SaskTel

2014 ANNUAL REPORT

Letter of Transmittal

Regina, Saskatchewan
March 31, 2015

Her Honour
The Honourable Vaughn Solomon Schofield, s.o.m., s.v.m.
Lieutenant Governor of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of SaskTel for the year ending December 31, 2014, including the financial statements, duly certified by auditors for the Corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Holding Corporation Act.

Respectfully submitted,

Honourable Kevin Doherty
Minister Responsible for Saskatchewan Telecommunications

Minister's Message

On behalf of Premier Brad Wall and the Government of Saskatchewan, I am pleased to present the 2014 SaskTel Annual Report. As the leading communications provider in the Province of Saskatchewan, SaskTel plays a critical role in meeting the demands of a growing province by making strategic investments in both human capital and infrastructure. The public infrastructure required to facilitate Saskatchewan's economic growth includes world-class networks from SaskTel that will meet the growing demand for communications services.

SaskTel continues to invest in capital expansion and upgrades to its networks, particularly for data and cellular service, by making prudent investments in infrastructure. SaskTel is upgrading its broadband network by providing fibre to the home and business in the largest urban centres in the province, adding capacity to its wireless network and investing in rural infrastructure and connectivity through projects that utilize new fixed wireless technology.

SaskTel is well positioned to continue to harvest the benefits from its legacy services while taking great strides towards becoming a leading Information and Communications Technology (ICT) company. Investments in ICT infrastructure, such as the launch of the new Tier II Data Centre in Saskatoon in 2014, will allow SaskTel to aggressively develop new services and markets that will keep the company successful over the long term. Such available ICT infrastructure is now vital to consumers and businesses in a growing, modern, trade-based economy such as Saskatchewan's.

SaskTel plays a critical role in the Government of Saskatchewan's Plan for Growth to create a strong and growing Saskatchewan, the best place in Canada—to live, to work, to start a business, to get an education, to raise a family and to build a life. I would like to thank all SaskTel employees, management and the Board of Directors for contributing to this vision with their efforts in providing world-class communications services to the people of this province.

Honourable Kevin Doherty
Minister Responsible for Saskatchewan Telecommunications

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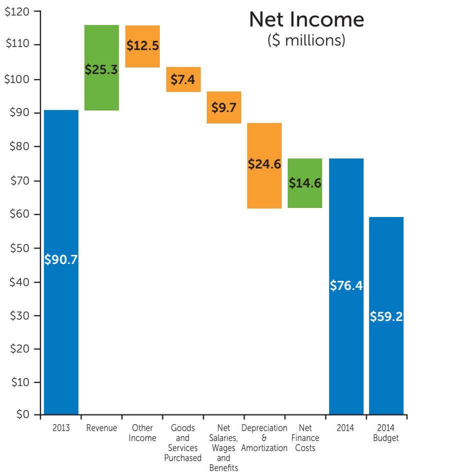
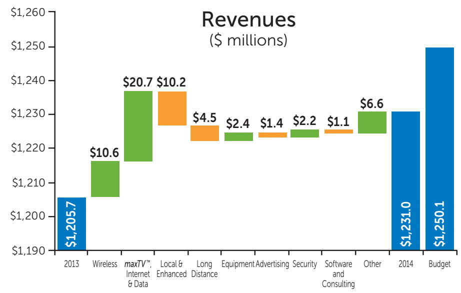
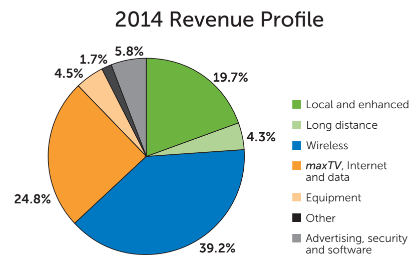
FINANCIAL HIGHLIGHTS

FINANCIALS





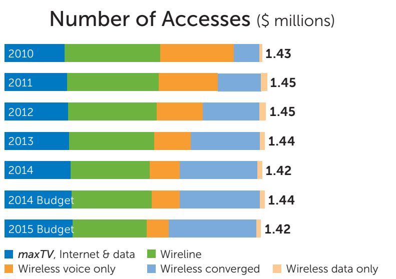


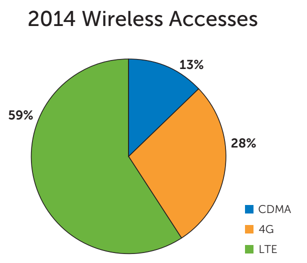
Net income declined due to our continued investment in our networks, which has increased depreciation and amortization. Increases in other expenses have been partially offset by continued revenue growth.

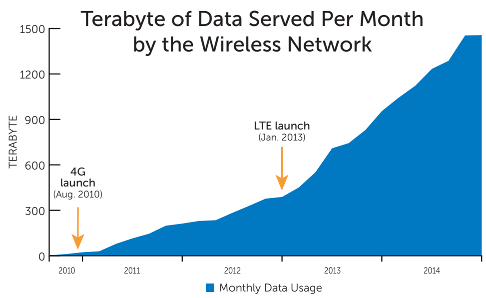
Revenue growth in wireless, ***maxTV***, Internet and data continues as SaskTel's network enhancements improve data speeds and customers increase data consumption. Wireless substitution is putting pressure on wire-based legacy services such as local access, enhanced and long distance services.

Wireless, ***maxTV***, Internet and data services continue to be a big part of SaskTel's business, accounting for 64% of revenues. SaskTel continues to invest in these areas and in our managed services that will provide growth opportunities over the next several years.

CUSTOMER





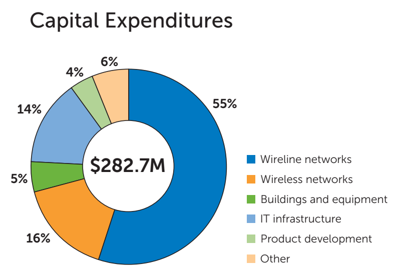


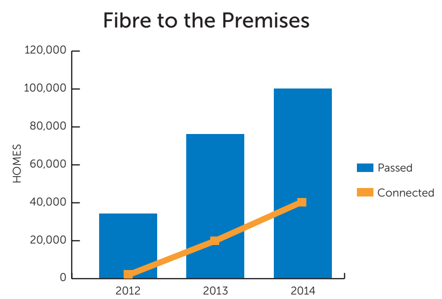
Accesses declined as consumers opt to replace their traditional wireline service and rely solely on their wireless access. The vast majority of wireless customers are migrating to smartphones, providing them a full range of ICT services including voice, e-mail, text messaging and Internet.

SaskTel customers are migrating to the latest wireless technologies. LTE provides feature-rich services at faster data speeds providing a better customer experience. LTE customer device mix grew 30 percentage points in 2014, while CDMA mix fell by 7 percentage points.

Wireless revenues have grown steadily for several years, largely due to increasing wireless network speeds allowing customers to consume more data more quickly. This has resulted in customers adopting higher tier unlimited data plans to offset this effect.

NETWORK





47 LTE-TDD

TOWERS ENABLED IN 2014

SaskTel invests significant dollars each year to deliver an advanced ICT experience to our customers. This is accomplished by investing in fibre-based technologies ($50.4 million), advanced wireless technologies like LTE and LTE-TDD ($43.9 million), network enhancements and capacity upgrades ($96.3 million) and customer-facing support systems ($18.5 million).

SaskTel has made fibre available to over 100,000 homes since 2012. The popularity of fibre-based services continues to grow (39.9% of homes passed are connected to ***infiNET***), as customers take advantage of new capabilities including data download speeds up to 260 Mbps, and the ability to connect up to seven set-top boxes to ***maxTV*** service.

Customers in rural Saskatchewan now enjoy a faster wireless Internet connection. SaskTel now has 59 LTE-TDD-capable towers, 47 of which were enabled in 2014. They have increased download data speeds up to 5 Mbps. The technology has been very successful.

IN YOUR WORLD

VISION: Be the best at connecting people to their world.

MISSION: To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications.

PRESIDENT'S MESSAGE

For more than a generation, the communications industry has been defined by increasingly rapid changes in both technology and consumer expectations. SaskTel has succeeded in this highly competitive and constantly shifting environment by taking pride in everything we do. Our company and its people are driven by a culture that respects our customers and cares for this province. It is a culture of being *SaskTel Proud:* proud of our customer service, our infrastructure, our community contributions and our history of serving Saskatchewan.

In the field or in the office, we are *SaskTel Proud* and delivering services like no one else. From our world-class networks and industry-leading solutions to our technical support and customer service, we connect our customers to their world through the communications and entertainment services they want. At the same time, we enable business throughout the province and we bring research tools and education resources to even the most remote locations.

Our commitment to this province extends into our communities through volunteerism, sponsorships, environmental stewardship, and Corporate Social Responsibility (CSR) initiatives like *I Am Stronger,* our program to help end bullying. Contributions like these are ingrained in our culture because the people of Saskatchewan are more than customers—they are our friends and neighbours.

An example of which I am exceptionally proud is our response to the unprecedented flooding across southern Saskatchewan in the spring of 2014. Our people provided outstanding customer service and an immeasurable degree of commitment by voluntarily leaving their own homes at risk to ensure that our networks were up and running for our customers and communities.

It's this kind of care that earned us our third consecutive J.D. Power Award for Highest in Customer Satisfaction with Canadian Full-Service Wireless Carriers. For the second year in a row, SaskTel also won the J.D. Power Western Region Awards for Highest in Customer Satisfaction with Television for ***maxTV***™ and Highest in Customer Satisfaction with Internet Service Providers for High Speed Internet.

SaskTel also won numerous MediaCorp awards, including recognition as one of Canada's Top Employers for the 15th year in a row and one of Saskatchewan's Top Employers for the 8th straight year. We were also named one of Canada's Greenest Employers, one of Canada's Best Diversity Employers, and Top Employer for both Young People and Workers over 40.

Our skilled people have allowed us to adapt and meet every challenge in our long history. Today, wireless services and the adoption of smartphones continue to drive exponential growth in data usage across our networks; over-the-top (OTT) services are changing the consumption habits of our customers; IT services, such as cloud computing and data-centre hosting, are creating new demands from our business customers; and the adoption of emerging technologies, such as Machine-to-Machine (M2M) and Rich Communication Services (RCS), are opening up more demand and more opportunities.

However, we are witnessing an unprecedented increase in regulatory activity: spectrum auction rules, rate regulation of competitor roaming charges, depressed regional pricing, and proposed unbundling of television channels are all causing disruption in the industry. Additionally, an ongoing focus on encouraging a fourth national wireless carrier is creating negative consequences for regional carriers like SaskTel.

The primary results for our business are downward pressure on revenue and increasing costs. Lines of business, such as wireless, once major contributors to our growth and revenue, are now under threat. Difficult decisions have been required; in particular, we have taken detailed looks at both our capital spending plans and our operating expenses and will be taking steps to make prudent revisions and reductions across a number of projects and spending categories. The financial impact of this regulatory environment is significant and expected to be ongoing.

J.D. Power Customer Service Award
SaskTel
Highest Customer Satisfaction
Canadian Internet Service Provider – West

J.D. Power Customer Service Award
SaskTel
Highest Customer Satisfaction
Canadian Wireless – Full Service

J.D. Power Customer Service Award
SaskTel
Highest Customer Satisfaction
Canadian Television Service Provider – West

IN YOUR WORLD

Our plan to position the company for continued success concentrates on achieving strategic objectives within our five Core Strategies: Workforce, Processes/Systems, Infrastructure, Financial, and Customer. Optimization of our legacy business will also be vital to long-term sustainability as financial pressures mount on these services. As such, our Transform and Optimize strategic themes will continue to guide our decisions and actions. Ultimately, we will continue to focus on our Vision to "Be the best at connecting people to their world."

In 2014, SaskTel made significant progress in our Workforce Strategy, developing a new department to lead and support our Information and Communications Technology (ICT) transformation and improving our performance on the annual Hay Group employee engagement survey by 3%, exceeding our target. In our Processes/Systems Strategy, SaskTel continues to work towards modernized wireless billing.

Our Infrastructure Strategy is among our greatest strengths with the rollout of *infiNET*™ and High Speed Fusion Internet, the continuation of SaskTel Select Wi-Fi, and the completion of Internet upgrades to over 300 Saskatchewan communities and CommunityNet, which serves 500 schools across Saskatchewan. Our Financial Strategy continues to impress, with 2014 income exceeding targets as we implement new initiatives like enhanced contract and vendor management.

We think big on behalf of our customers, no matter who they are or where they live. When our Wireless Broadband Internet (WBBI) service was no longer feasible in rural areas, we deployed a leading-edge technology solution in High Speed Fusion Internet through Long Term Evolution-Time Division Duplexing (LTE-TDD) fixed wireless technology. We implemented the Customer Experience First (CX First) program, which ingrains our focus on our customers in everything we do.

CUSTOMER:	Deliver an outstanding customer experience.
PROCESSES/SYSTEMS:	Transform our processes and systems to enhance the delivery of products and services.
INFRASTRUCTURE:	Continue to build a converged intelligent broadband network.
FINANCIAL:	Maintain financial stability through profitable revenue growth and continuous improvement.
WORKFORCE:	Evolve and align our workforce to achieve our business goals.

For our Business customers, we are always searching for new ways to provide ICT solutions and enable their success. We continued to roll out our fibre network, develop new services, and forge partnerships to introduce services and products. In 2014, SaskTel partnered with VMware to introduce AirWatch Enterprise Mobility Management platform to our portfolio. Airwatch provides businesses with a flexible way to balance their corporate data and mobile access needs through a centrally managed solution.

The foundation of our business model and our pride is a culture that emphasizes business ethics, the environment, employee engagement, and community investment. These are more than mere words. They are beliefs that translate into actions that fuel our CSR initiatives, employee volunteerism, and customer service that goes above and beyond. Our true competitive advantage is afforded to us by this unique culture and history. At every level of our business, we think of our customers first, and this is what makes us the service provider of choice in Saskatchewan. We strive to provide honest value for our customers and our communities while taking on the challenges of our industry.

As Saskatchewan continues to grow and new technologies create opportunities for the fulfillment of emerging customer needs, SaskTel will be there. We will continue to position the company as a world-class ICT provider through initiatives such as ***infiNET***, Customer Relationship Management (CRM), ICT service development, wireless network capacity, High Speed Fusion Internet, network modernization, and SaskTel Select Wi-Fi, among others. In addition to these, the execution of our Core Strategies will position SaskTel for long-term sustainability, allowing us to be important contributors to the Saskatchewan Plan for Growth.

In over 100 years of connecting people, we have faced regulatory, technological, and industry change. We have been challenged by how our customers connect, the types of content they consume, rapid evolution of technology, the explosion of data, the convergence of traditional services and information technology, intense competition, regulatory demands, and even Mother Nature.

Part of being *SaskTel Proud* means we embrace challenges as opportunities; when the world changes, we will change with it. However, what will never change is our commitment to this province. We are the home team. I have complete confidence that our world-class infrastructure, loyal customers, supportive shareholder, and dedicated, talented, and *SaskTel Proud* employees will continue to position us as the leading ICT provider in Saskatchewan.

Ron Styles
SaskTel President and CEO

AN EMPHASIS ON CUSTOMERS

Customer experience is more than just customer service, sales or technical support. It is the sum of our customers' interactions and their feelings about our organization. In 2014, SaskTel launched an internal Customer Experience First program—*CX First*—to better leverage the essential customer focus within our culture. CX First improves what we already do by providing structure and discipline to ensure that customer experience is a primary positive differentiator for those we serve.

In a tough communications marketplace, differentiating ourselves from competitors through retail product lines or price is becoming unsustainable. Instead, SaskTel's success must be driven by the value of our networks, outstanding customer service and local expertise. As Saskatchewan's Home Team for Information and Communications Technology (ICT) professional services, we know our customers' needs, their businesses and their communities, because our customers are also our friends and neighbours.

One of these neighbours is South Country Equipment, a John Deere agricultural and turf implements dealer with eight locations across the southern half of the province. At its heart, South Country is a family company with a history going back to the beginning of this province; it is precisely the kind of company SaskTel is striving to help move forward.

In 2014, South Country implemented a Cisco Hosted Collaboration Solution (HCS), tying all eight of their locations together with a forward-thinking communications and technology strategy that aligns them with John Deere's broader vision. The move allows them to maintain a consistent user experience across locations and merge their voice and data services over fibre.

The HCS environment is managed through a centralized web-enabled system that allows user-group specific capabilities and delegated access for administration. This allows organizations to make their own moves, additions and changes independently. HCS is also customizable and scalable, allowing companies to grow without the expense of upgraded hardware or new systems.

SaskTel worked closely with South Country to implement the solution, ensuring it was technically sound, core training was provided, and South Country's requirements were met, so that their operations and business could grow without worry.

To Cameron Bode, General Manager of South Country, the CX First difference was crystal clear. "Our latest implementation has been a smooth process," he explained. "We could tell something was different from our last network implementation in 2011. The 2014 experience was like dealing with a different company. SaskTel has noticeably shifted to a solutions approach rather than just offering a hodge-podge of products and services. What we've gone with is a Cisco solution that addresses most of our needs today and forms the backbone for the overall strategy we are moving towards.

Tom Kelly, Integrated Solutions Manager
South Country Equipment

"Now, we know we're ready for Wide Area Network (WAN) or a new level of wireless integration when the time comes.

"With HCS, I've got a solution I'm comfortable with, and the service has been great. We have a Project Manager for our implementation so if I need anything, I've got one number to call. The Business First Support Team handles all of our troubleshooting. This allows us to focus on our business without having to develop internal expertise.

"THE HEART OF OUR BUSINESS IS IN RURAL SASKATCHEWAN, AND IT'S GREAT TO HAVE COMPANIES LIKE SASKTEL TAKE THAT SERIOUSLY AND WORK WITH US TO ENSURE ALL OF OUR LOCATIONS CAN FUNCTION AS A SINGLE DEALERSHIP," SAID CAMERON.

"Now that we are using this Cisco phone system, offering solutions to our customers has never been more convenient," added Tom Kelly, Integrated Solutions Manager with South Country.

Business customers like South Country illustrate the value of SaskTel as the Home Team and service provider of choice in Saskatchewan. The growth of this province, its businesses, and its communities is something SaskTel takes seriously in a way and for reasons that no other provider ever will. Like any good team, we continue to work on our strengths and develop our potential.

In every corner of this province, SaskTel has relationships with customers, schools, businesses and communities. We do everything in our power to serve you every day and CX First is an expression of our desire to continue developing for the benefit of our customers.

IN YOUR COMMUNITY

SHARING OUR STRENGTH

Every now and then, it is valuable to step back and recognize what we are doing beyond the functions of an ICT company. Whether through volunteerism, sponsorship of community events and non-profit organizations, our work with Saskatchewan youth, or our environmental stewardship practices, SaskTel knows the importance of being a socially responsible organization.

Most of us have been touched by bullying in one way or another. That's why one of SaskTel's key community initiatives is the *I Am Stronger* campaign, which uses platforms such as iamstronger.ca, Twitter and Facebook to invite individuals to take a pledge to stop bullying and cyber-bullying so that everyone can feel safe in our schools, communities and online.

In addition to the pledge, the *I Am Stronger* website allows individuals who experience or witness bullying to access 24/7 counselling, find experts, and use bullying-reporting resources.

"I can't overstate the importance of *I Am Stronger* as a platform. It's never just been about the targets of bullying. Instead, *I Am Stronger* allows teachers, parents, siblings and the community to get involved. *I Am Stronger* is about social change," explained Doug Burnett, Vice President of Human Resources and Corporate Services. "Having the support of the Saskatchewan Ministry of Education in leveraging our website and in the creation of our reporting tool was invaluable. The Ministry also financed a community grant to help get grass-roots, youth-driven ideas off the ground."

SaskTel's involvement in bullying prevention began by acknowledging that our products and services often allow bullies to engage their victims, particularly online. We felt we had a responsibility to counteract that.

"ALL OF THIS MATTERS SO MUCH BECAUSE REAL LIVES ARE BEING IMPROVED. OUR SUPPORT IS GENUINELY HELPING YOUTH IN COMMUNITIES ACROSS SASKATCHEWAN," CONTINUED DOUG BURNETT.

Madison Ganuelas, a grade 11 student from Lumsden, has been a passionate supporter of *I Am Stronger* since the very beginning. "I was working on a bullying prevention project for school because I've experienced and witnessed bullying. I came across *I Am Stronger* and thought it was cool that the program was local because most programs are U.S.-based and I wanted to include contact information to get support for others in my community.

"*I Am Stronger* has helped me realize the importance of anti-bullying campaigns and awareness. In my own experiences, I've been able to recognize why many people participate in bullying," concluded Madison. "I've learned that bullying really comes down to the fact that people who have been hurt, hurt other people."

The program has been wildly successful. In 2014, major relationships with the Canadian Red Cross

Scott McHenry, Saskatchewan Roughriders
Imagine No Bullying – Spokesperson

and the Saskatchewan Roughriders began to improve the reach and impact of the program. "The Red Cross brings extensive expertise in bullying prevention and interpersonal violence awareness and training," explained Doug Burnett. "On the other hand, the Saskatchewan Roughriders bring the voice to amplify our message and kick the entire program to the next level."

In 2015, *I Am Stronger* will be involved in the Red Cross *Imagine No Bullying* School Tours, featuring speakers from the ranks of Saskatchewan athletes, musicians and other notable personalities who can capture the attention, imaginations and respect of students.

This is Saskatchewan Roughrider Scott McHenry's second year being involved in the tours. "I enjoy being in the schools and making a difference—even just for one kid who realizes they can stand up to bullying or seek help. Last year I spoke at eight schools and I'll do at least 10 this year," said Scott. "This is an important issue, and if we can help by explaining our experiences, giving kids the right tools and knowledge, then we need to do that.

"SaskTel gives us a broader platform. Because they are everywhere in Saskatchewan, their involvement gives us more opportunities and support to help students."

Through *I Am Stronger,* SaskTel is a vital part of the solution to a problem that touches far too many people our customers and stakeholders care about. We can all help remind those affected by bullying that we care by getting involved and taking the pledge at iamstronger.ca.

NETWORKS, NETWORKS AND MORE NETWORKS

Throughout our 107-year history, SaskTel has built infrastructure that provides the people of Saskatchewan with a quality of technology and level of service that rivals some of the most connected cities in the world. Whether 4G/LTE wireless, Digital Subscriber Line (DSL) Internet or fibre Internet, it is our world-class networks, products, services and solutions that make us viable as a company and allow us to deliver on our promise to be the best at connecting people to their world.

Given the unique challenges we face in Saskatchewan, we are proud of what we have accomplished, but there is still more road before us. We will continue to bring leading technologies to our customers no matter where they live. Even in Saskatchewan's vast rural areas, which are among the most sparsely populated in North America, we strive to ensure network quality that is superior to similar areas elsewhere on the planet. That is what we mean by world-class networks—we are delivering cutting-edge technology and we are doing so in ways that compare favourably to service providers around the globe.

In 2014, the federal government recalled the spectrum required to operate SaskTel's Wireless Broadband Internet (WBBI) service. Without access to the necessary radio-frequency spectrum, SaskTel customers would be left with limited or no high speed Internet options.

In response, SaskTel partnered with Huawei to deploy a wireless solution that's first-of-its-kind in North America. SaskTel High Speed Fusion Internet is a fixed wireless solution based on Long Term Evolution-Time Division Duplexing (LTE-TDD). The technology is similar to 4G/LTE but fixed rather than mobile, meaning customers only receive service at the location where their equipment is installed. However, customers can move the installation location and set up services if the new location is within reach of a SaskTel High Speed Fusion Internet tower. By the end of 2014, Fusion was already available on towers throughout rural Saskatchewan, covering almost the entire WBBI footprint.

"WE CAN'T SAY ENOUGH GOOD THINGS ABOUT [FUSION]," SAID DONNA RISSLING, A FUSION CUSTOMER IN LEBRET. "IT HASN'T LET US DOWN FROM DAY ONE, SINCE WE'VE BEEN ON IT," ADDED GARY RISSLING, DONNA'S HUSBAND.

In 2014, SaskTel upgraded existing DSL Internet service in 251 communities, as well as extended DSL service to 54 additional communities for the very first time. To further augment wireless rural Internet, SaskTel implemented enhanced capacity to the 4G wireless network in 118 communities. The capacity increase was achieved by installing additional 850 MHz carriers on existing 4G

Donna Rissling
Lebret Resident

towers, doubling the network capacity in many locations. Extra carriers increase network capacity by adding more radio frequency channels within the tower's existing footprint.

SaskTel introduced its fibre network—***infiNET***™—to Prince Albert and continued expanding fibre service in communities where it is already available. At the same time, we began work on our *Fibre to the North* program, in partnership with SaskPower and Cameco, that will drive fibre service further north to provide more bandwidth for homes, schools and business. The additional bandwidth will also allow for cellular towers to be turned up in some far north communities. Finally, SaskTel completed work to improve CommunityNet services to schools across the province, increasing bandwidth to 10 Mbps for primary schools and 100 Mbps for high schools.

The purpose of our ongoing and aggressive infrastructure investment is to bring our customers the best networks fiscally possible. These networks, and the services they enable, along with exceptional customer experiences, are what separates SaskTel from the competition.

What also separates us is being local. This allows us to balance the needs of customers, our obligations to the communities we serve and the bottom line. This is the home team advantage our customers enjoy having SaskTel based right here in Saskatchewan. We built and maintained this infrastructure when no one else would. We still care about it and our customers more than our competition could because to us, these networks are more than wires, fibre, steel towers and connection cabinets. Instead, they are a testament to our commitment to this province, its people, our history and the culture that ties these things together.

CHANGING EVERYTHING: ICT BUSINESS SOLUTIONS

Today's rapidly changing technology landscape is defined by converged solutions intended to meet the end-to-end needs of business and private customers. Converged solutions blend elements of traditional telecom service with Information Technology (IT) solutions. As a telecom company, we are faced with bringing to market new products and services that provide more value than networks alone. This new focus is called Information and Communications Technology (ICT).

The move to provide more IT-based solutions is one of the greatest transformations in our history and, in 2014, SaskTel formed a dedicated ICT department to provide focus on accelerating the launch, delivery and support of new ICT products and services for the business market. SaskTel is transforming into an ICT company by expanding on our existing skill sets and leveraging the world-class networks that our customers already trust and rely on.

On the other hand, conventional IT companies are faced with providing network connectivity alongside high-value solutions. As a telecom, we have an advantage: it is easier to introduce new products and services than to build entirely new networks. Nonetheless, to successfully navigate this industry-wide change, we must capitalize on every opportunity for growth while also protecting market share and our position as the network provider of choice in Saskatchewan.

The ICT department supports Business Sales with technical expertise and product support. They are also responsible for developing an out-of-province sales strategy through Value Added Resellers (VARs). The creation of an ICT department demanded a substantial realignment of people and resources to deliver more value to customers through end-to-end solutions.

Data centres are key to delivering ICT services and SaskTel has been providing data centre services to customers for over 15 years—from Colocation (placing business-owned IT hardware in remotely managed facilities) to Managed Services. SaskTel currently operates two data centres where government, corporate and private customers are hosted. These facilities offer roughly 4,500 square feet of Colocation space in Saskatoon and an additional 2,200 square feet in Regina. SaskTel is in the construction phase of a third facility to meet service demands.

Our Tier II data centres provide a near-Tier III experience with relation to Uptime Institute Certification standards. Additionally, SaskTel data centres are built to meet telecommunications industry standards, which are more stringent than ordinary data centre standards. These data centres provide a dedicated environment with redundant power, temperature control, humidity management and 24-hour secure access to equipment. Customers find value in being able to

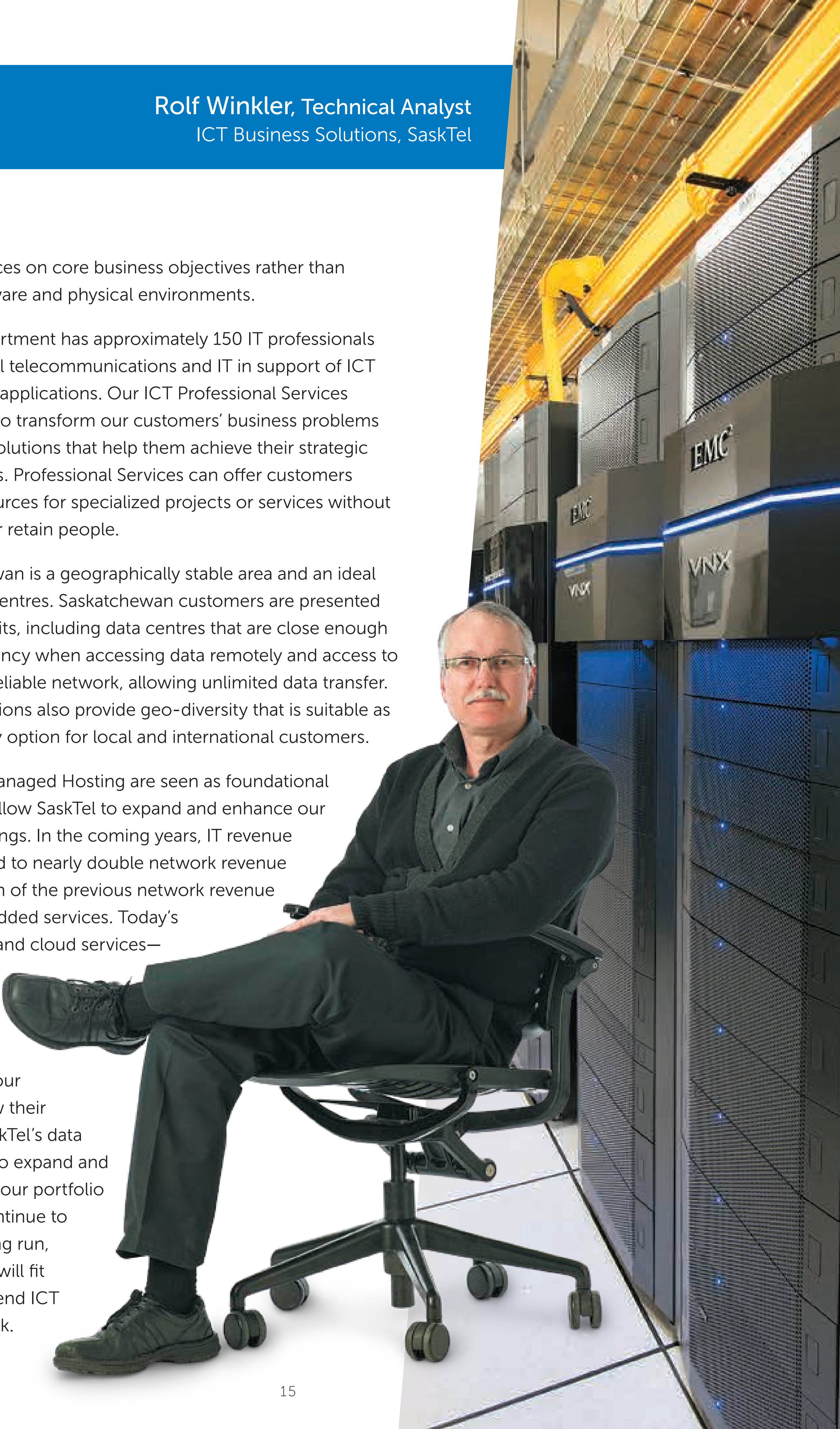
Rolf Winkler, Technical Analyst
ICT Business Solutions, SaskTel

focus their resources on core business objectives rather than maintaining hardware and physical environments.

SaskTel's ICT department has approximately 150 IT professionals bridging traditional telecommunications and IT in support of ICT infrastructure and applications. Our ICT Professional Services group enables us to transform our customers' business problems into end-to-end solutions that help them achieve their strategic and business goals. Professional Services can offer customers highly skilled resources for specialized projects or services without the need to find or retain people.

Finally, Saskatchewan is a geographically stable area and an ideal location for data centres. Saskatchewan customers are presented with unique benefits, including data centres that are close enough to prevent any latency when accessing data remotely and access to SaskTel's robust, reliable network, allowing unlimited data transfer. Our multiple locations also provide geo-diversity that is suitable as a disaster recovery option for local and international customers.

Colocation and Managed Hosting are seen as foundational services that will allow SaskTel to expand and enhance our future cloud offerings. In the coming years, IT revenue growth is expected to nearly double network revenue growth, with much of the previous network revenue shifting to value-added services. Today's Managed Service and cloud services—such as Managed Hosting and Hosted Communication Services—enable our customers to grow their businesses. As SaskTel's data centres continue to expand and interest increases, our portfolio of services will continue to develop. In the long run, everything we do will fit within an end-to-end ICT solution framework.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTENTS

INTRODUCTION

The following management's discussion and analysis (MD&A) focuses on the strategies, business operations, consolidated financial position and results of operations of Saskatchewan Telecommunications Holding Corporation (SaskTel or the Corporation), including its major strategic business units and its subsidiaries. This discussion and analysis should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes on pages 58 to 92 of this report and includes information available to the Corporation up to February 24, 2015, unless otherwise stated.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Many sections of this discussion include forward-looking statements about SaskTel, its business outlook, objectives, plans and strategic priorities, the sources of liquidity we expect to use to meet our anticipated 2015 cash requirements, and our network deployment plans.

Forward-looking statements also include any other statements that do not refer to historical facts. A statement is forward-looking when it uses information known today to make an assertion about the future. Forward-looking statements are typically identified by such words as assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions, or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements, and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in SaskTel's 2014 annual report, including in this MD&A, for the purpose of assisting readers in understanding our objectives, strategic priorities and business outlook, as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing forward-looking statements contained in SaskTel's 2014 annual report. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A. We believe that these assumptions were reasonable at February 24, 2015. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors including, without limitation, competitive, regulatory, economic, financial, operational and technological risks that could cause actual results or events to differ materially from those expressed in, or implied by, the above-mentioned forward-looking statements and other forward-looking statements in SaskTel's 2014 annual report, as well as in this MD&A, include, but are not limited to, the risks described in the Risk Management section, which is incorporated by reference in this cautionary statement.

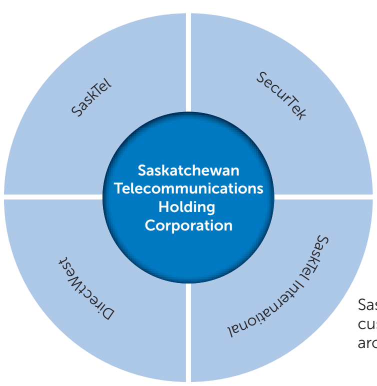
We caution readers that the risks described in the above-mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 24, 2015. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

ABOUT SASKTEL

FOR US, COMMUNICATION IS ABOUT COMMUNITY. PEOPLE WHO MAKE A DIFFERENCE. IT'S ABOUT BEING A PART OF SOMETHING BIGGER. IT'S ABOUT US CONNECTING WITH YOU—AND THEN CONNECTING YOU WITH YOUR WORLD.

Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel's wholly owned subsidiaries offer a wide array of products, services and solutions to customers in Saskatchewan as well as around the world. They include Saskatchewan Telecommunications, Saskatchewan Telecommunications International, Inc., DirectWest Corporation, and SecurTek Monitoring Solutions Inc. These subsidiaries have a combined workforce of approximately 4,000 Full Time Equivalents (FTEs), making SaskTel one of the largest employers in Saskatchewan.



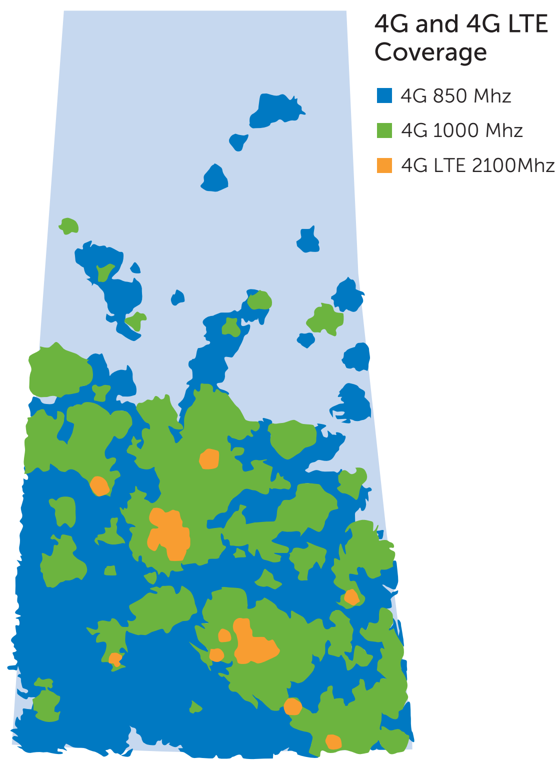
SaskTel's subsidiaries serve customers in Saskatchewan and around the world.

Saskatchewan Telecommunications (Telco)

www.sasktel.com

The Telco is the largest subsidiary business within SaskTel. It is the leading Information and Communications Technology (ICT) provider in Saskatchewan, with over $1.1 billion in annual revenue and over 1.4 million customer connections including over 618,000 wireless accesses, 437,000 wireline network accesses, 258,000 Internet accesses and over 103,000 ***maxTV***™ subscribers. SaskTel offers a wide range of ICT products and services including competitive

- voice, data and Internet services,
- wireless data services,
- ***maxTV*** entertainment services,
- data centre services, and
- cloud-based services.



The Telco is the largest and most comprehensive provider of ICT networks within the province of Saskatchewan. These leading-edge networks include the following:

- world-class wireless Fourth Generation (4G) and Long Term Evolution (LTE) wireless networks
- Long Term Evolution-Time Division Duplex (LTE-TDD) fixed wireless for rural broadband access (High Speed Fusion Internet service)
- Wi-Fi in select locations (SaskTel Select Wi-Fi service)
- advanced Fibre to the Premises (FTTP) ***infiNET***™ network
- extensive Internet Protocol Television (IPTV) footprint in major centres across the province (***maxTV***)

- ubiquitous local access network throughout both urban and rural Saskatchewan

The Telco is one of the province's largest employers with approximately 3,700 FTEs. Its head office is located in Regina, Saskatchewan.

Saskatchewan Telecommunications International, Inc. (SI)

www.sasktelinternational.com

SI is a wholly owned subsidiary of SaskTel. It was established in 1986, and since then has completed projects in 40 countries and six continents. Through its unique relationship with the Telco, SI has direct access to Telco knowledge, experience and resources. This gives SI a competitive advantage in the market as it brings an actual operational perspective to the products it sells.

The SI product portfolio has software solutions for service and resource order management, service and resource inventory management, service and resource activation, and incident and problem management. This product suite focuses on enabling and automating the core operations of any communications service provider. SI's Service and Resource Order Management solution manages over 12 million lines across multiple service providers while the Service and Resource Activation solution processes over 1.5 million requests per week. SI's customer base ranges from Tier 1 to Tier 3 service providers across North America.

In addition to these core products, SI offers a services portfolio that includes consulting, design, deployment, support, systems integration, managed services, certification, software development, resourcing and training. The services performed by SI over the past 28 years range from managing the Tanzania Telecommunications Company to completing multi-year product implementations at CenturyLink, one of the largest communication companies in North America.

SaskTel International's head office is located in Regina, Saskatchewan, and the company employs approximately 58 FTEs.

DirectWest Corporation (DirectWest)

www.directwest.com

DirectWest is a wholly owned subsidiary of SaskTel. It is a local search and marketing services company and the exclusive provider of mysask411, Saskatchewan's best source for local information. mysask411 enables consumers and businesses to search, find and connect with local businesses, people and communities through a multi-platform approach that includes print, online, mobile and other digital mediums, including search engine optimization, *maxTV* services and social media marketing.

Through this network of local media / platform assets that are familiar to and used by Saskatchewan consumers regularly, DirectWest helps businesses connect to consumers by placing optimized content on multiple platforms available everywhere people search.

DirectWest's head office is located in Regina, Saskatchewan, and the company employs approximately 110 FTEs.

SecurTek Monitoring Solutions Inc. (SecurTek)

www.securtek.com

SecurTek is a wholly owned subsidiary of SaskTel. Founded in 1999, it provides commercial and residential video monitoring, access control, medical alert and interactive services. SecurTek provides monitoring services to almost 77,000 customers across Canada. Through its dealer program, SecurTek is in partnership with 46 retail dealers across the country. These dealers drive new sales while providing sales and service expertise to their customers on SecurTek products.

SecurTek is an Underwriters Laboratories Canada (ULC) rated monitoring station and is certified at the 5-diamond level by the Central Station Alarm Association (CSAA). This makes all of SecurTek's monitoring stations comparable to the best-in-class stations across North America.

SecurTek's head office and central monitoring station are located in Yorkton, Saskatchewan, with additional monitoring stations in Winnipeg, Manitoba and Aurora, Ontario. The company employs approximately 108 FTEs.

STRATEGIC DIRECTION

SASKTEL'S LONG-TERM SUCCESS IS PREDICATED ON THE EXCEPTIONAL EXECUTION OF ITS CORE STRATEGIES BY ITS HIGHLY SKILLED AND DEDICATED EMPLOYEES. PROGRESS ON THESE CORE STRATEGIES MOVES US EVER CLOSER TO OUR VISION OF BEING THE BEST AT CONNECTING PEOPLE TO THEIR WORLD.

Alignment to the Shareholder

SaskTel is a Crown corporation of the Province of Saskatchewan. In addition to the needs of the marketplace, the company's overall strategic direction is guided by the priorities of the provincial government.

In September 2012, the Government released the *Saskatchewan Plan for Growth: Vision 2020 and Beyond*. This multi-year plan serves as the governing framework for the future development of the province. Six core growth-oriented priorities were outlined in the plan, to which all Saskatchewan Crown corporations are expected to contribute:

1. Investing in infrastructure
2. Developing a skilled workforce
3. Ensuring competitiveness
4. Increasing export trade
5. Advancing the province's natural resource strengths through innovation
6. Maintaining sound fiscal management.

In 2014, the Government re-affirmed its commitment to the priorities outlined in the Saskatchewan Plan for Growth. SaskTel continues to align itself to these priorities through prudent investments in infrastructure, the development of a skilled workforce, ensuring competitiveness, and maintaining sound fiscal management (through greater efficiencies and collaboration with other Crown corporations).

SaskTel's vision, mission, core themes, and core strategies were developed by the Board of Directors and Management with this direction from the shareholder in mind.

VISION: Be the best at connecting people to their world.

MISSION: To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications.

SaskTel's Future State

As technology and customer needs continuously advance, SaskTel is moving forward as well. We are in the process of an important transformation that is allowing us to deliver to Saskatchewan the next generation of ICT services. Throughout the last several years, SaskTel has made unprecedented investments in new network technologies, systems, processes, and workforce skills that are energizing the company and instilling confidence as the premier provider of ICT solutions in the province. As a result, SaskTel is no longer simply a provider of traditional telecommunications services.

SaskTel's future is predicated on a continuing move to Internet Protocol (IP)-based networks and services. This represents a change from circuit switched voice, video, and data to IP connections and solutions running over-the-top (OTT). Ultimately, this will involve the completion of our converged intelligent broadband network that will provide a ubiquitous, seamless customer experience across networks and devices. In the future, customers will have one broadband access that will be served via mobile, fixed, and Wi-Fi networks.

Our intelligent broadband network will be packaged with business information technology (IT) services that will provide end-to-end solutions for our business customers. These new services will be focused in the areas of network access, hardware and software, professional services, managed IT services, and managed cloud services. This will provide a unique and highly competitive package of network and value-added services.

SaskTel will differentiate itself by

- having a superior network and infrastructure,
- delivering the best solutions, and
- remaining local and committed.

All of these advances will have a positive impact on the customer experience. We will deliver on customer expectations that connectivity and services be available anytime, anywhere, over any device. There will be a rigorous focus on the customer through the implementation of our Customer Experience (CX) First Program. SaskTel's focus on the customer—the citizens and businesses of this province—will remain at the heart of our enterprise.

Core Themes

In order to achieve SaskTel's vision, mission, and future state within the context of a challenging business environment, two core themes were developed that serve to frame and guide SaskTel's overall strategic direction—**Transform** and **Optimize**. SaskTel will continue to harvest the benefits from its legacy services to generate income and retain customers (*Optimize*) while aggressively developing services and markets that will keep it successful over the long-term (*Transform*). Taken together, the themes provide an overarching framework for the company's five core strategies.

OPTIMIZE
To get the most out of our existing environment.

TRANSFORM
To transform services, people, processes, systems and technology to be successful in the long term.

Core Strategies

CUSTOMER STRATEGY

Deliver an outstanding customer experience

A focus on the customer comes first and foremost at SaskTel. As competition increases, products become more commoditized due to technological change and price competition. As a result, launching new ICT services and enhancing the delivery of outstanding customer experience has become critically important to SaskTel. We are therefore committed to continuously striving to design and deliver a positive customer experience every time. A balance will be struck between consistently satisfying customer needs and generating returns for our shareholder. SaskTel has committed to doing things right the first time, owning and fixing problems quickly, making life easy for our customers, setting clear expectations, living up to our commitments, and responding quickly to unexpected circumstances.

2014 Progress

- Launched the industry best practices CX First program aimed at increasing the focus and discipline placed on customer experience.
- High Speed Fusion Internet service was launched in rural Saskatchewan, providing up to 5 megabytes per second through new LTE-TDD technology.
- *maxTV* On the Go was launched, offering video-on-demand and subscription-on-demand content to Android and iOS devices.
- Grew overall broadband accesses by approximately 48,000 throughout 2014.
- Won the J.D. Power award for highest wireless customer satisfaction among full-service carriers for the third straight year.
- Won the J.D. Power award for highest television and Internet customer satisfaction in the West Region for the second consecutive year.
- Celebrated 25 years of world-class wireless service throughout Saskatchewan.
- Provided outstanding customer service during unprecedented flooding events across southern Saskatchewan in July that caused extensive infrastructure damage.

2015 Focus

- Further embedding of the CX First principles into SaskTel's corporate culture and operations.
- Increase investments in customer control and self-management capabilities.

- Continue development of new ICT services for the business market.
- Commercial launch of new services.
- Evolution and expansion of sales and support capabilities for new ICT services, including the development of Value Added Resellers (VARs) both within and beyond Saskatchewan.
- Implementation of new tools for small business customers.
- Implementation of new Interactive Voice Response system.
- Achievement of customer satisfaction targets, demonstrating continuous improvement over 2014 results.

INFRASTRUCTURE STRATEGY

Continue to build a converged intelligent broadband network

The core of SaskTel's business continues to be our world-class network infrastructure. Using a combination of fibre and wireless technology, SaskTel is currently in the process of developing Saskatchewan's premier converged broadband network. A combination of fibre optics, fixed LTE, and copper will be used across the province. Concurrently, we are also developing and enhancing our data-centre capabilities. This infrastructure evolution will support requirements for a quality customer experience and services being available anytime, anywhere, and on any device. The converged intelligent broadband network will also result in more efficient and cost-effective service development, deployment, and network maintenance.

2014 Progress

- Continued roll out of *infiNET*.
- Continued implementation of High Speed Fusion technology in rural Saskatchewan, providing enhanced broadband access.
- Expanded SaskTel Select Wi-Fi infrastructure in Regina, Saskatoon, Moose Jaw, and Prince Albert (including major venues such as Mosaic Stadium).
- Continued deployment of LTE wireless network upgrades across the province, addressing ever-growing customer demand for coverage and capacity.
- Completed rollout of High Speed Internet to over 50 communities along with download speed upgrades to 10Mbps in over 200 existing communities.
- Implemented the IP Multimedia Subsystem (IMS) into the core network.
- Completion of upgraded CommunityNet access speeds to 550 schools across the province.
- Continued work on the Regional Ethernet Transport Program, replacing rural linear transport systems with fibre rings connected to major centres.

2015 Focus

- Continue implementation of technology to increase wireless capacity in urban centres to ensure a high quality wireless experience.
- Implementation of additional components of the converged intelligent broadband network.
- Further deployment of the fibre access network in major centres across the province.
- Expansion of the SaskTel Select Wi-Fi network.
- Greater leveraging of network data analytics to increase network optimization.
- Development of additional data-centre capacity with a focus on expansion of the Regina data centre.

PROCESSES / SYSTEMS STRATEGY

Transform our processes and systems to enhance the delivery of products and services

SaskTel operates on the cutting edge of technology, including advanced networks and services. SaskTel also operates and maintains a number of legacy technologies and systems. The accelerating evolution of technology through the convergence of traditional telecommunications technology and information technology makes it necessary to continuously assess and modernize the company's enabling processes and systems. End-to-end business processes and systems are being transformed to improve sales, fulfillment, assurance and billing capabilities. These improvements enable faster speed to market, greater operating efficiencies, and enhanced employee working conditions, and make it easier for customers to do business with SaskTel.

2014 Progress

- Continued development of the new Wireless Delivery Environment to improve wireless billing.
- Launched the third phase of our Customer Relationship Management program that will help to improve the handling of customer requests as well as create internal efficiencies.
- Completed upgrades to the Tier II data centre in Saskatoon and initiation of upgrades and expansion of the Tier II data centre in Regina.

2015 Focus

- Transformation of key business processes to simplify and enhance the customer experience.
- Implementation of systems to achieve customer control and self-management capabilities.
- Consolidation and enhancement of key systems to achieve efficiencies and delivery improvement.
- Simplification of order management processes through greater automation.
- Development of an enhanced e-commerce experience.

WORKFORCE STRATEGY

Evolve and align our workforce to achieve our business goals

In order to successfully deliver an outstanding customer experience while implementing new technologies and transforming the business, it is vital to have in place the right people with the right skills. Given the challenges that SaskTel faces with respect to technological, regulatory, and competitive change, maintaining and constantly developing our world-class workforce is key to advancing all of our strategic objectives. SaskTel is committed to continuously developing our employees and remaining an employer of choice in order to attract and retain a highly engaged workforce. All SaskTel employees see themselves accountable for aligning their activities to the company's goals.

2014 Progress

- Improved our performance on the annual Hay Group employee engagement survey by 3%, putting us ahead of the 2014 target.
- Won numerous MediaCorp awards including
  - Saskatchewan's top employer for the 8th straight year
  - Named one of Canada's Best Diversity Employers for the 4th consecutive year
  - Named one of Canada's Greenest Employers for the 6th consecutive year
  - Recognized as one of Canada's Top Employers for Workers Over 40
  - Recognized as one of Canada's Top Employers for Young People for the 2nd time
  - Recognized as one of Canada's Top 100 Employers for the 15th straight year
- 98.5% of employees received training on emerging ICT.

2015 Focus

- Continue evolution of employees' ICT skill sets.
- Reinforcement of the corporate cultural principles throughout the organization.
- Evolution of the sales compensation model.
- Improvements to third-party contractor management processes.

FINANCIAL STRATEGY

Maintain financial sustainability through profitable revenue growth and continuous improvement

To ensure SaskTel's long-term success, the company has increased its focus on the management of both costs and revenues. Strong financial management is critical moving forward as we attempt to preserve profit margins on legacy services while making significant investments in new infrastructure and the development and launch of new growth services. A key to this is achieving further improvements through operational excellence and continuous improvement initiatives, such as greater collaboration with other Saskatchewan Crown corporations. In addition, SaskTel will continue to manage costs through a selective approach to capital investments. Through a balanced approach to profitability, costs, and customer service, SaskTel will achieve the long-term returns required by our shareholder.

2014 Progress

- Cost containment initiatives were implemented that resulted in SaskTel being ahead of its net income target for 2014.
- Continuous efficiency improvements were sought in a number of areas, including
  - Crown collaboration activities (e.g., fibre sharing with SaskPower)
  - Continued work on Customer Self-Serve, allowing customers more control over their services
  - Enhanced contract and vendor management to lower operating costs
  - Further investment in eProcurement systems and processes
  - Completed work on new systems and processes such as Wireless Delivery Environment (WDE) and Customer Relationship Management (CRM)
  - Ongoing investment in the FTTP program, lowering future maintenance and power costs
  - Introduction of a new sales compensation model to drive revenue
  - Development of enhanced internal reporting and data analytics

2015 Focus

- Continue implementation of operational excellence and continuous-improvement initiatives, including additional Crown collaboration activities.
- Scrutiny of capital spending to ensure greatest potential returns on capital.
- Updates to the sales compensation model to drive new revenue growth.
- Launch of new ICT Managed Services to access new markets and capture new revenue potential.
- Increase emphasis on ensuring product profitability.

PERFORMANCE MANAGEMENT

OUR PRIMARY RESPONSIBILITY IS TO PROVIDE WORLD-CLASS INFRASTRUCTURE, SERVICES AND REQUIRED RETURNS TO OUR STAKEHOLDERS—THE PEOPLE OF SASKATCHEWAN. SASKTEL'S PERFORMANCE IS ULTIMATELY PREDICATED ON DELIVERING AN EXCEPTIONAL CUSTOMER EXPERIENCE AND OPERATIONAL EXCELLENCE THROUGH THE EFFORTS OF OUR DEDICATED, WORLD-CLASS WORKFORCE.

Balanced Scorecard

SaskTel utilizes a balanced scorecard to monitor and measure performance in four areas critical to the company's long-term success: Customer, People, Operational Excellence, and Financial. The Key Success Measures (KSMs) found within the scorecard are strategic and ultimately define what success looks like. They enable Management to track progress towards our strategic goals and make adjustments that may be required. Targets for each balanced scorecard measure are developed by Management and approved by the Board of Directors.

2014 Targets and Results

CUSTOMER

The 2014 Customer measures focused on customer satisfaction, one of the most important differentiators for products within our industry. Consistent with our Customer Strategy, these customer satisfaction measures provide insight into the effectiveness of our various customer service activities and our overall focus on delivering an outstanding customer experience. In some cases, factors beyond SaskTel's control (such as regulatory decisions) will impact customer perception. These factors are taken into consideration when assessing our performance on these measures.

Measure	2014 Target	2014 Performance		Result
Customer Satisfaction				
Customer perception – consumer	Maintain 2013 Actual	Maintained 2013 Actual	Due to a strong focus on customer experience initiatives in 2014, SaskTel was able to achieve the targets for both Consumer and Business customer perception metrics.	●
Customer perception – business	Maintain 2013 Actual	Maintained 2013 Actual		●
Competitive index – consumer	0.2 above 2013	2.9 below 2013	This metric measures relative performance between SaskTel and its major competitors. While SaskTel is still performing very well with respect to customer satisfaction, the performance on this metric indicates that our competitors have improved their relative performance throughout 2014.	○
Product / Service Innovation				
# of new products introduced	3	1	Due to several product development projects taking longer to complete than originally anticipated, SaskTel was unable to achieve the target for the year. New services that were planned for late 2014 will be launched in early 2015.	○

○ not met ● achieved

PEOPLE

The 2014 People measures focused on employee engagement and the development of new skills and capabilities in ICT technologies and business models. Consistent with our Workforce Strategy, these measures concentrate on ensuring a highly trained workforce that is actively engaged in its activities. A world-class workforce that is comfortable working with new ICT technologies and models and that is highly engaged is a foundational element for the future success of SaskTel.

Measure	2014 Target	2014 Performance		Result
Employee Engagement				
Hay survey result for employee engagement	2% above 2013	3% above 2013	The overall Employee Engagement score improved by 3% over 2013 and was 1% over the 2014 target. Given that percentage movements in the score are difficult to achieve, this is an extraordinary result. Increasing employee engagement is a significant contributor to a productive workforce. Key engagement findings were that • employees are optimistic about the future, • employees have confidence in their knowledge and skill sets, and • employees like SaskTel as a place to work and are proud to work here.	●
Learning and Growth				
% of employees formally trained in ICT learning and development	70.0%	98.5%	Contributing to SaskTel's transformation to an ICT company, employees enthusiastically embraced several ICT training programs that were offered in 2014.	●
Inclusive Workforce				
Aboriginal people (% of new hires into permanent positions)	25.0%	7.8%	SaskTel remains committed to developing a representative workforce and to the recruitment of Aboriginal People. SaskTel continues to maintain a number of programs to recruit and retain Aboriginal employees. 2014 proved to be a challenging year for recruitment due to competition for Aboriginal employees coupled with SaskTel's need for very specific qualifications, especially in technical areas.	○
People with disabilities (% of new hires into permanent positions)	7.5%	3.9%	SaskTel remains committed to the recruitment of people with disabilities. Throughout 2014, the pool of candidates self-declaring as a person with a disability was low.	○
Women in under-represented roles (% of women hired or promoted into designated groups classified as under-represented by the Saskatchewan Human Rights Commission)	34.0%	40.0%	2014 was a successful year in recruiting women into under-represented roles. SaskTel exceeded the target through placements in sales, management, and technical areas.	●

○ not met ● achieved

OPERATIONAL EXCELLENCE

The Operational Excellence measures were focused on the execution of our FTTP program and the level of SaskTel's greenhouse gas emissions. Consistent with our Infrastructure and Customer Strategies, the FTTP program is a cornerstone of SaskTel's future as it is not only a major contributor to maintaining positioning against key competitors, but also a means to increasing the efficiency of operations over the long-run.

Measure	2014 Target	2014 Performance		Result
Execution of Strategic Initiatives				
FTTP execution – homes passed	33,700	24,204	Vendor resource availability was a key factor in coming in below target. Capacity issues led to a delay in buried construction activity that were not alleviated until Q4. Unfinished work from late 2014 will be completed in early 2015, bringing this metric back on track.	○
FTTP execution – homes connected	18,000	19,023	Exceeding the target of 18,000 homes was achieved as a result of two factors: • Buried pathway construction more than doubled in 2014. • Multi-Dwelling Unit (MDU) installations more than doubled in 2014. The increases in production in both of these areas resulted in more ***infiNET*** services being sold to customers.	●
LTE-TDD execution – sites implemented	43	47	SaskTel successfully completed the installation of 47 sites in 2014, four more than targeted. In order to alleviate congestion in some areas where this was becoming an issue, four additional towers were also equipped with this new technology. The High Speed Fusion Internet Service was launched in April and has been well received in rural Saskatchewan.	●
Environment				
Greenhouse gas (GHG) emissions	10,753	11,392	Our greenhouse gas emissions were higher than target due to a combination of increased fleet travel and fleet fuel use, as well as an increase in natural gas consumption in 2014.	○

○ not met ● achieved

FINANCIAL

The 2014 Financial measures focused on shareholder value, revenue growth, net income, and the intensity of capital investment. Consistent with our Financial Strategy, these measures concentrate on ensuring insight into the continuous improvement of SaskTel’s long-term financial performance.

Measure	2014 Target	2014 Performance		Result
Shareholder Value				
ROE	8.5%*	10.5%	SaskTel delivered a higher than expected Return on Equity in 2014. This was due primarily to favourable budget variances in net income.	●
Debt Ratio	56.0%*	52.8%	SaskTel’s debt ratio came in below the 2014 target. This is a direct result of lower-than-budgeted capital spending throughout the year.	●
EBITDA margin	24.0%	24.8%	SaskTel exceeded its EBITDA target in 2014. EBITDA margin is a key proxy for the company’s operational efficiency. SaskTel made efforts in 2014 to improve efficiency, which contributed to this result.	●
Revenue Growth				
Total Revenues	$1,250M	$1,231M	SaskTel’s total revenues were slightly below target in 2014, due to a number of factors that are also impacting the entire Canadian industry: • New federally mandated wireless roaming rates. • Ongoing increases in competition.	○
Net Income				
Net Income	$59.2M	$76.4M	SaskTel’s net income for the year is 29.1% higher than targeted. Given that revenue growth was challenging in 2014, a strong focus on and management of expenses throughout the year was a key contributor to this positive result.	●
Spend – Network & IT				
Capital Intensity	24.5%	21.2%	SaskTel’s capital intensity was 3.3% below target in 2014. This is a direct result of a strong focus on managing capital costs.	●

○ not met ● achieved

* Targets have been adjusted to reflect the retrospective change in accounting policy for revenue recognition.

2015 Measures and Targets

SaskTel's balanced scorecard measures are reviewed and updated annually based on changes in the business and the industry environment. A review is conducted to ensure that the company is focusing on measuring those key success factors that are of most relevance to the strategic direction of the company within the new plan horizon. Heading into 2015, the balanced scorecard measures have been updated, with new metrics added and others removed. These changes have been undertaken to ensure a more streamlined scorecard with fewer, outcome-based indicators.

The 2015 balanced scorecard measures and targets are outlined and described in the tables below.

CUSTOMER

Consistent with previous years and our Customer Strategy of ***delivering an outstanding customer experience***, SaskTel continues to focus on measuring customer satisfaction. This will ensure that we are differentiating ourselves in this very important area. Given that we are making significant investments in our customer experience programs, processes, and systems, we will continue to closely monitor customer perception within both the consumer and business market segments. With respect to our 2015 targets, SaskTel is seeking to maintain our customer perception score within the consumer market and increase our performance in the business market.

2015 Measures and Targets

Measure	2015 Target
Customer Satisfaction	
Customer perception – consumer	Maintain 2014 actual
Customer perception – business	Improve by 1 point over 2014 actual

PEOPLE

For 2015, the People section of the scorecard continues to focus on employee engagement and the development of new skills and capabilities in order to ensure the company is moving towards the Workforce Strategy of ***evolving and aligning our workforce to achieve our business goals***. As in previous years, the Hay survey results for employee engagement are a critical measure to ensure that employee engagement is improving. High levels of engagement are important to ensuring the long-term success of the organization. We are seeking to increase the engagement score once again in 2015.

2015 Measures and Targets

Measure	2015 Target
Employee Engagement	
Hay survey result for employee engagement	2% above 2014
Learning and Growth	
Hay survey results for skill evolution	83.0%

OPERATIONAL EXCELLENCE

Heading into 2015, our Operational Excellence measures will continue to focus on the execution of our FTTP program because it is a critical component to delivering on our Infrastructure Strategy of ***continuing to build a converged intelligent broadband network***; on maintaining competitive positioning vis-a-vis key rivals; and on increasing efficiency of operations over the long run. New to this section of the scorecard for 2015, is EBITDA margin as a measure of overall operating efficiency. EBITDA margin was formerly reported as part of the Financial section of the balanced scorecard. SaskTel will continue to aggressively pursue achievement of our 'homes passed' and 'homes connected' targets while maintaining an EBITDA margin consistent with 2014.

2015 Measures and Targets

Measure	2015 Target
FTTP Execution	
# of homes passed	27,200
# of homes connected	18,000
Efficiency	
EBITDA margin	25.1%

FINANCIAL

SaskTel continues to make significant investments in major capital programs while facing unprecedented competitive and regulatory challenges that are putting downward pressure on profit margins. As a result, more emphasis is being placed on developing new revenue sources from next generation ICT services along with greater attention to the management of capital intensity and the debt ratio. Consistent with this, a new measure has been added to the Financial section of the scorecard for 2015, to track revenues being generated from new managed and emerging services.

There will also be a continuing focus on operational cost management. SaskTel is targeting medium- to long-term improvements to net income. These efforts are designed to bring the company in line with its long-term ROE goal of 12% and to fulfill the company's Financial Strategy of ***maintaining financial sustainability through profitable revenue growth and continuous improvement***.

2015 Measures and Targets

Measure	2015 Target
Shareholder Value	
ROE	10.2%
Debt Ratio	53.2%
Revenue Growth	
Total revenues	$1,304.6M
Managed and emerging services revenues	$28.1M
Net Income	
Net income	$76.8M
Spend – Network & IT	
Capital intensity	23.0%

ECONOMIC AND INDUSTRY OUTLOOK

2014 SAW AN UNPRECEDENTED INCREASE IN REGULATORY ACTIVITY THAT IS CAUSING DISRUPTION ACROSS THE ENTIRE CANADIAN COMMUNICATIONS INDUSTRY. IT IS EXPECTED THAT THIS TREND WILL CONTINUE INTO 2015, WITH CONSEQUENCES FOR ALL FIRMS, MOST NOTABLY THOSE THAT OPERATE WITH A REGIONAL FOCUS.

Saskatchewan Economic Environment

SaskTel's customer base and operations are primarily within the province of Saskatchewan. As such, SaskTel pays close attention to the macroeconomic context in which it conducts business. The performance and growth of Saskatchewan's economy has a direct impact on SaskTel's operations and the potential for growth in the business. Over the past seven to eight years, Saskatchewan's economy has been growing vigorously, with GDP expansion among the strongest in Canada during this period.

Real Gross Domestic Product (GDP) Annual average percent change					
	2012	2013	2014F	2015F	2016F
CANADA	1.9	2.0	2.5	2.4	2.3
N. & L.	-4.5	7.2	-1.9	0.8	0.2
P.E.I.	1.0	2.0	1.4	1.6	1.7
N.S.	-0.3	0.3	2.2	2.2	2.1
N.B.	-0.4	-0.5	0.8	1.9	1.5
Québec	1.5	1.0	1.5	2.0	1.9
Ontario	1.7	1.3	2.5	3.3	2.7
Manitoba	3.3	2.2	1.8	2.8	2.8
Sask.	3.1	5.0	1.1	2.1	2.1
Alberta	4.5	3.8	4.2	0.6	1.1
B.C.	2.4	1.9	2.9	3.1	2.8

Source: RBC Economics, Provincial Outlook, March 2015.

Growth started to slow substantially in 2014, compared to the blistering pace that occurred earlier in the decade. A downward slide in oil prices that began in mid-2014 and accelerated towards the end of the year is of significant concern. This slump in oil prices has continued into 2015, and creates a downside risk for the economy with the potential to result in smaller corporate profits, government revenues and capital plans throughout the year. In early 2015, economic analysts scrambled to revise their forecasts based on the impact of the low oil price situation. A consensus has formed that the oil-producing regions of Canada (including Saskatchewan) will see much slower economic growth throughout 2015 and into 2016, until the price of oil stabilizes.[1] Saskatchewan's economic growth in 2015 is anticipated to perform modestly at 2.1% over the 2015 and 2016 periods,[2] helped along by other sectors of the economy (besides the oil and gas sector), that will improve their performance.

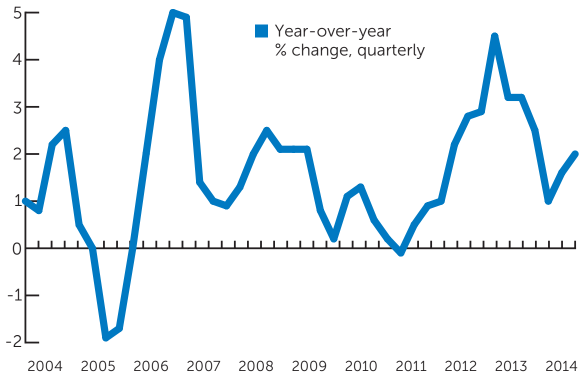
The Conference Board of Canada believes that the oil price slump will not be long-term, moderating by mid-2015 to approximately $60 per barrel by the end of the year, based on a combination of how demand, supply, and Saudi Arabian intentions play out.[3] The agricultural and construction sectors will likely also experience softness due to predicted lower yields and transportation bottlenecks in the former, and the winding up of some major construction projects in the latter.[4] Agriculture is expected to see growth improvements starting in 2016.[5]

The non-energy mining sectors are expected to have an improved year in 2015, driven by increasing demand for uranium and higher prices and profits in the potash industry. The restarting of nuclear reactors in Japan after the tsunami events of 2011, along with expansion of nuclear power in China and other emerging markets, will be the primary drivers behind uranium demand. Potash is predicted to recover as events that will likely drive down Russian production lead to price increases. This improved performance should offset some of the downside risk potential in both the energy and agricultural sectors. As a result, Saskatchewan is expected to show some modest economic acceleration in 2015.[6]

1 RBC Economics, Provincial Outlook, March 2015.
2 RBC Economics, Provincial Outlook, March 2015.
3 Conference Board of Canada: Why "Bottom of the Barrel" Oil Prices Won't Last, January 7, 2015.
4 Conference Board of Canada: Provincial Outlook Economic Forecast, Autumn 2014, pg. 59.
5 Conference Board of Canada: Provincial Outlook Economic Forecast, Autumn 2014, pg. 60.
6 RBC Economics: Provincial Outlook, December 2014, pg. 1.

As a result of this growth, Saskatchewan's employment picture (with the exception of the oil patch), is expected to remain positive. The province is predicted to continue to lead Canada with the lowest unemployment rate in the country. The relatively healthy employment picture should result in income gains with growing household disposable income.[7] This should bode well for Saskatchewan's service sector and retailers.

Saskatchewan employment growth



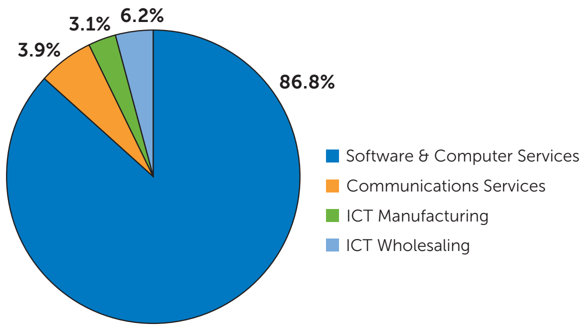
Source: Statistics Canada, RBC Economics Research.

Continued (if modest) growth in Saskatchewan's economy and the resulting demand for tertiary services should translate into continued demand for ICT services from both residential consumers and businesses across Saskatchewan. Ongoing increases in consumption of these services will create opportunities for sales of new and emerging services, but will also put more pressure on existing network and service infrastructures. Prudently managing the extent of growth, and the associated capital and operating costs, will continue to be vitally important as SaskTel heads into 2015 and beyond.

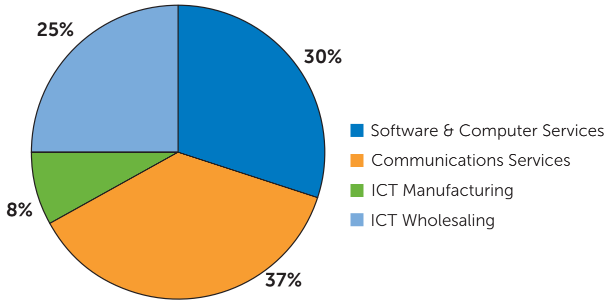
ICT Industry

Historically, SaskTel operated in what is known as the Canadian telecommunications industry. As technology continues to rapidly evolve through the convergence of telecommunications technology and information technology (IT), a new industry has emerged that is known as the information and communications technology (ICT) industry. According to Industry Canada's latest data, the ICT industry is a major contributor to Canada's economy, generating over $155 billion in revenue, contributing over $67.2 billion in GDP, and employing over 500,000 people. Industry Canada's definition separates the ICT industry into four distinct sectors: *Communications Services, Software and Computer Services, ICT Manufacturing,* and *ICT Wholesaling*. Approximately 33,000 companies operate within the industry, the vast majority (87%) within the Software and Computer Services sector. The Communications Services sector (in which SaskTel primarily operates) is federally regulated and much more concentrated, constituting only 4% of all firms within the industry.

Companies by ICT Sector, 2011



Revenues by ICT Sector, 2011 (Total: $154.8 Billion)



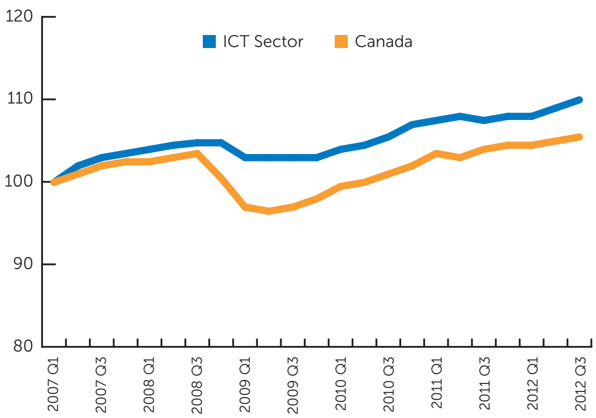
Source: Industry Canada, Canadian ICT Statistical Overview.

Overall, output in the Canadian ICT industry has been growing. On a GDP basis, the industry has been outgrowing the Canadian economy as a whole. Based on revenues, the various sectors have been expanding at different rates, with the manufacturing sector seeing a decline while all of the services sectors have been posting gains. Industry Canada expects that demand within these service sectors will continue to grow. Saskatchewan's ICT market has been sized at approximately $3 billion and growing.

[7] Conference Board of Canada: Provincial Outlook Economic Forecast, Autumn 2014, pg. 60.

Real GDP: Sector and Canadian Economy

Indexed Growth, 2007 Q1 = 100

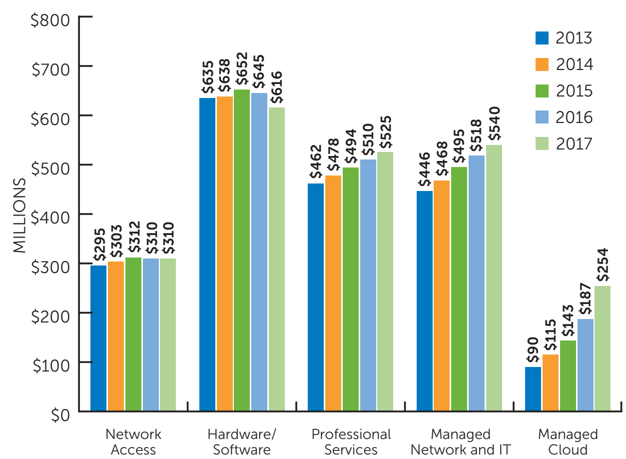


Source: Industry Canada, Quarterly Monitor of the Canadian ICT Sector, Third Quarter 2012.

From a global perspective, International Data Corporation (IDC) believes that the worldwide ICT industry's growth will continue to accelerate based on a transition to the "3rd platform" for innovation and growth.[8] The 3rd platform is built upon the technology pillars of mobile computing, cloud services, big data and analytics, and social networking. IDC predicts that worldwide ICT spending will grow 3.8% in 2015, to more than $3.8 trillion USD, with nearly all of this spending growth focused on the technologies that make up the 3rd platform. Other IDC predictions about various components of the global industry include:

- Communications Services will continue to see wireless data as the largest and fastest-growing segment of communications spending.
- Mobile devices and apps will continue to see growth in 2015, but at a slower pace than in recent years.
- Cloud services will continue to be a significant area of activity with cloud Infrastructure as a Service (IaaS) growing briskly, and competition increasing between vendors in both Platform as a Service (PaaS) and Software as a Service (SaaS) markets.
- Big data and analytics will continue to develop throughout 2015, as more companies adopt big data-related software, hardware, and services. Big data supply chains will grow in importance as cloud platform and analytics vendors offer value-added information from commercial and open data sets.
- The Internet of Things will see increased innovation and adoption in 2015 as more and more devices become more intelligent and connected to each other. This will drive the development of thousands of new 3rd platform solutions.
- Data centres will undergo a fundamental transformation as 3rd platform technologies take hold and the majority of raw computing capacity and raw storage capacity moves to cloud-optimized, mobile-optimized, and big data-optimized data centres.
- 3rd platform developments will create disruption in industries beyond technology. In particular, alternate payment networks will emerge in financial services, and Internet of Things technologies will be adopted into city safety, public works and transportation systems, along with greater adoption of location-based services in the retail industry.
- China will emerge as a serious global player with significant influence over the global ICT industry. This will be due in part to China's huge domestic market scale and the growing influence of its cloud and e-commerce leaders such as Alibaba, Tencent, and Baidu.

ICT Market in Saskatchewan



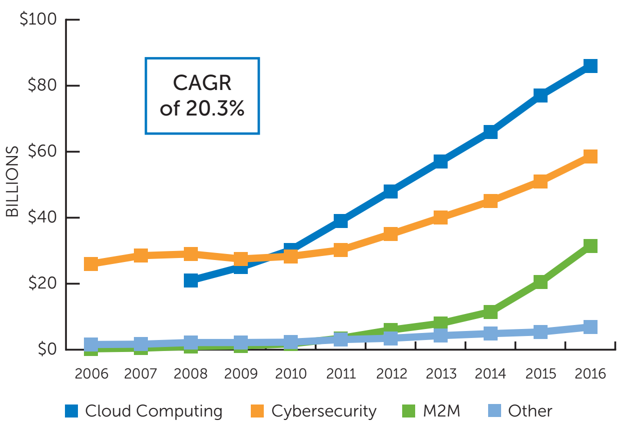
IDC, Canadian ICT 2013-2017 Forecast, May 2013 (Saskatchewan estimate based on GDP of 4.25%).

All of these proposed industry developments will provide opportunities to ICT vendors within Canada and around the world. Adoption of ICT services is accelerating, as evidenced by a strong compound annual growth rate

8 IDC: "IDC Predictions 2015: Accelerating Innovation—and Growth—on the 3rd Platform," Dec. 2014.

(CAGR) of 20.3% in spending on such services in the United States. As highlighted by Industry Canada though, the Software and Computer Services segment (where much of the growth and business opportunities will arise) is made up of thousands of providers and is therefore extremely competitive. Reflecting this reality, IDC predicts that 2015 will be a pivotal year for the industry, characterized by vendor consolidations and drop outs, strange-bedfellow partnerships, and death matches between developers for adoption of their apps.[9] Firms already within the industry and those planning on entering will need to be fully prepared to take on the demanding competitive challenges that are emerging and already evident.

Spending on Specialized Services in the United States



Source: TIA's 2013 ICT Market Review and Forecast.

Communications Services Sector Outlook

The Communications Services sector of the Canadian ICT Industry came through a challenging year in 2013, where the impacts of regulatory change along with an evolution in how communications products are consumed began to solidify. Revenue bottomed out in 2013, as output growth weakened to just 0.9 percent.[10] According to the Conference Board of Canada, output was down due to the federal government's new wireless code, anaemic growth in the paid-TV segment, and a shrinking wireline business. These trends continued into 2014, but there were some more positive developments for the sector.

2014 showed a slight improvement in performance with output increasing due to ongoing revenue growth in the wireless segment, in particular with respect to continuing smartphone adoption, growing wireless data use through the evolution of Machine-to-Machine (M2M) technologies, and a deeper penetration of mobile broadband.[11] Revenue challenges within the wireline segment continued due to established trends such as accelerated "cord cutting," ongoing slow growth in paid-TV subscriptions, and regulatory change. From a revenue growth perspective, both the relative strength of the wireless segment and the weaknesses within the wireline segment are expected to continue into 2015 and beyond.

The evolution of communications technology through the convergence between traditional telecommunications technology and information technology continues, creating new opportunities as well as disruptive threats to established firms within the Communications Services sector. As a result of these disruptions and the changing nature of competition, revenue growth across the sector will be restrained by below-average price growth, but this will not stop carriers from improving their bottom lines. Costs across the sector are under control with respect to labour as firms have proven the efficacy of investments in productivity-enhancing systems and processes.[12] Capital investments are rising, though, due to the need to constantly invest in new network infrastructure and enabling technologies: carriers will need to continue to carefully manage capital spending. Revenue growth opportunities will present themselves as Canadian consumers and businesses show an ongoing strong interest in communications technologies and services that will drive a healthy demand outlook for the Communications Sector into 2015 and beyond.

WIRELESS

While wireless may no longer be the growth engine that it once was (due to a trend of slowing subscriber growth across Canada), the segment does continue to see growth in overall revenues. The slowing growth in subscribers is a result of slower growth in penetration rates across Canada. Despite the slowdown in subscription growth, carriers have maintained high (and generally growing) average revenue per user (ARPU) levels as a result of increased smartphone

[9] IDC: "IDC Predictions 2015: Accelerating Innovation—and Growth—on the 3rd Platform," Dec. 2014.

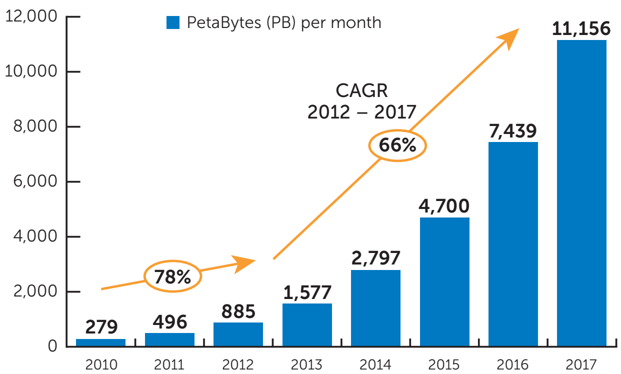
[10] Conference Board of Canada: Canada's Telecommunications Industry – Canadian Industrial Outlook, Autumn 2014, pg. 7.

[11] Conference Board of Canada: Canada's Telecommunications Industry – Canadian Industrial Outlook, Autumn 2014, pp. 7–8.

[12] Conference Board of Canada: Canada's Telecommunications Industry – Canadian Industrial Outlook, Autumn 2014, pg. 2.

penetration and the development of new technologies that are driving increased data consumption across wireless networks. Data growth has been exponential over the past several years and it is anticipated that this trend will continue as more and more devices connect to wireless networks. As a result, wireless will continue to be one of the bright spots for revenue growth within the Communications Services sector. The high rate of data growth will continue to put strain on carriers' wireless networks into the foreseeable future, likely requiring ongoing investments in network infrastructure, sophisticated network management tactics, and spectrum.

Mobile Data Traffic



Source: Cisco VNI, 2013, A.T. Kearney Analysis.

The opportunities afforded to carriers by the ongoing growth in the wireless segment need to be considered, though, within the context of regional differences in competition and pricing. Throughout 2014, a regional pricing trend was established within three provinces (Saskatchewan, Manitoba, Quebec) that have strong regional wireless service providers (SaskTel, MTS, Videotron). In these provinces, the Big 3 wireless carriers (Telus, Bell, Rogers) began offering heavily discounted pricing on wireless service packages. This has driven down wireless revenues within these regions relative to other parts of Canada, with negative impacts on the regional carriers. This trend is expected to continue into 2015, as the national carriers seek to gain more market share within these provinces. This will therefore continue to have a negative impact on these regional carriers and their ability to invest in new network infrastructure and enabling technologies.

In order to continue to grow wireless services, there is an ongoing need for carriers to acquire more wireless spectrum. As a result, the Federal Government will be auctioning off blocks of AWS-3 spectrum starting on March 3rd, 2015. In order to support its stated policy direction to establish four wireless carriers in all markets, the Government has set aside 30MHz of the available 50MHz for carriers that hold less than 10% national and 20% provincial market share. This effectively excludes the incumbent carriers (including SaskTel) from bidding on the majority of the available spectrum. The Federal Government has also announced an upcoming auction for 2500MHz spectrum at another point in 2015.

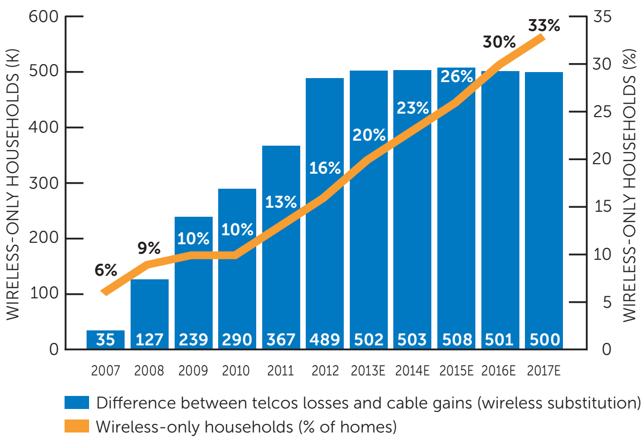
WIRELINE

The wireline segment continues to face challenges related to technology disruption, increasing competition, and regulatory changes that are placing downward pressure on the margins and profitability of services within this segment. These factors are impacting major wireline businesses, in particular traditional voice and pay-TV services. Opportunities do exist, however, for incumbent carriers to move into new lines of business and new markets for services within the Software and Computer Services sector, such as cloud computing, data centres, and managed services. As convergence between telecommunications technology and information technology advances, it is becoming more crucial to respond to these opportunities.

For many years now, there has been an established trend of decline in wireline home phone (fixed-line) and associated services as customers "cut the cord." Loss to wireless-only households has now replaced loss to wireline competition (such as Cablecos), as the primary driver of the decrease in residential home phone services (such as access, features, and long distance). Compounding this is the emergence of "cord nevers"—customers who have never subscribed to traditional home phone services and have no intention of doing so. These trends are also starting to affect Cablecos, as their relatively new home phone services also succumb to wireless substitution. Scotiabank estimated that the proportion of Canadian households without a fixed-line phone reached approximately 20% in 2013, and is accelerating. By 2023, Scotiabank estimates that 44% of Canadian households will not have a wireline home phone.[13]

[13] Scotiabank: Converging Networks Report, March 2014.

Wireless Substitution and Wireless-Only Homes



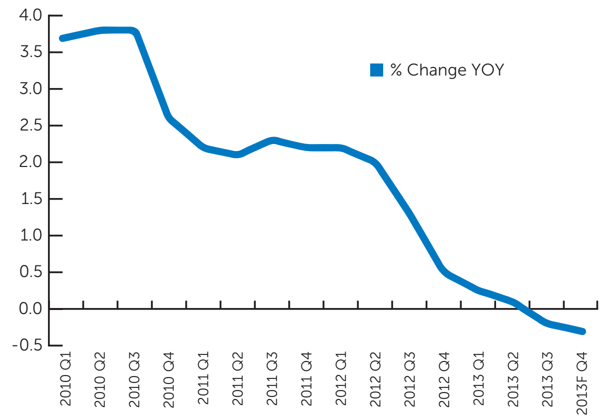
Source: CRTC Data: Company Financial Reports: Scotiabank GBM estimates.

In addition to the wireless substitution trend, there are more non-traditional competitors in the home phone market than ever before, including wireless data, VoIP products, and social media. All of these changes have had negative impacts on long distance and local access revenues. For those carriers that offer wireless services, it will be important to capture as much wireless substitution revenue as possible.

Pay-TV and broadcast business lines have also been experiencing downward pressure on subscriptions and revenues as a result of technological, competitive, and regulatory changes. Over-the-top (OTT) providers (such as Netflix, Apple TV, Google Play), have created attractive substitutes to traditional pay-TV services, due to their extensive content libraries, original content, and affordable prices. The increasing penetration of these OTT services is not only changing consumer purchasing patterns, but is also reducing the available household entertainment dollars that would normally be spent on traditional pay-TV services.

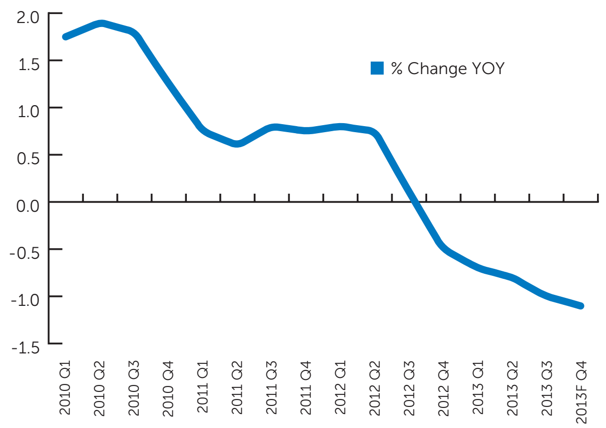
As substitution accelerates, there is an increasing level of competition between Telcos and Cablecos over a customer base that is anticipated to shrink. This has led to greater parity in pay-TV offerings, resulting in commoditization and making it more difficult to win away customers from competitors.

Quarterly Pay TV Penetration Change (YOY)



Source: CRTC data: company financial reports: Scotiabank GBM estimates.

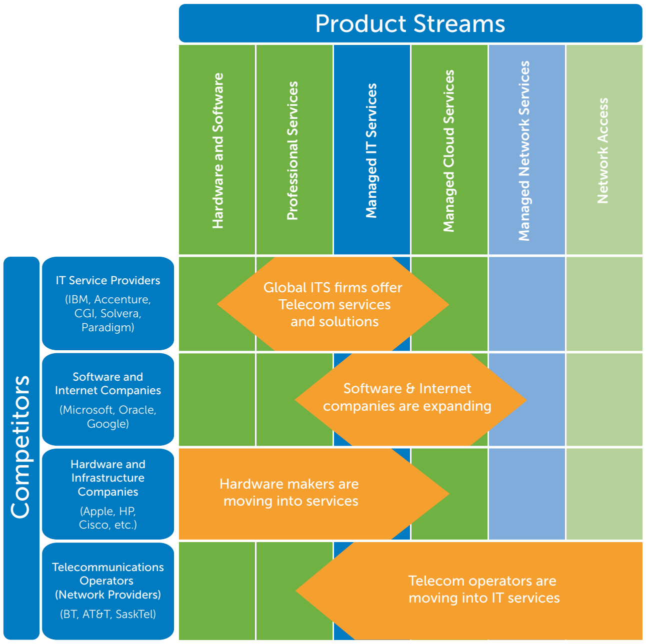
Total TV Subscriber Growth (YOY)



Source: CRTC Data: Company Financial Reports: Scotiabank GBM estimates.

The market for broadband access is one of the current bright spots within the wireline segment. Broadband access continues to be a profitable line of business and ARPU growth is stable. Canadian market share for broadband access also continues to be stable with a market structure that is split almost evenly between Telcos and Cablecos. In Saskatchewan, SaskTel continues to maintain dominant market share in broadband access across both urban and rural centres. In order to maintain their market share over the long run, Telcos have had to focus on increasing their bandwidth capabilities to both consumers and businesses. This has precipitated Telcos to implement FTTP programs. These access network improvements are better positioning Telcos with download speeds that are competitive with their Cableco rivals. In the business market for broadband services, competition from Cablecos continues to be a significant threat as they target high margin lines of business such as data network, trunk lines, and Internet products.

The need to deliver high bandwidth access services is becoming more imperative given the increasing importance of emerging IT-based services. These new services are more deeply rooted in software-based solutions and applications than in traditional telecommunications services rooted in the network. They represent another potential growth area within the wireline segment—especially in the areas of managed services, cloud services, and data centres. The opportunity for growth is tempered by the high degree of competition within this space: competitors include not just other Telcos and Cablecos but non-traditional rivals such as IT consultants (IBM, ISM, Fujitsu), equipment vendors / partners (Cisco, Avaya), and OTT and application providers. All of these non-traditional competitors are seeking new revenues and market share as the lines between individual service offerings continue to converge.



The resulting intense competition is requiring Telcos to develop new products, enhance employee skill sets, implement new sales and service delivery processes, and develop packaged solutions. For example, the acquisition and development of data-centre capabilities is a trend that has been occurring throughout the industry. As IDC has pointed out, all of these developments are important to Telcos in order to avoid being marginalized as little more than network infrastructure providers.[14]

Regulatory Environment

2014 saw a continuation of the unprecedented increases in regulatory activity that first emerged in late 2013. These changes have had significant impacts to the industry, increasing costs and introducing new risks to incumbent carriers. Given that many of the regulatory changes brought forth in the wireless segment are driven by conditions in high density urban markets, the impacts to regional carriers in markets that are heavily rural are magnified. This is putting greater pressures on incumbent carriers in these regions.

The increase in regulatory activity has been centred primarily (but not exclusively), on the federal government's desire to establish a fourth national wireless carrier. This was evident in the rules for the 700MHz spectrum auction that was held in early 2014, where bids from regional carriers were put at a disadvantage vis-a-vis those from national carriers. As already mentioned in the discussion on the wireless segment above, the AWS-3 auction scheduled for March 2015 will put the incumbent carriers in an inferior position to acquire valuable spectrum versus new entrants. The fact that regional carriers such as SaskTel and MTS are the de facto fourth carriers in their regions has largely been overlooked by the federal government in its focus on promoting the emergence of an additional national wireless carrier. It's expected that the federal government's focus on increasing competition and perceived value for consumers in the wireless segment will continue in 2015.

In addition, there were other significant regulatory activities undertaken by the Federal Government and its regulatory bodies throughout 2014:

- Implementation of the CRTC Wireless Code.
- Amending the *Telecommunications Act* to cap the amount wireless service providers can charge competitors to roam on their networks.

[14] IDC: "IDC Predictions 2015: Accelerating Innovation—and Growth—on the 3rd Platform," Dec. 2014.

- Banning 30-day cancellation requirement for termination of service. All customer cancellations must now be prorated from the date that notice is provided.
- Amending the *Telecommunications Act* to provide the CRTC the ability to issue monetary penalties of up to $15M on companies that violate established rules. Amendments also provide greater authority to inspect telecommunications operations to verify compliance. These changes also provide the Competition Bureau access to all confidential information filed with the CRTC.
- Anti-spam legislation came into effect in 2014, requiring all firms to develop mechanisms to obtain customer consent in order to distribute commercial electronic messages to customers and comply with the legislation.

It is predicted that the level of regulatory activity will continue over the next several years. Several major developments are anticipated in 2015:

- The CRTC will release its decision regarding rates and access to existing wireline communications infrastructure, potentially resulting in third-party access to incumbents' existing fibre facilities and lower wholesale rates for resale access to high speed services such as Ethernet.
- Changes to broadcast regulations will likely occur as a result of the "Let's Talk TV" hearings. These hearings have been looking at the composition and price of basic service, pick and pay options, code of conduct, and signal substitution.
- The CRTC will release its decision on whether additional regulatory measures are required to decrease the market power of wireless incumbents, as well as its review of the rates charged to competitors for roaming.

Further regulatory activity in these areas in 2015, combined with the changes that have already been enacted, will result in decreased revenues and increased costs for carriers across the Canadian communications sector. The negative financial, operational, and potential customer impacts of these changes will need to be carefully evaluated by all carriers within the industry. Ongoing evolution of the regulatory environment currently represents one of the most disruptive and costly factors facing firms within the industry.

RISK MANAGEMENT

All businesses are subject to uncertainty and risk that may affect their success in achieving strategic objectives. SaskTel strives to balance risk exposures with ensuring alignment to business strategies, objectives and risk tolerance. The ability to identify and respond to key risks resides in SaskTel's Governance, Risk and Compliance (GRC) Framework, which takes an enterprise-wide approach and ensures alignment between Strategic Planning, Risk Management and Internal Audit.

While we believe all employees are risk managers, SaskTel's Board of Directors, together with senior management, is ultimately responsible for risk management at SaskTel. The framework shown below depicts the main processes used to manage risk.

Governance is provided by SaskTel's Board of Directors, SaskTel's Audit and Risk Committee and SaskTel's Executive. SaskTel's risk appetite is determined through definition and approval of SaskTel's Corporate Risk Matrix.

SaskTel's Risk Management Group, under the direction of the Chief Financial Officer, is responsible for managing the process of identifying, evaluating and reporting both key strategic risks and core business risks. An internal risk management team conducts corporate risk assessments to identify SaskTel's key risks. This team includes SaskTel's

Corporate Risk Management department, executive members, director primes (subject-matter experts), and other key personnel as required. Each risk is evaluated using SaskTel's Corporate Risk Matrix, looking at likelihood and consequence of both inherent and residual risk.

Complementing these reviews are the ongoing activities and plans throughout SaskTel to mitigate and control risks, as well as the corporate insurance program and other methods to transfer risk where appropriate. All reported risks include a risk statement, inherent and residual risk ratings based on likelihood and consequence, key mitigation and controls, and an assessment of the mitigation and control effectiveness. Results are reviewed and assessed by SaskTel's Executive and SaskTel's Board of Directors. Crown Investments Corporation of Saskatchewan receives a copy of these reviews.

Internal Audit uses an industry standard approach to audit the effectiveness of governance, risk management and control processes. They provide assurances as to the appropriateness and operating effectiveness of the risk mitigation process.

The following summarizes the key Strategic and Core Business Risks that could have a material effect on SaskTel's business. Associated mitigation activities to address these risks are included. Additional risks and uncertainties deemed to be lower risk or risks not known at this time may also have a material effect on our business.

Strategic Risks

Strategic risks are those that may inhibit SaskTel's ability to achieve the targets outlined in its Strategic Plan, including the following areas: Customer, Infrastructure, Processes and Systems, Workforce and Financial. Realization of one or more of these risks may require SaskTel to modify its Strategic Plan.

CUSTOMER

SaskTel will differentiate itself from the competition by delivering an outstanding customer experience. We must achieve that while maintaining the balance between customer needs and SaskTel's profitability. Risks associated with achieving this strategy include the following:

Regulation and policies

There is a risk that the federal government and its agencies will continue to develop and implement new consumer-friendly and competitor-advantageous policies that increase the cost and complexity of SaskTel's business and reduce our profit margin. SaskTel must remain competitive amidst these challenges. Some policies that may significantly impact SaskTel's telecom and broadcasting business include reviewing the future of Canadian television, competitor access to fibre facilities and other wholesale services, and capping of domestic wireless roaming rates. All of these are expected to have a negative impact on SaskTel. In 2015, it is anticipated that the CRTC will hold a hearing regarding the contribution dollars designated to assist in the cost of serving high-cost rural areas.

SaskTel mitigates these risks through a proactive and multifaceted approach that attempts to achieve favourable regulatory reform while participating in the current CRTC processes with a view to obtain the best possible result for SaskTel.

ICT product and service launch and operations model

There is a risk that SaskTel is unsuccessful in launching ICT products and services that fit the market and meet customer requirements with the margin needed to support SaskTel's net income targets within the strategic plan. This not only includes the development and launch of the right products and services, but also includes creating the right operating environment and business model. If SaskTel does not achieve these goals, it could result in missed financial targets, missed future revenues from the business market, and failure to meet customer needs and contractual obligations.

SaskTel's new ICT Business Solutions division is dedicated to developing new products and services, and expects to mitigate risks by focusing on a strong governance structure, strategy review, exit strategy, development of new skill sets, branding, operating model changes, and the establishment of strong alliances and partners. Work is also underway to define, select and implement either interim or permanent systems, tools or processes that will meet customer requirements and SaskTel's commitments. The plan requires timely execution.

PROCESSES AND SYSTEMS

End-to-end business processes and systems will be transformed to improve our sales, fulfillment, assurance and billing capabilities.

Systems environment and process management

There is a risk that SaskTel's systems environment and processes may result in SaskTel being slow to market. Transformation to a new systems environment can be a lengthy and costly process.

SaskTel developed a future-state architectural roadmap that outlines the major projects required to mitigate the risk. Several projects and initiatives are underway to position SaskTel to converge billing systems and support network infrastructure builds. Some interim processes are in place to provide initial levels of mitigation until more permanent solutions are determined, and more are being investigated.

INFRASTRUCTURE

As technology allows convergence to become a reality, the opportunity exists for SaskTel to develop a strategic competitive advantage through the implementation of Saskatchewan's only truly converged wireless and wireline networks, coupled with enhanced data-centre capabilities. The converged infrastructure will result in more efficient and cost-effective service development, deployment and network maintenance.

Converged broadband implementation

There is a risk that SaskTel is unsuccessful in implementing the converged broadband infrastructure, affecting our ability to compete. Having one platform to deliver services will enable customers to obtain the services they want regardless of device. It also reduces the complexity and costs associated with managing multiple networks.

Marketing, technology and systems roadmaps, along with governance and oversight, are established and projects are underway to meet the future desired state. SaskTel will leverage existing technologies where applicable.

Wireless Data Consumption

There is a risk that SaskTel cannot keep up with customer demands for wireless data consumption. The wireless industry continues to evolve quickly and customer wireless data service usage is increasing at an unprecedented rate. As this growth continues, SaskTel must ensure it does not have any service disruptions due to unexpected network congestion, which could lead to customer dissatisfaction, complaints and potential loss of customers to competitors.

The long-term plan is to deploy an LTE wireless network across Saskatchewan, enabling us to continue to be the leading full-service communications provider in Saskatchewan. We will continue to add more capacity as needed, based on demand. Price plans are being adjusted to discourage high levels of usage.

WORKFORCE

It is critical to have the right people with the right skills properly aligned to achieve the strategic plan. The risks associated with achieving this strategy include the following:

Future workforce

There is a risk of SaskTel not having the workforce it needs to meet future business requirements. As SaskTel's business model evolves, so must the workforce skill sets. Often the skill sets we need are limited.

SaskTel has a corporate workforce strategy and plan in place that is reviewed regularly. This plan identifies the actions necessary to build the future workforce that the business requires. Some tactics in place to monitor effectiveness of workforce plans include departmental dashboard statements, external labour market reviews, and an annual employee survey.

Vendor Management

There is a risk in not properly managing vendor relationships that could lead to failed timeline delivery, inefficient use of resources, increased costs, damaged reputation and decreased morale. This in turn could cause service interruptions and reduce customer service levels. SaskTel is reliant on vendors to supplement the workforce when specific skills are required or for flexibility to manage peak workloads. The positive Saskatchewan market is adding increased pressure to find and contract vendors.

SaskTel centralizes all major purchases through one unit including public tendering, negotiation, contract authorization and contract diligence. The purchasing process ensures selection of the best value vendor and visibility to alternate sources of supply. Internal expertise such as finance and legal is engaged to define deliverables and assess vendor responses and suitability of solution. In addition to this, work is underway to establish a Contract Management Office with controls and governance to oversee compliance with policies and enable required activities.

FINANCIAL

Numerous competitive, regulatory, and technological challenges facing SaskTel require a stronger focus around operational excellence, profitability, and the alignment of planning, budgeting, risk management, and resourcing activities. There is a requirement for SaskTel to provide its shareholder with an appropriate return.

Profitability Targets

There is a risk that SaskTel does not achieve its established financial targets, resulting in a reduced dividend to its shareholder. The communications industry is experiencing a slowdown in revenue growth, but an increase in competitive pressures and customer expectations. These pressures drive declining margins and unprecedented network and back office system investments.

SaskTel is pursuing new revenue opportunities while carefully monitoring expenses and capital investments as a way to meet the required shareholder dividends.

Business Intelligence

The information available about SaskTel's customers is a considerable asset and, if leveraged, will allow SaskTel to deliver more customer-targeted services, provide more personalized services, and make more informed customer-affecting decisions. There is a risk that SaskTel's lack of a formal business intelligence process could result in delayed or incomplete data analysis, affecting our ability to forecast, capture revenue opportunities, stop revenue leakage and minimize customer churn.

Existing information continues to be used but a more formalized process would provide significant value. SaskTel is in the process of building a foundation for business intelligence. The Information Systems (IS) division is working on the implementation of common architecture and tools, using software for business intelligence use. Other SaskTel departments also have initiatives underway.

Core Business Risks

The Core Business Risks focus on SaskTel's risks associated with the execution of SaskTel's business functions. This includes Operational, Financial, Legal and Compliance risks.

OPERATIONAL RISKS

The Operational risk review focuses on SaskTel's risks associated with the execution of SaskTel's business functions, such as business interruption, security, infrastructure, supply chain, change enablers, fulfillment and assurance. Key operational risks considered are discussed below.

System and Information Security

Systems security involves the protection of information and associated systems and networks. These systems and network assets are used to process, manage and store customer, employee, operational and competitive information. Risks associated with the security of information systems are complex due to the rate of change in technology, the growth of IP services, the regulatory environment, and the continued risks associated with conducting business in this changing environment.

SaskTel has undergone a business-level security threat and risk assessment. The risk assessment was used to develop a roadmap for the information security program and architecture within SaskTel, to manage these risks, and to enable the organization to achieve its objectives. A multiyear Information Security Program has been approved and SaskTel is implementing and enhancing security controls to address the risks identified through the risk assessment.

Business Interruption

With more than 1,600 locations of property, plant and equipment throughout the province, SaskTel has a substantial investment in physical property. All of it is exposed to damage from natural hazards, vandalism and other forms of accidental loss. Damage or destruction of assets could reduce revenues, increase expenses and impair asset values.

A stringent preventative maintenance program, regular inspections by independent loss prevention engineers, strict procedures on housekeeping practices, and appropriate physical security controls reduce and prevent losses. Major switching centres are designed to limit loss exposures by utilizing departmentalization, zoned environmental systems, smoke barriers, automatic sprinklers, and very early warning fire detection systems. As well, a comprehensive insurance program is in place to transfer risk of physical loss and any resultant business interruption experienced.

SaskTel has business continuity and disaster recovery plans which evolve through the Business Continuity Management (BCM) program. The BCM program is the unifying, integrated process that aids business units with the development and ongoing management of advance arrangements and procedures, which enable SaskTel to respond to an event where critical business functions and processes have been disrupted. This program includes recovery of critical applications and data, employee health and safety, and alternate work arrangements.

Technology

SaskTel's extensive network and IS architecture has evolved over the years to provide a variety of services from traditional wireline and wireless voice services to leading edge Internet, entertainment and data services. SaskTel's confidence level in the network and systems is high, however our infrastructure is complex and the possibility of a hardware or software failure impairing the ability to provide service to customers cannot be ruled out.

In addition to building high levels of redundancy, SaskTel uses a number of other strategies to mitigate these risks, including regular operational reviews, business continuity plans, stringent testing procedures for new software, preventative maintenance programs and site hardening of critical locations.

FINANCIAL RISKS

Risks reviewed in this category include interest, foreign exchange, credit, financial misstatement, pension plan, investments, public reporting, revenue assurance, fraud and cash flow. No significant core business financial risks are reported at this time. The Notes to Consolidated Financial Statements, Note 22 – Financial risk management, highlights some financial exposures and mitigations.

COMPLIANCE AND LEGAL RISKS

The Compliance and Legal risk category focuses on SaskTel's risks associated with our need to comply with laws and regulations. Risks reviewed in this category include contractual, professional, third party, statutory, environmental, governance, intellectual property, litigation, regulatory, and privacy. Litigation is SaskTel's key compliance and legal risk and is discussed below.

Litigation

SaskTel, like all businesses, faces the risk of legal action. Our employees interact with thousands of people daily and our assets are numerous and visible. We are exposed to various aspects of legal risk, including contractual, professional, statutory, and third party liability, which could negatively impact our results and reputation.

Although the legal risk environment that we operate in is reasonably stable, we dedicate significant effort to managing our legal exposures. Central to our legal risk mitigation is the expertise and active business involvement of our Corporate Counsel division, a corporate structure that uses separate legal entities (subsidiaries) to limit liability, a focus on contractual assignment of risk or limitation of liability, and sound operating procedures at the core of our business. Additionally, our corporate insurance program provides a degree of financial protection from specific third party legal liabilities.

At year end, SaskTel is named in several major lawsuits. SaskTel believes it has strong defences in all cases. These lawsuits are described in more detail in Notes to Consolidated Financial Statements, Note 24 – Commitments and contingencies.

OPERATING RESULTS

FINANCIAL SUMMARY

Consolidated Income Statement

($ millions)	2014	2013	Change	%
Revenues	**$1,231.0**	$1,205.7	$25.3	2.1
Other income	**1.7**	14.2	(12.5)	(88.0)
	1,232.7	1,219.9	12.8	1.0
Expenses				
Goods and services purchased	**574.7**	567.3	7.4	1.3
Salaries, wages and benefits	**374.4**	364.4	10.0	2.7
Depreciation	**166.2**	155.5	10.7	6.9
Amortization	**41.5**	27.6	13.9	50.4
Internal labour capitalized	**(23.1)**	(22.8)	(0.3)	1.3
	1,133.7	1,092.0	41.7	3.8
Results from operating activities	**99.0**	127.9	(28.9)	(22.6)
Net finance expense	**22.6**	37.2	(14.6)	(39.2)
Net income	**$76.4**	$90.7	$(14.3)	(15.8)
Other comprehensive income (loss)	**(57.3)**	190.6	(247.9)	*nmf*[1]
Total comprehensive income	**$19.1**	$281.3	$(262.2)	*nmf*[1]

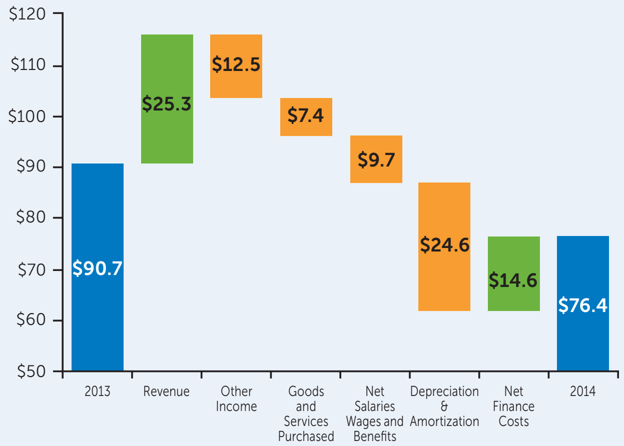
[1]*nmf* – no meaningful figure

Revenues

($ millions)	2014	2013	Change	%
Wireless services	**$482.5**	$471.9	$10.6	2.2
maxTV, Internet and data services	**305.2**	284.5	20.7	7.3
Local and enhanced services	**242.6**	252.8	(10.2)	(4.0)
Long distance services	**53.2**	57.7	(4.5)	(7.8)
Equipment services	**54.9**	52.5	2.4	4.6
Advertising services	**41.9**	43.3	(1.4)	(3.2)
Security monitoring services	**22.9**	20.7	2.2	10.6
International software and consulting services	**6.2**	7.3	(1.1)	(15.1)
Other services	**21.6**	15.0	6.6	44.0
	$1,231.0	$1,205.7	$25.3	2.1

NET INCOME

Net Income ($ Millions)



▼ Net income for the year was $76.4 million, down $14.3 million (15.8%) from 2013. SaskTel continues to experience challenges in the regulatory environment that are having adverse affects on net income.

▲ Revenues rose $25.3 million mainly due to increased wireless, *maxTV*, Internet, and data revenues offset by decreases to legacy services such as local access, enhanced services, and long distance. Other income decreased due to substantial completion of government-funded projects in 2013.

▼ $7.4 million increase in goods and services purchased due to increased costs to acquire customers and increases in roaming costs due to unlimited nationwide roaming.

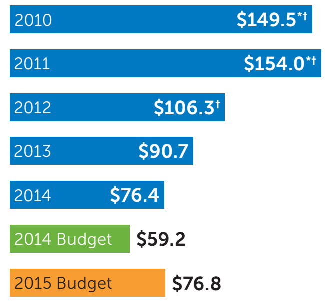
▼ $9.7 million increase in net salaries, wages and benefits from economic increases for both inscope and management employees.

▼ $24.6 million increase in depreciation and amortization from increased assets in service to improve all aspects of our customers' experience.

▲ $14.6 million decrease in net finance costs from market value fluctuations on sinking fund assets partially offset by increased interest cost on debt.

Net income has been declining over the past five years due to changes in the regulatory environment, rapid change in technology, wireless displacement, increased cost to deliver wireless devices, increased competition in the market place, and increased capital investment in order to compete as a facilities-based provider. All of these overarching industry trends and factors will continue to impact SaskTel's operations. SaskTel continues to employ strong cost management and containment strategies to offset the impacts these trends are having on net income and, as a result, has exceeded its budgeted net income by $17.2 million.

Net Income ($ Millions)

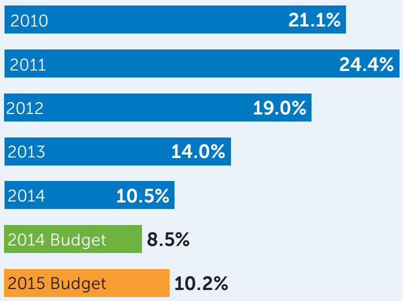


* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for revenue recognition, detailed in Note 3.

RETURN ON EQUITY

Return on Equity*



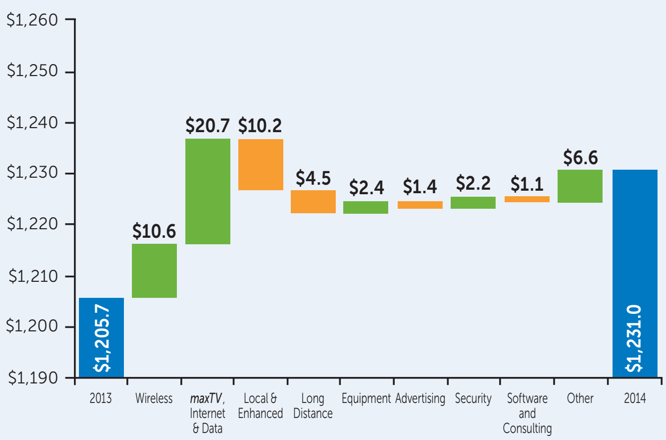
* Equity for the purpose of calculating return on equity is defined as the sum of equity advances, retained earnings, and average, AOCI.

Return on Equity

- ▼ Return on equity decreased to 10.5% in 2014, down from 14.0% in 2013.
- ▼ Net income decreased $14.3 million.
- ▼ Dividends declared decreased $27.8 million.
- ▼ Changes in other comprehensive income in 2013 and 2014 total $133.3 million as a result of net actuarial gains on SaskTel's defined benefit pension plans.

REVENUES

Revenues ($ Millions)



▲ Revenues for the year are $1,231.0 million, up $25.3 million (2.1%) from 2013. SaskTel continues to experience challenges in the regulatory environment. The recent changes to wholesale roaming regulations impose unintended consequences on SaskTel's revenues. Further, uncertainty in the regulatory environment is impacting SaskTel's opportunities to offset losses from legacy wireline services due to cord cutting, cord nevers, and increased competition from OTT service providers.

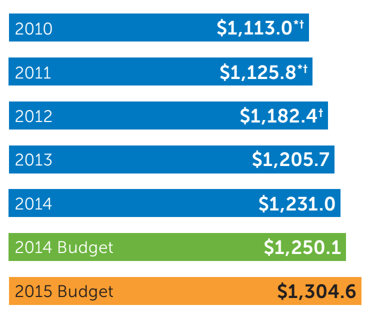
▲ SaskTel continues to enjoy growth in wireless ($10.6 million), ***maxTV***, Internet, and data ($20.7 million) segments due to increased data consumption from the advent of more advanced technologies offering higher speeds and capacity as well as increased penetration of smartphones, tablets, and FTTP.

▼ This growth is offset by decreases in legacy wireline services such as local access and enhanced services ($10.2 million), and long distance ($4.5 million). These decreases are primarily due to a continuation of wireless substitution, OTT replacement services trends, and ongoing competition from cable companies.

▲ The remaining $8.7 million increase is explained through nominal growth in equipment ($2.4 million), security ($2.2 million) and other revenues ($6.6 million); offset by decreases in advertising ($1.4 million) and international software and consulting ($1.1 million).

Recent increases in revenue are due to a growth in IP-based services as customers demand more multimedia experiences via their smartphones, televisions, computers, and tablets. SaskTel revenues are comprised primarily of wireless (39.2%); ***maxTV***, Internet, and data (24.8%); and local access and enhanced services (19.7%). With expectations that legacy wireline services revenues will continue to decline, SaskTel is proactively identifying ways to replace these foregone revenues with new ICT products and services. SaskTel has 1.42 million accesses in total, and each customer is demanding better service through wireless and IP-based technologies, to explore the Internet at faster speeds and consume more data via online and service-based multi-media experiences. SaskTel customers continue to adopt devices for which converged data and voice services are offered such as smartphones, superphones, and tablets. This adoption is putting pressures on legacy wireline and wireless voice only services revenues. SaskTel also continues to enjoy modest growth in its accesses with ***maxTV***, Internet, and data services.

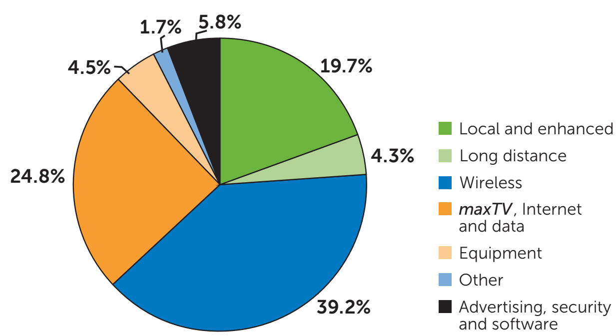
Revenue ($ Millions)



* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for revenue recognition, detailed in Note 3.

2014 Revenue Profile

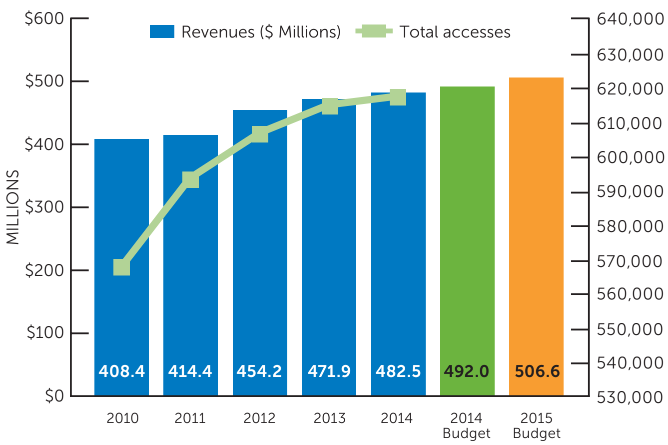


WIRELESS

Wireless revenues increased by $10.6 million (2.2 %) from 2013, and have continued to grow consistently since 2010 due to an increased number of customers and increased average revenue per customer. Access counts increased 2,389 in 2014, due to organic growth and the continuation of wireless substitution, which refers to customers abandoning their traditional wireline services for a wireless alternative. Average revenue per customer has also increased as customers migrate to smartphones and the feature-rich data plans required to meet their desire to have rich multimedia content on their wireless devices, now made possible over SaskTel's faster LTE network. In 2014, smartphones made up 76% of all phones (426,697), compared to 69% in 2013 (381,864).

To address the need for increased capacity and speed, SaskTel continues to invest a significant amount of capital in its 4G / LTE network.

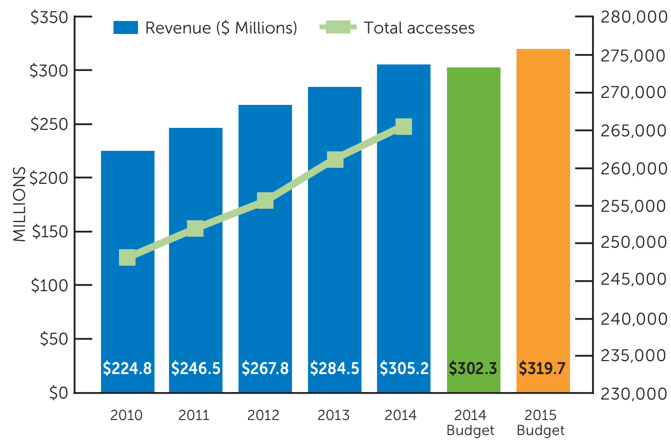
Wireless Revenue & Accesses



maxTV, INTERNET, AND DATA SERVICES

maxTV surpassed 100,000 customers in 2013, and continues to attract and retain new customers with continued growth in 2014. This customer growth, coupled with increases in ARPU, resulted in a year-over-year increase in revenues of $4.9 million. Increases in average revenue per customer can be attributed to increased adoption of high definition services, and increased penetration of personal video recorders (PVR), as well as an increase in rates to offset the increased content costs. Internet and data services revenues are up $15.8 million in 2014. Internet and data revenues increased as customers selected faster Internet service packages (High Speed Extreme, Advanced and Ultra) and adopted SaskTel's fibre-based service ***infiNET*** as it became available in their community. SaskTel customers are also enjoying the upgraded LANspan IP service, which is a private Internet protocol transport network service designed to interconnect local area networks (LANs) in two or more locations. This service provides higher quality of service for VoIP and is also contributing to increased revenue per customer.

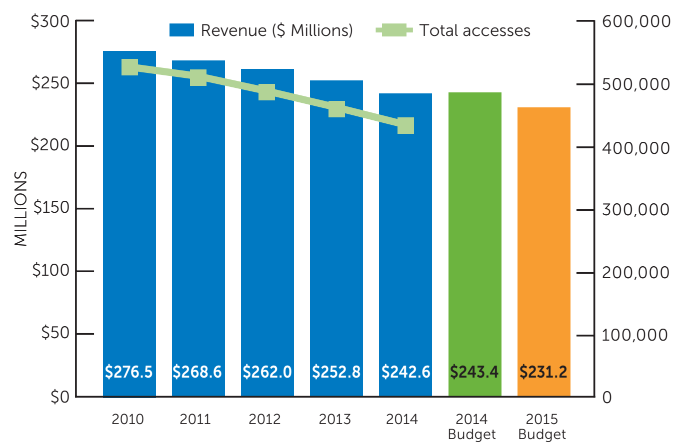
maxTV, Internet, and Data Services



LOCAL ACCESS AND ENHANCED SERVICES

Local access and enhanced service revenues declined to $242.6 million in 2014, down $10.2 million (4.0%) from 2013. This decline is due to a 6.5% reduction in network accesses (2013 – 4.9%) that occurred during the year as customers continued to replace their existing wireline and wireless services solely with a wireless alternative. The legacy wireline services have been declining over the past

Local & Enhanced – Revenue & Accesses

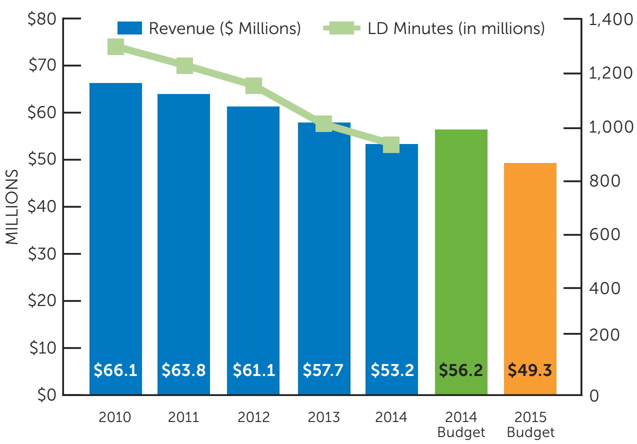


five years, due to continued wireless substitution, OTT replacement services, and increasing market competition. SaskTel is proactively addressing the decrease in its legacy wireline services revenues by identifying new services. SaskTel's ICT products and services offer end-to-end solutions for those customers looking to offload the tedious and daunting task of managing its IT operations. Providing this service allows SaskTel's customers to focus on their core business.

LONG DISTANCE

Long distance revenues declined to $53.2 million in 2014, down from $57.7 million in 2013, primarily due to loss of customers to substitute services such as social media, wireless, and VoIP, and customers moving to less expensive bundle plans.

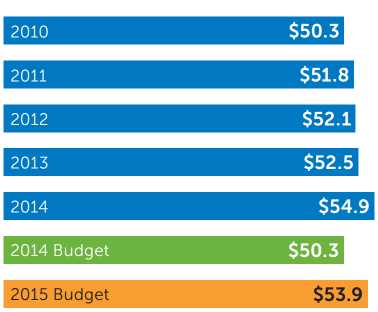
LD Revenue & Minutes



EQUIPMENT

Equipment revenues have increased marginally to $54.9 million in 2014, from $52.5 million in 2013. Although the mix of products being sold continues to change each year, this line of business remains a stable revenue source for SaskTel. In 2014, SaskTel began to further promote its professional services for the installation and maintenance of customer premises equipment and therefore saw a revenue increase of $2.4 million.

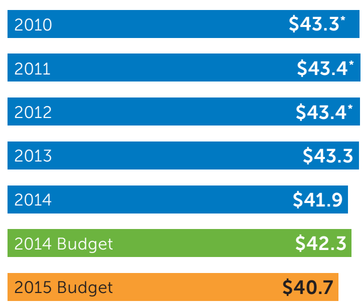
Equipment ($ Millions)



ADVERTISING SERVICES

Advertising services revenue decreased to $41.9 million in 2014, from $43.3 million in 2013, a decrease of $1.4 million (3.2%), which demonstrates strong performance in an industry experiencing double digit declines in revenue. SaskTel's strategy is to focus on the online, mobile and print advertising business through its mysask411 solutions to offset the impact of declining revenues.

Advertising Services ($ Millions)

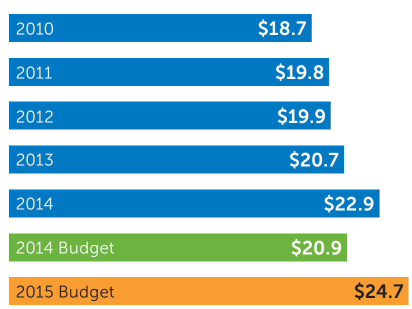


* Amounts do not represent retrospective adoption of change in accounting policy for revenue recognition detailed in Note 3..

SECURITY MONITORING SERVICES

Security monitoring revenues increased $2.2 million to $22.9 million in 2014, due to a large acquisition of customers in December 2013. SaskTel continues to actively seek out business growth, both organically through existing customers and externally through customer account acquisitions.

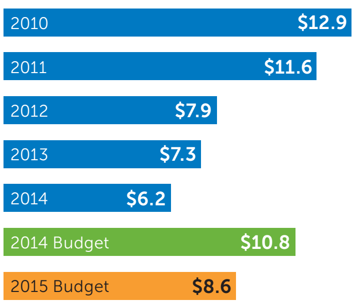
Security Monitoring Services ($ Millions)



INTERNATIONAL SOFTWARE AND CONSULTING SERVICES

Software and consulting service revenues decreased to $6.2 million in 2014, down $1.1 million (15.1%) from 2013, primarily due to lower sales of customized software and consulting services.

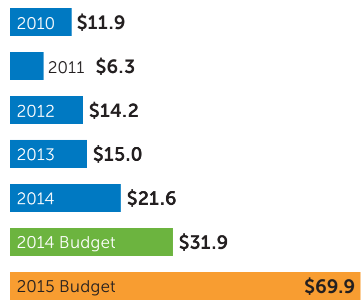
International Software Solutions & Consulting Services
($ Millions)



OTHER SERVICES

Other services revenue increased to $21.6 million in 2014, up $6.6 million (44%) from 2013. This is due to increased customer contributions on projects such as Fibre to the North, where SaskTel is extending its fibre optics network to the far reaches of northern Saskatchewan in order to meet customer demands for increases in speed and capacity, as well as new products and services.

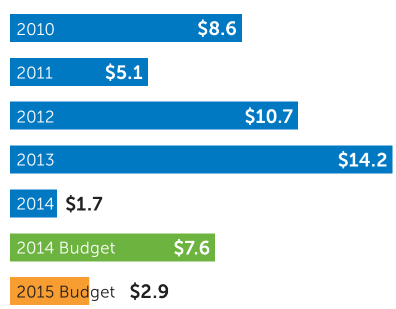
Other Services ($ Millions)



OTHER INCOME

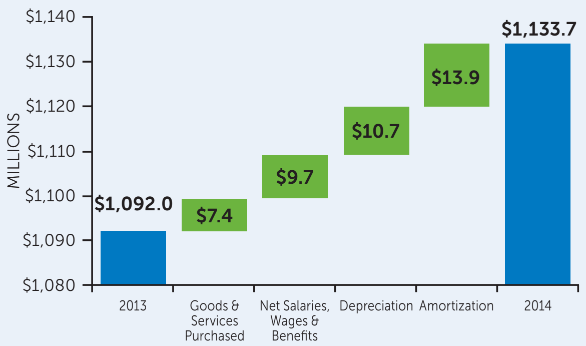
Other income decreased to $1.7 million, down $12.5 million from 2013. In 2014, SaskTel managed fewer government partnerships to develop First Nation schools and health facilities, rural infrastructure, and other related programs than in previous years.

Other Income ($ Millions)



EXPENSES

Expenses ($ Millions)



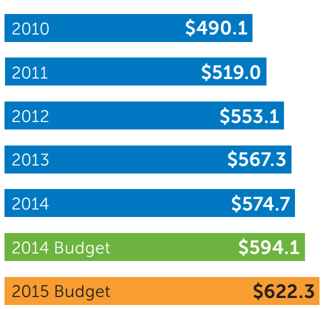
- Expenses have increased $41.7 million (3.8%) to $1,133.7 million in 2014.

- Goods and services purchased increased $7.4 million due to increased direct costs from unlimited data roaming across Canada, increased customer premises equipment sales, and increased customer acquisition costs.
- Net salaries, wages and benefits increased $9.7 million due to economic increases year over year.
- Depreciation and amortization increased $10.7 million and $13.9 million respectively, primarily due to increased assets in service from SaskTel's continued investment in ICT network and IT infrastructure throughout all geographical regions to facilitate growth in the province of Saskatchewan.

GOODS AND SERVICES PURCHASED

Goods and services purchased increased to $574.7 million, up $7.4 million (1.3%) from 2013. This increase was largely due to a continued increase in customer acquisition costs as the volumes and cost of devices rise, and the mix of devices sways heavily in favour of highly subsidized smartphones. Roaming expenses also increased as customers continued to take advantage of SaskTel's nationwide data plans and consume larger volumes of data with increased speed and capacity through more advanced LTE networks. SaskTel also observed increased expenses related to ***maxTV*** as a result of customer growth and costs to provide ***maxTV*** content.

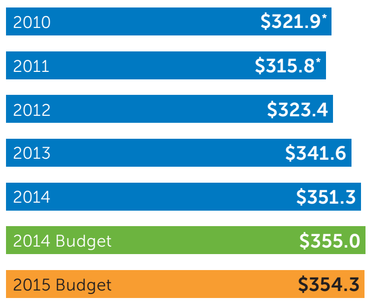
Goods & Services Purchased ($ Millions)



SALARIES, WAGES, AND BENEFITS (NET OF INTERNALLY CAPITALIZED LABOUR)

Net salaries, wages and benefits increased to $351.3 million, up $9.7 million (2.8%) from 2013. This was primarily due to economic increases.

Net Salaries & Benefits ($ Millions)

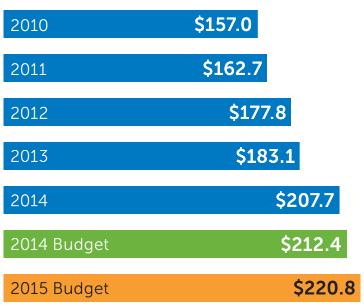


* 2010 and 2011 net salaries and benefits do not reflect the retrospective adoption of IAS 19 Employee Benefits.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased to $207.7 million in 2014, up $24.6 million (13.4%) from 2013, primarily due to increased plant in-service, as a result of significant spending on FTTP, wireless networks and intangibles. SaskTel's deployment of fibre resulted in an increase in depreciation as SaskTel is taking steps to remove portions of SaskTel's copper network from service in areas where fibre is deployed. Amortization increased as a result of completion of custom support systems as well as $2.6 million in impairment losses from intangible assets that are no longer expected to generate value for SaskTel.

Depreciation & Amortization ($ Millions)



NET FINANCE EXPENSE

Net financing expense decreased to $22.6 million in 2014, down $14.6 million (39.2%) from 2013. This is primarily driven by increases in the fair value of sinking funds, partially offset by increased interest on long term debt.

OTHER COMPREHENSIVE INCOME (LOSS)

In 2014, SaskTel recognized a $57.3 million other comprehensive loss that resulted from changes in actuarial assumptions related to the liabilities of the defined benefit pension plan and the service recognition defined benefit plan (i.e. the discount rate used to calculate the liabilities of the plans). The assumptions are disclosed in Note 19 of the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities

($ millions)	2014	2013	Change	%
Operating activities	**$271.0**	$275.2	$(4.2)	(1.5)

Cash provided by operating activities was $271.0 million, down $4.2 million from 2013, primarily due to decreased income from operations and decreases in non-cash net finance expense, largely offset by non-cash increases in depreciation and amortization expense.

Cash Used in Investing Activities

($ millions)	2014	2013	Change	%
Investing activities	**$279.1**	$341.1	$(62.0)	(18.2)

Cash used in investing activities was $279.1 million, down $62.0 million from 2013, primarily due to planned spending reductions on corporate priority programs and infrastructure programs, as well as reduced government funding related to the Aboriginal Affairs and Northern Development Canada funding for First Nations schools and health projects. Total cash invested in property, plant and equipment for 2014 was $229.0 million, down $44.2 million from 2013. Spending on intangible assets declined $25.3 million to $52.6 million. Government funding decreased $7.5 million in 2014, to $2.5 million. Additional details of the 2014 capital program are included in the capital expenditures discussion.

Cash Provided by (used in) Financing Activities

($ millions)	2014	2013	Change	%
Financing activities	**$(7.4)**	$86.8	$(94.2)	*nmf*[1]

[1]*nmf* – no meaningful figure

Cash used in financing activities was $7.4 million in 2014, compared to cash provided by financing activities of $86.8 million in 2013. This is due to reduced net borrowings and increased dividend payments. SaskTel paid dividends of $83.7 million to Crown Investments Corporation of Saskatchewan (CIC) in 2014, an increase of $10.1 million from 2013. During the last five years, SaskTel paid a total of $527.9 million in dividends while maintaining a debt ratio within industry standards.

Capital Management

DEBT RATIO

($ millions)	2014	2013	Change	%
Long-term debt	**$776.8**	$581.2	$195.6	33.7
Short-term debt	**143.3**	253.4	(110.1)	(43.4)
Less: Sinking funds	**112.6**	90.7	21.9	24.1
Cash and short-term investments	**8.9**	24.4	(15.5)	(63.5)
Net Debt	**798.6**	719.5	79.1	11.0
Equity[1]	**713.0**	747.2	(34.2)	(4.6)
Capitalization	**$1,511.6**	$1,466.7	$44.9	3.1
Debt Ratio[2]	**52.8%**	49.1%	3.7	7.5

[1] Equity for the purposes of calculating the debt ratio is defined as equity advances, accumulated other comprehensive income (loss) and retained earnings at the end of the period.

[2] 2013 is restated for change in accounting policy. Previously reported as 48.7%.

SaskTel's debt ratio increased to 52.8% in 2014, up from 49.1% in 2013. The overall level of net debt increased $79.1 million, primarily to fund continued investment in property, plant and equipment, as well as intangible assets. Equity decreased $34.2 million after recording net income of $76.4 million, other comprehensive loss of $57.3 million and declaring dividends of $53.3 million.

DEBT INSTRUMENTS

SaskTel's debt portfolio consists of short-term and long-term debt. Both are issued through, and guaranteed by, the Province of Saskatchewan. Short-term debt is issued at market rates in effect on the issue date. Long-term debt is at fixed interest rates.

The weighted average interest rate on SaskTel's fixed rate debt was approximately 5.02% at December 31, 2014, and 5.49% at December 31, 2013. The weighted average interest rate of the short-term debt outstanding at December 31, 2014, was 1.02%, and 2.74% at December 31, 2013.

The interest rate on SaskTel's debt depends on the credit rating of the Province of Saskatchewan, which issues debt on SaskTel's behalf. The following table lists the credit ratings of the Province at December 31, 2014.

	S&P	DBRS	Moody's
Long-term debt	AAA	AA	Aaa
Short-term liabilities	A-1+	R-1 (high)	Not Rated

ACCESS TO CAPITAL

The primary uses of cash in 2015 will be property, plant and equipment, and intangible asset expenditures, growth initiatives, and dividend payments.

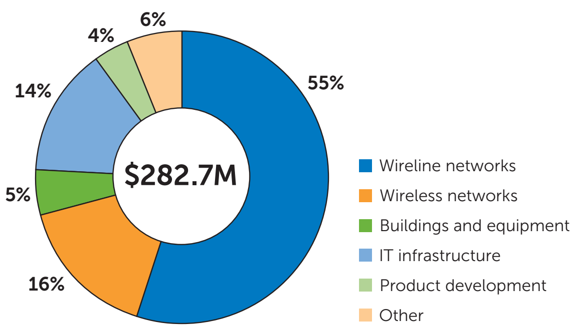
The 2015 plan assumes that funding of capital expenditures, growth initiatives and dividend payments will be initially from operations. Additional funding will be accessed through short-term notes, and long-term debt issued through the Province of Saskatchewan.

Credit facilities consist of up to $500 million in combined lines of credit with financial institutions and advances from the Province of Saskatchewan. At December 31, 2014, SaskTel had accessed $143.3 million of these facilities.

Besides this credit facility, SaskTel has authority to issue up to $1.3 billion in combined short-term and long-term debt. At December 31, 2014, total outstanding debt was $920.1 million, compared to $834.6 million in 2013.

CAPITAL EXPENDITURES

SaskTel operates the largest ICT network in Saskatchewan, a result of investing in Saskatchewan for over 100 years. SaskTel invested an additional $282.7 million in capital expenditures during 2014 (2013 – $355.8 million) to improve our customers' experience today and create opportunities to provide additional enhancements and capabilities in the future. Of the $282.7 million, $230.0 million (2013 – $278.2 million) was spent on property, plant and equipment—including FTTP, wireless networks (4G, LTE & LTE-TDD), and Access Demand—while the remaining $52.6 million (2013 – $77.6 million) was spent on intangible assets such as customer support systems and spectrum.

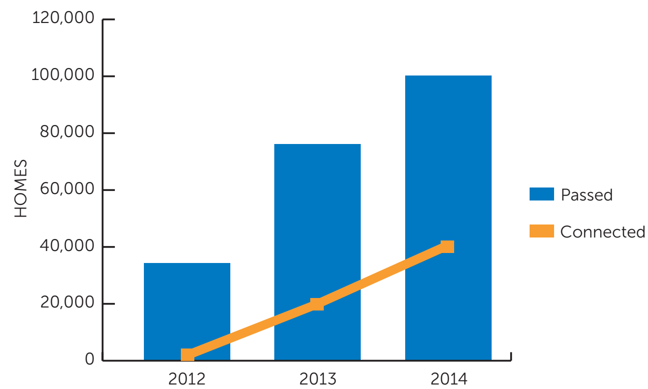


Fibre to the Premises ($50.4 million)

FTTP is a ten-year program to upgrade SaskTel's copper-based Digital Subscriber Line (DSL) broadband facilities and bring ***infiNET***, SaskTel's new Fibre Optic Network, right to our customers' doors in Saskatchewan's nine major centres: Saskatoon, Regina, Moose Jaw, Prince Albert, Weyburn, Estevan, Swift Current, Yorkton and North Battleford.

OVER 100,000 HOMES

HAVE ACCESS TO FIBRE



The new network provides customers with increased Internet download speeds of up to 260 Mbps; feature-rich media experiences, including connecting up to seven televisions; and advanced voice services. In addition, future services may be delivered to customers without replacing infrastructure or sending a SaskTel employee to customer's premises to activate the service.

FIBRE DELIVERS DOWNLOAD

SPEEDS OF UP TO 260 MBPS

4G, LTE & LTE-TDD ($43.9 million)

SaskTel invested to increase capacity of its 4G, LTE and LTE-TDD networks, resulting in increased data speeds, and positively impacting the customer experience. Investment in the 4G / LTE networks will be ongoing as customers abandon older wireless technologies like CDMA, which has slower data speeds, for newer 4G / LTE technologies that provide the speeds and capabilities to travel the Internet, watch and listen to multi-media content and access cloud-based services on their smartphone devices without delay. Focused on rural Saskatchewan and launched in the south-eastern part of the province, SaskTel's High Speed

Fusion Internet Service (Fusion) is based on SaskTel's new fixed wireless LTE-TDD service, and replaced the existing Wireless Broadband Internet (WBBI) service. Fusion provides download speeds of up to 5 Mbps and is available to customers within range of the 59 sites, 47 of which were enabled in 2014.

99.8% OF THE POPULATION

SERVED BY 4G AND LTE

Access Demand ($46.9 million)

Economic growth in Saskatchewan has been strong for several years, and as such, there has been a continuous demand for new land developments in many centres across the province. To meet the requirements of an expanding Saskatchewan, SaskTel invested $46.9 million in 2014, to add infrastructure to new neighbourhoods and increase capacity in existing neighbourhoods so that customers can access all the services that SaskTel has to offer.

Other Network Improvements ($49.4 million)

SaskTel has invested in other areas of its network to increase capacity and modernize key components to meet the needs of Saskatchewan residents and businesses and continue to support the growing economy. These improvements include capacity improvements to our wireline and wireless networks; improvements to our rural transport infrastructure to accommodate rural growth of fixed and mobile voice, video and data services; and expansion of northern fibre facilities that will bring high speed bandwidth services to northern residents and businesses.

Wireless Delivery Environment ($16.6 million)

Wireless Delivery Environment (WDE) is one of SaskTel's high-priority programs and involves replacing the current wireless billing and sales applications with a new converged platform. WDE will provide real-time rating of data as required by the new CRTC Wireless Code, reduce time to market for wireless products and services, reduce cost and complexity of SaskTel's wireless environment, and be the foundation to support converged services in the future.

700MHz Spectrum ($7.6 million)

Industry Canada held a 700MHz spectrum auction in early 2014. SaskTel continues to bid and acquire wireless spectrum to ensure that it can meet the quality, capacity and speed of service required by its customers. Industry Canada established a set of wireless spectrum auction rules that limited the amount and type of spectrum that could be acquired by regional carriers such as SaskTel. As a result, SaskTel was only able to acquire one block of C1 band spectrum, which will not allow SaskTel to fully increase capacity of its 4G LTE wireless network in rural areas until wireless devices are available in Canada for this band of spectrum. This spectrum will prove valuable to deliver data services to rural areas in the future, since lower frequencies have more range and penetration than higher frequency spectrum.

SIGNIFICANT ACCOUNTING POLICIES

This section discusses key estimates and assumptions that management has made, and how they affect the amounts reported in the financial statements and notes.

SaskTel's consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS). Other significant accounting policies, though not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See Notes 2, 3 and 4 to the consolidated financial statements for more information about the accounting principles SaskTel uses in preparing its financial statements. These notes also describe key changes in accounting standards and our accounting policies, and how they affect our financial statements.

Key Accounting Estimates and Assumptions

In preparing the consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and is required to constantly evaluate the judgments, estimates and assumptions used. Management bases these estimates and assumptions on past experience and other factors considered reasonable under the circumstances. Because of the judgment and measurement uncertainty, actual results could differ.

EMPLOYEE DEFINED BENEFIT PLANS

SaskTel maintains defined benefit plans that provide pension, other retirement and post-employment benefits for employees. Reported financial statement amounts relating to these benefits are determined using actuarial calculations that are based on several assumptions.

SaskTel's actuary performs an actuarial valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. The actuarial valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase and expected average remaining lives of employees. Management believes these assumptions are appropriate; however, differences in actual results or changes in assumptions could affect employee benefit obligations and future net post-employment benefit plan costs. SaskTel accounts for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance in other comprehensive income in the period the differences arise.

The most significant assumption used to calculate the net employee benefit plan's obligation is the discount rate.

Discount rate

The discount rate is the interest rate used to determine the present value of the future cash flows that SaskTel expects will be required to settle employee benefit obligations. It is usually based on the yield of long-term, high-quality, corporate fixed income investments with terms reflecting the profile of the plan members.

SaskTel determines the appropriate discount rate at the end of every year. SaskTel's discount rate was 3.80% at December 31, 2014, down 0.80% from 4.60% used in 2013. Changes in the discount rate could have an effect on SaskTel's cash flows through an effect on the projected benefit obligation. A lower discount rate results in a higher obligation, which could at some point require additional contributions to the plan.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

SaskTel and its subsidiaries maintain allowances for losses expected to result from customers who do not make their required payments. Estimates of the allowances are based on the likelihood of collecting accounts receivable based on past experience, taking into account current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the allowances for doubtful accounts will be increased by recording an additional expense.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization is an estimate to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on past experience with similar assets, taking into account expected technological or other changes. If technological changes happen more quickly or in a different way than anticipated, management may have to modify an asset's estimated useful life. This could result in a change to depreciation or amortization expense in future periods, an impairment charge to reflect a write down in value of an asset, or reversal of a previously recorded impairment charge.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are amortized over their estimated useful lives. These estimated useful lives are reviewed annually. In addition, SaskTel reviews these assets for impairment as part of the relevant cash-generating unit (CGU) whenever events or changes in circumstances indicate that the carrying amount of the CGU may not be recoverable. An impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that may trigger an impairment will occur, when it will occur, or how it will affect the asset values reported.

GOODWILL

SaskTel management does not amortize goodwill but tests it for impairment as part of the relevant CGU annually, or more frequently if events or changes in circumstances indicate that the CGU might be impaired. When the recoverable amount of a CGU exceeds its carrying amount, goodwill of the CGU is considered not to be impaired. When the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is first applied to reduce the carrying amount of goodwill allocated to the CGU. Again, estimating the cash flows to determine the recoverable amount of the relevant CGU requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends, but they include uncertainties that cannot be controlled. As a result, the amounts reported for these items could change if assumptions are different or if conditions vary in the future. SaskTel cannot predict whether an event that triggers impairment will occur, when it will occur, or how it will affect the asset values reported.

INTANGIBLE ASSETS

SaskTel records intangible assets at the most appropriate value depending on the method of acquisition, cost for purchased and internally developed intangible assets, and fair value for intangible assets acquired in business combinations. Intangible assets are tested for impairment as part of the relevant CGU when events or changes in circumstances indicate that their carrying value may not be recoverable. Similar to impairment testing for property, plant and equipment, an impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts, or estimating the cash flows from the use and eventual disposal of intangible assets, requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that triggers an impairment will occur, when it will occur, or how it will affect the asset values reported.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as sinking funds and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows.

CONTINGENCIES

SaskTel becomes involved in various litigation and regulatory matters as a regular part of its business. Pending litigation, regulatory initiatives or regulatory proceedings represent potential financial loss to SaskTel. SaskTel will accrue a potential loss if it is probable and it can reasonably be estimated. This decision is based on information available at the time.

FIVE YEAR RECORD OF SERVICE

Consolidated Statement of Income and Other Comprehensive Income

($ millions)	2014	2013	2012†	2011†*	2010†*
Revenue	**$1,231.0**	$1,205.7	$1,182.4	$1,125.8	$1,113.0
Other income	**1.7**	14.2	10.7	5.1	8.6
	1,232.7	1,219.9	1,193.1	1,130.9	1,121.6
Expenses					
Goods and services purchased	**574.7**	567.3	553.1	519.0	490.1
Salaries, wages and benefits	**374.4**	364.4	344.0	331.9	338.9
Depreciation	**166.2**	155.5	153.6	142.3	136.0
Amortization	**41.5**	27.6	24.2	20.4	21.0
Internal labour capitalized	**(23.1)**	(22.8)	(20.6)	(16.1)	(17.0)
	1,133.7	1,092.0	1,054.3	997.5	969.0
Results from operating activities	**99.0**	127.9	138.8	133.4	152.6
Net finance expense	**(22.6)**	(37.2)	(32.5)	(10.2)	(7.9)
Income from continuing operations	**76.4**	90.7	106.3	123.2	144.7
Net income from discontinued operations	**–**	–	–	30.8	4.8
Net income	**$76.4**	$90.7	$106.3	$154.0	$149.5
Other comprehensive income (loss)	**(57.3)**	190.6	(21.6)	(135.9)	(43.0)
Total comprehensive income	**$19.1**	$281.3	$84.7	$18.1	$106.5

Consolidated Statement of Financial Position

($ millions)	2014	2013	2012	2011†*	2010†*
Current assets	**$167.2**	$181.2	$148.6	$145.6	$174.6
Property, plant and equipment	**1,511.6**	1,451.5	1,335.2	1,232.0	1,153.9
Other long-term assets	**390.1**	361.0	309.9	257.6	218.9
Total assets	**$2,068.9**	$1,993.7	$1,793.7	$1,635.2	$1,547.4
Current liabilities	**$375.3**	$518.1	$333.3	$337.5	$246.4
Long-term debt	**776.8**	581.2	580.9	433.0	432.8
Other long-term liabilities	**203.8**	147.2	332.5	292.8	175.8
Province of Saskatchewan's equity	**713.0**	747.2	547.0	571.9	692.4
Total liabilities & Province of Saskatchewan's equity	**$2,068.9**	$1,993.7	$1,793.7	$1,635.2	$1,547.4

Consolidated Statement of Cash Flows

($ millions)	2014	2013	2012	2011†*	2010†*
Cash and cash equivalents, beginning of year	**$24.4**	$3.5	$8.0	$18.9	$9.0
Cash provided by operating activities	**271.0**	275.2	287.5	250.3	290.5
Cash used in investing activities	**(279.1)**	(341.1)	(308.4)	(254.9)	(298.4)
Cash provided by (used in) financing activities	**(7.4)**	86.8	16.4	(70.7)	14.2
Increase (decrease) in cash from continuing operations	**(15.5)**	20.9	(4.5)	(75.3)	6.3
Increase (decrease) in cash from discontinued operations	**–**	–	–	64.4	3.6
Cash and cash equivalents, end of year	**$8.9**	$24.4	$3.5	$8.0	$18.9

* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for revenue recognition, detailed in Note 3.

Financial Indicators

($ millions)	**2014**	2013	2012†	2011†*	2010†*
Return on equity	**10.5%**	14.0%	19.0%	24.4%	21.1%
Debt ratio	**52.8%**	49.1%	51.3%	44.1%	37.5%
Dividends declared	**$53.3**	$81.1	$84.3	$138.6	$139.7

Consolidated Statement of Income

($ millions)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	$311.9	$306.4	$308.6	$304.1	$313.1	$298.4	$298.6	$295.6
Other income	(1.0)	1.2	0.8	0.7	6.8	1.7	5.4	0.3
	310.9	307.6	309.4	304.8	319.9	300.1	304.0	295.9
Expenses								
Goods and services purchased	159.4	141.4	143.9	130.0	151.9	136.7	144.1	134.6
Salaries, wages and benefits	92.7	89.8	93.4	98.5	89.4	91.0	90.9	93.1
Depreciation	44.7	40.4	40.4	40.7	41.7	39.0	37.3	37.5
Amortization	10.9	12.0	10.0	8.6	4.2	8.0	7.1	8.3
Internal labour capitalized	(6.1)	(5.6)	(5.8)	(5.6)	(5.8)	(5.7)	(6.0)	(5.3)
	301.6	278.0	281.9	272.2	281.4	269.0	273.4	268.2
Results from operating activities	9.3	29.6	27.5	32.6	38.5	31.1	30.6	27.7
Net finance expense	(4.7)	(7.0)	(5.7)	(5.2)	(8.7)	(8.8)	(11.2)	(8.5)
Net income	$4.6	$22.6	$21.8	$27.4	$29.8	$22.3	$19.4	$19.2
Other comprehensive income (loss)	(6.5)	(16.5)	(9.1)	(25.2)	82.7	59.4	49.9	(1.4)
Total comprehensive income (loss)	($1.9)	$6.1	$12.7	$2.2	$112.5	$81.7	$69.3	$17.8

Annual Operating Statistics

Customer Accesses	**2014**	2013	2012	2011	2010
Wireless[1]	**618,083**	615,694	607,659	594,405	568,905
Wireline[1]	**437,486**	464,204	490,263	513,637	528,546
Internet (includes *maxTV*)	**258,547**	254,873	250,068	246,472	243,054
Max subscribers	**103,716**	101,147	97,262	93,960	85,537
Total accesses	**1,417,832**	1,435,918	1,445,252	1,448,474	1,426,041

Employees and Payroll	**2014**	2013	2012	2011	2010
Total employees	**3,999**	4,079	4,031	4,053	4,328
Salaries earned (000's)	**$322,173**	$314,390	$295,714	$296,025	$300,929

[1] Does not include SaskTel internal use.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, included in the annual report of Saskatchewan Telecommunications Holding Corporation for the year ended December 31, 2014, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The policies set out have been consistently applied to all the periods presented unless otherwise noted. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Risk Committee, consisting of outside directors, which meets periodically with management as well as with the internal and external auditors. The Audit and Risk Committee is responsible for engaging or re-appointing the services of the external auditor. Both the internal and external auditors have free access to this committee to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Audit and Risk Committee has met with management and the external auditor to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Ron Styles
President and
Chief Executive Officer
February 24, 2015

Charlene Gavel
Chief Financial Officer

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Ron Styles, the Chief Executive Officer of Saskatchewan Telecommunications Holding Corporation (SaskTel), and I, Charlene Gavel, the Chief Financial Officer of SaskTel, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of SaskTel. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects, the financial condition, results of operations, and cash flows, as of December 31, 2014, and for the periods presented in the financial statements.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskTel do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskTel is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskTel has designed internal controls over financial reporting that are appropriate to the circumstances of SaskTel.

d. That SaskTel conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskTel can provide reasonable assurance that internal controls over financial reporting as of December 31, 2014, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Ron Styles
President and
Chief Executive Officer
February 24, 2015

Charlene Gavel
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Telecommunications Holding Corporation, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Telecommunications Holding Corporation as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2013, has been restated and that the comparative information presented as at January 1, 2013, has been derived from the financial statements as at and for the year ended December 31, 2012.

KPMG LLP

Chartered Accountants
February 24, 2015
Regina, Canada

Consolidated Statement of Income and Other Comprehensive Income

For the year ended December 31, Thousands of dollars	Note	2014	2013 (Restated – Note 3)
Revenue	5	**$1,231,001**	$1,205,743
Other income	5	**1,689**	14,204
		1,232,690	1,219,947
Expenses			
Goods and services purchased		**574,645**	567,277
Salaries, wages and benefits		**374,402**	364,423
Depreciation	10	**166,239**	155,469
Amortization	11	**41,485**	27,552
Internal labour capitalized		**(23,093)**	(22,752)
		1,133,678	1,091,969
Results from operating activities		**99,012**	127,978
Net finance expense	6	**22,605**	37,207
Net income		**76,407**	90,771
Other comprehensive income (loss)			
Items that will never be reclassified to net income			
Actuarial gains (losses) on employee benefit plans	19	**(57,308)**	190,586
Total comprehensive income		**$19,099**	$281,357

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

See Accompanying Notes

Consolidated Statement of Changes in Equity

Thousands of dollars	Note	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings (Restated - Note 3)	Total equity
Balance at January 1, 2014		**$250,000**	**$8,159**	**$489,056**	**$747,215**
Net income		**–**	**–**	**76,407**	**76,407**
Other comprehensive loss	19	**–**	**(57,308)**	**–**	**(57,308)**
Total comprehensive income (loss) for the year		**–**	**(57,308)**	**76,407**	**19,099**
Dividends		**–**	**–**	**53,292**	**53,292**
Balance at December 31, 2014		**$250,000**	**$(49,149)**	**$512,171**	**$713,022**
Balance at January 1, 2013		$250,000	$(182,427)	$479,380	$546,953
Net income		–	–	90,771	90,771
Other comprehensive income	19	–	190,586	–	190,586
Total comprehensive income for the year		–	190,586	90,771	281,357
Dividends		–	–	81,095	81,095
Balance at December 31, 2013		$250,000	$8,159	$489,056	$747,215

See Accompanying Notes

Consolidated Statement of Financial Position

As at Thousands of dollars	Note	**December 31, 2014**	December 31, 2013 (Restated – Note 3)	January 1, 2013 (Restated – Note 3)
Assets				
Current assets				
Cash		**$8,948**	$24,365	$3,466
Trade and other receivables	7	**116,932**	116,526	110,593
Inventories	8	**15,796**	16,450	8,570
Prepaid expenses	9	**25,550**	23,817	25,961
		167,226	181,158	148,590
Property, plant and equipment	10	**1,511,600**	1,451,465	1,335,155
Intangible assets	11	**269,302**	260,201	210,520
Sinking funds	12	**112,571**	90,677	86,695
Other assets	13	**8,188**	10,206	12,760
		$2,068,887	$1,993,707	$1,793,720
Liabilities and Province's equity				
Current liabilities				
Trade and other payables	14	**$165,397**	$168,738	$158,874
Dividend payable		**–**	30,402	22,881
Notes payable	15	**143,298**	253,342	85,600
Other liabilities	16	**66,643**	65,609	65,906
		375,338	518,091	333,261
Deferred revenue		**7,526**	7,860	8,067
Deferred income – government funding	17	**40,050**	43,800	47,985
Long-term debt	18	**776,780**	581,172	580,881
Employee benefit obligations	19	**156,171**	95,569	276,573
		1,355,865	1,246,492	1,246,767
Commitments and contingencies	24			
Province of Saskatchewan's equity				
Equity advance	20	**250,000**	250,000	250,000
Accumulated other comprehensive income (loss)		**(49,149)**	8,159	(182,427)
Retained earnings		**512,171**	489,056	479,380
		713,022	747,215	546,953
		$2,068,887	$1,993,707	$1,793,720

See Accompanying Notes

On behalf of the Board

Grant Kook
February 24, 2015

Glenys Sylvestre

Consolidated Statement of Cash Flows

For the year ended December 31, Thousands of dollars	Note	2014	2013 (Restated – Note 3)
Operating activities			
Net income		**$76,407**	$90,771
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	10, 11	**207,724**	183,021
Net finance expense	6	**22,605**	37,207
Interest paid		**(39,288)**	(33,942)
Interest received		**1,630**	1,847
Amortization of government funding	17	**(6,242)**	(14,003)
Other		**13,357**	10,587
Net change in non-cash working capital	21	**(5,162)**	(300)
		271,031	275,188
Investing activities			
Property, plant and equipment expenditures		**(228,993)**	(273,155)
Intangible asset expenditures		**(52,630)**	(77,936)
Government funding	17	**2,538**	10,000
		(279,085)	(341,091)
Financing activities			
Proceeds from long-term debt		**195,240**	–
Net proceeds (repayment) of notes payable		**(110,043)**	167,742
Sinking fund installments	12	**(8,866)**	(7,366)
Dividends paid		**(83,694)**	(73,574)
		(7,363)	86,802
Increase (decrease) in cash		**(15,417)**	20,899
Cash, beginning of year		**24,365**	3,466
Cash, end of year		**$8,948**	$24,365

See Accompanying Notes

Note 1 – General information

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

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

One of the Corporation's subsidiaries, Saskatchewan Telecommunications (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 preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

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

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d. Use of estimates and judgments

The preparation of the consolidated 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.

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

- Use of the straight-line basis of depreciation and amortization (Note 10 – Property, plant and equipment and Note 11 – Intangible assets),
- Classification of intangible assets – indefinite life (Note 11 – Intangible assets), and
- Accounting for government funding (Note 17 – Deferred income – government funding)

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

- Useful lives and depreciation rates for property, plant and equipment (Note 10 – Property, plant and equipment),
- Useful lives and amortization rates for intangible assets (Note 11 – Intangible assets),
- Use of estimates when calculating the recoverable amounts of intangible assets (Note 11 – Intangible assets), and
- Measurement of the employee benefit obligations (Note 19 – Employee benefits).

Note 3 – Change in accounting policy and adoption of other standards

a. Directory revenue recognition

Effective January 1, 2014, the Corporation changed its revenue recognition policy related to advertising and directory services. Revenues are now recognized over the term of the contract whereas previously, revenue was recognized when directories were issued. The change was made as the new policy more reliably reports and better reflects the marketing strategy and resulting revenues from these services.

The impacts of the change in accounting policy are as follows:

Impact on net income

For the year ended December 31, 2013 Thousands of dollars	As previously reported	Adjustment	As restated
Revenue	$1,205,057	$686	$1,205,743
Goods and services purchased	567,194	83	567,277
Salaries, wages and benefits	364,486	(63)	364,423
Net income	90,105	666	90,771

Impact on the statement of financial position

As at January 1, 2013 Thousands of dollars	As previously reported	Adjustment	As restated
Trade and other receivables	$129,776	$(19,183)	$110,593
Prepaid expenses	23,101	2,860	25,961
Other liabilities	63,362	2,544	65,906
Retained earnings	498,247	(18,867)	479,380

As at December 31, 2013 Thousands of dollars	As previously reported	Adjustment	As restated
Trade and other receivables	$135,264	$(18,738)	$116,526
Prepaid expenses	20,978	2,839	23,817
Other liabilities	63,307	2,302	65,609
Retained earnings	507,257	(18,201)	489,056

b. Other new standards

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2014, have been applied in preparing these consolidated financial statements:

- IFRIC 21 Levies
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements
- Amendments to IAS 32 Financial Instruments: Presentation
- Amendments to IAS 36 Impairment of Assets
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The adoption of these standards had no material impact on the consolidated financial statements.

Note 4 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by the Corporation and its subsidiaries.

a. Basis of consolidation

i. Business combinations

For acquisitions, the Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

ii. Subsidiaries

The financial statements include the financial statements of the Corporation and its subsidiaries.

A subsidiary is an entity that is controlled by another entity, known as the parent. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Separate audited financial statements for each of the undernoted wholly owned corporations, which are consolidated in these financial statements, are prepared and released publicly:

Subsidiary	Principal Activity
Saskatchewan Telecommunications (SaskTel)	Telecommunications
Saskatchewan Telecommunications International, Inc. (SaskTel International)	Telecommunications software solutions & consulting
DirectWest Corporation (DirectWest)	Print and on-line advertising
SecurTek Monitoring Solutions Inc. (SecurTek)	Security monitoring

Throughout these financial statements the phrase “the Corporation” is used to collectively describe the activities of the consolidated entity.

iii. Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

b. Revenue

Revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the rendering of services and sale of equipment is recognized in the period the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Note 4 – Significant accounting policies, continued

Revenues from local telecommunications, data, Internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

When the Corporation receives no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and on-line advertising. Advertising revenues are generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the advertising, commencing with the display date. Amounts billed in advance for advertising are deferred and recognized over the life of the contract.

Operating revenues for perpetual licenses are recognized on delivery or according to the terms of the license agreement. Where the arrangement includes multiple elements, perpetual license revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the license, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. 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. Revenues for customized software projects and consulting services are recognized using the percentage of completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the period in HCSAs.

c. Customer contributions

Customer contributions specifically related to access to the Corporation's network, based on standard terms and conditions, are recognized as revenue when the customer is connected to the network. Other contributions, either related to access to the Corporation's network based on non-standard terms or conditions, or based on specifically contracted products or services, are assessed to determine the appropriate revenue recognition for the products or services provided, based on the Corporation's revenue recognition policies.

d. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that have a maturity date of ninety days or less.

Note 4 – Significant accounting policies, continued

e. Inventories

Inventories for resale are valued at the lower of weighted average cost and net realizable value. Other supplies inventories are valued at the lower of average cost and replacement cost.

In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

f. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the assets to a working condition for their intended use. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major capital and development projects are capitalized during the construction period. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income as incurred.

When property, plant and equipment is disposed of or retired, the related cost and accumulated depreciation is eliminated from the accounts. Any resulting gain or loss is reflected in net income for the year.

g. Depreciation of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in income on the straight-line basis over the estimated useful life of each part of an item of property, plant and equipment as follows:

Asset	**Estimated useful life**
Buildings and improvements	
Equipment and storage buildings	20–35 years
Warehouses, garages and parkades	50 years
Administrative buildings	60 years
Switching centres	70 years
Towers	35 and 75 years
Plant and equipment	3–50 years
Office furniture and equipment	3–17 years

Depreciation methods, useful lives and residual values are reviewed at each financial reporting date and adjusted if appropriate.

Note 4 – Significant accounting policies, continued

h. Intangible assets

i. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 4(a)(i). Subsequently, goodwill is measured at cost less any accumulated impairment losses.

ii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in income as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the consolidated statement of income and other comprehensive income on a straight-line basis over the estimated useful life of 1 to 5 years.

iii. Finite-life intangibles

Software is recorded at the cost of acquisition or development, which may include direct development costs, overhead costs directly attributable to development activity and betterment costs, less accumulated amortization and any accumulated impairment losses.

Customer accounts, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is recognized in income on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated useful life
Software	1 – 5 years
Customer accounts	5 – 10 years

iv. Spectrum licenses

Spectrum licenses have been recorded at cost less any accumulated impairment losses.

Spectrum licenses have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material license revocation. Should these factors change, the classification of indefinite-life will be reassessed.

i. Impairment

i. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Note 4 – Significant accounting policies, continued

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

ii. Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year during the fourth quarter.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or the CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

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

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

Note 4 – Significant accounting policies, continued

j. Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in the consolidated statement of income and other comprehensive income on a systematic basis in the same period in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in the consolidated statement of income and other comprehensive income on a systematic basis over the useful life of the asset.

k. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Corporation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

l. Employee benefits

The Corporation has a defined benefit pension plan, a defined contribution pension plan, and a service recognition defined benefit plan that provide retirement benefits for its employees.

i. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of plan assets.

The calculation of the net defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Corporation determines the net interest expense (income) on the net defined liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in net income.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net income. The Corporation recognizes gains and losses on the settlement of the defined benefit plan when the settlement occurs.

ii. Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of income and other comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Note 4 – Significant accounting policies, continued

iii. Service recognition defined benefit plan

The Corporation's net obligation in respect of the service recognition defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods and discounting that amount. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

iv. Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligations can be estimated.

v. Termination benefits

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted to their present value.

m. Financial instruments

i. Non-derivative financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they are held-for-trading (purchased and incurred with the intention of generating profits in the near term or are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking) or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. The Corporation has classified cash and cash equivalents and designated sinking funds as financial instruments at fair value through profit and loss. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net income in the period in which the gains and losses arise.

Loans and receivables (LAR)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of trade and other receivables.

Note 4 – Significant accounting policies, continued

ii. Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

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

Other liabilities (OL)

The Corporation has the following non-derivative financial liabilities: trade and other payables, notes payable and long-term debt.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iii. Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

n. Finance income and expenses

Finance income is comprised of interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and net interest income on the net defined benefit asset.

Finance expenses are comprised of interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and the net interest expense on the net defined benefit liability. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

o. Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, CIC. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder e.g. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 4(j)).

p. 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 that are mandatory for annual accounting periods beginning after December 31, 2014.

These include:

- IFRS 9 Financial Instruments was issued, as the final version, in July of 2014. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of the standard.

Note 4 – Significant accounting policies, continued

- IFRS 15 Revenue from Contracts with Customers was issued May 28, 2014. This standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:
  1. Identify the contract with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

  The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017, using either a full retrospective approach for all periods presented in the period of adoption, a modified retrospective approach or a retrospective cumulative effect approach.

  IFRS 15 will affect how the Corporation accounts for revenues from contracts with customers and the related contract costs for wireless operations and other segments. The Corporation is currently evaluating the impact of IFRS 15 on the financial statements.

Note 5 – Revenue and other income

For the year ended December 31, Thousands of dollars	Note	**2014**	2013 (Restated - Note 3)
Services revenue			
Wireless		**$482,463**	$471,901
maxTV, Internet and data services		**305,227**	284,516
Local and enhanced services		**242,597**	252,744
Long distance services		**53,179**	57,714
Equipment		**54,948**	52,535
Advertising services		**41,898**	43,309
Security monitoring services		**22,914**	20,713
International software and consulting services		**6,202**	7,262
Other services		**21,573**	15,049
		1,231,001	1,205,743
Other income			
Net loss on retirement or disposal of property, plant and equipment		**(3,198)**	(3,363)
Amortization of government funding	17	**6,242**	14,003
Other		**(1,355)**	3,564
		1,689	14,204
		$1,232,690	$1,219,947

Note 6 – Net finance expense

For the year ended December 31, Thousands of dollars	Note	**2014**	2013
Recognized in consolidated net income			
Interest expense on financial liabilities measured at amortized cost		**$40,377**	$34,237
Interest capitalized		**(7,316)**	(8,970)
Net interest expense		**33,061**	25,267
Net change in fair value of unimpaired financial assets at fair value through profit or loss	12	**–**	8,056
Net interest on defined benefit liability	19	**4,202**	10,401
Finance expense		**37,263**	43,724
Net change in fair value of unimpaired financial assets at fair value through profit or loss	12	**(8,576)**	–
Interest income on unimpaired financial assets at fair value through profit or loss	12	**(4,452)**	(4,672)
Interest income on loans and receivables		**(1,630)**	(1,845)
Finance income		**(14,658)**	(6,517)
Net finance expense		**$22,605**	$37,207
Interest capitalization rate		**4.67%**	4.63%

Note 7 – Trade and other receivables

As at December 31, Thousands of dollars	Note	**2014**	2013 (Restated - Note 3)
Accounts receivable			
Customer accounts receivable	22	**$81,390**	$80,231
Accrued receivables – customer		**4,434**	4,301
Allowance for doubtful accounts	22	**(1,716)**	(2,082)
		84,108	82,450
High cost serving area subsidy		**2,784**	1,969
Other		**30,040**	32,107
		$116,932	$116,526

Note 8 – Inventories

As at December 31, Thousands of dollars	**2014**	2013
Inventories for resale	**$12,590**	$11,827
Materials and supplies	**3,206**	4,623
	$15,796	$16,450

The cost of inventories recognized as an expense during the year was $46.3 million (2013 – $40.5 million).

In 2014, write-downs of inventory to net realizable value amounted to $1.2 million (2013 – $0.9 million).

Note 9 – Prepaid expenses

As at December 31, Thousands of dollars	**2014**	2013 (Restated - Note 3)
Prepaid expenses	**$19,346**	$16,552
Deferred service connection charges	**4,239**	4,303
Short-term customer incentives	**1,965**	2,962
	$25,550	$23,817

Note 10 – 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 January 1, 2014	**$3,014,983**	**$442,137**	**$133,872**	**$148,046**	**$35,725**	**$3,774,763**
Additions	**38,322**	**104**	**13,909**	**176,684**	**1,014**	**230,033**
Transfers	**163,663**	**12,372**	**8,345**	**(184,741)**	**361**	**–**
Retirements and disposals	**(38,194)**	**(1,226)**	**(254)**	**–**	**(1,046)**	**(40,720)**
Balance at December 31, 2014	**$3,178,774**	**$453,387**	**$155,872**	**$139,989**	**$36,054**	**$3,964,076**
Balance at January 1, 2013	$2,814,117	$411,044	$119,612	$143,554	$34,254	$3,522,581
Additions	38,391	1,474	17,899	220,417	–	278,181
Transfers	183,513	29,724	827	(215,925)	1,861	–
Retirements and disposals	(21,038)	(105)	(4,466)	–	(390)	(25,999)
Balance at December 31, 2013	$3,014,983	$442,137	$133,872	$148,046	$35,725	$3,774,763
Accumulated depreciation						
Balance at January 1, 2014	**$2,118,628**	**$125,084**	**$79,586**	**$ –**	**$ –**	**$2,323,298**
Depreciation for the year	**135,624**	**10,310**	**20,305**	**–**	**–**	**166,239**
Retirements and disposals	**(36,341)**	**(380)**	**(340)**	**–**	**–**	**(37,061)**
Balance at December 31, 2014	**$2,217,911**	**$135,014**	**$99,551**	**$ –**	**$ –**	**$2,452,476**
Balance at January 1, 2013	$2,009,398	$115,465	$62,563	$ –	$ –	$2,187,426
Depreciation for the year	127,087	9,621	18,761	–	–	155,469
Retirements and disposals	(17,857)	(2)	(1,738)	–	–	(19,597)
Balance at December 31, 2013	$2,118,628	$125,084	$79,586	$ –	$ –	$2,323,298
Carrying amounts						
At January 1, 2014	**$896,355**	**$317,053**	**$54,286**	**$148,046**	**$35,725**	**$1,451,465**
At December 31, 2014	**$960,863**	**$318,373**	**$56,321**	**$139,989**	**$36,054**	**$1,511,600**
At January 1, 2013	$804,719	$295,579	$57,049	$143,554	$34,254	$1,335,155
At December 31, 2013	$896,355	$317,053	$54,286	$148,046	$35,725	$1,451,465

Note 11 – Intangible assets

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licences	Under development	Total
Cost						
Balance at January 1, 2014	**$5,976**	**$189,508**	**$81,024**	**$65,981**	**$76,795**	**$419,284**
Acquisitions	**–**	**5,610**	**4,841**	**7,557**	**23,945**	**41,953**
Acquisitions – internally developed	**–**	**1,325**	**–**	**–**	**9,360**	**10,685**
Transfers	**–**	**52,167**	**–**	**–**	**(52,167)**	**–**
Retirements, disposals and adjustments	**–**	**(4,328)**	**–**	**–**	**(2,000)**	**(6,328)**
Balance at December 31, 2014	**$5,976**	**$244,282**	**$85,865**	**$73,538**	**$55,933**	**$465,594**
Balance at January 1, 2013	$5,976	$170,996	$67,539	$65,981	$32,980	$343,472
Acquisitions	–	11,813	13,485	–	24,357	49,655
Acquisitions – internally developed	–	701	–	–	27,288	27,989
Transfers	–	7,830	–	–	(7,830)	–
Retirements and disposals	–	(1,832)	–	–	–	(1,832)
Balance at December 31, 2013	$5,976	$189,508	$81,024	$65,981	$76,795	$419,284
Accumulated amortization						
Balance at January 1, 2014	**$ –**	**$111,633**	**$47,450**	**$ –**	**$ –**	**$159,083**
Amortization for the year	**–**	**33,482**	**5,381**	**–**	**–**	**38,863**
Impairment losses	**–**	**2,622**	**–**	**–**	**–**	**2,622**
Retirements and disposals	**–**	**(4,276)**	**–**	**–**	**–**	**(4,276)**
Balance at December 31, 2014	**$ –**	**$143,461**	**$52,831**	**$ –**	**$ –**	**$196,292**
Balance at January 1, 2013	$ –	$89,801	$43,151	$ –	$ –	$132,952
Amortization for the year	–	23,253	4,299	–	–	27,552
Retirements and disposals	–	(1,421)	–	–	–	(1,421)
Balance at December 31, 2013	$ –	$111,633	$47,450	$ –	$ –	$159,083
Carrying amounts						
At January 1, 2014	**$5,976**	**$77,875**	**$33,574**	**$65,981**	**$76,795**	**$260,201**
At December 31, 2014	**$5,976**	**$100,821**	**$33,034**	**$73,538**	**$55,933**	**$269,302**
At January 1, 2013	$5,976	$81,195	$24,388	$65,981	$32,980	$210,520
At December 31, 2013	$5,976	$77,875	$33,574	$65,981	$76,795	$260,201

During the year, intangible assets associated with specific services were reviewed and assessed as impaired. Accordingly, an impairment loss of $2.6 million was recorded in amortization expense.

Impairment testing for the cash-generating unit containing goodwill and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, goodwill and a portion of finite-life assets under development are allocated to one CGU; DirectWest. This is the lowest level within the Corporation at which goodwill is monitored for internal management purposes, which is not higher than the Corporation's operating segments.

Note 11 – Intangible assets, continued

Management has determined that changes to the core business have made the use of the fair value less cost to sell method inappropriate for determination of the recoverable amount. This resulted in a change to value in use as the primary valuation methodology for the CGU. The value in use methodology used the 2015–2019 financial plan, as well as a terminal value capitalization. The expected cash flows and terminal value were then discounted at a rate to reflect the expected return and risk for the CGU.

The key material assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

Discount rate	20%
Terminal value capitalization	25%

Impairment testing indicated no impairment at December 31, 2014.

Impairment testing for cash-generating units containing indefinite-life intangible assets and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, indefinite-life intangible assets (spectrum licences) and finite-life intangible assets under development are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets and finite-life intangible assets under development are monitored for internal management purposes, which is not higher than the Corporation's operating segments.

The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an EV to EBITDA ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment testing indicated no impairment at December 31, 2014.

Note 12 – Sinking funds

Under conditions attached to the long-term debt, the Corporation is required to pay annually into sinking funds, administered by the Saskatchewan Ministry of Finance, amounts representing 1% to 2% of the debt outstanding. The fund includes the Corporation's required contributions, its proportional share of earnings and its proportional share of revaluation gains or losses.

The changes in the carrying amount of sinking funds are as follows:

As at December 31, Thousands of dollars	**2014**	2013
Sinking funds, beginning of year	**$90,677**	$86,695
Installments	**8,866**	7,366
Earnings	**4,452**	4,672
Valuation adjustment	**8,576**	(8,056)
	$112,571	$90,677

Note 12 – Sinking funds, continued

Sinking fund installments due in each of the next five years are as follows:

Thousands of dollars	
2015	$9,366
2016	9,366
2017	9,366
2018	9,366
2019	9,366

Note 13 – Other assets

As at December 31, Thousands of dollars	**2014**	2013
Deferred service connection charges	**$5,366**	$5,355
Long-term customer incentives	**201**	1,867
Financing leases	**2,394**	2,952
Other	**227**	32
	$8,188	$10,206

Note 14 – Trade and other payables

As at December 31, Thousands of dollars	**2014**	2013
Trade accounts payable and accrued liabilities	**$122,415**	$116,485
Payroll and other employee-related liabilities	**36,149**	35,492
Other	**6,833**	16,761
	$165,397	$168,738

Note 15 – Notes payable

Notes payable are due to the Province of Saskatchewan's General Revenue Fund (GRF). These notes have varying maturities from March 31, 2015, to June 23, 2015, and have a weighted average effective interest rate of 1.02% (2013 – 2.74%).

Note 16 – Other liabilities

As at December 31, Thousands of dollars	Note	**2014**	2013 (Restated - Note 3)
Advance billings		**$49,375**	$48,610
Deferred customer activation and connection fees		**5,206**	5,315
Current portion of deferred income – government funding	17	**5,030**	4,984
Customer deposits		**7,032**	6,700
		$66,643	$65,609

Note 17 – Deferred income - government funding

The Corporation received $55.0 million in funding from the Province of Saskatchewan through CIC as partial funding of the Rural Infrastructure Program (RIP); $49.2 million has been applied to capital expenditures and $5.8 million to operating expenditures.

As part of the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation (SCN) to the Corporation, the Province of Saskatchewan through the Ministry of Education has provided $1.3 million in funding for distance education hardware upgrades. To date, $0.5 million has been applied to capital expenditures and $0.4 million to operating expenditures. Future funded expenditures will be based on system maintenance, upgrade and expansion requirements.

In conjunction with the Aboriginal Affairs and Northern Development Canada (AANDC) funding agreement, the Corporation has received funding of $16.0 million for Internet service to selected First Nations schools and health facilities in Saskatchewan, as well as $8.7 million in conjunction with the First Nations Service Improvement Project (FNSIP). The balance of funded expenditures is planned for 2015.

The funding has initially been classified as deferred income to be recognized as related expenses are incurred or amortized as assets related to the program are depreciated. Funding related to operating expenditures has been included in the determination of net income for the relevant period. Funding related to capital expenditures has been deferred and is being amortized over the estimated useful life of the related assets.

As at December 31,			**2014**			2013
Thousands of dollars	**RIP**	**SCN**	**FNSIP**	**AANDC**	**Total**	Total
Balance, beginning	**$36,012**	**$1,062**	**$7,471**	**$4,239**	**$48,784**	$52,787
Funding received	**–**	**–**	**–**	**2,538**	**2,538**	10,000
	36,012	**1,062**	**7,471**	**6,777**	**51,322**	62,787
Amortization	**4,285**	**293**	**497**	**1,167**	**6,242**	14,003
	31,727	**769**	**6,974**	**5,610**	**45,080**	48,784
Current portion	**4,285**	**45**	**497**	**203**	**5,030**	4,984
	$27,442	**$724**	**$6,477**	**$5,407**	**$40,050**	$43,800

Note 18 – Long-term debt

As at December 31,	**2014**		2013	
Thousands of dollars	**Principal outstanding**	**Effective interest rate (%)**	Principal outstanding	Effective interest rate (%)
Unsecured advances from the Province of Saskatchewan				
3.90% due July 2020	**$149,194**	**4.01**	$149,067	4.01
10.08% due December 2020	**126,052**	**10.18**	125,989	10.18
3.20% due June 2024	**50,354**	**3.11**	–	–
4.15% due December 2025	**50,000**	**4.15**	50,000	4.15
5.75% due March 2029	**73,455**	**5.97**	73,388	5.97
5.60% due March 2029	**35,000**	**5.18**	35,000	5.18
3.40% due February 2042	**147,777**	**3.49**	147,728	3.49
3.90% due June 2045	**144,948**	**4.09**	–	–
Total due to Province of Saskatchewan	**$776,780**		$581,172	

As at December 31, 2014, the Corporation has no scheduled debt principal retirement requirements in the next five years.

Note 18 – Long-term debt, continued

There is a requirement attached to above advances to make annual payments into sinking funds in amounts representing 1% to 2% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues upon maturity, on a net basis (see Note 12).

Note 19 – Employee benefits

The Corporation has: a defined benefit pension plan (Plan A), a service recognition defined benefit plan (Plan B), and a defined contribution pension plan (Plan C).

Plan A - Defined benefit pension plan

The defined benefit pension plan is governed by SaskTel and has been closed to new membership since 1977. The SaskTel defined benefit pension plan is registered under *The Pension Benefits Act, 1992*, Saskatchewan, and the *Income Tax Act*, Canada, and regulated by the Financial and Consumer Affairs Authority of Saskatchewan – Pensions Division. Separate audited financial statements for the defined benefit plan are prepared and released publicly.

The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of pensionable earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met.

For employees who retire before the age of 65, but meet other age plus service requirements, either a reduced or unreduced pension may be payable. Pensions are subject to annual indexing with the Consumer Price Index (CPI) up to a maximum of 2% per year.

The defined benefit pension plan is administered by a five-member board (SaskTel Pension Board), consisting of two employer representatives, two union representatives and an independent chair. The SaskTel Pension Board is required by law to act in the best interests of the defined benefit pension plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the defined benefit pension plan.

Plan B - Service recognition defined benefit plan

The service recognition defined benefit plan provided a retiring allowance of two days salary per year of service, which is payable on retirement. Based on the Collective Agreement between the Corporation and Unifor, ratified April 22, 2005, the service recognition defined benefit program was curtailed effective March 19, 2005.

Plan C - Defined contribution pension plan

The defined contribution pension plan requires the Corporation to contribute 7.25% of employees' pensionable earnings and employees to contribute a minimum of 4.25% of pensionable earnings. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2014 pension cost and employer contributions for the Public Employees Pension Plan are $21.0 million (2013 – $20.2 million).

a) Funding

The Corporation is responsible for adequately funding Plan A. Contributions are determined by actuarial valuations. The contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. An actuarial valuation for accounting purposes was performed at December 31, 2013. The latest valuation for funding purposes was performed as of December 31, 2013.

All plan members have reached the maximum years of pensionable service and are no longer required to contribute to the plan. As a result, employer current service contributions have also ceased. A valuation is performed at least every three years to determine the actuarial present value of the accrued pension benefit.

Note 19 – Employee benefits, continued

During 2013, provisions of *The Pension Benefits Regulations, 1993* were amended to allow the pension plan to determine funding requirements based on the going concern actuarial valuation versus the former requirement to use the solvency funding actuarial valuation. Under the going concern actuarial valuation, the plan is in a surplus and therefore contributions are not required.

Plan B is unfunded. The Corporation expects to pay $1.3 million in 2015 related to Plan B.

b) Defined benefit obligation

Actuarial assumptions

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

	2014		2013	
As at December 31,	**Plan A**	**Plan B**	Plan A	Plan B
Discount rate – end of year	**3.80%**	**3.20%**	4.60%	3.80%
Inflation rate	**2.50%**	**–**	2.50%	–
Expected salary increase	**–**	**3.00%**	3.00%	3.00%
Post-retirement index	**100% of CPI to a maximum of 2%**	**–**	100% of CPI to a maximum of 2%	–
Future mortality	Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM Improvement Scale B		UP 1994 projected to 2024	
Estimated average remaining employee service life	**–**	**8.2 years**	–	8.8 years

At December 31, 2014, the weighted average duration of the defined benefit obligation was 11.9 years (2013 – 10.9 years).

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate, which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

Sensitivity analysis

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

As at December 31, 2014	Defined benefit obligation	
Thousands of dollars	Increase	Decrease
Discount rate (1% movement)	$(124,083)	$151,251
Inflation (1% movement)	(125,213)	68,212
Future indexing (1% movement)	–	(133,420)

Note 19 – Employee benefits, continued

c) Movement in the present value of the defined benefit obligation

The following table shows a reconciliation from the opening balances to the closing balances for the defined benefit liability (asset) and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Thousands of dollars	**2014**	2013	**2014**	2013	**2014**	2013
Balance, beginning of year	**$1,078,003**	$1,202,355	**$(982,434)**	$(925,782)	**$95,569**	$276,573
Included in net income						
Current service cost	**–**	–	**377**	350	**377**	350
Interest cost (income)	**47,835**	44,283	**(43,633)**	(33,882)	**4,202**	10,401
	47,835	44,283	**(43,256)**	(33,532)	**4,579**	10,751
Included in OCI						
Remeasurement loss (gain):						
– Actuarial loss (gain) arising from financial assumptions	**116,858**	(99,158)	**–**	–	**116,858**	(99,158)
– Return on plan assets excluding interest income	**–**	–	**(59,550)**	(91,428)	**(59,550)**	(91,428)
	116,858	(99,158)	**(59,550)**	(91,428)	**57,308**	(190,586)
Other						
Benefits paid	**(69,126)**	(69,477)	**67,841**	68,308	**(1,285)**	(1,169)
	(69,126)	(69,477)	**67,841**	68,308	**(1,285)**	(1,169)
Balance, end of year	**$1,173,570**	$1,078,003	**$(1,017,399)**	$(982,434)	**$156,171**	$95,569
Represented by:						
Net defined benefit liability (Plan A)					**$135,272**	$74,583
Net defined benefit liability (Plan B)					**20,899**	20,986
					$156,171	$95,569

Note 19 – Employee benefits, continued

d) Plan assets

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

As at December 31, Thousands of dollars	2014	2013
Asset Category		
Short-term investments	**$10,062**	$4,713
Pooled real estate	**137,066**	131,488
Canadian equities	**111,493**	111,037
Canadian pooled equity funds	**8,466**	7,581
US equities	**30,617**	54,264
US pooled equity fund	**115,565**	105,711
Non-North American pooled equity funds	**208,440**	259,550
Bonds	**369**	130
Pooled bond funds	**369,230**	270,063
	991,308	944,537
Investments under securities lending program		
Short-term investments	**1,423**	539
Canadian equities	**24,564**	33,196
US equities	**541**	4,929
	26,528	38,664
Total investments	**$1,017,836**	$983,201

The defined benefit pension plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short-term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the SaskTel Pension Board.

Taking into consideration the investment and risk philosophy of the defined benefit pension plan, the following range and target asset mix has been established:

Asset category	Range	Target
Equities	40–50%	45%
Real estate	10–20%	15%
Fixed income	30–50%	40%

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

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

Note 20 – Equity advances and capital disclosures

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 year.

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 the Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The target ratio for 2014 was 56.0%.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

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

The debt ratio is as follows:

As at December 31, Thousands of dollars	Note	**2014**	2013 (Restated – Note 3)
Total debt (a)		**$920,078**	$834,514
Less: Sinking funds	12	**112,571**	90,677
Cash and short-term investments		**8,948**	24,365
Net debt		**798,559**	719,472
Equity (b)		**713,022**	747,215
Capitalization		**$1,511,581**	$1,466,687
Debt ratio		**52.8%**	49.1%

(a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

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

Note 21 – Consolidated statement of cash flows

For the year ended December 31, Thousands of dollars	**2014**	2013 (Restated – Note 3)
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(406)**	$(5,933)
Inventories	**654**	(7,880)
Prepaid expenses	**(1,733)**	2,144
Trade and other payables	**(3,341)**	9,864
Other liabilities	**1,034**	(297)
Deferred revenues	**(334)**	(207)
Other	**(1,036)**	2,009
	$(5,162)	$(300)

Note 22 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates. 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.

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

Fair value of financial assets and liabilities

As at December 31,			**2014**		2013	
Thousands of dollars	Classification (a)	Note	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	FVTPL		**$8,948**	**$8,948**	$24,365	$24,365
Trade and other receivables	LAR	7	**116,932**	**116,932**	116,526	116,526
Investments – sinking funds	FVTPL	12	**112,571**	**112,571**	90,677	90,677
Financial liabilities						
Trade and other payables	OL	14	**165,397**	**165,397**	168,738	168,738
Notes payable	OL	15	**143,298**	**143,298**	253,342	253,342
Long-term debt	OL	18	**776,780**	**934,704**	581,172	665,057

(a) Classification details are:

FVTPL – fair value through profit or loss LAR – loans and receivables OL – other liabilities

Note 22 – Financial risk management, continued

a) 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 in 2013 or 2014 and no items transferred between levels in 2013 or 2014.

As at December 31,		**2014**			2013	
Thousands of dollars	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Sinking funds	**$ –**	**$112,571**	**$112,571**	$ –	$90,677	$90,677
Long-term debt	**$ –**	**$934,704**	**$934,704**	$ –	$665,057	$665,057

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss and categorized as level 2 in the hierarchy include sinking funds.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Long-term debt

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

b) Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk represents the potential for loss from changes in the value of financial instruments related to interest rate movements. Interest rate risk primarily impacts the value of sinking fund investments and debt refinancing.

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, $112.6 million (2013 – $90.7 million) in sinking funds, which is required for certain long-term debt issues. At December 31, 2014, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and they are managed based on this maturity profile and market conditions. The Corporation may be exposed to interest rate risk on the sinking funds. Assuming all other variables remain constant at December 31, 2014, a yield curve shift in excess of 1.5% would have a material impact on net income. Specifically, a 1.5% weakening in interest rates (or bond yields) would have a 19.5% ($14.9 million) favourable effect on net income while a 1.5% strengthening would have a 19.5% ($14.9 million) unfavourable effect on net income.

Note 22 – Financial risk management, continued

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, to offset interest rate risk as of December 31, 2014. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates at December 31, 2014, with maturities of 2020 and beyond.

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at December 31, 2014, currency fluctuations in excess of 10% would have a material impact on net income. Specifically, a 10% weakening in the Canadian dollar versus the US dollar exchange rate would have a 11.5% ($8.8 million) unfavourable effect on net income while a 10% strengthening would have a 11.5% ($8.8 million) favourable effect on net income. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments.

c) 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. The credit risk relates to trade and other receivables and unbilled revenue, sinking funds, interest receivable and counterparties to financial hedges.

Sinking funds are invested in Provincial and Federal government bonds. As such, the related credit risk associated with these investments is considered low.

Trade and other receivables and unbilled revenue are diversified among many residential, farm and commercial customers, primarily throughout Saskatchewan.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial transactions. The carrying amount of financial assets represents the maximum credit exposure as follows:

As at December 31, Thousands of dollars	Note	**2014**	2013 (Restated – Note 3)
Cash		**$8,948**	$24,365
Trade and other receivables	7	**116,932**	116,526
Sinking funds	12	**112,571**	90,677
		$238,451	$231,568

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed regularly based on an analysis of the aging of customer accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written off a significant portion of its customer accounts receivable balances.

Note 22 – Financial risk management, continued

The allowance for doubtful accounts and the aging of customer accounts receivable are detailed as follows:

Allowance for doubtful accounts

As at December 31, Thousands of dollars	**2014**	2013
Opening balance	**$2,082**	$2,711
Less: accounts written off	**(9,216)**	(10,862)
Recoveries	**4,858**	6,094
Provisions for losses	**3,992**	4,139
Ending balance	**$1,716**	$2,082

Customer accounts receivable

As at December 31, Thousands of dollars	Note	**2014**	2013
Current		**$65,619**	$59,453
30–60 Days		**11,963**	17,117
61–90 Days		**2,547**	2,792
Greater than 90 Days		**1,261**	869
Gross customer accounts receivable	7	**81,390**	80,231
Allowance for doubtful accounts	7	**(1,716)**	(2,082)
Net customer accounts receivable		**$79,674**	$78,149

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance.

Sufficient operating cash flows are expected to be generated to fund the short-term contractual obligations and the Corporation anticipates it will be able to refinance long-term debt upon maturity.

The following summarizes the contractual maturities of the Corporation's financial liabilities:

Thousands of dollars			**Contractual Cash Flows**				
December 31, 2014	**Carrying amount**	**Total**	**0-6 months**	**7-12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Long-term debt (a)	**$776,780**	**$1,339,142**	**$19,754**	**$19,754**	**$39,509**	**$118,526**	**$1,141,599**
Notes payable	**143,298**	**143,758**	**143,758**	**–**	**–**	**–**	**–**
Trade and other payables	**165,397**	**165,397**	**165,397**	**–**	**–**	**–**	**–**
	$1,085,475	**$1,648,297**	**$328,909**	**$19,754**	**$39,509**	**$118,526**	**$1,141,599**
December 31, 2013							
Long-term debt (a)	$581,172	$977,576	$16,029	$16,029	$32,059	$96,176	$817,283
Notes payable	253,342	253,887	253,887	–	–	–	–
Trade and other payables	168,738	168,738	168,738	–	–	–	–
	$1,003,252	$1,400,201	$438,654	$16,029	$32,059	$96,176	$817,283

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

Note 22 – Financial risk management, continued

e) Embedded derivatives

The Corporation had no contracts with embedded derivatives as at December 31, 2013, and December 31, 2014.

Note 23 – Related party transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, CIC. Included in these consolidated financial statements, are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "government-related entities"). The Corporation has elected to take a partial exemption under IAS 24 Related Party Disclosures, which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the year ended December 31, 2014, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 6.8% of revenues (2013 – 5.0%), 0.0% of other income (2013 – 16.2%), 10.4% of operating expenses (2013 – 10.6%) and 5.75% of property, plant and equipment expenditures (2013 – 1.6%).

Key management personnel compensation

In addition to their remuneration, the Corporation also provides non-cash benefits to directors and executive officers, either a defined benefit pension or a defined contribution pension, and a service recognition defined benefit pension.

Key management personnel compensation is comprised of:

For the year ended December 31, Thousands of dollars	**2014**	2013
Short-term employee benefits	**$4,912**	$4,066
Post-employment benefits		
Defined contribution	**256**	323
Defined benefit	**–**	2
	$5,168	$4,391

Note 24 – Commitments and contingencies

Commitments

As at December 31, 2014, the Corporation has committed to spend $14.6 million (2013 – $15.2 million) on property, plant and equipment, $6.2 million (2013 – $11.7 million) on intangible assets and $255.2 million (2013 – $358.5 million) related to operations.

Contingencies

On August 9, 2004, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987, and the date of the certification order being February 13, 2008. The class action period was then extended to March 31, 2014. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation continues to believe that it has strong defenses to the allegations as certified in the 2004 action.

Note 24 – Commitments and contingencies, continued

On July 24, 2009, a second proceeding under *The Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009, the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's Abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defenses to the allegations contained in the 2009 claim.

On June 26, 2008, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter. A date has yet to be finalized for a hearing of a motion to determine if this claim should be certified as a class action.

In September 2011, the Corporation was served with a second 9-1-1 class action claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008, but not served on Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications until more than three years later. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

In November 2011, the Corporation was served with two proposed class action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation believes that it has strong defenses to the claim and will be defending it. Currently, the Corporation is not aware of any further proceedings being taken in this action beyond service of the claim.

On February 6, 2013, the Corporation was served with a claim out of the Supreme Court of British Columbia. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers and most known wireless device manufacturers. The claim is primarily one of product liability involving allegations by wireless customers who have had cancer or other afflictions allegedly caused by cell phone use. This claim is being defended by external legal counsel retained by the Corporation's liability insurer. The Corporation believes there is no merit to the claim and will be defending it.

On May 29, 2013, the Corporation was served with a claim out of the Court of Queen's Bench in Alberta. This proposed class action sued all the wireless carriers that have been sued in all the other system administration fees class actions that are currently outstanding, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The claim is over the period from 1987 to date. An application was heard September 27, 2013, to have this suit dismissed on the basis that the Alberta court does not have jurisdiction over the Corporation as we do not carry on business in Alberta. That application was dismissed. The 2013 action was, by consent, converted to a 2014 action. Applications by other defendants in the 2014 action to have the proceedings dismissed as an abuse of process were heard in November 2014 by the Alberta courts. The Corporation and all other defendants await the outcome of these applications before determining what the next steps in the action might be.

Note 24 – Commitments and contingencies, continued

In June 2014, the Corporation was served with a claim out of the Saskatchewan Court of Queen's Bench. The Plaintiff claims reimbursement for all customers who paid provincial sales tax on land line telecommunications services since April 2010, claiming that *The Provincial Sales Tax Act* does not properly authorize the application of provincial sales tax to land line telecommunications services. The Corporation believes there is no merit to the claim and the Government of Saskatchewan has agreed to carry the defence of the claim on behalf of the Corporation.

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2014, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Note 25 – Operating leases

Non-cancellable operating lease rentals are payable as follows:

As at December 31, Thousands of dollars	**2014**	2013
Less than 1 year	**$6,573**	$6,878
Between 1 and 5 years	**17,666**	19,379
Greater than 5 years	**12,997**	13,835
	$37,236	$40,092

During the year ended December 31, 2014, the Corporation recognized $13.9 million (2013 – $13.6 million) as rent expense related to operating leases.

Note 26 – Comparative figures

Certain of the 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

BOARD OF DIRECTORS

Grant Kook

Terry Dennis

Pat Friesen

Rachel Heidecker

Grant Kook — CDir, SOM, Chair

- Founder, past Chairman and current President and Chief Executive Officer of Golden Opportunities Fund Inc.
- President and Chief Executive Officer of private equity and venture capital portfolio manager, Westcap Mgt. Ltd.
- Fund manager of Golden Opportunities Fund Inc., First Nations and Métis Fund, Business Ready Investment Development Gateway (BRIDG), and First Nations Business Development Fund and HeadStart on a Home.
- President and Chief Executive Officer of Cheung On Investments Group Ltd.
- Owner, President and Chief Executive Officer of the Ramada Hotels (Saskatoon/Regina) since 1992.
- Serves on the boards of numerous private and publicly traded companies, including Saskatchewan Blue Cross and 3sHealth Shared Services Saskatchewan. He is the Vice President of the Canadian Venture Capital and Private Equity Association (CVCA), past member of the World Entrepreneurs Association, and was the Co-chair of the Saskatchewan-Asia Advisory Council, He is active in many community organizations: Voluntary Past Chair of the Children's Hospital Foundation of Saskatchewan, Executive Committee Member of the Mike Weir Miracle Golf Drive for Kids, Sponsorship Chair for the 2006 PotashCorp Vanier Cup and 2004 Canadian Nokia Brier, Vice President of Sponsorship for 2010 Canadian World Junior Hockey Championship, Director of 2012 Tim Horton's Brier, Chair of 2013 and 2014 CIS University Cup, and founding Board Member of the new Saskatchewan Hockey Hall of Fame.
- Recipient of the 2013 Saskatchewan Order of Merit, 2012 Queen Elizabeth II Diamond Jubilee Commemorative Medal, and Commemorative Medal for the Centennial of Saskatchewan. He is the recipient of the 2014 Saskatoon Tourism Leadership award, the 2008 B'nai Brith – We are Proud of You Award, Ernst & Young nominee for Entrepreneur of the Year in 1998 and 2003, and was recognized in 2008 as one of the Province's Most Influential Men by *Saskatchewan Business Magazine.*

Terry Dennis

- Member of Canora Town Council since 1994, and has served as the town's mayor since 2000.
- An owner and operator of Dennis Foods, a family enterprise that has been a fixture in the Canora business community since 1947.
- Active supporter of the sports community, serving as a player, coach and volunteer in hockey, baseball and curling.

Pat Friesen

- Owns and operates Success Business Consulting, specializing in marketing and communications.
- Formerly Executive Vice President of Marketing at Innovation Credit Union.
- Served as a board member of the Saskatchewan Chamber of Commerce for many years and Chair of that Board in 2011.
- Served as a Board member for the Canadian Chamber of Commerce in 2012.
- Worked with the Swift Current Chamber of Commerce for many years, and was President of that organization in 1993.
- Presently a Swift Current City Councilor and served as the Co-Chair of the 2014 City of Swift Current Centennial Committee.
- Served on the Boards of the Swift Current Agricultural and Exhibition Association, Southwest Victim Services, Rotary Club of Swift Current, the Swift Current 2005 Provincial Centennial Committee and the 2010 World Ladies Curling Championship.
- Serves on the Board of the Saskatchewan branch of the Canadian Automobile Association.
- 2008 Southwest Citizen of the Year by the Swift Current Chamber of Commerce.
- 2011 Provincial Woman of Influence (*Saskatchewan Business Magazine*).

BOARD OF DIRECTORS

Jerri Hoback

Reg Howard

Randy Kachur

Pamela Lothian

Rachel Heidecker

- Sessional lecturer in the Management & Marketing Department at the Edwards School of Business in Saskatoon.
- Manager of Academic and Web Services, at the University of Saskatchewan ICT.
- 18 years of experience in the Information and Communications Technology industry.
- Previously held positions as Information Technology Project Manager at the University of Saskatchewan Library, a business analyst in the Facilities Management Division at the University of Saskatchewan and as senior programmer/analyst with Interactive Tracking Systems Inc. in Saskatoon.
- MBA in Management & Strategy, University of Saskatchewan; Post Graduate Diploma in Object Oriented Software Technology, University of Calgary; and BSc, University of Saskatchewan.

Jerri Hoback

- Currently serves as an Elected University of Saskatchewan Senator and board member for the Prince Albert Electoral District Association.
- Worked as an accountant in a wide variety of industry sectors including assurance services for a large public accounting firm, oil and gas, electronics manufacturing, and financial services.
- BComm (University of Saskatchewan); CPA, CMA; CDir Chartered Director (McMaster University).

Reg Howard

- Business Development Manager for Brandt Developments Ltd.
- Formerly COO of Canadian Digital Network.
- Formerly Vice President of Construction for Century West Homes, Commercial, and Residential.
- Formerly Senior Vice President at The Phoenix Group.
- Formerly Vice President of Human Resources and Marketing for the Walker Group of Companies.
- Formerly Regional Manager for Saskatchewan and Manitoba with The Co-operators Insurance Company for 19 years.
- Serves on the boards of the Regina Exhibition Association and the George Reed Foundation and is involved with the North Central Family Centre.
- Has served as Co-Chair of the 1966 Grey Cup Anniversary Celebration for the Saskatchewan Roughriders, Past President of Regina Crime Stoppers and Member of the Chris Knox Foundation.

Randy Kachur

- Graduate of the University of Saskatchewan, Bachelor of Law Degree in 1978.
- Partner with the Yorkton law firm of Rusnak Balacko Kachur Rusnak.
- Has appeared as counsel in all levels of court in Saskatchewan and the Supreme Court of Canada.
- Received Queen's Counsel (Q.C.) designation in 2010.
- Current chair of the Mental Health Review Panel for the Sunrise Health Region.
- Serves as director on boards for various private corporations involved with residential and commercial property holdings.
- Past executive member of Yorkton and District Chamber of Commerce, Yorkton Curling Club, Yorkton Sunrise Lions Club, Yorkton Minor Sports Association and Yorkton Cardinals Baseball Club.

Pamela Lothian

- Pam graduated from the University of Saskatchewan, obtaining a BA (Political Science) in 1982, and Law degree in 1985.
- First female partner of McDougall Ready in the firm's 100 plus year history.
- Practiced law for 13 years before electing to concentrate on her second "career" as a homemaker, raising two daughters.
- Past president of the Regina Bar Association and a director of Regina Community Basketball Association and the Arthritis Society of Saskatchewan.
- Currently a director of Lex Capital Corp., a private investment holding company, and Lex Capital Management Inc., a private equity management firm.
- Co-chaired the Volunteer Committee for the CIS Women's National Basketball Championships hosted by the University of Regina, in March 2009.

Gayle MacDonald

Garry Reichert

John Ritchie

Glenys Sylvestre

Gayle MacDonald

- President & co-owner of G-Mac's AgTeam Inc., an agricultural retail business in west central Saskatchewan.
- Full-time mother of three, grandmother of one.
- Serves on the Board of Directors of Canterra Seeds.
- Former community representative on the board of Sun West School Division.
- Graduate of Quantum Shift Ivy School of Business, Western University, London, Ontario.
- Certified Director Graduate of 'The Director's College', c/o Conference Board of Canada.
- Member of Kindersley Business Focus Group.
- Active Member in the Community, having coached and/or participated in speed-swimming, fast-ball & hockey, curling, volley ball & golf, as well as participated in and promoted community programs & fund-raising events.
- Enjoy playing in a band, entertaining crowds in numerous communities.
- Formerly, an orthoptic technician at the Orthoptic Clinic in Regina's Pasqua Hospital.

Garry Reichert

- Retired from SaskTel in 2005 after 38 years of service, in which he held progressively senior positions, including General Manager Technology Performance and Operations.
- Worked with SaskTel International on projects, including Manager for the Jilin Power Microwave and Fiber Project in northern China and Director of Engineering for the Leicester Communications Limited Project in the United Kingdom.
- Graduate in Electronic Technologies from SIAST.

John Ritchie

- Retired as First Vice President, Branch Manager and Investment Advisor CIBC for Wood Gundy in 2014 after 41 years of service.
- Chair (past) for the Investment Dealers Association of Saskatchewan.
- Division Chair (past) for the Regina United Way.
- Vice Chair of Skate Canada, Regina.
- Co-founder and Chair of the Saskatchewan Open Squash Championships.
- Board member (past) Potash Corporation of Saskatchewan.

Glenys Sylvestre

- Instructor and Executive Lead (Accreditation), Paul J. Hill School of Business at the University of Regina.
- Former Associate Dean (Undergraduate), Paul J. Hill School of Business.
- Formerly an audit and assurance manager at Deloitte & Touche.
- Served for six years as a Councillor with the Institute of Chartered Accountants of Saskatchewan, including service as President and Chair.
- Facilitates board and executive training and development sessions for numerous organizations on topics such as fundamentals of accounting, audit committee priorities, risk management, interpretation of financial information and monitoring financial performance.
- Regina Exhibition Association Limited (Evraz Place) board member.
- Gymnastics Saskatchewan board member.
- Service on several Regina community boards including Regina Piranhas Summer Swim Club, Queen City Kinsmen Gymnastics Club and Arcola East Community Association.
- BAdmin (University of Regina), FCPA, FCA, CDir.

Board Committees

Audit Committee

Glenys Sylvestre, Chair
Terry Dennis
Gayle MacDonald
John Ritchie
Pat Friesen
Jerri Hoback

Corporate Growth and Technology Committee

John Ritchie, Chair
Rachel Heidecker
Reg Howard
Garry Reichert
Pat Friesen
Jerri Hoback

Environment and Human Resources Committee

Reg Howard, Chair
Glenys Sylvestre
Randy Kachur
Pam Lothian
Garry Reichert

Governance Committee

Pam Lothian, Chair
Terry Dennis
Gayle MacDonald
Randy Kachur
Rachel Heidecker

SASKTEL EXECUTIVE

Ron Styles – President & Chief Executive Officer

- Prior to joining SaskTel in August of 2010, served as President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan from 2006 onward.
- Before CIC, served in many other senior roles with the Government of Saskatchewan: Deputy Minister of Finance and Secretary to Treasury Board, Deputy Minister of Highways and Transportation, President of SaskWater, President of Housing Corporation, and Associate Deputy Minister for Municipal Government and Community Services.
- Has held positions on a number of boards and associations, including Phenomenome Discoveries Inc., AgWest-Bio, SaskFerco, Transportation Association of Canada, New Careers Corporation, Saskatchewan Grain Car Corporation, Saskatchewan Government Growth Fund, and Saskatchewan Credit Union Guarantee Corporation.
- Has served as an ex-officio board member for the Port of Vancouver Authority, and as Director for the Regina Chapter of the Institute of Public Administration of Canada.
- Currently a board member for The Conference Board of Canada and a Member of the CEO's Advisory Circle for University of Regina's Paul Hill School of Business.
- BA Honours, MA (Economics), University of Regina; and Diploma of Associate in Administration.

Doug Burnett – Vice President, Human Resources & Corporate Services

- 27 years with SaskTel, initially as Corporate Counsel and subsequently promoted to his current role.
- Serves on the boards of Wicihitowin Foundation, SecurTek Monitoring Solutions Inc., DirectWest Publishing Partnership, SaskTel International, Junior Achievement, and West Wind Aviation, a Limited Partnership.
- Member of The Conference Board of Canada's Human Resource Executives Council (West) and the National Industrial Relations Executive Council.
- Prior to SaskTel, practiced law in Regina.
- BA, University of Regina; LLB, University of Saskatchewan; and a Certified Human Resources Professional (CHRP) designation.
- Member of both the Canadian Bar Association and the Law Society of Saskatchewan.

Sean Devin – Vice President – Information and Communications Technology (ICT) Business Solutions

- Appointed President and CEO of SaskTel International (SI) in 2013.
- Previously held positions include Director of Information Technology with Innovation Place; Director of Business Process & Applications and Director, Infrastructure & Shared Services with Cameco Corporation; Director Security with Riptown.com Media; and CEO of Excellerate Consulting, a management and technology consulting firm.
- BSc Computer Science from William Woods University, Missouri.

Jim Dundas – Chief Information Officer

- 31 years of experience in the Information Technology industry, including positions with Saskatchewan Government Insurance, Saskatchewan Workers Compensation Board, and Co-operators Data Services Limited.
- Serves on the SaskTel International Board
- Formerly Regional Vice President for CGI.
- Recipient of the prestigious CGI Builder Award for exceptional leadership achievements.
- Volunteered on the Grey Cup 101 committee and has served on the Board of the Saskatchewan Sports Hall of Fame, as well as on the executive of many sports associations.
- BA (Mathematics), University of Regina.

Charlene Gavel – Chief Financial Officer

- Currently serves on the boards of DirectWest Corporation, SaskTel International, SecurTek Monitoring Solutions and is a board member and Chair of the Finance Committee on the Regina Downtown Business Improvement Board. Has previously served on the board of Phenomenome Discoveries.
- Prior to joining SaskTel, held a variety of executive positions including Vice President and Chief Financial Officer at SaskTel International, Chief Financial Officer and Vice President of Financial Services at the Regina Qu'Appelle Health Region, Chief Financial Officer and Vice President of Finance and Administration at Information Services Corporation (ISC), and Chief Financial Officer at Saskatchewan Health Information Network (currently eHealth).
- BAdmin (University of Regina), CPA, CA.

Daryl Godfrey – Chief Technology Officer

- 32 years with SaskTel, including senior positions in Network Planning and Provisioning, SaskTel International, Business Development and Stentor.
- SaskTel International assignments included Network Services Director in Leicester, UK, and Chief Technology Officer for Tanzania Telecommunications Company in Tanzania.
- Held past positions on the Board of TR Labs and the Regina Engineering Society.
- BSc, ME, PEng, University of Saskatchewan; member of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)

Ken Keesey – Vice President, Customer Services – Sales

- 33 years with SaskTel in a variety of positions in both Customer Services - Sales, and Operations.
- Serves on Canadian Pioneers Advisory Boards.
- One of the founding members of the SaskTel Helping Our Own People (HOOP) organization.
- Governor for Junior Achievement of Northern Saskatchewan.
- BAdmin, University of Regina.

Darcee MacFarlane – Vice President, Corporate & Government Relations

- 28 years with SaskTel in a variety of positions in Marketing Communications, Media Relations, Customer Relations, Community Relations, Internal Communications and Government Relations.
- Member of IABC (International Association of Business Communicators).
- Serves on the Board of Directors for Computers for Schools.
- BA and Public Relations Certificate, University of Regina; Social Responsibility Certification, University of Toronto.

Greg Meister – Vice President, Customer Services – Operations

- 21 years with SaskTel in a variety of positions within Marketing, Sales and Operations.
- Currently First Vice President with Saskatchewan Crimestoppers.
- Currently SaskTel representative on Provincial Emergency Management Committee.
- Currently Vice President with The Saskatoon Gun Club.
- Previously held Director positions with the Battlefords United Way, the Saskatchewan Skeet Shooting Corp, and the Prince Albert Pistol & Rifle Club.
- BComm, University of Saskatchewan.

John Meldrum – Vice President, Corporate Counsel and Regulatory Affairs; Chief Privacy Officer

- 38 years with SaskTel, first as a solicitor, and later as General Counsel and Corporate Secretary.
- Serves on the boards of DirectWest Corporation, SaskTel International, SecurTek Monitoring Solutions Inc., and the University of Regina Rams Football Club.
- Member of the Canadian Bar Association and the Law Society of Saskatchewan.
- LLB, University of Saskatchewan.
- Received Q.C. (Queen's Counsel) designation in 2000.

Stacey Sandison – Chief Marketing Officer

- 32 years with SaskTel including positions in Marketing, Sales, Mobility, Customer Services and Operations.
- Previously served on the SaskTel Superannuation Board, SecurTek and the Canadian Wireless Telecommunications Association.
- Currently serves on the boards of Women in Communications and Technology (WCT), RCMP Foundation and DirectWest.
- BAdmin, University of Regina; MBA, Ellis College, New York.

Corporate Directory

SaskTel Subsidiaries Executive Officers

Gord Farmer	President and Chief Executive Officer, DirectWest
Darrell Jones	President and Chief Executive Officer, SecurTek

SaskTel International Senior Operating Managers

Sean Devin	President and Chief Executive Officer
Mike Anderson	Chief Financial Officer

AUTHORITY

SaskTel is a Crown corporation governed by *The Saskatchewan Telecommunications Holding Corporation Act*, and subject to the provisions of *The Crown Corporation Act, 1993*. The Crown Investments Corporation of Saskatchewan (CIC), as the holding company for Saskatchewan's commercial Crown corporations, has authority to establish direction for SaskTel related to certain matters set out in legislation.

Through the Chair, who is an independent director, the Board of Directors is accountable to the Minister Responsible for SaskTel. The Minister Responsible is a key communications link between the Corporation, CIC, Cabinet, the Legislature and the public.

BOARD APPOINTMENTS

The Lieutenant Governor in Council appoints members of the Board, and designates the Chair and Vice Chair. Subject to applicable legislation, directors are appointed for a fixed term and their appointments can be renewed at expiry. There are twelve (12) members on the Board.

KEY ACCOUNTABILITIES

The Board of Directors is responsible for supervising the management and affairs of the Corporation. While focusing on the strategic leadership of the Corporation, the Board delegates day-to-day operations to management and holds them accountable for the Corporation's performance.

The Board discharges its responsibilities directly, by delegation to management and through Committees of the Board, of which there are four: the Audit and Risk Committee, the Corporate Growth and Technology Committee, the Environment & Human Resources Committee, and the Governance Committee.

CORPORATE GOVERNANCE PRACTICES

The SaskTel Board has implemented a comprehensive set of governance practices and is committed to clear disclosure of its governance practices in accordance with current best practice disclosure standards.

On June 30, 2005, the Canadian Securities Administrators (CSA) National Policy 58-201 on Corporate Governance Guidelines, and National Instrument 58-101 on Governance Disclosure Rules, came into effect. The CSA standards supersede the Toronto Stock Exchange Corporate Governance Guidelines, which the Board used previously to assess its practices. The Governance Committee has reviewed the Guidelines with a view of adapting the Board's governance practices to the guidelines, where effective and beneficial. Although SaskTel is not required to comply with the CSA governance guidelines, the Corporation has used them to benchmark its corporate governance practices in the following section.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
COMPOSITION OF THE BOARD		
NP 58-201, section 3.1 3.1 The board should have a majority of independent directors.	The majority of directors on the SaskTel Board (11 out of 12) are independent.	Yes
NI 58-101F1, sections 1(a) and (d) 1(a) Disclose the identity of directors who are independent; (b) Disclose the identity of directors who are not independent and the basis for that determination; (c) Disclose whether the majority of directors are independent; and (d) Disclose whether a director is a director of any other issuer that is a reporting issuer.	**Grant Kook**, Chair: *INDEPENDENT* – President and CEO, Westcap Mgt. Ltd. **Terry Dennis**: *INDEPENDENT* – Entrepreneur/ Business Owner **Pat Friesen**: *INDEPENDENT* – Consultant, Success Business Consulting **Rachel Heidecker**: *INDEPENDENT* – Project Manager, Library Systems & Information Technology, University of Saskatchewan **Jerri Hoback**: *INDEPENDENT* – Accountant **Reg Howard**: *INDEPENDENT* – COO, Canadian Digital Network **Randy Kachur**: *INDEPENDENT* – Partner in Rusnak Balacko Kachur Law Firm **Pam Lothian**: *INDEPENDENT* – Lawyer **Gayle MacDonald**: *INDEPENDENT* – Owner & Operator, G-Mac's AgTeam Inc. **Garry Reichert**: *NOT INDEPENDENT** – Retired, former SaskTel employee **John Ritchie**: *INDEPENDENT* – Retired **Glenys Sylvestre**: *INDEPENDENT* – Associate Dean (Undergraduate Programs), Paul J. Hill School of Business Administration at the University of Regina The determination of independence is made by the Governance Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees. * Mr. Reichert is a retired senior manager of SaskTel, and, is currently a member of the SaskTel superannuation plan. Section 1(d) does not apply to SaskTel as SaskTel does not have share capital, and is not an issuer.	Yes
NP 58-201, section 3.2 3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in Board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 1(f)		
1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair.	Grant Kook is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder and is responsible for presiding over meetings of the Board and ensuring that the Board discharges its fiduciary and legal responsibilities. The Chair's primary duties include the following: • chairing meetings of the Board and ensuring meetings are properly convened and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to board, committee or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders	Yes
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3		
3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.	As a Standing Agenda item, the Board holds an in camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 1(e) 1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.	There were eleven (11) Board meetings held in 2014, and during ten (10) regular meetings, in camera sessions without management present but including all directors were held. Board practices that facilitate open and candid discussion among and independent judgement by directors include • holding in camera sessions of no fixed duration where directors are encouraged to raise any issues of concern, • having an independent director as Chair of the Board, • clearly delineating the division of responsibilities between Board and management, and • providing for the Board/directors to access external advice. The Board is satisfied that its governance practices foster full and open discussion and debate and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.	Yes
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The Board held eleven (11) meetings in 2014. The number of Board meetings attended by each director in 2014 is set out below. **Director** — **Meetings Attended*** Grant Kook, Chair — 11 (11)** Terry Dennis — 10 (11) Pat Friesen — 9 (11) Rachel Heidecker — 10 (11) Jerri Hoback — 11 (11) Reg Howard — 11 (11) Randy Kachur — 9 (11) Pam Lothian — 10 (11) Gayle MacDonald — 9 (11) Garry Reichert — 11 (11) John Ritchie — 10 (11) Glenys Sylvestre — 11 (11) * For the purposes of this report, members who attended meetings in part were considered to be present. ** Figures in brackets represent the maximum number of meetings for the period in which the individual was a Board member	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
BOARD MANDATE		
NP 58-201, section 3.4 3.4 The board should adopt a written mandate that explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) succession planning, including appointing, training and monitoring senior management; (e) adopting a communications policy for the Corporation; (f) the integrity of the corporation's internal control and management information systems; and (g) developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation. The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.	The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including responsibility to function as stewards of the Corporation and to • provide leadership in setting the Corporation's long-range strategic direction and annually approve the Corporation's overall strategic plan; • participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks; • appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes; • adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public; and • monitor the integrity of the Corporation's internal control and management information systems. The Board has approved Terms of Reference for Directors where the expectations and responsibilities of individual directors are delineated. SaskTel regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is composed of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices that promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g), the Board has delegated responsibility to the Governance Committee to oversee the Corporation's approach to corporate governance.	Substantial compliance
NI 58-101F1, section 2 2 Disclose the text of the board's written mandate.	The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
POSITION DESCRIPTIONS		
NP 58-201, section 3.5		
3.5 The board should do the following: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; and develop or approve corporate goals and objectives that the CEO is responsible to meet.	The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors, and has adopted a Position Description for the CEO. The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Board Terms of Reference address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management. The Environment & Human Resources Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.	Yes
NI 58-101F1, sections 3(a) and (b)		
3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position. (b) Disclose whether the board and CEO have developed a written position description for the CEO.	The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee and the CEO.	Yes
ORIENTATION & CONTINUING EDUCATION		
NP 58-201, sections 3.6 and 3.7		
3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make, and the nature and operation of the business. 3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the Corporation's business is current.	Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes and best practices in corporate governance. Other development opportunities made available to directors are described below.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 4(a) and (b) 4(a) Describe the measures taken to orient new directors to the role of the board, committees and directors, and to the nature of the Corporation's business. (b) Describe the measures taken to provide continuing education opportunities for all directors.	The Corporation provides all members appointed to the Board with a comprehensive *Directors' Reference Manual*, and new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Prior to some regular board meetings, outside experts in various aspects of the telecommunications industry are invited to speak to the Board and senior management. Management has also delivered educational sessions to directors to explain technical aspects of the business. Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees and directors, the skills directors need to effectively discharge their responsibilities and best practices and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the Corporation or the Board.	Yes
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address (a) conflicts of interest, including transactions and agreements where a director or officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees; (e) compliance with laws, rules and regulations; and (f) reporting of illegal or unethical behavior.	Board members must comply with the *Directors' Code of Conduct*, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskTel's Business Code of Conduct, which includes a whistle-blowing policy. Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation and provide a mechanism to report illegal or unethical behavior.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 5(a) 5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure form the Code.	A copy of the *Directors' Code of Conduct* can be obtained by contacting CIC. A copy of the Business Code of Conduct can be obtained by contacting SaskTel. Committees of the Board monitor compliance with the *Directors' Code* and the Business Code. The Governance Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor and enforce the *Directors' Code*. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the *Directors' Code*. The Audit and Risk Committee monitors the financial performance of the Corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of Corporate assets. The Audit Committee receives quarterly risk management reports, including reports related to legal risks. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and all directors receive summaries of risk management reports. The Environment & Human Resources Committee monitors compliance with environmental, health and safety and human resource programs, including compliance with the Business Code. The Committee receives reports from management that address, among other things, compliance with related policies, legislation and regulations. The Chair of the Committee reports any issues raised at the Committee level to the Board at each regular meeting of the Board. SaskTel does not have share capital and is not an issuer. Therefore, no material change reports have been filed.	Yes
NP 58-201, section 3.9 3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full Board. No waivers from either Code have been granted to any director or officer in 2014.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter. In 2005, the Board adopted a Disclosure form to enable directors to declare their directorships on and material interests in businesses other than SaskTel, their knowledge of the business their associates have or may transact with SaskTel and any material contracts they may have entered into with SaskTel or its subsidiaries. The required information excludes the acquisition of services available to the general public. The completed form is provided to the Governance Committee, the Corporate Secretary and their advisors to assist them in proactively addressing potential conflict of interests. Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.	Yes
NI 58-101F1, sections 5(c) 5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management. The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the Business Code of Conduct and any directives or policies of the Board or the shareholder. In 2005, the Business Code of Conduct was revised to incorporate a whistle-blowing mechanism to facilitate reporting by employees of issues of concern. Issues arising under the Business Code of Conduct are reported to and monitored by the Environment & Human Resources Committee and management reports to the Governance Committee respecting significant issues that have arisen pursuant to the whistle-blowing policy. Whistle-blowing reports may also be made directly to the Chair of the Governance Committee.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NOMINATION OF DIRECTORS		
NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	The Governance Committee functions as the nominating committee. All five (5) members of the Governance Committee, including the Committee Chair, are independent directors.	Yes
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	The Board, through the Governance Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction and operating needs of the Corporation. The Governance Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a Skills Profile that delineates the competencies of current directors and identifies any skill gaps, and seeking and recommending to the Board nominees that have the required competencies to fill any identified gaps. In addition to competencies and skills, the appointment practices encourage diversity in the composition of the Board. In seeking candidates, the Committee receives recommendations from the directors, senior management and the shareholder. Potential candidates are interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation and whether they have the time to devote to board work. The Committee recommends a list of candidates for each vacant position to the Board, which in turn recommends a list of recommended candidates to the shareholder for approval. The shareholder has the legislative authority to make board appointments. The Committee believes that following best practices related to board appointments, maintaining a skills matrix and recruiting candidates who possess the required combination of skills, background and diversity to add value to Corporate decision-making supports an objective nomination process.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	The Governance Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board, and the candidates are assessed by the Governance Committee in the same way as other candidates.	Substantial compliance
NI 58-101F1, sections 6(c) 6(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.	The Governance Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.12 3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.	The Board's nomination process is described above, and it meets the guidelines of the Instrument. By legislation, the Board is comprised of a maximum of twelve (12) directors. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.	Yes
NP 58-201, section 3.13 3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.	The Governance Committee, serving as the nominating committee, is responsible for leading the process to identify, recruit and recommend qualified candidates for appointment to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.14 3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.	The process followed by the Governance Committee complies with that set out in the Policy and is described above.	Yes
COMPENSATION		
NP 58-201, section 3.15 3.15 The board should appoint a compensation committee composed entirely of independent directors.	The Environment & Human Resources (E&HR) Committee performs the functions of a compensation committee. Four (4) of the five (5) members of the E&HR Committee, including the Committee Chair, are independent directors. One (1) Committee member, as a retired employee of SaskTel, is not independent.	Substantial compliance
NI 58-101F1, sections 7(a) and (b) 7(a) Describe the process by which the board determines compensation for the directors and officers of the Corporation. (b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.	The majority of members of the Environment & Human Resources (E&HR) Committee, which serves as the compensation committee, are independent directors. CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board. Each director receives an annual retainer for acting as a board member. The remuneration levels established by CIC for members of the Board are set out below. **Director Remuneration Schedule** Board Chair retainer $40,000.00 Board member retainer $25,000.00 Audit & Risk Committee Chair retainer $3,500.00 Other Committee Chair retainer $2,500.00 Committee member meeting fee $750.00 A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 7(a) and (b) ***continued***	CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the E&HR Committee. The E&HR Committee reviews and recommends to the Board changes to the design of the Corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual Corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.	
NP 58-201, section 3.16 3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.	The Board has approved Terms of Reference for the Environment & Human Resources Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.	Substantial compliance
NI 58-101F1, sections 7(c) (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.	The Environment & Human Resources Committee serves as the compensation committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.17		
3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.	The Environment & Human Resources Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation. Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskTel does not have equity-based plans. Director compensation is determined by CIC. Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.	Substantial compliance
OTHER BOARD COMMITTEES		
NI 58-101F1, section 8		
8 If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.	In addition to the Audit and Risk, Governance and Environment & Human Resources Committees, the Board also has a Corporate Growth & Technology (CGT) Committee. The CGT Committee: works with management to develop a growth strategy and related policies; reviews and recommends investments and divestitures; monitors and reports to the Board respecting the performance of investments; and reviews and makes recommendations concerning the evolution of technology in the Corporation, long-term technology strategies and technology investments. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
BOARD ASSESSMENTS		
NP 58-201, section 3.18		
3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.	Board, Board Chair, Committee Chair and Committee evaluations as well as director peer assessments are performed annually on a 2-year cycle, with comprehensive Board and Board Chair evaluations being conducted one year, and director peer, Committee Chair and Committee evaluations being conducted the following year. The evaluations take into consideration the elements of the Policy. In 2014, Board and Board Chair evaluations were conducted.	Yes
NI 58-101F1, section 9		
9 Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.	The Governance Committee oversees the implementation of the above evaluation processes, and uses an external consultant in the case of director peer assessments. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members. Board, Chair, Committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair or director is managing well and to highlight areas that may benefit by additional focus and attention. Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement. The Governance Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.	Yes

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