

# **Saskatchewan Transportation Company**

**First Quarter Report 2014**

For the quarter ending March 31, 2014

# **2014 1st Quarter Corporate Reporting**

## **1. Management Discussion and Analysis**

- Passenger Services
- Express Services
- Maintenance Services
- Financial Summary

## **2. Quarterly Financial Statements**

- Statement of Financial Position
- Statement of Comprehensive Loss
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to Financial Statements

## **3. Link to STC 2013 Annual Report**

## **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 2014. 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 2014 to the corresponding quarter in the previous year (first quarter of 2013) 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 2014, STC coaches traveled approximately 721,000 miles, serving 253 Saskatchewan communities. In May 2013, the Highway Traffic Board approved STC's request to discontinue three under-utilized routes. One route was approved for discontinuance in May 2013 with the other two routes approved for discontinuance on January 1, 2014. The discontinuance of the three routes has reduced the number of communities served in the first quarter from 287 to 253.

Revenues from passenger operations in this quarter were \$1,876,000 down from \$1,947,000 in revenues reported in the first quarter of 2013. Expenses associated with operating passenger services were \$4,036,000 up from the 2013 figure of \$3,945,000 largely due to increased fuel prices in the first quarter of 2014.

Operating losses for passenger services in the quarter were \$2,160,000, compared to a loss of \$1,998,000 in the first quarter of 2013.

Total ridership for the first quarter of 2014 was 63,731, compared to 67,973 in the same period of 2013, a decrease of approximately 6.24%. The Easter long weekend which traditionally sees higher ridership levels occurred in the first quarter of 2013 but won't occur until second quarter in 2014.

STC last implemented a 4.7% passenger fare increase effective October 15, 2013.

### **Express Services:**

Through its network of 174 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America. Due to the discontinuance of three under-utilized routes, the number of agencies was reduced from 195 to 174 from the first quarter of 2013.

In the first quarter of 2014, revenues from express operations were \$1,647,000, up from the revenues of \$1,571,000 reported in the first quarter of 2013. Expenses associated with operating express services in the first quarter of 2014 were \$1,436,000, slightly up from the 2013 first quarter figure of \$1,400,000.

Profits realized for express operations in the first quarter were \$211,000, compared to a profit of \$171,000 in the first quarter of 2013.

STC last implemented an express rate increase effective February 1, 2014.

### **Maintenance Services:**

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

In the first quarter of 2014, expenses associated with maintaining the Company's fleet (included in passenger and express services above) were \$974,000, an increase compared to \$916,000 in the first quarter of 2013.

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 2014 were \$129,000 compared to \$94,000 in the first quarter of 2013. The increase in revenue is due to an increase in fuel prices being charged to maintenance customers. Expenses associated with such work were \$79,000 in the first quarter of 2014 compared to \$58,000 in the first quarter of 2013.

### **Financial Summary:**

Overall, STC's revenues for the first quarter of 2014 amounted to \$3,803,000, compared to \$3,740,000 in the first quarter of 2013. Expenses for the first quarter were \$7,371,000, compared to \$7,054,000 for 2013. The Company's loss before grants for the quarter was \$3,568,000, compared to \$3,314,000 in the first quarter of 2013.

STC has been approved for an operating grant of \$10.3 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 2014, STC drew down \$2.6 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 \$6,775,000 compared to \$6,713,000 in the first quarter of 2013.

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

	(Thousands of Dollars)	
	As at March 31, 2014	As at December 31, 2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,599	\$ 1,642
Accounts receivable	1,057	1,281
Inventories	344	330
Prepaid expenses	479	518
Assets held for sale	3	3
	3,482	3,774
<b>Non-current</b>		
Property and equipment	35,365	35,779
	\$ 38,847	\$ 39,553
<b>Liabilities and Province's Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 2,712	\$ 2,950
<b>Non-current</b>		
Deferred capital grant	29,360	29,592
	32,072	32,542
<b>Province of Saskatchewan's Equity</b>		
Contributed surplus	465	465
Retained earnings	6,310	6,546
	6,775	7,011
	\$ 38,847	\$ 39,553

See accompanying notes

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

	<b>Three months ended March 31</b>	
	(Thousands of Dollars)	
	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
Express services	\$ 1,647	\$ 1,571
Passenger services	1,876	1,947
Other	281	222
Loss on disposal of property and equipment	(1)	-
	<b>3,803</b>	<b>3,740</b>
<b>Expenses</b>		
Operating costs other than those listed below	2,595	2,510
Salaries, wages and short-term employee benefits	3,974	3,803
Depreciation	802	741
	<b>7,371</b>	<b>7,054</b>
Loss before the following	(3,568)	(3,314)
Operating grant	2,600	2,300
Capital grant	732	665
<b>Total comprehensive loss</b>	<b>\$ (236)</b>	<b>\$ (349)</b>

See accompanying notes

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

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

	<b>Retained Earnings</b>	<b>Contributed Surplus</b>	<b>Total Equity</b>
Balance at December 31, 2012	\$ 6,597	\$ 465	\$ 7,062
Total comprehensive loss	(349)	-	(349)
<b>Balance at March 31, 2013</b>	<b>6,248</b>	<b>465</b>	<b>6,713</b>
Balance at April 1, 2013	\$ 6,248	\$ 465	\$ 6,713
Total comprehensive income	298	-	298
<b>Balance at December 31, 2013</b>	<b>6,546</b>	<b>465</b>	<b>7,011</b>
<b>Balance at December 31, 2013</b>	<b>6,546</b>	<b>465</b>	<b>7,011</b>
<b>Total comprehensive loss</b>	<b>(236)</b>	<b>-</b>	<b>(236)</b>
<b>Balance at March 31, 2014</b>	<b>\$ 6,310</b>	<b>\$ 465</b>	<b>\$ 6,775</b>

See accompanying notes

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

	<b>Three months ended March 31</b>	
	(Thousands of Dollars)	
	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Total comprehensive loss	\$ (236)	\$ (349)
Items not involving cash:		
Depreciation	802	741
Loss on disposal of property and equipment	1	-
Recognition of capital grant	(732)	(665)
Net change in non-cash working capital	11	(146)
<b>Cash used in operating activities</b>	<b>(154)</b>	<b>(419)</b>
<b>Investing Activities</b>		
Additions to property and equipment	(389)	(116)
Proceeds on disposal of property and equipment	-	1
<b>Cash used in investing activities</b>	<b>(389)</b>	<b>(115)</b>
<b>Financing Activities</b>		
Capital grant received	500	800
Operating demand loan	-	500
Repayment of operating demand loan	-	(500)
<b>Cash provided by financing activities</b>	<b>500</b>	<b>800</b>
<b>(Decrease) Increase in cash</b>	<b>(43)</b>	<b>266</b>
Cash, beginning of year	1,642	1,043
<b>Cash, end of period</b>	<b>\$ 1,599</b>	<b>\$ 1,309</b>

See accompanying notes

**Saskatchewan Transportation Company  
Notes to Condensed Financial Statements  
For the period-ended March 31, 2014**

**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, 2013.

The condensed interim financial statements were authorized for issue by STC's Board of Directors on April 29, 2014.

**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, 2013.