

# **Saskatchewan Transportation Company**

**First Quarter Report 2005**

# 2005 1<sup>st</sup> Quarter Corporate Reporting

1. **Management Discussion and Analysis**
  - Passenger Service
  - Express Service
  - Maintenance Services
  - Financial Services
  - Other Issues
  
2. **Quarterly Financial Statements**
  - Statement of Financial Position
  - Statement of Operations and Retained Earnings
  - Statement of Cash Flows
  - Notes to Financial Statements
  
3. **Link to STC 2003 Annual Report**

## *Management Discussion and Analysis*

In this MD&A, STC Management will discuss the results of its First Quarter operations in 2005, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a lasting impact on the corporation's fiscal position.

### **Passenger Service:**

In the first quarter of 2005, STC coaches traveled 782,000 miles, serving 275 Saskatchewan communities.

Revenues for passenger operations in the quarter were \$1,714,000, up from the \$1,568,000 in revenues realized by the company in the first quarter of 2004. Expenses associated with operating passenger services were \$2,100,000, up slightly from the 2004 figure of \$1,976,000.

Operating losses for passenger services in the quarter were \$386,000, compared to a loss of \$408,000 in the first quarter of 2004.

Actual revenues from passenger service were up substantially from the projected revenues for the quarter.

### **Express Service:**

Through its network of 197 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 2005, revenues from express operations were \$1,332,000, up slightly from the revenues of \$1,240,000 realized in the first quarter of 2004. Express operating expenses during the quarter amounted to \$919,000, up slightly from the \$907,000 in expenses for the same period the previous year.

Overall, profits for freight operations in the first quarter amounted to \$413,000, compared to a profit of \$333,000 for the first quarter of 2004. Revenues for freight operations are slightly above expectations for the quarter.

STC's express service tends to be somewhat seasonal, due to a lack of activity in the farming industry at this time of year. It is anticipated express revenues will be up in each of the remaining quarters.

## **Maintenance Services:**

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in 2005 amounted to \$628,000, as compared to \$630,000 for the same three-month period in 2004.

## **Financial Services:**

Overall, STC's revenues for the first quarter of 2005 amounted to \$3,189,000, compared to \$2,941,000 for the first quarter of 2004, while expenses were \$4,699,000, compared to \$4,581,000 the previous year. The company's loss, before grants, for the quarter was \$1,510,000, compared to \$1,640,000 for the first quarter of 2004.

STC has been approved for an operating grant of \$4.1 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the company will require that amount of grant funding. The projected operating loss for the year is \$4.0 million, compared to \$3.3 million in 2004.

In the first quarter, STC drew down \$900,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$8,013,000, compared to \$8,510,000 at the same time last year.

## **Other Issues:**

There were two issues of significance that arose during the quarter which will impact the company's finances for the remainder of the year.

On December 31, 2003, the company's collective agreement with the Amalgamated Transit Union Local 1374 expired. In the first quarter of 2005, a new three-year agreement, running to December, 2006, was achieved. The settlement was within the provincial government's collective bargaining mandate of 0-1-1. The one per cent increase for 2005 will result in a yearly payroll increase of \$85,000.

The quarter saw some very good news for the company, as ridership on the buses was up about 3200 (five per cent) in the first quarter over the first quarter of 2004 and 5,100 (eight per cent) compared to the projected ridership for the quarter.

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

	As at March 31, 2005	As at December 31, 2004
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 684	\$ 1,155
Accounts receivable	1,121	1,499
Inventories	328	326
Prepaid expenses	372	151
	<u>2,505</u>	<u>3,131</u>
Property, plant and equipment	16,185	16,172
	<u>\$ 18,690</u>	<u>\$ 19,303</u>
<b>Liabilities and Province's Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,158	\$ 2,460
	<u>2,158</u>	<u>2,460</u>
Deferred capital grant	8,519	8,495
<b>Province of Saskatchewan's Equity</b>		
Retained earnings	8,013	8,348
	<u>\$ 18,690</u>	<u>\$ 19,303</u>

**Saskatchewan Transportation Company**  
**Statement of Operations and Retained Earnings**  
(unaudited - thousands of dollars)

	Three months ended March 31	
	2004	2004
<b>Revenue</b>		
Express services	\$ 1,332	\$ 1,240
Passenger services	1,714	1,568
Other	146	134
Loss on disposal of property, plant and equipment	(3)	(1)
	<u>3,189</u>	<u>2,941</u>
<b>Expenses</b>		
Operating	3,647	3,513
Administration	601	639
Amortization	451	429
	<u>4,699</u>	<u>4,581</u>
Loss before the following	(1,510)	(1,640)
Operating Grant	900	1,500
Capital Grant	275	248
<b>Net income (loss)</b>	<u>(335)</u>	<u>108</u>
Retained earnings, beginning of period	8,348	8,402
<b>Retained earnings, end of period</b>	<u>\$ 8,013</u>	<u>\$ 8,510</u>

**Saskatchewan Transportation Company**  
**Statement of Cash Flows**  
(unaudited - thousands of dollars)

	Three months ended March 31	
	2004	2004
<b>Operating Activities</b>		
Net income (loss)	\$ (335)	\$ 108
Items not involving cash:		
Amortization	451	429
Loss on disposal of property, plant and equipment	3	1
Recognition of capital grant	(275)	(248)
Net change in non-cash working capital	(147)	167
<b>Cash provided by (used in) operating activities</b>	<b>(303)</b>	<b>457</b>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(464)	(19)
Proceeds on disposal of property, plant and equipment	2	9
Deferred Start Up Costs	(6)	-
<b>Cash used in investing activities</b>	<b>(468)</b>	<b>(10)</b>
<b>Financing Activities</b>		
Repayment of demand operating loan	-	(300)
Capital grant received	300	-
<b>Cash used in financing activities</b>	<b>300</b>	<b>(300)</b>
<b>Increase (Decrease) in cash</b>	<b>(471)</b>	<b>147</b>
Cash, beginning of period	1,155	882
<b>Cash, end of period</b>	<b>\$ 684</b>	<b>\$ 1,029</b>

**Saskatchewan Transportation Company**  
**Notes to Financial Statements**  
(unaudited)

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**1. Basis of Presentation and Significant Accounting Policies**

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2004.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2004.

**2. Seasonal Nature of Express Revenues**

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.