



SaskWater



SASKATCHEWAN WATER CORPORATION

Third Quarter Report
December 31, 2023



CORPORATE PROFILE

SaskWater is committed to providing the highest level of service to its customers.

That promise is reflected in the corporation's vision, mission and values.

Vision

- To be Saskatchewan's choice for water services.

Mission

- To create trusted and sustainable water solutions for a vibrant Saskatchewan.

Values

- **ACCOUNTABILITY** - We are accountable for our decisions, communication, behaviours and results.
- **TEAMWORK** - We act as a team that collaborates and supports one another and other provincial organizations to be successful.
- **CREATIVITY** - We foster creative thinking and innovative ideas.
- **STEWARDSHIP** - We put health and safety first and respect and support the environment and communities where we live and work.
- **RECOGNITION** - We recognize and acknowledge each other for our contributions and celebrate success.

About SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

SaskWater provides professional water and wastewater services to 75 communities, 10 rural municipalities, 78 rural pipeline groups, 15 industrial and 258 commercial and end user customers.

SaskWater serves approximately 117,400 people in Saskatchewan.

The corporation owns nine water treatment plants, three wastewater facilities, 135.5 kilometres of canal and 1,055 kilometres of pipeline. SaskWater also owns or leases 42 booster and pump stations.

SaskWater also maintains customer-owned systems and provides operator training to 29 Saskatchewan First Nations communities.





FINANCIAL & OPERATING HIGHLIGHTS

	Three Months Ended December 31		Nine Months Ended December 31	
	2023	2022	2023	2022
FINANCIAL HIGHLIGHTS (\$ thousands):				
Total revenue	\$ 15,918	\$ 15,438	\$ 52,569	\$ 50,289
Total expenses	13,627	14,007	42,922	41,692
Operating income	2,291	1,431	9,647	8,597
Net finance income (expense)	(640)	(647)	(1,684)	(1,995)
Net income	\$ 1,651	\$ 784	\$ 7,963	\$ 6,602
Other comprehensive income/(loss)	1,418	(73)	413	(630)
Total comprehensive income	\$ 3,069	\$ 711	\$ 8,376	\$ 5,972
Dividends	\$ 1,625	\$ 2,406	\$ 3,244	\$ 5,607
Debt Ratio			53.35 %	51.25 %
OPERATING HIGHLIGHTS (cubic meters):				
Non-potable water distributed	9,748,322	9,261,851	28,968,224	28,506,155
Potable water distributed	1,755,421	1,855,638	6,477,018	6,382,464

MANAGEMENT DISCUSSION & ANALYSIS

Introduction

Management's Discussion and Analysis (MD&A) highlights the primary factors that affected the financial results and operations of SaskWater for the six-months ended December 31, 2023. The MD&A should be read in conjunction with the unaudited condensed financial statements which have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS). The SaskWater Board of Directors approved these interim financial statements at their meeting on February 21, 2024. For additional information, refer to SaskWater's 2022-23 Annual Report.

Background

SaskWater's five measurable strategic objectives to guide the corporation are: Customer Focus, Growth, Operational Excellence & Innovation, Leadership & Culture and Corporate Reputation.

SaskWater employs provincially certified operators supported by a team of highly qualified technicians, technologists and professional engineers. In addition to operating its own systems, the company also provides certified operation and maintenance for water and wastewater systems.

SaskWater owns nine water treatment plants, six serving regional customers and three as stand-alone systems. In addition, SaskWater also operates three regional systems supplied by potable water treated by the City of Saskatoon, the Buffalo Pound Water Treatment Plant and the City of Lloydminster.

Non-potable water is provided primarily to industrial customers in the areas surrounding Saskatoon, Buffalo Pound Lake and along the Saskatoon South East Water Supply system.

SaskWater currently owns and operates regional wastewater treatment facilities in Nipawin and Fort Qu'Appelle and a municipal wastewater facility serving Pierceland. SaskWater can address new demands for water and wastewater services from municipal customers through further:

- Development of service clusters for cost-effective delivery of services to customers.
- Implementation of proven treatment plant technologies that exceed regulatory requirements and ensure quality control is maintained.
- By ensuring the company has the people and the training to meet anticipated demand for services.

Highlights

Non-potable Water

Non-potable water is primarily distributed to large industrial customers, especially in the potash mining sector. Non-potable volumes are up 1.6% year-over-year, while revenues are up 8.1% compared to the previous year due to contract terms and an increase in irrigated acres served.

Potable Water

Potable water is primarily supplied to municipal customers. Seasonal fluctuations are more often noted during the first and second quarters and are influenced by temperature and precipitation and the resulting impact on such uses as lawn and garden watering. Water volumes within municipalities tend to be more stable during the third and fourth quarters of the year. The change in water consumption in the first nine months of 2023-24 has been impacted by the decreased rainfall across the province in the spring and early summer as major customers in most areas have increased usage over the previous year. Potable water revenues are up 5.1% due to the increased water usage.

Services

Service revenues include certified operation and maintenance where SaskWater provides operator expertise to run customer-owned facilities; project management which is largely related to pre-construction engineering services while project proponents complete their feasibility analysis; operator training support to 29 First Nations and northern project management which relates to engineering services to northern Saskatchewan communities primarily in conjunction with the Ministry of Government Relations.

Revenues from all major services are unchanged from 2022-23, with minor variations in each of the services offsetting each other

Other

There was also a decrease of 4.4% in other revenue for the first nine months of 2023-24. This was due to increased one-time connection fees in 2022-23.

Expenses

Expenses have increased 3.0% for the nine-month period ended December 31, 2023, from the same period in 2022. The operational increases in OM&A and amortization costs were considered normal given operating conditions year-over-year. There was also a significant increase in bulk water purchase costs, resulting from increased potable water sales in the Saskatoon service area.

Net Finance Income (Expense)

Finance costs include debt servicing costs on funds borrowed to support investments and earnings on debt retirement funds that are set aside to retire capital market debts on their maturity. Net debt servicing costs are down approximately 15.6% year-over-year due to increased finance income, resulting from increased earnings on debt retirement funds and increased interest on accounts receivable. Finance expense has also decreased due to an increase in the amount of interest allocated to ongoing capital projects.

Other Comprehensive Income

Other comprehensive income primarily consists of market value gains and losses on debt retirement funds, which are outside of management's control.



Saskatchewan Water Corporation

Statement of Financial Position

(unaudited - thousands of dollars)

	as at December 31, 2023	as at March 31, 2023	Change
Assets			
Current Assets			
Cash	\$ 2,449	\$ 2,535	\$ (86)
Trade and other receivables	18,217	9,340	8,877
Prepaid expenses	387	730	(343)
Inventories	826	817	9
Current portion of deferred charges	17	17	-
	<u>21,896</u>	<u>13,439</u>	<u>8,457</u>
Deferred Charges	808	291	517
Investment - debt retirement funds	17,848	15,612	2,236
Right-of-use assets	2,896	3,195	(299)
Property, plant and equipment	<u>423,249</u>	<u>349,626</u>	<u>73,623</u>
	<u>\$ 466,697</u>	<u>\$ 382,163</u>	<u>\$ 84,534</u>
Liabilities and Province of Saskatchewan's Equity			
Current Liabilities			
Trade and other payables	\$ 14,086	\$ 6,280	\$ 7,806
Notes payable	11,000	8,000	3,000
Dividends payable	1,625	2,168	(543)
Current portion of deferred credits	35	35	-
Current portion of deferred revenue	7,332	7,332	-
Current portion of lease liabilities	791	791	-
Current portion of long-term debt	<u>2,100</u>	<u>2,100</u>	<u>-</u>
	36,969	26,706	10,263
Deferred credits	189	215	(26)
Deferred revenue	241,907	187,457	54,450
Lease liabilities	2,197	2,482	(285)
Long-term debt	100,818	85,818	15,000
Employee benefits	<u>611</u>	<u>611</u>	<u>-</u>
	<u>382,691</u>	<u>303,289</u>	<u>79,402</u>
Province of Saskatchewan's Equity			
Equity Advance	8,700	8,700	-
Accumulated other comprehensive income/(loss)	(613)	(1,026)	413
Retained Earnings	<u>75,919</u>	<u>71,200</u>	<u>4,719</u>
	<u>84,006</u>	<u>78,874</u>	<u>5,132</u>
	<u>\$ 466,697</u>	<u>\$ 382,163</u>	<u>\$ 84,534</u>

Saskatchewan Water Corporation

Statement of Operations and Comprehensive Income/(Loss)

(unaudited - thousands of dollars)

	Three months ended December 31			Nine months ended December 31		
	Actual 2023	Actual 2022	Act vs Act Variance	Actual 2023	Actual 2022	Act vs Act Variance
Revenue (Note 4)						
Water sales and treatment	\$ 12,899	\$ 12,421	\$ 478	\$ 43,644	\$ 41,104	\$ 2,540
Services	1,116	1,048	68	3,231	3,231	-
Other	1,903	1,969	(66)	5,694	5,954	(260)
	15,918	15,438	480	52,569	50,289	2,280
Expenses						
Salaries and benefits	3,696	3,625	(71)	11,015	11,040	25
Operations, maintenance, and administration	2,918	3,435	517	9,091	8,998	(93)
Amortization of property, plant and equipment	4,072	3,886	(186)	12,170	11,705	(465)
Bulk water purchases	2,699	2,897	198	9,912	9,335	(577)
Saskatchewan taxes	242	164	(78)	734	614	(120)
	13,627	14,007	380	42,922	41,692	(1,230)
Operating income/(loss)	2,291	1,431	860	9,647	8,597	1,050
Finance income	92	155	(63)	346	230	116
Finance expense	(732)	(802)	70	(2,030)	(2,225)	195
Net finance income/(expense) (Note 5)	(640)	(647)	7	(1,684)	(1,995)	311
Net income (loss)	1,651	784	867	7,963	6,602	1,361
Other comprehensive income/(loss)						
Debt retirement fund valuation gain/(loss)	1,418	(73)	1,491	413	(630)	1,043
Total other comprehensive income/(loss)	1,418	(73)	1,491	413	(630)	1,043
Total comprehensive income/(loss)	\$ 3,069	\$ 711	\$ 2,358	\$ 8,376	\$ 5,972	\$ 2,404

Saskatchewan Water Corporation

Statement of Cash Flows

(unaudited - thousands of dollars)

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Operating activities				
Net income	\$ 1,651	\$ 784	\$ 7,963	\$ 6,602
Items not affecting cash from operations:				
Amortization of property, plant and equipment	4,072	3,886	12,170	11,704
Amortization of deferred revenue	(1,848)	(1,790)	(5,550)	(5,365)
Net financing (income) expense	640	647	1,684	1,995
Loss (gain) on disposal of property, plant and equipment	(16)	(95)	(23)	(116)
Change in non-cash working capital items:				
Trade and other receivables	47,234	1,530	(8,877)	(4,906)
Prepaid expenses	199	227	343	312
Inventories	1	-	(9)	16
(Addition) amortization of deferred charges	17	4	(517)	12
Addition (amortization) of deferred credits	(9)	(8)	(26)	(26)
Trade and other payables	(6,504)	(967)	7,928	199
Deferred revenue	3,095	1,576	60,000	9,771
Interest paid	(1,829)	(891)	(3,718)	(2,268)
Interest received	56	68	270	110
Cash provided by operating activities	46,759	4,971	71,638	18,040
Investing activities				
Property, plant and equipment expenditures	(14,727)	(4,913)	(83,841)	(19,858)
Proceeds on disposal of property, plant and equipment	80	100	90	121
Cash used in investing activities	(14,647)	(4,813)	(83,751)	(19,737)
Financing activities				
Lease payments	(170)	(166)	(507)	(426)
Proceeds from long-term debt	-	-	15,000	-
Proceeds from (Repayments of) notes payable	(30,250)	1,502	3,000	8,502
Repayment of long-term debt	-	-	-	-
Debt retirement fund installments	(705)	(705)	(1,678)	(1,578)
Debt retirement fund redemptions	-	-	-	-
Dividends paid	(832)	(1,539)	(3,788)	(5,392)
Equity Contributions	-	-	-	-
Cash provided by financing activities	(31,957)	(908)	12,027	1,106
Change in Cash	155	(750)	(86)	(591)
Cash, Beginning of Period	2,294	2,680	2,535	2,521
Cash, End of Period	\$ 2,449	\$ 1,930	\$ 2,449	\$ 1,930

Saskatchewan Water Corporation

Statement of Changes in Equity

(unaudited - thousands of dollars)

	Three months ended December 31, 2023				Nine months ended December 31, 2023			
	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
Balance, beginning of period	\$ 8,700	\$ (2,031)	\$ 75,892	\$ 82,561	\$ 8,700	\$ (1,026)	\$ 71,200	\$ 78,874
Net income	-	-	1,652	1,652	-	-	7,963	7,963
Other comprehensive income (loss)	-	1,418	-	1,418	-	413	-	413
Total comprehensive income (loss) for the period	-	1,418	1,652	3,070	-	413	7,963	8,376
Dividends declared	-	-	(1,625)	(1,625)	-	-	(3,244)	(3,244)
Balance, end of period	\$ 8,700	\$ (613)	\$ 75,919	\$ 84,006	\$ 8,700	\$ (613)	\$ 75,919	\$ 84,006

	Three months ended December 31, 2022				Nine months ended December 31, 2022			
	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity	Equity Advances	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
Balance, beginning of period	\$ 8,700	\$ (1,404)	\$ 72,953	\$ 80,249	\$ 8,700	\$ (847)	\$ 70,336	\$ 78,189
Net income	-	-	784	784	-	-	6,602	6,602
Other comprehensive income (loss)	-	(73)	-	(73)	-	(630)	-	(630)
Total comprehensive income (loss) for the period	-	(73)	784	711	-	(630)	6,602	5,972
Dividends declared	-	-	(2,406)	(2,406)	-	-	(5,607)	(5,607)
Balance, end of period	\$ 8,700	\$ (1,477)	\$ 71,331	\$ 78,554	\$ 8,700	\$ (1,477)	\$ 71,331	\$ 78,554

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

1. General Information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984 under the authority of The Water Corporation Act which remained in effect until December 31, 2002. On October 1, 2002 The Saskatchewan Water Corporation Act was proclaimed.

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. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate works and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

2. Basis of Preparation

a) Statement of compliance

The unaudited condensed interim financial statements (herein referred to as the interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Saskatchewan Water Corporation's March 31, 2023 audited financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB (IFRS). The accounting policies and methods of computation used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual financial statements and have been applied consistently to all periods presented in these interim financial statements except as discussed in the "Use of estimates and judgements" and the "New standards and amendments to standards" sections of this note.

The condensed interim financial statements were authorized for issue by the Board of Directors on February 21, 2024.

b) Basis of measurement

These interim financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for at fair value through other comprehensive income.
- Provisions.
- Employee benefit obligations.

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

2. Basis of Preparation (continued)

c) Interim measurement

SaskWater's sales to municipal customers are seasonal, with the first and second quarters being the strongest periods, reflecting hotter weather and higher outdoor water usage.

d) Functional and presentation currency

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

e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date under current market conditions (exit price). The Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 (Note 8) as defined below:

- Level 1 - Fair Values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.
- Level 2 - Fair Values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance. In all other circumstances, valuations are determined with reference to similar actively traded instruments. All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements.
- Level 3 - Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

f) Use of estimates and judgments

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

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

Significant areas of estimation uncertainty and critical judgments in applying accounting policies are:

- Valuation of trade and other receivables
- Underlying estimates of useful lives and amortization of property, plant and equipment
- Underlying estimates of deferred revenue and infrastructure deposits
- Carrying amounts of provisions and underlying estimates of future cash flows
- Carrying amounts of employee benefits and underlying actuarial assumptions
- Underlying estimates for future commitments and contingencies

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

3. Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's March 31, 2023 audited financial statements.

a) Leases

At the inception of a contract, the Corporation determines whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

On initial identification of a lease contract, the Corporation recognizes a ROU asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the Corporation uses its incremental borrowing rate. Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate, the exercise price of a purchase option or optional renewal period that the Corporation is reasonably certain to exercise, and penalties for early termination of a lease contract unless the Corporation is reasonably certain not to terminate early. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. The lease liability is re-measured to reflect any reassessments or lease modifications. Lease payments are allocated between the principal repayment of the lease liability and finance expense. The finance expense on the lease liability is charged to net income over the term of the lease contract to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The ROU asset is initially measured at cost, which includes the initial lease liability, any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs and restoration costs. The ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the remaining term of lease contract. The ROU assets are subsequently re-measured to reflect any reassessments or lease modifications.

The Corporation has elected not to recognize ROU assets and lease liabilities for lease contracts where the total term of the lease is less than or equal to 12 months or for low value lease contracts. The Corporation recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term. These payments are presented within Operations, maintenance, and administration expense in net income.

As a lessor

On initial identification of a lease contract, the Corporation determines whether the contract is a finance lease or an operating lease. If a contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer, then the contract is classified as a finance lease; otherwise, it is classified as an operating lease. Finance income related to finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term. Lease payments received by the Corporation under operating leases are recognized as lease revenue within other revenue on a straight-line basis over the lease term.

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

3. Significant Accounting Policies (continued)

a) Leases (continued)

The Corporation applies judgment in determination of the lease term for certain lease contracts with renewal options. The assessment of whether the Corporation is reasonable certain to exercise such options impacts the lease term, which could significantly affects the amount of lease liabilities and right of use assets recorded on the initial recognition of the lease contract.

b) Deferred revenue

Government grants

Government grants are recognized initially as deferred revenue at fair value 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 net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset. There is no change in policy for revenue recognition of government grants as a result of the implementation of IFRS 15.

Customer contributions

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction these amounts are recorded as infrastructure deposits. As construction occurs these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable performance obligation, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services performance obligation, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or automatically continues in effect after an initial term, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service. There is no change in policy for revenue recognition of customer contributions as a result of the implementation of IFRS 15.

c) Contract assets and liabilities

The Corporation recognizes a contract asset or contract liability for the contracts where either party has performed. A contract liability is recorded when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation has rights to consideration for the completion of a performance obligation when that right is conditional on something other than the passage of time. The Corporation recognizes unconditional rights to consideration separately as a receivable. Contract assets and receivables are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

4. Revenue

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
	(Thousands)		(Thousands)	
Water sales and treatment				
Potable water supply	\$ 7,049	\$ 7,023	\$ 24,681	\$ 23,493
Non-Potable water supply	5,657	5,194	18,372	16,993
Wastewater treatment	193	204	591	618
	<u>12,899</u>	<u>12,421</u>	<u>43,644</u>	<u>41,104</u>
Services				
Certified operations & maintenance	777	739	2,175	2,207
Northern project management	152	152	473	492
Operator training	184	151	563	516
Leak detection	-	-	1	-
ROAM	3	6	19	16
	<u>1,116</u>	<u>1,048</u>	<u>3,231</u>	<u>3,231</u>
Other				
Amortization of customer contributions	1,522	1,532	4,567	4,598
Amortization of government grants - capital related	329	255	980	764
Miscellaneous revenue	52	182	147	593
	<u>1,903</u>	<u>1,969</u>	<u>5,694</u>	<u>5,955</u>
	<u>\$ 15,918</u>	<u>\$ 15,438</u>	<u>\$ 52,569</u>	<u>\$ 50,290</u>

5. Finance income and expenses

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
	(Thousands)		(Thousands)	
Finance income				
Debt retirement fund earnings (losses)	\$ 13	\$ 96	\$ 145	\$ 107
Amortization of Premiums	9	9	26	26
Other finance income	70	50	175	97
	<u>92</u>	<u>155</u>	<u>346</u>	<u>230</u>
Finance expenses				
Interest expense on short-term debt	658	117	1,168	186
Interest expense on long-term debt	852	654	2,329	1,961
Unwinding of discounts	27	27	80	66
Amortization of Discounts and Commissions	17	4	29	12
Borrowing costs capitalized to qualifying assets	(822)	-	(1,578)	-
	<u>732</u>	<u>802</u>	<u>2,030</u>	<u>2,225</u>
Net finance expense	<u>\$ (640)</u>	<u>\$ (647)</u>	<u>\$ (1,684)</u>	<u>\$ (1,995)</u>

Saskatchewan Water Corporation

Notes to the Financial Statements - unaudited

December 31, 2023

6. Equity Advance and Capital Disclosure

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

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a \$30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	December 31, 2023	March 31, 2023
	(Thousands)	
Gross long-term debt	\$ 102,918	\$ 87,918
Notes payable	11,000	8,000
Debt retirement funds	(17,848)	(15,612)
Net debt	96,070	80,306
Total equity	84,006	78,874
Capitalization	\$ 180,076	\$ 159,180
Debt ratio	53.3%	50.4%

The Corporation has complied with all externally imposed restrictions on its debt for the period ended December 31, 2023.

7. Commitments and Contingencies

Contractual commitments (Thousands)

As of December 31, 2023, the Corporation has outstanding commitments of \$8,794 (March 31, 2023 - \$67,050) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

Saskatchewan Water Corporation

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8. Financial instruments

Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

	Classification ¹	Level ²	December 31, 2023		March 31, 2023	
			Asset (Liability)		Asset (Liability)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(Thousands)	(Thousands)		
Financial assets						
Cash	FVTPL	1	\$ 2,449	\$ 2,449	\$ 2,535	\$ 2,535
Trade and other receivables	AC	N/A	18,217	18,217	9,340	9,340
Debt retirement funds	FVOCI	2	17,848	17,848	15,612	15,612
Financial liabilities						
Trade and other payables	OL	N/A	(14,086)	(14,086)	(6,280)	(6,280)
Notes payable	OL	N/A	(11,000)	(11,000)	(8,000)	(8,000)
Dividends payable	OL	N/A	(1,625)	(1,625)	(2,168)	(2,168)
Long-term debt	OL	2	(102,918)	(95,753)	(87,918)	(79,079)

¹Classification details are as follows:

FVTPL - Fair value through profit and loss

AC - Amortized cost

FVOCI - Fair value through other comprehensive income (loss)

OL - Other liabilities

²Level details are as follows:

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 – Valuation for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments that are carried at values which approximate fair value.

Saskatchewan Water Corporation

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9. Leases

a) ROU assets

Cost	Buildings	Vehicles	Equipment	Total
	(Thousands)			
Opening balance, April 1, 2023	\$ 2,707	\$ 2,163	\$ 85	\$ 4,955
Additions	9	132	1	142
Disposals	(31)	-	-	(31)
Balance at December 31, 2023	\$ 2,685	\$ 2,295	\$ 86	\$ 5,066
Depreciation				
Opening balance, April 1, 2023	\$ 1,067	\$ 610	\$ 83	\$ 1,760
Amortization	233	206	2	441
Disposals	(31)	-	-	(31)
Balance at December 31, 2023	\$ 1,269	\$ 816	\$ 85	\$ 2,170
Carrying amounts				
Opening balance, April 1, 2023	\$ 1,640	\$ 1,553	\$ 2	\$ 3,195
Balance at December 31, 2023	\$ 1,416	\$ 1,479	\$ 1	\$ 2,896

b) Lease liabilities

	Buildings	Vehicles	Equipment	Total
	(Thousands)			
Opening balance, April 1, 2023	\$ 1,710	\$ 1,560	\$ 3	\$ 3,273
Additions	9	133	-	142
Disposals	-	-	-	-
Lease payments	(259)	(246)	(2)	(507)
Unwind of discount	30	50	-	80
Balance at December 31, 2023	\$ 1,490	\$ 1,497	\$ 1	\$ 2,988

c) Amortization expense

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
	(Thousands)		(Thousands)	
Amortization of PP&E	\$ 3,925	\$ 3,743	\$ 11,729	\$ 11,333
Amortization of ROU assets	147	143	441	372
Total	\$ 4,072	\$ 3,886	\$ 12,170	\$ 11,705

d) Short term leases

The expense recorded for short term leases was \$79 for the nine-month period ended December 31, 2023.