# SASKATCHEWAN TRANSPORTATION COMPANY
# 2017-18 ANNUAL REPORT

STC
The Bus Company

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# LETTER OF TRANSMITTAL

Regina, Saskatchewan

May 22, 2018

To His Honour
The Honourable W. Thomas Molloy, Q.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Your Honour:

I have the honour to submit herewith the Annual Report of the Saskatchewan Transportation Company for the twelve month year ended March 31, 2018, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by Treasury Board and have been duly certified by the Company's auditors.

**Joe Hargrave**
Minister Responsible for Saskatchewan Transportation Company

# MANAGEMENT DISCUSSION & ANALYSIS

## Introduction

On March 22, 2017, the Government of Saskatchewan announced that operating and capital subsidies to the Saskatchewan Transportation Company (STC or the Company) would cease in the 2017-18 fiscal year resulting in the wind up of the Company. During 2017-18, STC and the Government of Saskatchewan developed and implemented an open and transparent plan to wind up and liquidate the Company. The following Management Discussion & Analysis (MD&A) highlights the wind up of vehicular operations, the disposal of the majority of STC's assets, and other factors that impacted STC's financial results for the twelve month year ended March 31, 2018. The MD&A provides management's perspective of the Company for the previous twelve month year and should be read in conjunction with STC's March 31, 2018 audited financial statements and accompanying notes.

This Annual Report provides the Company's audited financial statements and accompanying notes for the year ended March 31, 2018, with comparative financial information for the year ended March 31, 2017. These financial statements and corresponding notes reflect certain events that occurred during 2017-18.

STC conducted regular passenger and freight vehicular operations from April 1, 2017 until May 31, 2017. On June 1, 2017, the Company surrendered its operating authority certificate to the Saskatchewan Highway Traffic Board. With the conclusion of vehicular operations, depreciation ceased effective May 31, 2017, and the majority of property and equipment was classified as assets held for sale on that date. To fulfil its contractual obligations, STC's depot locations remained open in limited operation until September 29, 2017. On November 1, 2017, the corporate administration of STC was transferred to Crown Investments Corporation (CIC). Effective November 23, 2017, the STC Board composition was reduced from eight to four members, and on December 18, 2017, the STC Board of Directors appointed CIC staff members as executive officers.

## Financial Performance

## Operating and Capital Grants

STC operations were subsidized through grants received from CIC. Each year STC submitted its grant requirements to CIC for review and approval. In 2017-18, STC received approval for a total operating grant of $17,100 thousand to cover its estimated operating losses. STC requested and received $11,550 thousand of the approved operating grant during the year.

During 2017-18, STC did not receive approval to obtain grant funding for capital requirements. In addition, unused capital of $645 thousand received in 2016-17 was returned to CIC during the year.

## Key Lines of Business

**Passenger Service**

STC provided intercity bus passenger service to 253 Saskatchewan communities prior to cessation of vehicular operations on May 31, 2017. During the year ended March 31, 2018, STC coaches travelled approximately 474

# Financial Performance (continued)

## Key Lines of Business (continued)

**Passenger Service (continued)**

thousand miles compared to 2,138 thousand miles in 2016-17. Overall passenger numbers were 25,197 passengers in 2017-18 compared to 185,678 in 2016-17.

The table below offers a year over year comparison of passenger service financial results from 2017-18:

(in thousands)

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| Passenger Service Revenue | **$931** | $5,920 |
| Passenger Service Operating Expense | **$3,988** | $15,401 |
| Passenger Service Loss | **($3,057)** | ($9,481) |

**Parcel Express Service**

Prior to the cessation of vehicular operations on May 31, 2017, STC hauled freight throughout the province through its network of 174 agents and interconnecting arrangements with other carriers. The decrease in profits reflects providing parcel services for only two months of operations.

A year over year comparison of parcel express revenue, expense and profit are provided in the table below:

(in thousands)

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| Parcel Express Revenue | **$1,130** | $8,826 |
| Parcel Express Expense | **$1,679** | $7,105 |
| Parcel Express (Loss) Profit | **($549)** | $1,721 |

**Bus Maintenance Services**

STC provided maintenance and cleaning services for other bus companies, providing revenue streams of $37 thousand for 2017-18, compared to $210 thousand for 2016-17. Expenses associated with such work were $24 thousand in 2017-18 compared to $116 thousand in 2016-17. The decreased revenue reflects the discontinuation of services provided to maintenance customers effective May 31, 2017.

Maintenance service expenditures for STC coaches and fleet were $1,126 thousand in 2017-18, compared to $4,226 thousand in 2016-17. Costs for 2017-18 reflect maintaining the fleet for only two months of vehicular operations and preparing the fleet for sale.

**Other Revenue Sources**

STC generated other revenue through alternative sources to help offset grant requirements. In 2017-18, other revenue totaled $368 thousand compared to $1,629 thousand in 2016-17. The revenue primarily included:

# Financial Performance (continued)

## Key Lines of Business (continued)

**Other Revenue Sources** (continued)

leasing excess space in terminals and garages; selling advertising on STC property through the use of billboard signs, and; bank interest, automated banking machine fees and locker rentals.

## Total Operating Expenses

The table below provides a year over year comparison of expenses incurred during 2017-18 compared to those incurred during 2016-17:

(in thousands)

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| Operating Costs | **$4,033** | $9,727 |
| Salaries, Wages, and Short-term Employee Benefits | **$5,333** | $21,911 |
| Depreciation and Impairment | **$1,365** | $17,414 |

Operating costs for 2017-18 primarily reflect only two months of vehicular operations; staffing levels for 2017-18 were adjusted down to meet wind up requirements; and depreciation and impairment expense reflects the 2017-18 year revaluation and reclassification of property and equipment to assets held for sale and the ceasing of depreciation as of May 31, 2017. Employee severance and asset valuation provisions ($6,151 thousand and $14,660 thousand respectively) were recorded as part of 2016-17.

## Capital Spending

STC did not require grant funding for 2017-18 capital requirements. However, STC accessed unused capital of $82 thousand from approved funds received during 2016-17. Capital spending of $82 thousand ($1,362 thousand in 2016-17) was incurred during 2017-18 primarily to maintain building and fleet equipment until the time of sale. Additional unused capital of $645 thousand received during 2016-17 was returned to CIC during 2017-18.

## Wind Up

STC's 2017-18 financial statements reflect the impact of wind up activities. STC, in an effort to ensure best value for the Province of Saskatchewan, worked with appropriate experts and specialized service organizations to ensure STC assets were properly inventoried, appraised and prepared for sale. As part of a public tender process, STC posted asset sale requests for proposals (RFP) on SaskTenders.ca and advertised in major local, national and industry publications. Efforts were made to reach as many prospective buyers as possible from a large geographical area.

The RFP process closed in early October 2017. As of March 31, 2018, assets held for sale sold for net proceeds of $27,618 thousand and had a net book value of $16,525 thousand. As a result, revenue includes an $11,093 thousand gain on disposal of property, equipment and assets held for sale. As these assets were purchased primarily using capital grant funding, the sale of the assets led to the recognition of previously deferred capital grant income of $10,921 thousand in 2017-18. As of March 31, 2018, one STC property remains unsold.

# Financial Performance (continued)

## Wind Up (continued)

Over the course of the year, STC's property, equipment and assets held for sale were revalued to the estimated fair value less costs to sell. An impairment of property, equipment and assets held for sale of $924 thousand ($14,660 thousand in 2016-17) was recorded to reflect the lower of each individual asset's carrying amount and recoverable amount. In most instances, the recoverable amount reflected the estimated fair value less costs to sell.

Accounts receivable are primarily due to the sale of assets at the end of March 2018, and were collected in April 2018. The Company's trade and other payables reflect management's best estimate of any obligations related to the wind up that existed at March 31, 2018.

# FINANCIAL STATEMENTS

## Management's Responsibility for Financial Reporting

Management has prepared the financial statements of the Company in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

MNP LLP, the Company's external auditors, have examined the March 31, 2018 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,

Kyla Hillmer
President and Chief Executive Officer

Travis Massier
Chief Financial Officer

May 22, 2018

# Annual Statement of Management Responsibility

I, Kyla Hillmer, the President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Travis Massier, the Chief Financial Officer of the Saskatchewan Transportation Company, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Transportation Company. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of March 31, 2018.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Saskatchewan Transportation Company do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That the Saskatchewan Transportation Company is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and the Saskatchewan Transportation Company has designed internal controls over financial reporting that are appropriate to the circumstances of the Saskatchewan Transportation Company.

d. That the Saskatchewan Transportation Company conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, the Saskatchewan Transportation Company can provide reasonable assurance that internal controls over financial reporting as of March 31, 2018 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Kyla Hillmer
President and Chief Executive Officer

Travis Massier
Chief Financial Officer

May 22, 2018

# Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of Saskatchewan Transportation Company, which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive income (loss) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw your attention to Note 1 of the financial statements, which indicates that STC ceased operations on May 31, 2017, and that STC is liquidating the corporation.

MNP LLP

Regina, Saskatchewan
May 22, 2018

## Statement of Financial Position
### As at

| | | March 31, 2018 | | March 31, 2017 |
|---|---|---|---|---|
| | | (in thousands) | | |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash | **$** | **3,965** | $ | 3,268 |
| Accounts receivable (note 5) | | **4,949** | | 1,521 |
| Inventories (note 7) | | **-** | | 294 |
| Prepaid expenses | | **72** | | 380 |
| Assets held for sale (note 8) | | **2,090** | | 4 |
| | | **11,076** | | 5,467 |
| **Property and equipment (note 9)** | | **-** | | 19,894 |
| | **$** | **11,076** | $ | 25,361 |
| **Liabilities and Province's Equity** | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables (note 10) | **$** | **2,884** | $ | 8,902 |
| Deferred capital grant (note 13) | | **2,080** | | - |
| | | **4,964** | | 8,902 |
| **Deferred capital grant (note 13)** | | **-** | | 14,956 |
| | | **4,964** | | 23,858 |
| **Province of Saskatchewan's Equity** | | | | |
| Retained earnings | | **6,112** | | 1,503 |
| | **$** | **11,076** | $ | 25,361 |

*See accompanying notes*

Approved by the Board on May 22, 2018

Mitchell J. Holash, Q.C.
Director

Jocelyn Hutchinson
Director

## Statement of Comprehensive Income (Loss)

For the Year Ended

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| **Revenue** | | |
| Express services | **$ 1,130** | $ 7,096 |
| Passenger services | **931** | 5,920 |
| Other (note 12) | **405** | 1,839 |
| Gain on disposal of property and equipment and assets held for sale | **11,093** | - |
| | **13,559** | 14,855 |
| **Expenses** | | |
| Operating costs other than those listed below | **4,033** | 9,727 |
| Salaries, wages and short-term employee benefits | **5,333** | 21,911 |
| Depreciation and impairment (note 9) | **1,365** | 17,414 |
| | **10,731** | 49,052 |
| Income (Loss) before the following | **2,828** | (34,197) |
| Operating grant (note 13) | **11,550** | 12,400 |
| Capital grant (note 13) | **12,231** | 16,456 |
| **Total comprehensive income (loss)** | **$ 26,609** | $ (5,341) |

*See accompanying notes*

## Statement of Changes in Equity

| | **Attributable to the Province of Saskatchewan** |
|---|---|
| | **Total Equity** |
| | (in thousands) |
| Balance at March 31, 2016 | $ 6,844 |
| Total comprehensive loss | (5,341) |
| Balance at March 31, 2017 | 1,503 |
| Total comprehensive income | 26,609 |
| Dividends | (22,000) |
| **Balance at March 31, 2018** | **$ 6,112** |

*See accompanying notes*

## Statement of Cash Flows

For the Year Ended

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| **Operating activities** | | |
| Total comprehensive income (loss) | **$ 26,609** | $ (5,341) |
| Items not involving cash: | | |
| Depreciation and impairment (note 9) | **1,365** | 17,414 |
| Gain on disposal of property and equipment and assets held for sale | **(11,093)** | - |
| Recognition of capital grant (note 13) | **(12,231)** | (16,456) |
| Net change in non-cash working capital (note 15) | **(8,844)** | 5,783 |
| **Cash (used in) provided by operating activities** | **(4,194)** | 1,400 |
| **Investing activities** | | |
| Additions to property and equipment (note 9) | **(82)** | (1,362) |
| Proceeds on disposal of property and equipment and assets held for sale | **27,618** | - |
| **Cash provided by (used in) investing activities** | **27,536** | (1,362) |
| **Financing activities** | | |
| Capital grant received (note 13) | **-** | 1,200 |
| Capital grant returned (note 13) | **(645)** | (21) |
| Dividends paid | **(22,000)** | - |
| **Cash (used in) provided by financing activities** | **(22,645)** | 1,179 |
| **Increase in cash** | **697** | 1,217 |
| Cash, beginning of the year | **3,268** | 2,051 |
| **Cash, end of the year** | **$ 3,965** | $ 3,268 |

*See accompanying notes*

# Notes to Financial Statements

March 31, 2018

## 1. Status of the company

The Saskatchewan Transportation Company (STC or the Company) was originally established in 1946 by Order in Council #168/1946 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 #5/1993. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 2400 College Avenue, Regina, Saskatchewan S4P 1C8.

By virtue of *The Crown Corporations Act, 1993*, STC has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of STC are included in the consolidated financial statements of CIC.

As a provincial Crown corporation, STC is not subject to federal or provincial income taxes in Canada.

On March 22, 2017, the Government of Saskatchewan announced that operating and capital subsidies to STC would cease in the 2017-18 fiscal year resulting in the wind up of the Company. STC's vehicular operations ended May 31, 2017, and the Company surrendered its operating authority certificate to the Saskatchewan Highway Traffic Board on June 1, 2017. STC and the Government of Saskatchewan are committed to an open and transparent plan to liquidate the Company by March 31, 2019.

STC's March 31, 2018 financial statements and corresponding notes reflect certain events that occurred during 2017-18. STC conducted vehicular operations from April 1, 2017 until May 31, 2017. On May 31, 2017, with the conclusion of vehicular operations, depreciation ceased and the majority of property and equipment was classified as assets held for sale. To fulfil its contractual obligations, STC's depot locations remained in limited operation until September 29, 2017. On November 1, 2017 the corporate administration of STC was transferred to CIC. Effective November 23, 2017 the STC Board composition was reduced from eight to four members and on December 18, 2017 the Board appointed CIC staff members as executive officers.

## 2. Operations and financing

By way of Order in Council #157/2017, STC was authorized to obtain grant funding up to $17,100 thousand for the fiscal year's operating requirements (March 31, 2017 - $14,200 thousand for operating and capital requirements, Order in Council #282/2016). As at March 31, 2018, STC requested and received $11,550 thousand of the $17,100 thousand authorized (March 31, 2017 - $13,600 thousand of the $14,200 thousand authorized).

## 3. Basis of preparation

### a. Going concern

STC is no longer able to operate as a going concern given its continuing wind up. As such, these financial statements reflect the liquidation of the Company's assets and settlement of the Company's obligations.

### b. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

# 3. Basis of preparation (continued)

## c. Basis of measurement

These financial statements have been prepared on the historical cost basis unless otherwise indicated.

## d. Functional and presentation currency

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

## e. Use of estimates and judgments

The preparation of financial statements in conformity with International Reporting Standards (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 year in which the estimates are revised and in any future years affected.

Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Estimates are used to determine the net realizable value of inventory as well as the allowance for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Property and equipment are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss.

Judgement is required to determine when assets are held for sale and are then adjusted to the lower of carrying amount and estimated fair value less costs to sell. Certain obligations, including those related to the wind up, require judgement to estimate the most likely expenditure required to settle the obligation. The accrual for compensated absences is based on an estimate of historical usage and staffing levels.

# 4. Significant accounting policies

## a. Changes in accounting policies during the year

Effective April 1, 2017, the Company adopted the following amended IFRS:

- IFRS 9, *Financial Instruments* – STC elected to early adopt this standard prospectively. There is no material impact on the accounting treatment of STC's financial instruments. There were some minor impacts on disclosure requirements.
- IAS 7, *Statement of Cash Flows* – There is no effect on the financial statements of STC.

These standard changes had no material effect on the financial statements of STC.

## b. Cash

Cash is measured at fair value, which approximates cost.

## c. 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. Provisions are made for slow moving and obsolete inventory.

# 4. Significant accounting policies (continued)

## d. Non-financial assets held for sale

Non-financial assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-financial assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## e. Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any provisions for impairment. Cost includes expenditures that are 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 the useful life are recognized in comprehensive income (loss) as incurred. The costs of replacements and improvements which extend the useful 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 the statement of comprehensive income (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 the statement of comprehensive income (loss) for the year.

## f. Depreciation of property and equipment

Depreciation is recorded on buildings, vehicles and other equipment on a straight-line basis over the estimated useful 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 - 50 years |
| Vehicles | 5 - 15 years |
| Other equipment | 3 - 10 years |

## g. Impairment of accounts receivable

A provision for impairment is made and an impairment loss is recognized in the statement of comprehensive income (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 accounts receivable. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired amounts are written off against the allowance account when they are assessed as uncollectible.

## 4. Significant accounting policies (continued)

### 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 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 in the statement of comprehensive income (loss).

### i. Financial instruments

The Company classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss and amortized cost.

All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for financial assets classified as fair value through profit and loss, in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

Financial instruments classified as at fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of comprehensive income (loss). Financial instruments classified as amortized cost are subsequently measured at amortized cost using the effective interest method.

### j. Operating grant revenue

Operating grants from CIC are recognized as revenue when received.

### k. Capital grant revenue

Capital grants related to depreciable property and equipment are deferred as received and are recognized as revenue over the life of the related 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.

### l. Revenue recognition

Passenger and express service revenue is generally recognized upon the completion of service. Interline passenger and express services are 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 bus maintenance services, are recognized when earned.

## 4. Significant accounting policies (continued)

### m. Employee benefits

The Company participates in a defined contribution plan. STC's contributions to the defined contribution plan are expensed during the year in which the related services are rendered by employees. The Company's financial obligation is limited to making regular payments to match the amounts contributed by the employees for current services.

### n. 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 that same year.

### o. New standards and interpretations not yet adopted

The following new standards, and amendments to standards and interpretations, are not yet effective for the year and have not been applied in preparing these financial statements:

- IFRS 15, *Revenue from Contracts with Customers* – effective January 1, 2018. STC does not expect the impact on its financial statements to be significant.
- IFRS 16, *Leases* – effective January 1, 2019. STC does not expect the impact on its financial statements to be significant.

## 5. Financial risk management

### Fair value

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

| | | | **March 31, 2018** | | March 31, 2017 | |
|---|---|---|---|---|---|---|
| | **Classification** | **Level** | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | | | | (in thousands) | | |
| Cash | FVTPL | 1 | **$3,965** | **$3,965** | $3,268 | $3,268 |
| Accounts receivable | AC | N/A | **4,949** | **4,949** | 1,521 | 1,521 |
| Trade and other payables | AC | N/A | **2,884** | **2,884** | 8,902 | 8,902 |

Classification details are:
FVTPL - fair value through profit or loss
AC - amortized cost

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.

## 5. Financial risk management (continued)

### Fair value (continued)

The fair value hierarchy is not applicable where the carrying amount approximates fair value due to the short-term nature of the financial instrument.

### Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk through cash and accounts receivable. Cash is held with a major chartered Canadian bank and management believes the risk of loss to be minimal. The Company extended credit to its customers in the normal course of business and was exposed to credit risk in the event of non-performance by customers. 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 and forward looking information. STC monitors the credit risk and credit rating of customers on a regular basis.

The maximum exposure to credit risk is $8,914 thousand (March 31, 2017 - $4,789 thousand) equal to the carrying amount of the Company's financial assets cash - $3,965 thousand (March 31, 2017 - $3,268 thousand) and accounts receivable - $4,949 thousand (March 31, 2017 - $1,521 thousand).

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

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| Gross accounts receivable: | | |
| Current | **$ 4,949** | $ 1,220 |
| Up to three months past due date | **-** | 360 |
| Greater than three months past due date | **-** | 71 |
| | **4,949** | 1,651 |
| Allowance for doubtful accounts, beginning of the year | **(130)** | (151) |
| Accounts written off | **12** | 21 |
| Adjustments | **118** | - |
| Allowance for doubtful accounts, end of the year | **-** | (130) |
| **Nets account receivable** | **$ 4,949** | $ 1,521 |

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they become due. All of the Company's financial liabilities are due within the fiscal year. Management believes that the Company's ability to generate and acquire funds, including grants received from CIC, will support the settlement of these financial liabilities.

## 6. Capital management

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 in the form of retained earnings. During the year, as part of the wind up, the contributed surplus was reclassified as retained earnings. STC does not have any debt.

## 6. Capital management (continued)

STC's capital structure is as follows:

| | March 31, 2018 | | March 31, 2017 |
|---|---|---|---|
| | (in thousands) | | |
| Retained earnings | **6,112** | | 1,038 |
| | **$** | **6,112** | $ 1,503 |

## 7. Inventories

The cost of inventory recognized as an expense during the year in respect of continuing operations was $78 thousand (March 31, 2017 - $386 thousand). No adjustments to inventory net realizable values were made during the year. All inventories were sold for proceeds equaling their net realizable values as of March 31, 2018.

## 8. Assets held for sale

Property and equipment that are expected to be disposed of by sale within the next 12-months have been classified as assets held for sale on the statement of financial position. Depreciation of these assets ceased effective May 31, 2017, the date STC concluded operations. The carrying amount of these assets approximates fair value. During 2017-18, assets held for sale were disposed of for net proceeds of $27,618 thousand and had a net book value of $16,525 thousand. As a result, the statement of comprehensive income (loss) includes an $11,093 thousand gain on disposal of property, equipment and assets held for sale. Deferred capital grant of $10,921 thousand was recognized in the statement of comprehensive income (loss) due to the sale of these assets.

Assets held for sale were assessed for their estimated fair value less costs to sell using purchase bids received through a public tender process as a basis. Where the estimated fair value less costs to sell was lower than the carrying amount, the assets were considered impaired and written down to fair value less costs to sell. As a result, an impairment loss of $883 thousand was recognized as of March 31, 2018, on the statement of comprehensive income (loss). These assets were originally purchased with capital grant funding, and therefore the impairment loss is offset by the recognition of a corresponding $883 thousand of capital grant revenue as of March 31, 2018. As a result, assets held for sale decreased by $883 thousand and deferred capital grant decreased by $883 thousand on the statement of financial position as of March 31, 2018.

| | | | **March 31, 2018** | March 31, 2017 |
|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Net book value** | Net book value |
| | | | (in thousands) | |
| Assets held for sale | **$5,604** | **$3,514** | **$2,090** | $4 |

## 9. Property and Equipment

| | Land | Buildings | Vehicles | Other equipment | Total |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| **Cost or deemed cost** | | | | | |
| Balance at March 31, 2016 | $4,654 | $37,829 | $17,893 | $8,663 | $69,039 |
| Additions | - | 212 | 991 | 159 | 1,362 |
| Balance at March 31, 2017 | 4,654 | 38,041 | 18,884 | 8,822 | 70,401 |
| Additions | - | 3 | - | 79 | 82 |
| Disposals | - | - | - | (431) | (431) |
| Assets held for sale | (4,654) | (38,044) | (18,884) | (8,470) | (70,052) |
| **Balance at March 31, 2018** | - | - | - | - | - |
| **Depreciation** | | | | | |
| Balance at March 31, 2016 | - | 14,090 | 11,504 | 7,499 | 33,093 |
| Depreciation | - | 1,125 | 1,271 | 358 | 2,754 |
| Impairment | - | 10,987 | 3,197 | 476 | 14,660 |
| Balance at March 31, 2017 | - | 26,202 | 15,972 | 8,333 | 50,507 |
| Depreciation | - | 186 | 180 | 75 | 441 |
| Impairment | - | 3 | - | 38 | 41 |
| Assets held for sale | - | (26,391) | (16,152) | (8,015) | (50,558) |
| Disposals | - | - | - | (431) | (431) |
| **Balance at March 31, 2018** | - | - | - | - | - |
| **Carrying Amounts** | | | | | |
| At March 31, 2017 | $4,654 | $11,839 | $ 2,912 | $ 489 | $ 19,894 |
| **At March 31, 2018** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |

The announcement by the Government of Saskatchewan that STC will be wound up provided indication that STC's property and equipment could be impaired. As a result, management was required to estimate the recoverable amount of its property and equipment as of March 31, 2017. For these assets the recoverable amount was determined to be the estimated fair value less costs to sell. These assets were assessed on an individual basis to determine the estimated fair value less costs to sell using independent appraisals and valuations. Where the fair value less costs to sell was lower than the carrying amount, the asset was considered impaired and was written down to fair value less costs to sell. As a result, an impairment loss of$14,514 thousand was recognized within depreciation and impairment expense as of March 31, 2017, on the statement of comprehensive income (loss).

Most of these assets were originally purchased with grant funding, and therefore the impairment loss for these assets was offset by the recognition of a corresponding $13,783 thousand of capital grant revenue as of March 31, 2017. The net effect on total comprehensive income (loss) was $731 thousand. As a result of the impairment loss, property and equipment decreased by $14,514 thousand and deferred capital grant decreased by $13,783 thousand on the statement of financial position as of March 31, 2017.

There were also items of property and equipment that were abandoned rather than sold, such as software and licenses. For these assets the recoverable amount was determined, on an individual basis, to be the asset's value in use. The total carrying amount of these assets as of March 31, 2017 was $232 thousand while the total value in use was $86 thousand. The impairment loss of $146 thousand was recognized within depreciation and impairment expense as of March 31, 2017. STC determined during 2017-18 that the useful life of these assets required reevaluation. The remaining value in use as of March 31, 2018 was determined to be nil resulting in an impairment of the remaining carrying amount. The impairment loss for these other assets was $38 thousand.

## 9. Property and Equipment (continued)

These assets were originally purchased with grant funding, and therefore the impairment loss was offset by the recognition of a corresponding $38 thousand of capital grant revenue for the year (March 31, 2017 - $232 thousand). There was no net effect on total comprehensive (loss) income. As a result of the impairment loss, property and equipment and the deferred capital grant each decreased by $38 thousand on the statement of financial position.

The majority of STC's property and equipment became available for sale following the cessation of vehicular operations on May 31, 2017.

## 10. Trade and other payables

STC received notification of an arbitration award issued on April 27, 2018 regarding a labour related grievance filed against STC by the Amalgamated Transit Union (ATU). The Company has estimated the financial obligation to be $1,120 thousand and expects payments to be made during 2018-19.

## 11. Non-monetary transactions

During the year, STC did not enter into any non-monetary arrangements (March 31, 2017 - $16 thousand for STC providing services in exchange for advertising and promotional services). The fair value of non-monetary transactions is based on the value of services STC provides as the services received are not reliably measurable.

## 12. Other revenue

Other revenue relates to activities outside the Company's core operations and consists of the following:

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| Bus maintenance services | **$ 37** | $ 210 |
| Workers' Compensation Board rebate | **-** | 438 |
| Insurance settlement | **-** | 700 |
| Other | **368** | 491 |
| | **$ 405** | $ 1,839 |

## 13. Deferred grants

Order in Council #157/2017 authorized STC to obtain grant funding up to $17,100 thousand for operating requirements during the year. STC obtained $11,550 thousand (March 31, 2017 - $12,400 thousand, Order in Council #282/2016) of operating funding from CIC during the year.

During the year, STC did not receive authorization to obtain grant funding for capital requirements (March 31, 2017 - $1,200 thousand of the $1,800 thousand authorized, Order in Council #282/2016). Unused capital of $645 thousand from Order in Council #282/2016 was returned during the year (March 31, 2017 - $21 thousand). Property and equipment classified as assets held for sale are expected to be sold in the next twelve months. Therefore, the deferred capital grant of $2,080 thousand is current as at March 31, 2018.

## 13. Deferred grants (continued)

Deferred capital grants consist of the following:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| **Deferred capital grant, beginning of the year:** | **$14,956** | $30,233 |
| Capital grant received | - | 1,200 |
| Grant returned – unused capital OC #282/2016 | **(645)** | 2,970 |
| Grant returned – Regina Maintenance Facility renovations | - | (21) |
| Capital grant revenue recognized | **(12,231)** | (16,456) |
| **Deferred capital grant, end of the year:** | **$2,080** | $14,956 |

## 14. Pension contributions

In June 2015, STC became a participating employer with the Public Employees' Pension Plan, and all Capital Pension Plan balances were transferred to the Public Employee's Pension Plan. During the year, STC contributed $306 thousand to the Public Employees' Pension Plan which were expensed during the year (March 31, 2017 – $853 thousand).

## 15. Net change in non-cash working capital

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| **(Increase) Decrease in:** | | |
| Accounts receivable | **$(3,428)** | $(715) |
| Inventories | **294** | 57 |
| Prepaid expenses | **308** | 88 |
| | **(2,826)** | (570) |
| **(Decrease) Increase in:** | | |
| Trade and other payables | **(6,018)** | 6,353 |
| | **$(8,844)** | $5,783 |

## 16. 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"). STC has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

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

## 16. Related party transactions (continued)

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.

Effective November 1, 2017, CIC provides corporate administration services to the Company without charge. Effective December 18, 2017, STC executive officers are employees of CIC and receive no compensation for their services.

## 17. Key management personnel compensation

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

On November 23, 2017, STC Board composition was reduced from eight to four members. On December 18, 2017, the STC Board of Directors appointed CIC staff members as executive officers.

Key management personnel compensation comprised:

| | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| | (in thousands) | |
| Short-term employee benefits | **$1,456** | $1,317 |
| Post-employment benefits | **46** | 75 |
| | **$1,502** | $1,392 |

## 18. Comparative information

Certain comparative information has been restated to conform to the current year's financial statement presentation.

# CORPORATE GOVERNANCE

STC followed a framework of rules and practices by which the Board of Directors ensured accountability, fairness and transparency.

STC's Board of Directors are stewards for the organization representing the Shareholder.

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance.

## Authority

Established in 1946, the Saskatchewan Transportation Company (STC) is a Crown corporation of the Province of Saskatchewan. STC is subject to The Crown Corporations Act, 1993, which provides the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's Crown corporations, the authority to establish the direction of the Corporation.

STC reports to CIC on a regular basis on matters such as the Balanced Scorecard results, financial statements and forecasts, capital expenditures and grant requirements. STC also provides ad hoc reports to CIC upon request.

## Board of Directors

**Role of the Board**
The primary function of the STC Board of Directors (Board) is to represent the Shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board oversees executive officers, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

Through the Chair, the Board of Directors is accountable to the Minister Responsible for Saskatchewan Transportation Company. The Minister functions as a link between STC and Cabinet, as well as the provincial legislature.

The CEO leads the development and implementation of policies, operating budget, makes recommendations and implements board-approved initiatives and liaises with the Minister acting on behalf of the Province and Shareholder. The Minister Responsible for STC and Cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with "best practices" for corporate governance, as developed by the Canadian Securities Administrators.

**Board Priorities and Risk Oversight**
In 2017-18, the Board of Directors focused on areas that could positively impact the organization's financial performance and risk mitigation during the wind up of STC. Yearly reviews of the enterprise risk management framework ensured the Board understood that effective risk management processes were in place and functioning effectively.

## Board Composition

The STC Board consists of independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice-Chair of the Board.

During 2017-18, as a result of the wind up, the STC Board composition was reduced from eight members to four members. STC would like to thank the following members of the Board of Directors whose appointments ended in 2017-18 for their time dedicated to the organization:

**Kevin Dureau** - Tenure from November 28, 2016 to November 23, 2017

**Cherilyn Jolly-Nagel** - Tenure from November 28, 2016 to November 23, 2017

**Veronique Loewen** - Tenure from February 14, 2013 to November 23, 2017

**Mervin Schneider** - Tenure from February 9, 2011 to November 23, 2017

As of March 31, 2018, the composition of the STC Board of Directors was as follows:

**Mitchell Holash** - Board Chair

Mitchell Holash, Q.C. is a senior partner with Novus Law Group based in Prince Albert, having been awarded the professional distinction of Queen's Counsel. Mr. Holash is currently Chairman of the Saskatchewan Honours Advisory Council, and has served as Chairman of the Saskatchewan Police Commission, as the Governance Committee Chairman for SaskPower, as a Director of the Saskatchewan Arts Board and Saskatchewan Sports Hall of Fame and as Vice Chair and Trustee for the Saskatchewan Foundation for the Arts. He is appointed nationally to the Oversight Committee for the Indian Residential School Adjudication Secretariat. Mr. Holash has been awarded the Saskatchewan Volunteer Medal, the Saskatchewan Centennial Medal and the Saskatchewan Association of Community Planners Community Development Award, and has been a recipient of both Prince Albert's Citizen of the Year and Sportsman of the Year Awards.

**Jocelyn Hutchinson** - Board Vice-Chair

Jocelyn Hutchinson recently retired from the position of Manager of Marketing and Brand Development at IM Wireless Communications Inc., The Wireless Age, a well-established participant in Canada's wireless industry in partnership with SaskTel. Her past experience as a Regina City Councillor, Ward 2 from 2006 to 2012 afforded her the opportunity to participate in the City's senior decision-making and policy body. Currently she is Honorary LCol. of the Saskatchewan Dragoons and CFLC Board Member. Mrs. Hutchinson was also Past President of Regina Queen City Kinette Club, a Committee Member of Kinsmen Telemiracle Organizing Committee and continues to be a regular participant in local charities and community organizations.

**Bradley S Sylvester**

Bradley S Sylvester has 42 years of sales, marketing and leadership experience in consumer packaged goods and retired in July 2017 as National Account Manager for Sofina Foods Inc. He is currently serving as Chair of the board of the Sandra Schmirler Foundation, a member of the Parkinson Society Canada Saskatchewan advisory board, as Vice Chair of the District Planning Commission for Saskatoon and RM of Corman Park. He was a member of the Board of Directors of Information Services Corporation until May 2016 and is past Chair of the Canada Celebrates Optimist Canada Day from 2003-2017. Mr. Sylvester was recognized for his contributions to his community with the Saskatchewan Centennial Medal in 2005, the Toyota Never Quits Award in 2006 and the Queen Elizabeth Diamond Jubilee Commemorative Medal in 2013. He attained the Chartered Director (C.Dir.) designation from McMaster University in 2012.

### Kim Wondrasek

Kim Wondrasek is the owner and operator of the Langenburg ESSO. She, her husband Troy, and another couple built the gas station, convenience store, bakery and car wash in 2015. Mrs. Wondrasek has ten years of project experience in economic development as past Business Coordinator for Parkland College, CEO of the Saskatchewan East Enterprise Region and Yellowhead Regional Economic Development Association and continues to lead strategic planning sessions around the province. She has served one term on the Town of Langenburg Council and was on the inaugural Board of Directors for the Family & Friends Community Foundation. Mrs. Wondrasek continues to participate in local charities and community organizations, including Langenburg & District School Project Inc., and as past President of the Saskatchewan Economic Development Association. She was awarded her Ec.D. designation from the Economic Development Association of Canada, as well as an Economic Development Certificate from the University of Waterloo.