

Saskatchewan Transportation Company

First Quarter Report 2013

For the quarter ending March 31, 2013

2013 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 2013. 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 2013 to the corresponding quarter in the previous year (first quarter of 2012) 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 2013, STC coaches traveled approximately 750,000 miles, serving 287 Saskatchewan communities. Due to financial and operating pressures caused by Greyhound service reductions in Manitoba, STC reduced service frequency and adjusted endpoints on certain routes in late 2012. As a result, the number of Saskatchewan communities served has declined from the first quarter of 2012 (290).

Revenues from passenger operations in this quarter were \$1,947,000 up from \$1,676,000 in revenues reported in the first quarter of 2012. Expenses associated with operating passenger services were \$3,945,000 up from the 2012 figure of \$3,873,000.

Operating losses for passenger services in the quarter were \$1,998,000, compared to a loss of \$2,197,000 in the first quarter of 2012.

Total ridership for the first quarter of 2013 was 67,973, compared to 63,874 in the same period of 2012, an increase of approximately 6.4%.

STC last implemented a 4.56% passenger fare increase effective January 3, 2013.

Express Services:

Through its network of 195 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 2013, revenues from express operations were \$1,571,000, down from the revenues of \$1,624,000 reported in the first quarter of 2012. Expenses associated with operating express services in the first quarter of 2013 were \$1,400,000, down from the 2012 first quarter figure of \$1,447,000.

Profits realized for express operations in the first quarter were \$171,000, compared to a profit of \$177,000 in the first quarter of 2012.

STC last implemented an express rate increase effective February 1, 2013.

Maintenance Services:

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

In the first quarter of 2013, expenses associated with maintaining the Company's fleet (included in passenger and express services above) were \$916,000, a slight decrease compared to \$920,000 in the first quarter of 2012.

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 2013 were \$94,000 compared to \$113,000 in the first quarter of 2012. 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 \$58,000 in the first quarter of 2013 compared to \$63,000 in the first quarter of 2012.

Financial Summary:

Overall, STC's revenues for the first quarter of 2013 amounted to \$3,740,000, compared to \$3,526,000 in the first quarter of 2012. Expenses for the first quarter were \$7,054,000, compared to \$6,925,000 for 2012. The Company's loss before grants for the quarter was \$3,314,000, compared to \$3,399,000 in the first quarter of 2012.

STC has been approved for an operating grant of \$10.0 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 2013, STC drew down \$2.3 million of the operating 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 \$6,713,000 compared to \$7,411,000 in the first quarter of 2012.

Saskatchewan Transportation Company
Statement of Financial Position
(unaudited)

	(Thousands of Dollars)	
	As at March 31, 2013	As at December 31, 2012
Assets		
Current		
Cash	\$ 1,492	\$ 1,043
Accounts receivable	1,095	1,178
Inventories	337	296
Prepaid expenses	447	522
Assets held for sale	17	17
	3,388	3,056
Non-current		
Property and equipment	34,900	35,526
	\$ 38,288	\$ 38,582
Liabilities and Province's Equity		
Liabilities		
Current		
Trade and other payables	\$ 2,554	\$ 2,634
Non-current		
Deferred capital grant	29,021	28,886
	31,575	31,520
Province of Saskatchewan's Equity		
Contributed surplus	465	465
Retained earnings	6,248	6,597
	6,713	7,062
	\$ 38,288	\$ 38,582

See accompanying notes

Saskatchewan Transportation Company
Statement of Comprehensive Loss
(unaudited)

	Three months ended March 31	
	(Thousands of Dollars)	
	2013	2012
Revenue		
Express services	\$ 1,571	\$ 1,624
Passenger services	1,947	1,676
Other	222	227
Loss on disposal of property and equipment	-	(1)
	3,740	3,526
Expenses		
Operating costs other than those listed below	2,510	2,442
Salaries, wages and short-term employee benefits	3,803	3,819
Depreciation	741	664
	7,054	6,925
Loss before the following	(3,314)	(3,399)
Operating grant	2,300	2,200
Capital grant	665	579
Total comprehensive loss	\$ (349)	\$ (620)

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 December 31, 2011	\$ 7,566	\$ 465	\$ 8,031
Total comprehensive loss	(620)	-	(620)
Balance at March 31, 2012	6,946	465	7,411
Balance at April 1, 2012	\$ 6,946	\$ 465	\$ 7,411
Total comprehensive loss	(349)	-	(349)
Balance at December 31, 2012	6,597	465	7,062
Balance at December 31, 2012	6,597	465	7,062
Total comprehensive loss	(349)	-	(349)
Balance at March 31, 2013	\$ 6,248	\$ 465	\$ 6,713

See accompanying notes

Saskatchewan Transportation Company
Statement of Cash Flows
(unaudited)

	Three months ended March 31	
	(Thousands of Dollars)	
	2013	2012
Operating Activities		
Total comprehensive loss	\$ (349)	\$ (620)
Items not involving cash:		
Depreciation	741	664
Loss on disposal of property and equipment	-	1
Recognition of capital grant	(665)	(579)
Net change in non-cash working capital	37	(380)
Cash used in operating activities	(236)	(914)
Investing Activities		
Additions to property and equipment	(116)	(296)
Proceeds on disposal of property and equipment	1	-
Cash used in investing activities	(115)	(296)
Financing Activities		
Capital grant received	800	-
Operating demand loan	500	-
Repayment of operating demand loan	(500)	-
Cash provided by financing activities	800	-
(Decrease) Increase in cash	449	(1,210)
Cash, beginning of year	1,043	2,606
Cash, end of period	\$ 1,492	\$ 1,396

See accompanying notes

**Saskatchewan Transportation Company
Notes to Condensed Financial Statements
For the period-ended March 31, 2013**

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, 2012.

The condensed interim financial statements were authorized for issue by STC's Board of Directors on May 2, 2013.

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, 2012.