

Saskatchewan Transportation Company

Third Quarter Report 2011

For the quarter ending September 30, 2011

2011 3rd 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", "the Company") operations in the third quarter of 2011. From a management perspective, it highlights the primary factors that impacted our operations and the financial results of the Company over the past nine months.

This MD&A compares the operational outcomes of the third quarter ended September 30, 2011 to the corresponding quarter in the previous year (third quarter of 2010) 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.

Changes to Accounting Policies:

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook mandating Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. Crown Investments Corporation (CIC) believes that IFRS is the most appropriate basis of accounting for all its subsidiaries. Therefore STC as an OGO has proceeded with the adoption of IFRS.

The interim financial statements for the period ended September 30, 2011 are prepared under IFRS. In accordance with IFRS 1 'First time adoption of IFRS', certain disclosures relating to the transition to IFRS are presented in the notes to the financial statements. In addition, comparative balances in the financial statements and MD&A are presented under IFRS.

Passenger Services:

In the first three quarters of 2011, STC coaches traveled approximately 2,411,000 miles, serving 290 Saskatchewan communities, consistent with prior year levels of service.

Revenues from passenger operations in this quarter were \$1,894,000 up from \$1,684,000 in revenues reported in the third quarter of 2010. Year to date passenger revenues were \$5,693,000, compared to \$5,212,000 for the same period in 2010.

Expenses associated with operating passenger services were \$2,934,000 up from the 2010 figure of \$2,669,000. Year to date passenger operating expenses were \$8,917,000, up from the 2010 total for the same period of \$8,365,000. Expense increases are primarily attributable to higher fuel prices in 2011.

Operating losses for passenger services in the quarter were \$1,040,000, compared to a loss of \$985,000 in the third quarter of 2010. Year to date losses were \$3,224,000, compared to a loss of \$3,153,000 for the same period in 2010.

Total ridership for the first three quarters of 2011 was 218,004, compared to 195,341 in the same period of 2010, an increase of approximately 11.6%. This reflects STC's improvements with regard to the advertising and promotion of the company's image, programs, and services, and also reflects enhanced on-board amenities and security.

STC last implemented a 4.5% passenger fare increase effective March 1, 2010. There are no plans for fare increases for the remainder of 2011.

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 third quarter of 2011, revenues from express operations were \$2,059,000, up from the revenues of \$2,007,000 reported in the third quarter of 2010. Year to date express revenues were \$5,745,000 as compared to \$5,690,000 for the same period in 2010.

Expenses associated with operating express services in the third quarter of 2011 were \$1,440,000, up from the 2010 third quarter figure of \$1,365,000. Year to date express operating expenses were \$4,246,000, as compared to \$4,043,000 for the same period in 2010.

Profits realized for express operations in the third quarter were \$619,000, compared to a profit of \$642,000 in the third quarter of 2010. Year to date profits were \$1,499,000 compared to \$1,647,000 for the same period of 2010.

STC last implemented a 3% express rate increase effective November 1, 2010. There are no plans for express rate increases for the remainder of 2011.

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 third quarter of 2011, expenses associated with maintaining the Company's fleet were \$806,000, an increase compared to \$711,000 in the third quarter of 2010. Year to date maintenance expenses for the Company's fleet were \$2,513,000 as compared to \$2,248,000 for the same period of 2010.

The Company also uses these facilities to perform maintenance work for other transportation companies. The revenues derived from this service in the third quarter of 2011 were \$145,000 compared to \$122,000 in the third quarter of 2010. Year to date revenues were \$431,000 compared to \$429,000 for that same period in 2010. Expenses associated with such work were \$97,000 in the third quarter of 2011 compared to \$82,000 in the third quarter of 2010. Year to date expenses for third party maintenance work were \$288,000 compared to \$261,000 for the same period of 2010.

Financial Summary:

Overall, STC's revenues for the third quarter of 2011 amounted to \$4,204,000, compared to \$3,908,000 in the third quarter of 2010. Year to date revenues were \$12,204,000 as compared to \$11,667,000 for the same period of 2010.

Expenses for the third quarter were \$6,778,000, compared to \$6,344,000 for 2010. Year to date expenses were \$20,541,000 as compared to \$19,533,000 for the same period of 2010.

The Company's loss before grants for the quarter was \$2,574,000, compared to \$2,436,000 in the third quarter of 2010. Year to date losses were \$8,337,000 as compared to \$7,866,000 for the same period of 2010.

STC has been approved for an operating grant of \$8.9 million from its holding company, the Crown Investments Corporation (CIC) of Saskatchewan. Current projections for the year, based on the second quarter, indicate that the Company will require \$8.8 million of the approved grant funding.

In this year's first three quarters, STC drew down \$6,600,000 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 \$7,954,000 compared to \$8,215,000 in the third quarter of 2010.

Saskatchewan Transportation Company
Statement of Financial Position
(unaudited - thousands of dollars)

	As at September 30, 2011	As at September 30, 2010	As at December 31, 2010
Assets			
Current			
Cash	\$ 964	\$ 521	\$ 1,119
Accounts receivable (note 5)	1,584	1,471	1,454
Inventories	381	366	377
Prepaid expenses	324	383	466
	3,253	2,741	3,416
Non-current			
Property and equipment (note 7)	35,938	37,913	37,564
	\$ 39,191	\$ 40,654	\$ 40,980
Liabilities and Province's Equity			
Liabilities			
Current			
Trade and other payables	\$ 2,375	\$ 2,060	\$ 2,977
Non-current			
Deferred capital grant (note 8)	28,397	29,914	29,673
	30,772	31,974	32,650
Province of Saskatchewan's Equity			
Contributed surplus	465	465	465
Retained earnings	7,954	8,215	7,865
	8,419	8,680	8,330
	\$ 39,191	\$ 40,654	\$ 40,980

see accompanying notes

Saskatchewan Transportation Company
Statement of Comprehensive Income
(unaudited - thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue				
Express services	\$ 2,059	\$ 2,007	\$ 5,745	\$ 5,690
Passenger services	1,894	1,684	5,693	5,212
Other	251	228	766	777
Loss on disposal of property and equipment	-	(11)	-	(12)
	4,204	3,908	12,204	11,667
Expenses				
Operating costs other than those listed below	2,471	2,267	7,468	7,013
Salaries, wages and short-term employee benefits	3,633	3,369	11,047	10,366
Depreciation	674	708	2,026	2,154
	6,778	6,344	20,541	19,533
Loss from operations	(2,574)	(2,436)	(8,337)	(7,866)
Operating grant (note 9)	2,400	2,100	6,600	6,300
Capital grant (note 8)	574	819	1,826	1,925
Net profit and comprehensive income	\$ 400	\$ 483	\$ 89	\$ 359

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, 2010	\$ 7,856	\$ 465	\$ 8,321
Net profit and comprehensive income	359	-	359
Balance at September 30, 2010	8,215	465	8,680
Balance at October 1, 2010	8,215	465	8,680
Net loss and comprehensive income	(350)	-	(350)
Balance at December 31, 2010	7,865	465	8,330
Balance at January 1, 2011	7,865	465	8,330
Net profit and comprehensive income	89	-	89
Balance at September 30, 2011	\$ 7,954	\$ 465	\$ 8,419

see accompanying notes

Saskatchewan Transportation Company**Statement of Cash Flows**

(unaudited - thousands of dollars)

	Nine months ended September 30	
	2011	2010
Operating Activities		
Net profit and comprehensive income	\$ 89	\$ 359
Items not involving cash:		
Depreciation	2,026	2,154
Loss on disposal of property and equipment	-	12
Recognition of capital grant	(1,826)	(1,925)
Net change in non-cash working capital (note 11)	(594)	(536)
Cash provided by (used in) operating activities	(305)	64
Investing Activities		
Additions to property and equipment (note 7)	(401)	(1,725)
Proceeds on disposal of property and equipment	1	258
Cash used in investing activities	(400)	(1,467)
Financing Activities		
Capital grant received	550	600
Repayment of operating demand loan	-	(150)
Cash provided by financing activities	550	450
Decrease in cash	(155)	(953)
Cash, beginning of period	1,119	1,474
Cash, end of period	\$ 964	\$ 521

see accompanying notes

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

1. Status of the 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].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under the Traffic Safety Act, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates, but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. Operations and financing

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the Province is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Orders in Council #16/2011 STC was authorized to obtain grant funding up to \$10.9 million (2010 - \$9.9 million, Order in Council #4/2010) for operating and capital requirements in 2011. During the period, STC requested and received \$7.15 million of the \$10.9 million authorized (2010 - \$6.9 million).

3. Basis of preparation

a. Statement of compliance

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. As these quarterly financial statements represent the Company's initial presentation of its earnings, financial position and cash flows under International Financial Reporting Standards (IFRS), they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*.

The Company's financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Canadian GAAP differs in some areas from IFRS. In preparing the financial statements, management has amended certain accounting, valuation and methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments. Certain information that is considered material to the understanding of the Company's financial statements along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings, and comprehensive income are included in Note 13.

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.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

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. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

4. Significant accounting policies

a. Cash

Cash is measured at fair value which approximates cost.

b. Inventories

Inventories of vehicle parts and supplies are stated at the lower of cost and net realizable value and are costed using the first-in, first-out (FIFO) method.

c. Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized. The cost of replacing part of an item of property 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 Company 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 and equipment are recognized in profit or loss as incurred.

When property and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the period.

d. Operating grant revenue

Operating grants from CIC are recognized as revenue when received.

e. Capital grant revenue

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

f. Depreciation of property and equipment

Depreciation is recorded on buildings, vehicles, and equipment, on the straight-line basis over the estimated productive life of each asset. Depreciation commences when the property and equipment is ready for its intended use. The estimated useful life of property and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives are reviewed annually and any changes are applied prospectively.

The estimated useful lives of the major classes of property and equipment are as follows:

Buildings	10 - 40 years
Vehicles	5 - 15 years
Other equipment	3 - 10 years

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

g. Impairment of trade and other receivables

A provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the trade and other receivables. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

h. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

i. Revenue recognition

Passenger and freight transportation revenue is generally recognized upon the completion of service. Interline passenger and freight transportation service is treated as being complete when the passenger or parcel is turned over to the connecting carrier.

Other revenues, including charter, space leasing, bus advertising, vending, and maintenance, are recognized when earned.

j. Employee benefits

The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Employees Benefits Agency. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to the defined benefit plan and the defined contribution plan are expensed during the period. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligations to each plan is limited to making regular payments to match the amounts contributed by the employees for current services.

k. Financial instruments

The Company classifies its financial instruments into one of the following categories: financial assets at fair value through profit or loss; held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for the held-for-trading instruments in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

I. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2011, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 19, *Employee Benefits*

The extent of the impact on adoption of these standards is not known at this time.

m. Compensated absences

The Company recognizes an accrual to the extent that compensated absences for individuals in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

5. Financial risk management

Fair value

The Company, as part of its operations, carries a number of financial instruments which includes cash, accounts receivable, and trade and other payables. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

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

	Classification	Level	2011		2010	
			Carrying amount	Fair value	Carrying amount	Fair value
Cash	HFT	1	\$ 964	\$ 964	\$ 521	\$ 521
Accounts receivable	L&R	N/A	1,584	1,584	1,471	1,471
Trade and other payables	OL	N/A	2,375	2,375	2,060	2,060

Classification details are:

HFT – held-for-trading

L&R – loans and receivables

OL – other financial liabilities

Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 – Quoted prices are readily available from an active market.

Level 2 – Inputs, other than quoted prices included in level 1, that are observable either directly or indirectly.

Level 3 – Inputs are not based on observable market data.

The Company's financial instruments (other than Cash) have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

Credit risk

Credit risk refers to the possibility that a customer will fail to meet its contractual obligations. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks identified with the customer and other relevant information. STC monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk is \$1.58 million, the fair value of the accounts receivable.

The following table sets out details of the age of receivables and allowance for doubtful accounts:

	2011	2010
	(Thousands of Dollars)	
Gross accounts receivable:		
Current	\$1,341	\$1,283
Up to three months past due date	267	190
Greater than three months past due date	136	163
	1,744	1,636
Allowance for doubtful accounts, opening balance	(165)	(170)
Accounts written off	5	5
Allowance for doubtful accounts, ending balance	(160)	(165)
Net accounts receivable	\$1,584	\$1,471

6. Capital management

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

STC obtains its funding from CIC by way of operating and capital grants authorized by Orders in Council. Throughout the year, operating and capital grant draws are made as necessary based on cash flow forecasts. STC also has an available line of credit of \$500 thousand at the CIBC that it can draw upon.

STC's capital structure consists of equity, primarily in the form of retained earnings. STC does not have any debt.

STC's capital structure is as follows:

	2011	2010
	(Thousands of Dollars)	
Contributed surplus	\$ 465	\$ 465
Retained earnings	7,954	8,215
	\$8,419	\$ 8,680

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its balanced scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

7. Property and equipment

(Thousands of dollars)

	Land	Buildings	Vehicles	Other equipment	Total
Cost or deemed cost					
Balance at January 1, 2010	\$ 4,654	\$33,028	\$15,613	\$ 7,037	\$60,332
Additions	-	518	906	301	1,725
Disposals	-	-	(565)	(12)	(577)
Balance at September 30, 2010	4,654	33,546	15,954	7,326	\$61,480
Balance at October 1, 2010	4,654	33,546	15,954	7,326	\$61,480
Additions	-	77	-	292	369
Disposals	-	-	(442)	(126)	(568)
Balance at December 31, 2010	4,654	33,623	15,512	7,492	\$61,281
Balance at January 1, 2011	4,654	33,623	15,512	7,492	\$61,281
Additions	-	40	25	336	401
Disposals	-	-	(1)	(446)	(447)
Balance September 30, 2011	\$ 4,654	\$33,663	\$15,536	\$ 7,382	\$61,235
Depreciation and impairment losses					
Balance at January 1, 2010	\$ -	\$ 7,969	\$ 8,822	\$ 4,928	\$21,719
Depreciation for the period	-	749	812	593	2,154
Disposals	-	-	(297)	(9)	(306)
Balance at September 30, 2010	-	8,718	9,337	5,512	\$23,567
Balance at October 1, 2010	-	8,718	9,337	5,512	\$23,567
Depreciation for the period	-	247	270	175	692
Disposals	-	-	(418)	(124)	(542)
Balance at December 31, 2010	-	8,965	9,189	5,563	\$23,717
Balance at January 1, 2011	-	8,965	9,189	5,563	\$23,717
Depreciation for the period	-	712	776	538	2,026
Disposals	-	-	(1)	(445)	(446)
Balance at September 30, 2011	\$ -	\$ 9,677	\$ 9,964	\$ 5,656	\$25,297
Carrying Amounts					
At January 1, 2010	\$ 4,654	\$25,059	\$ 6,791	\$ 2,109	\$38,613
At September 30, 2010	4,654	24,828	6,617	1,814	37,913
At December 31, 2010	4,654	24,658	6,323	1,929	37,564
At January 1, 2011	4,654	24,658	6,323	1,929	37,564
At September 30, 2011	\$ 4,654	\$23,986	\$ 5,572	\$ 1,726	\$35,938

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

8. Capital grant

Order in Council #16/2011 authorized STC to obtain grant funding up to \$2.0 million for capital requirements in 2011. During the period, STC obtained \$550,000 of capital funding from CIC.

Deferred capital grant consists of the following:

	Nine months ended September 30	
	2011	2010
	(Thousands of Dollars)	
Deferred capital grant, beginning of period	\$ 29,673	\$31,239
Capital grant received	550	600
Capital grant revenue recognized	(1,826)	(1,925)
	\$ 28,397	\$29,914

9. Operating grant

Order in Council #16/2011 authorized STC to obtain grant funding up to \$8.9 million for operating requirements in 2011. During the period, STC obtained \$6.6 million from CIC.

10. Pension contributions

STC's contributions to the Public Service Superannuation Plan which were expensed during the period were \$4 thousand. STC's contributions to the Capital Pension Plan which were expensed in the period were \$614 thousand.

11. Net change in non-cash working capital

	Nine months ended September 30	
	2011	2010
	(Thousands of Dollars)	
(Increase) Decrease in:		
Accounts receivable	\$(130)	\$ (69)
Inventories	(4)	27
Prepaid expenses	142	126
	8	84
Decrease in:		
Trade and other payables	(602)	(620)
	\$(594)	\$ (536)

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Company 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 "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus (\$465 thousand).

In addition, the Company pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

Key management personnel compensation

Key management personnel consist of the Company's directors and executive officers. Compensation to key management personnel consisted of short-term employee benefits (director remuneration, executive salaries and non-cash benefits) and post-employment benefits (Company contributions to defined contribution pension plan for executive).

Key management personnel compensation comprised:

	Nine months ended September 30	
	2011	2010
	(Thousands of Dollars)	
Short-term employee benefits	\$ 724	\$ 708
Post-employment benefits	37	37
	\$ 761	\$ 745

13. Transition to IFRS

As stated in Note 3(a), these financial statements are prepared in accordance with IFRS. The accounting policies set out in Note 4 have been applied in preparing the financial statements for the period ended September 30, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. The following reconciliations provide an explanation of the transition adjustments from previous Canadian GAAP to IFRS.

Explanations of IFRS transition adjustments in the following reconciliations are:

- (a) **Componentization of assets under IFRS 16 – Property, Plant & Equipment** - The differences are a result of the retrospective adjustment for the timing of depreciation and therefore the timing of capital grant revenue recognition. Any future differences are also a result of timing differences of depreciation and grant recognition for a given period as compared to the timing under Canadian GAAP. This is due to the change of useful life for certain components of assets.
- (b) **Accrual for compensated absences** - Compensated absences were not recognized as a liability under previous Canadian GAAP. IAS 19 requires the Company to recognize an accrual to the extent that compensated absences for individuals in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

Reconciliation of Statement of Financial Position as of September 30, 2010
(Thousands of dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
ASSETS				ASSETS
Current				Current
Cash	\$ 521	\$ -	\$ 521	Cash
Accounts receivable	1,471	-	1,471	Accounts receivable
Inventories	366	-	366	Inventories
Prepaid expenses	383	-	383	Prepaid expenses
Total current assets	2,741	-	2,741	Total current assets
Non-current				Non-current
Property, plant and equipment	39,547	(a) (1,634)	37,913	Property and equipment
Total assets	42,288	(1,634)	40,654	Total assets
LIABILITIES AND PROVINCE'S EQUITY				LIABILITIES AND PROVINCE'S EQUITY
Liabilities				Liabilities
Current				Current
Accounts payable and accrued liabilities	1,955	(b) 105	2,060	Trade and other payables
Total current liabilities	1,955	105	2,060	Total current liabilities
Non-current				Non-current
Deferred capital grant	30,821	(a) (907)	29,914	Deferred capital grant
Total Liabilities	32,776	(802)	31,974	Total Liabilities
Province of Saskatchewan's Equity				Province of Saskatchewan's Equity
Contributed surplus	465	-	465	Contributed surplus
Retained earnings	9,047	(832)	8,215	Retained earnings
Total Equity	9,512	(832)	8,680	Total Equity
Total Liabilities and Equity	\$42,288	\$(1,634)	\$40,654	Total Liabilities and Equity

Saskatchewan Transportation Company
Notes to Financial Statements
For the period ended September 30, 2011

Reconciliation of Statement of Comprehensive Income for the three months ended September 30, 2010
(Thousands of dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
Revenue				Revenue
Express services	\$ 2,007	\$ -	\$ 2,007	Express services
Passenger services	1,684	-	1,684	Passenger services
Other	228	-	228	Other
Gain(loss) on disposal of property, plant and equipment	(40)	(a) 29	(11)	Gain(loss) on disposal of property, plant and equipment
Total Revenue	3,879	29	3,908	Total Revenue
Expenses				Expenses
Operating	4,828	-	2,267	Operating costs other than those listed below
Administration	808	-	3,369	Salaries, wages and short-term employee benefits
Amortization	677	(a) 31	708	Depreciation
Loss before the following	(2,434)	(2)	(2,436)	Loss from operations
Operating grant	2,100	-	2,100	Operating grant
Capital grant	839	(a)(20)	819	Capital grant
Net Earnings	\$ 505	\$ (22)	\$ 483	Net Profit and Comprehensive Income

Reconciliation of Statement of Comprehensive Income for the nine months ended September 30, 2010
(Thousands of dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
Revenue				Revenue
Express services	\$ 5,690	\$ -	\$ 5,690	Express services
Passenger services	5,212	-	5,212	Passenger services
Other	777	-	777	Other
Gain(loss) on disposal of property, plant and equipment	(41)	(a) 29	(12)	Gain(loss) on disposal of property, plant and equipment
Total Revenue	11,638	29	11,667	Total Revenue
Expenses				Expenses
Operating	14,917	-	7,013	Operating costs other than those listed below
Administration	2,462	-	10,366	Salaries, wages and short-term employee benefits
Amortization	2,071	(a) 83	2,154	Depreciation
Loss before the following	(7,812)	(54)	(7,866)	Loss from operations
Operating grant	6,300	-	6,300	Operating grant
Capital grant	1,921	(a) 4	1,925	Capital grant
Net Earnings	\$ 409	\$ (50)	\$ 359	Net Profit and Comprehensive Income