 2023.

Results of Operations

Revenue

Millions of dollars	**2023**	2022	Change	% Change
Three months ended June 30,	**$326.0**	$316.4	$9.6	3.0

Revenue for the first quarter of 2023/24 was $326.0 million, a $9.6 million (3.0%) increase from the same period in 2022/23. The increase was due to growth in wireless network services and equipment comprised of wholesale revenues resulting from increased network usage by customers of other carriers; a larger wireless retail subscriber base with a higher proportion of converged customers; and increased customer roaming. The increase was augmented by growth in fixed broadband and data services comprised of continued customer demand for higher bandwidth services and increased fibre accesses. The increases were partially offset by lower wireline communication services due to the ongoing erosion of legacy voice revenues and reduced maxTV service revenue due to a declining subscriber base for traditional maxTV.

Results of operations, continued

Expenses

Millions of dollars	2023	2022	Change	% Change
Three months ended June 30,	**$296.8**	$288.8	$8.0	2.8

Expenses for the first quarter of 2023/24 were $296.8 million, a $8.0 million (2.8%) increase from the same period in 2022/23 primarily due to direct expenses increasing as a result of increased cost of devices sold from wireless and customer premise equipment sales.

Net finance expense

Millions of dollars	2023	2022	Change	% Change
Three months ended June 30,	**$9.0**	$7.6	$1.4	18.4

Net finance expense for the first quarter of 2023/24 was $9.0 million, a $1.4 million (18.4%) increase from the same period in 2022/23. Finance income increased by $1.0 million primarily due to higher sinking fund earnings. Finance expenses increased by $2.3 million due to an increase in interest expense resulting from higher notes payable.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2023 to June 30, 2023, are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Assets		
Cash	**$(8.6)**	See Condensed Consolidated Statement of Cash Flows
Trade and other receivables	**29.5**	Timing of non-customer related receivables
Inventories	**(0.6)**	Decrease in inventory held from previous high levels due to supply chain issues in prior year
Prepaid expenses and other assets	**5.4**	Additional contracts related to software licenses and maintenance
Contract assets	**(2.4)**	Amortization of term contracts partially offset by new contracts
Contract costs	**(0.6)**	Amortization of existing contract costs partially offset by deferral of contract costs related to contracts acquired during the period
Property, plant and equipment	**44.5**	Capital spending primarily on wireless and fibre projects partially offset by depreciation, retirements, and disposals
Right-of-use assets	**(0.6)**	Depreciation, retirements and adjustments of leased assets
Intangible assets	**0.3**	No significant change
Sinking funds	**11.1**	Installments and earnings
Other assets	**(0.8)**	Primarily related to decreased long-term device financing
Liabilities and Province's Equity		
Trade and other payables	**13.2**	Timing of payments for operations and capital spending
Accrued interest	**(5.2)**	Lower accrued interest as a result of repayment of notes payable
Dividend payable	**(0.1)**	No significant change
Notes payable	**(87.4)**	Repayment of notes payable from issuance of long-term debt
Contract liabilities	**1.9**	Timing of revenue recognition related to contract liabilities
Lease liabilities	**(0.6)**	Net repayment of lease liabilities
Other liabilities	**(0.2)**	No significant change
Deferred income – government funding	**(0.4)**	No significant change
Long-term debt	**148.1**	New debt issues
Employee benefit obligations	**(0.3)**	No significant change
Provisions	**0.1**	No significant change
Equity advance	**-**	No significant change
Accumulated other comprehensive income	**(2.2)**	See Condensed Consolidated Statement of Income and Other Comprehensive Loss
Retained earnings	**10.2**	Total comprehensive income less dividends declared

Cash Flows

Cash provided by operating activities

Millions of dollars	2023	2022	Change	% Change
Three months ended June 30,	**$48.2**	$78.8	$(30.6)	(38.8)

Cash provided by operating activities for the three months ended June 30, 2023, was $48.2 million, a decrease of $30.6 million (38.8%) compared to the same period in 2022/23, primarily due to reduced working capital requirements.

Cash used in investing activities

Millions of dollars	2023	2022	Change	% Change
Three months ended June 30,	**$95.0**	$72.0	$23.0	31.9

Cash used in investing activities for the three months ended June 30, 2023, was $95.0 million, an increase of $23.0 million (31.9%) from the same period in 2022/23 primarily due to ongoing investment in fixed and wireless networks to improve the coverage, capacity, reliability, and speed of our networks.

Cash provided by (used in) financing activities

Millions of dollars	2023	2022	Change	% Change
Three months ended June 30,	**$38.2**	$(28.7)	$66.9	*nmf*[1]

1. nmf - no meaningful figure

Cash provided by financing activities for the three months ended June 30, 2023, was $38.2 million, an increase of $66.9 million primarily due to increased net borrowing compared to the same period in 2022.

Capital Resource Ratio

Debt ratio

	June 30, 2023	March 31, 2023	Change
Debt ratio	**55.3%**	54.5%	0.8

The debt ratio increased to 55.3%, an increase of 0.8 percentage points from March 31, 2023. The overall level of net debt increased by $58.2 million during the period due to increased net borrowing.

Equity increased $8.0 million in the first quarter of 2023/24 after recording a net income of $19.7 million, other comprehensive loss of $2.2 million, and declared dividends of $9.6 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	2023	2022	Change	% Change
Property, plant and equipment	**$94.7**	$71.1	$23.6	33.2
Intangible assets	**8.4**	5.5	2.9	52.7
Three months ended June 30,	**$103.1**	$76.6	$26.5	34.6

Total capital expenditures for the three months ended June 30, 2023, were $103.1 million, an increase of $26.5 million (34.6%) from the same period in 2022/23.

Spending on property, plant and equipment for the three months ended June 30, 2023, was $94.7 million, an increase of $23.6 million (33.2%) from the same period in 2022/23. The increase was due to 5G wireless network modernization and ongoing investment in our existing infrastructure offset by reduced spending due to the completion of fibre network initiatives. Spending on intangible assets was $8.4 million, an increase of $2.9 million (52.7%) from the same period in 2022/23, primarily due to increased spending on software.

For the remainder of 2023/24, capital expenditures will focus on further investment in the core Saskatchewan network including 5G network modernization, FTTx, wireless network enhancements and basic network growth. This core network investment will ensure increased internet access speeds; enhanced maxTV service; 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 to improve our customer's experience today and create opportunities to provide additional enhancements and capabilities in the future.

2023/24 Outlook

The 2022/23 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2024, of $95.7 million. At this time, SaskTel believes it will meet this target.

Risk Assessment

The 2022/23 Annual Report discussed the key strategic and core business risks and uncertainties facing SaskTel that may inhibit SaskTel from achieving goals and targets outlined in its Strategic Plan including the following areas: customer experience, broadband, digital transformation, workforce, and financial sustainability. Core Business Risks are 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, and assess key corporate risks. As of June 30, 2023, SaskTel's key risk profile remains unchanged from that disclosed in its annual report dated March 31, 2023.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Income and Other Comprehensive Loss

		(Unaudited)	
		Three months ended June 30,	
Thousands of dollars	Note	2023	2022
Revenue	3	**$326,021**	$316,392
Other income (loss)		**(490)**	1,797
Total revenue and other income (loss)		**325,531**	318,189
Expenses			
Goods and services purchased		**143,700**	133,484
Salaries, wages and benefits		**92,367**	91,237
Internal labour capitalized		**(7,174)**	(5,848)
Depreciation - property, plant & equipment	5	**47,887**	49,385
Depreciation - right-of-use assets		**1,555**	1,628
Amortization	6	**8,054**	8,578
Saskatchewan taxes		**10,437**	10,279
Total expenses		**296,826**	288,743
Results from operating activities		**28,705**	29,446
Net finance expense	4	**8,969**	7,604
Net income		**19,736**	21,842
Other comprehensive loss			
Items that will be reclassified to net income			
Unrealized losses on sinking funds		**(933)**	(4,002)
Items that will never be reclassified to net income			
Net actuarial losses on employee benefit obligations	8	**(1,265)**	(854)
Total other comprehensive loss		**(2,198)**	(4,856)
Total comprehensive income		**$17,538**	$16,986

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, 2023	**$237,000**	**$92,423**	**$921,742**	**$1,251,165**
Net income	**-**	**-**	**19,736**	**19,736**
Other comprehensive loss	**-**	**(2,198)**	**-**	**(2,198)**
Total comprehensive income (loss)	**-**	**(2,198)**	**19,736**	**17,538**
Dividends declared	**-**	**-**	**(9,573)**	**(9,573)**
Balance at June 30, 2023	**$237,000**	**$90,225**	**$931,905**	**$1,259,130**
Balance at April 1, 2022	$237,000	$97,414	$859,310	$1,193,724
Net income	-	-	21,842	21,842
Other comprehensive loss	-	(4,856)	-	(4,856)
Total comprehensive income (loss)	-	(4,856)	21,842	16,986
Dividends declared	-	-	(18,638)	(18,638)
Balance at June 30, 2022	$237,000	$92,558	$862,514	$1,192,072

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) June 30, 2023	March 31, 2023
Assets			
Current assets			
Cash		$9,780	$18,347
Trade and other receivables		170,093	140,556
Inventories		33,496	34,106
Prepaid expenses		56,561	51,181
Contract assets		71,136	72,727
Contract costs		19,664	19,991
Current portion of sinking funds		4,574	-
Total current assets		365,304	336,908
Contract assets		27,752	28,559
Contract costs		52,934	53,173
Property, plant and equipment	5	2,252,228	2,207,754
Right-of-use assets		38,500	39,135
Intangible assets	6	394,572	394,243
Sinking funds		120,203	113,667
Other assets		10,370	11,207
Total assets		$3,261,863	$3,184,646
Liabilities and Province's equity			
Current liabilities			
Trade and other payables		$156,918	$143,766
Accrued interest		8,764	13,969
Dividend payable		9,573	9,663
Notes payable		109,246	196,672
Contract liabilities		61,562	59,535
Lease liabilities		5,935	6,338
Current portion of long-term debt		50,037	-
Other liabilities		3,171	3,324
Total current liabilities		405,206	433,267
Contract liabilities		153	188
Deferred income – government funding		14,500	14,859
Long-term debt	7	1,534,078	1,435,948
Lease liabilities		34,191	34,341
Employee benefit obligations	8	8,881	9,200
Provisions		5,724	5,678
Total liabilities		2,002,733	1,933,481
Province of Saskatchewan's equity			
Equity advance		237,000	237,000
Accumulated other comprehensive income		90,225	92,423
Retained earnings		931,905	921,742
Total equity		1,259,130	1,251,165
Total liabilities and equity		$3,261,863	$3,184,646

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

Thousands of dollars	Note	(Unaudited) Three months ended June 30, 2023	2022
Operating activities			
Net income		**$19,736**	$21,842
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		**57,496**	59,591
Net finance expense	4	**8,969**	7,604
Interest paid		**(19,527)**	(17,085)
Interest received		**1,717**	1,756
Amortization of government funding		**(359)**	(1,037)
Other		**4,513**	95
Net change in non-cash working capital	10	**(24,312)**	6,029
Cash flows provided by operating actvities		**48,233**	78,795
Investing activities			
Property, plant and equipment expenditures		**(86,566)**	(68,371)
Intangible assets expenditures - finite life		**(8,558)**	(4,379)
Net proceeds on disposal of assets		**165**	709
Government funding		**-**	39
Cash flows used in investing activities		**(94,959)**	(72,002)
Financing activities			
Proceeds from long-term debt	7	**148,270**	38,816
Net repayment of notes payable		**(87,426)**	(28,479)
Payment of lease liabilities		**(1,472)**	(1,474)
Sinking fund instalments		**(11,550)**	(11,050)
Dividends paid		**(9,663)**	(26,467)
Cash flows provided by (used in) financing activities		**38,159**	(28,654)
Decrease in cash		**(8,567)**	(21,861)
Cash, beginning of period		**18,347**	20,628
Cash (bank indebtedness), end of period		**$9,780**	$(1,233)

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2023

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.

Effective April 1, 2023, one of the Corporation's subsidiaries, SecurTek Monitoring Solutions Inc. ("SecurTek") entity was dissolved with its total net assets transferred to Saskatchewan Telecommunications at the dissolution date. SecurTek continues to operate as a division within Saskatchewan Telecommunications.

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 August 10, 2023.

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 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. 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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements includes the following:
- Revenue recognition,
- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life,
- Classification of financial instruments,

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

Comparative information

Certain elements of the prior period comparative information have been reclassified to conform with the financial statement presentation adopted for the current period.

Application of new International Financial Reporting Standards, and amendments to standards and interpretations

We adopted the following accounting amendments that were effective for our interim and annual consolidated financial statements commencing April 1, 2023. The adoption of these standards have not had a material impact on our financial results.
- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts.
- Amendments to IAS 1, *Presentation of Financial Statements* - Disclosure of Accounting Policies, requiring entities to disclose material, instead of significant, accounting policy information.
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".

Note 3 – Revenue from contracts with customers

	Three months ended June 30,	
Thousands of dollars	2023	2022
Revenue		
Wireless network services and equipment	$156,118	$147,532
Fixed broadband and data services	76,430	73,771
Wireline communication services	39,748	42,594
maxTV services	23,462	24,403
Customer premise equipment	5,684	3,008
Security monitoring	8,393	8,614
Marketing services	5,276	6,010
IT solutions services	4,024	3,628
International software and consulting services	3,539	2,769
Other services	3,347	4,063
Total revenue	$326,021	$316,392

Note 4 – Net finance expense

	Three months ended June 30,	
Thousands of dollars	2023	2022
Net finance expense		
Interest on long-term debt	$12,030	$11,128
Interest on short-term debt	1,905	366
Interest capitalized	(1,822)	(2,071)
Interest on lease liabilities	284	267
Accretion expense	55	47
Finance expense	12,452	9,737
Sinking fund losses (earnings)	(493)	479
Net interest on defined benefit liability	(1,273)	(857)
Interest income	(1,717)	(1,755)
Finance income	(3,483)	(2,133)
Total net finance expense	$8,969	$7,604
Interest capitalization rate	3.09%	2.89%

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the three months ended June 30, 2023

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, 2023	**$3,983,514**	**$667,120**	**$132,702**	**$153,178**	**$41,799**	**$4,978,313**
Additions	**30,210**	**-**	**1,511**	**62,912**	**17**	**94,650**
Transfers	**29,220**	**12,744**	**2,276**	**(44,240)**	**-**	**-**
Retirements, disposals and adjustments	**(21,806)**	**(375)**	**-**	**-**	**-**	**(22,181)**
Balance at June 30, 2023	**$4,021,138**	**$679,489**	**$136,489**	**$171,850**	**$41,816**	**$5,050,782**
Balance at April 1, 2022	$3,924,905	$652,415	$130,688	$141,940	$41,717	$4,891,665
Additions	90,828	-	21,056	214,276	82	326,242
Transfers	181,618	18,437	2,983	(203,038)	-	-
Retirements, disposals and adjustments	(213,837)	(3,732)	(22,025)	-	-	(239,594)
Balance at March 31, 2023	$3,983,514	$667,120	$132,702	$153,178	$41,799	$4,978,313
Accumulated depreciation						
Balance at April 1, 2023	**$2,461,594**	**$242,568**	**$66,397**	**$ -**	**$ -**	**$2,770,559**
Depreciation	**37,266**	**4,498**	**6,123**	**-**	**-**	**47,887**
Retirements, disposals and adjustments	**(20,192)**	**(150)**	**450**	**-**	**-**	**(19,892)**
Balance at June 30, 2023	**$2,478,668**	**$246,916**	**$72,970**	**$ -**	**$ -**	**$2,798,554**
Balance at April 1, 2022	$2,516,266	$226,013	$61,554	$ -	$ -	$2,803,833
Depreciation	154,730	18,629	24,614	-	-	197,973
Retirements, disposals and adjustments	(209,402)	(2,074)	(19,771)	-	-	(231,247)
Balance at March 31, 2023	$2,461,594	$242,568	$66,397	$ -	$ -	$2,770,559
Carrying amounts						
At April 1, 2023	**$1,521,920**	**$424,552**	**$66,305**	**$153,178**	**$41,799**	**$2,207,754**
At June 30, 2023	**$1,542,470**	**$432,573**	**$63,519**	**$171,850**	**$41,816**	**$2,252,228**
At April 1, 2022	$1,408,639	$426,402	$69,134	$141,940	$41,717	$2,087,832
At March 31, 2023	$1,521,920	$424,552	$66,305	$153,178	$41,799	$2,207,754

Note 6 – Intangible assets

Thousands of dollars	Software	Spectrum licences	Under development	Total
Cost				
Balance at April 1, 2023	**$263,718**	**$271,149**	**$23,434**	**$558,301**
Acquisitions	**650**	**720**	**5,598**	**6,968**
Acquisitions – internally developed	**1,031**	**-**	**385**	**1,416**
Transfers	**61**	**-**	**(61)**	**-**
Retirements, disposals and adjustments	**-**	**-**	**-**	**-**
Balance at June 30, 2023	**$265,460**	**$271,869**	**$29,356**	**$566,685**
Balance at April 1, 2022	$299,194	$267,280	$9,383	$575,857
Acquisitions	3,572	3,869	15,220	22,661
Acquisitions – internally developed	4,521	-	904	5,425
Transfers	2,073	-	(2,073)	-
Retirements, disposals and adjustments	(45,642)	-	-	(45,642)
Balance at March 31, 2023	$263,718	$271,149	$23,434	$558,301
Accumulated amortization				
Balance at April 1, 2023	**$164,058**	**$ -**	**$ -**	**$164,058**
Amortization	**8,054**	**-**	**-**	**8,054**
Retirements, disposals and adjustments	**1**	**-**	**-**	**1**
Balance at June 30, 2023	**$172,113**	**$ -**	**$ -**	**$172,113**
Balance at April 1, 2022	$175,978	$ -	$ -	$175,978
Amortization	33,286	-	-	33,286
Retirements, disposals and adjustments	(45,206)	-	-	(45,206)
Balance at March 31, 2023	$164,058	$ -	$ -	$164,058
Carrying amounts				
At April 1, 2023	**$99,660**	**$271,149**	**$23,434**	**$394,243**
At June 30, 2023	**$93,347**	**$271,869**	**$29,356**	**$394,572**
At April 1, 2022	$123,216	$267,280	$9,383	$399,879
At March 31, 2023	$99,660	$271,149	$23,434	$394,243

Note 7 – Long-term debt

On May 18, 2023, the Corporation issued $50.0 million of long-term debt at a discount of $0.4 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.90%, an effective interest rate of 4.01%, and matures on June 2, 2033.

On June 22, 2023, the Corporation issued $100.0 million of long-term debt at a discount of $1.3 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 4.20%, an effective interest rate of 4.275% and matures on December 2, 2054.

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 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:

	2023/2024	2022/2023
June 30	4.90%	4.70%
September 30	n/a	4.80%
December 31	n/a	4.90%
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.

	Three months ended June 30,	
Thousands of dollars	2023	2022
Actuarial gain on accrued benefit obligation	$7,020	$65,024
Return on plan assets excluding interest income	(6,619)	(74,319)
Effect of asset ceiling limit	(1,666)	8,441
Net actuarial losses on employee benefit obligations	$(1,265)	$(854)

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 2023/24 is 55.9%.

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.

On April 6, 2023 the Corporation's debt limit was increased to $2.9 billion.

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 Thousands of dollars	**June 30, 2023**	March 31, 2023
Long-term debt	**$1,584,115**	$1,435,948
Notes payable	**109,246**	196,672
Less: Sinking funds	**124,777**	113,667
Cash	**9,780**	18,347
Net debt	**1,558,804**	1,500,606
Province of Saskatchewan's equity (a)	**1,259,130**	1,251,165
Capitalization	**$2,817,934**	$2,751,771
Debt ratio	**55.3%**	54.5%

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

	Three months ended June 30,	
Thousands of dollars	**2023**	2022
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(29,537)**	$8,395
Inventories	**610**	7,143
Prepaid expenses	**(5,380)**	5,697
Contract assets	**2,398**	7,072
Contract costs	**566**	583
Trade and other payables	**5,241**	(25,956)
Contract liabilities	**1,992**	3,736
Other liabilities	**(153)**	(685)
Other	**(49)**	44
Total net change in non-cash working capital balances related to operations	**$(24,312)**	$6,029

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			June 30, 2023		March 31, 2023	
Thousands of dollars	Classification (a)	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	Level 1	$9,780	$9,780	$18,347	$18,347
Trade and other receivables	Amortized cost	Level 2	170,093	170,093	140,556	140,556
Sinking funds	FVOCI	Level 2	124,777	124,777	113,667	113,667
Financial liabilities						
Trade and other payables	Amortized cost	Level 2	156,918	156,918	143,766	143,766
Accrued interest	Amortized cost	Level 2	8,764	8,764	13,969	13,969
Notes payable	Amortized cost	Level 2	109,246	109,246	196,672	196,672
Long-term debt	Amortized cost	Level 2	1,584,115	1,384,596	1,435,948	1,254,146
Derivative financial instruments						
Foreign exchange derivative asset	FVTPL	Level 2	-	-	348	348

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

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 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.

There were no items measured at fair value using Level 3 inputs during 2022/23 or to date in 2023/24 and no items transferred between levels in 2022/23 or to date in 2023/24.

Investments carried at fair value through OCI
Investments carried at fair value through OCI are categorized as Level 2 in the hierarchy consist of 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 carried at fair value through profit or loss
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 current rates offered to the Corporation 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).

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, device financing receivables, unbilled revenue, contract assets, sinking funds, interest receivable and counterparties to financial derivatives. The maximum exposure to credit risk is represented by the carrying amounts reported in the statement of financial position. There is minimal credit risk related to non-customer related financial instruments and derivative instruments at June 30, 2023, due to the investment-grade assets held within the sinking funds and investment-grade counterparties to derivative instruments.

Note 11 – Financial risk management, continued

Credit risk related to customer related financial instruments is primarily reflected in the allowance for doubtful accounts.

	Three months ended	
Periods ended June 30, Thousands of dollars	**2023**	2022
Balance, beginning of period	**$3,621**	$3,975
Less: accounts written off	**(1,810)**	(1,580)
Recoveries	**320**	441
Provisions for losses	**2,212**	980
Balance, end of period	**$4,343**	$3,816