

# **Saskatchewan Transportation Company**

**First Quarter Report 2012**

For the quarter ending March 31, 2012

# **2012 1st Quarter Corporate Reporting**

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## **Management Discussion and Analysis**

The following Management Discussion and Analysis (MD&A) provides insight into the Saskatchewan Transportation Company's (STC) operations in the first quarter of 2012. From a management perspective, it highlights the primary factors that impacted our operations and the financial results of the Company over the past three months.

This MD&A compares the operational outcomes of the first quarter of 2012 to the corresponding quarter in the previous year (first quarter of 2011) and to the anticipated financial position of the Company over the full year. It also discusses any emerging issues that will have an impact on the Company's fiscal position.

### **Passenger Services:**

In the first quarter of 2012, STC coaches traveled approximately 793,000 miles, serving 290 Saskatchewan communities, consistent with prior year levels of service.

Revenues from passenger operations in this quarter were \$1,676,000 down from \$1,908,000 in revenues reported in the first quarter of 2011. Expenses associated with operating passenger services were \$2,974,000 up from the 2011 figure of \$2,846,000.

Operating losses for passenger services in the quarter were \$1,298,000, compared to a loss of \$938,000 in the first quarter of 2011.

Total ridership for the first quarter of 2012 was 63,874, compared to 69,803 in the same period of 2011, a decrease of approximately 8.5%. This decrease is primarily due to the effects of service changes by Greyhound in neighbouring provinces.

STC last implemented a 4.76% passenger fare increase effective April 1, 2012.

### **Express Services:**

Through its network of close to 200 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the first quarter of 2012, revenues from express operations were \$1,624,000, up from the revenues of \$1,613,000 reported in the first quarter of 2011. Expenses associated with operating express services in the first quarter of 2012 were \$1,426,000, up from the 2011 first quarter figure of \$1,346,000.

Profits realized for express operations in the first quarter were \$198,000, compared to a profit of \$267,000 in the first quarter of 2011.

STC last implemented an express rate increase effective February 1, 2012.

### **Maintenance Services:**

STC operates two service garages, one in Saskatoon for major bus servicing, and one in Regina for routine servicing and maintenance.

In the first quarter of 2012, expenses associated with maintaining the Company's fleet were \$920,000, an increase compared to \$872,000 in the first quarter of 2011.

The Company also uses these facilities to perform maintenance work for other transportation companies. The revenues derived from this service in the first quarter of 2012 were \$113,000 compared to \$157,000 in the first quarter of 2011. The decrease in revenues year over year is primarily due to the reduction in coach servicing performed for Greyhound. Expenses associated with such work were \$63,000 in the first quarter of 2012 compared to \$100,000 in the first quarter of 2011.

## **Financial Summary:**

Overall, STC's revenues for the first quarter of 2012 amounted to \$3,526,000, compared to \$3,789,000 in the first quarter of 2011. Expenses for the first quarter were \$6,925,000, compared to \$6,631,000 for 2011. The Company's loss before grants for the quarter was \$3,399,000, compared to \$2,842,000 in the first quarter of 2011.

STC has been approved for an operating grant of \$9.2 million from its holding company, the Crown Investments Corporation (CIC) of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the Company will require the full amount of grant funding.

In the first quarter of 2012, STC drew down \$2,200,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness at the end of the quarter.

At the end of this quarter, the Province of Saskatchewan's equity in STC was \$6,946,000 compared to \$7,395,000 in the first quarter of 2011.

**Saskatchewan Transportation Company**  
**Statement of Financial Position**  
(unaudited)

	(Thousands of Dollars)	
	As at March 31, 2012	As at December 31, 2011
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,396	\$ 2,606
Accounts receivable	1,199	1,422
Inventories	358	376
Prepaid expenses	297	482
	<u>3,250</u>	<u>4,886</u>
<b>Non-current</b>		
Property and equipment	35,366	35,735
	<u>\$ 38,616</u>	<u>\$ 40,621</u>
<b>Liabilities and Province's Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 2,527	\$ 3,333
<b>Non-current</b>		
Deferred capital grant	28,678	29,257
	<u>31,205</u>	<u>32,590</u>
<b>Province of Saskatchewan's Equity</b>		
Contributed surplus	465	465
Retained earnings	6,946	7,566
	<u>7,411</u>	<u>8,031</u>
	<u>\$ 38,616</u>	<u>\$ 40,621</u>

See accompanying notes

**Saskatchewan Transportation Company**  
**Statement of Comprehensive Income**  
(unaudited)

	<b>Three months ended March 31</b>	
	(Thousands of Dollars)	
	<b>2012</b>	<b>2011</b>
<b>Revenue</b>		
Express services	\$ 1,624	\$ 1,613
Passenger services	1,676	1,908
Other	227	268
Loss on disposal of property and equipment	(1)	-
	<b>3,526</b>	<b>3,789</b>
<b>Expenses</b>		
Operating costs other than those listed below	2,442	2,396
Salaries, wages and short-term employee benefits	3,819	3,555
Depreciation	664	680
	<b>6,925</b>	<b>6,631</b>
Loss before the following	(3,399)	(2,842)
Operating grant	2,200	1,800
Capital grant	579	572
<b>Net loss and comprehensive income</b>	<b>\$ (620)</b>	<b>\$ (470)</b>

See accompanying notes

**Saskatchewan Transportation Company**  
**Statement of Changes in Equity**  
(unaudited)

(Thousands of Dollars)  
**Attributable to the Province of Saskatchewan**

	Retained Earnings	Contributed Surplus	Total Equity
Balance at January 1, 2011	\$ 7,865	\$ 465	\$ 8,330
Net loss and comprehensive income	(470)	-	(470)
<b>Balance at March 31, 2011</b>	<b>7,395</b>	<b>465</b>	<b>7,860</b>
Balance at April 1, 2011	\$ 7,395	\$ 465	\$ 7,860
Net profit and comprehensive income	171	-	171
<b>Balance at December 31, 2011</b>	<b>7,566</b>	<b>465</b>	<b>8,031</b>
<b>Balance at January 1, 2012</b>	<b>7,566</b>	<b>465</b>	<b>8,031</b>
<b>Net loss and comprehensive income</b>	<b>(620)</b>	<b>-</b>	<b>(620)</b>
<b>Balance at March 31, 2012</b>	<b>\$ 6,946</b>	<b>\$ 465</b>	<b>\$ 7,411</b>

See accompanying notes

**Saskatchewan Transportation Company**  
**Statement of Cash Flows**  
(unaudited)

	<b>Three months ended March 31</b>	
	(Thousands of Dollars)	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net loss and comprehensive income	\$ (620)	\$ (470)
Items not involving cash:		
Depreciation	664	680
Loss on disposal of property and equipment	1	-
Recognition of capital grant	(579)	(572)
Net change in non-cash working capital	(380)	(9)
<b>Cash used in operating activities</b>	<b>(914)</b>	<b>(371)</b>
<b>Investing Activities</b>		
Additions to property and equipment	(296)	(7)
Proceeds on disposal of property and equipment	-	-
<b>Cash used in investing activities</b>	<b>(296)</b>	<b>(7)</b>
<b>Financing Activities</b>		
Capital grant received	-	-
<b>Cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Decrease in cash</b>	<b>(1,210)</b>	<b>(378)</b>
Cash, beginning of year	2,606	1,119
<b>Cash, end of period</b>	<b>\$ 1,396</b>	<b>\$ 741</b>

See accompanying notes

**Saskatchewan Transportation Company  
Notes to Condensed Financial Statements  
For the period-ended March 31, 2012**

**1. Status of Saskatchewan Transportation Company**

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

The results included in these condensed interim financial statements should not be taken as indicative of the performance to be expected for a full year due to the seasonal nature of corporate operations.

**2. Basis of preparation**

**a. Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. These interim results do not include all the information required for full annual financial statements and should be read in conjunction with STC's audited annual financial statements for the year-ended December 31, 2011.

The condensed interim financial statements were authorized for issue by STC's Board of Directors on May 3, 2012.

**b. Basis of measurement**

The financial statements have been prepared on the historical cost basis.

**c. Functional and presentation currency**

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

**d. Use of estimates and judgments**

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

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on historical usage.

**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 applied in STC's audited annual financial statements for the year-ended December 31, 2011.