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Fleet Vehicles Agency is a Special Operating Agency
within Manitoba Infrastructure and Transportation

Letter from the Minister



MINISTER OF INFRASTRUCTURE
AND TRANSPORTATION

Room 201
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

June 29, 2009

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May it Please Your Honour:

It is my privilege and pleasure to present, for the information of Your Honour, the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2009.

This Report is the final one for the Agency as *FLEET*. Effective April 1, 2009, the Agency was amalgamated with the Mechanical Equipment Services Branch of Infrastructure and Transportation into a new Special Operating Agency (SOA) named Vehicle and Equipment Management Agency. The amalgamated Agency combines the acquisition, management and disposal of both light duty and heavy duty vehicles and equipment under common management.

When *FLEET* was established as a SOA in 1992, it was the first SOA in Canada at the provincial level. During its 17 year run, it has served as a model for the other SOAs currently operating within the Province and for alternative service delivery across the country.

FLEET's operating performance during its 17 years is one in which we are all justifiably proud.

Respectfully submitted,

Original signed by

Ron Lemieux
Minister Responsible for
Fleet Vehicles Agency



Letter from the Associate Deputy Minister



Infrastructure and Transportation
Associate Deputy Minister's office
300 - 215 Garry
Winnipeg MB R3C 3P3
T 204-945-3887 F 204-945-1857

June 29, 2009

Honourable Ron Lemieux
Department of Infrastructure and Transportation
Minister Responsible for Fleet Vehicles Agency
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Lemieux:

It is my pleasure to submit for your review and consideration the Annual Report of Fleet Vehicles Agency (FLEET) for the year ended March 31, 2009.

During 2008/09, FLEET continued to ensure that its products and services not only meet the needs of its customers, but that they also work towards addressing the Province's Sustainable Development Procurement Guidelines. At year-end, the fleet of 3,163 units included 65 hybrid-electric and 557 flexible-fuel E85 vehicles—an increase of 29 hybrid and 139 E85 units over the comparable numbers at March 31, 2008.

Working towards a successful amalgamation with the Mechanical Equipment Services Branch of MIT became a primary goal for FLEET's management and staff during the second six months of 2008/09. Those efforts have continued into 2009/10 within the new Special Operating Agency, Vehicle and Equipment Management Agency (VEMA). Departmental management is confident that VEMA will continue where FLEET left off as a model for alternative service delivery within the province.

On behalf of departmental management, I would like to thank FLEET's management and staff for their dedication and commitment to client service during the past 17 years. The team effort that has been exhibited throughout those years has played a big part in the successes that FLEET enjoyed along the way.

Respectfully submitted,

Original signed by

Paul Rochon
Associate Deputy Minister of Infrastructure and Transportation
and Chairperson of the Fleet Vehicles Agency Advisory Board

Manitoba
spirited energy

Chief Operating Officer's Message



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Manitoba Infrastructure and Transportation

June 29, 2009

To the Many Stakeholders of Fleet Vehicles Agency (FLEET):

This is my final message on behalf of FLEET. Next year's message and Annual Report will be prepared on the letterhead of the new Agency, Vehicle and Equipment Management Agency (VEMA).

FLEET's final year included several notable activities and events. Some of the more significant or newsworthy ones follow:

- ☛ Net earnings of \$4,059,000 far exceeded projections. Just about everything worked in FLEET's favour during the year to achieve that number: drivers drove more kilometres than projected; the number of units replaced and the total number of vehicles and equipment for lease increased significantly; interest rates remained low; and it was the first year that increases in fuel prices at the pumps passed directly through to customers.
- ☛ The \$24,019,000 in vehicles and equipment for lease acquired during the year included 67 pieces of heavy duty vehicles and equipment at a total cost of \$9,206,000 for lease to the Mechanical Equipment Services Branch of MIT. Total heavy duty equipment purchase orders released during the year were just short of \$12 million, with those orders and receipts a first step in what is now VEMA's replacement program for heavy duty vehicles and equipment.
- ☛ Hybrid-electric vehicle purchases are on the rise, with a total of 29 arrivals during the 2008/09 year. Three of the arrivals and one existing unit were converted to plug-in hybrids and assigned to customers to assist in testing this step in hybrid development on behalf of the Province.
- ☛ 139 E85 vehicles were received during the year, bringing that complement of the fleet to 557 as of March 31, 2009.
- ☛ Eight Multi Function School Activity Buses were purchased for lease to Frontier School Division during 2008/09 as replacements for 15 passenger vans.

As I write this message, VEMA is rapidly approaching the end of the first quarter of 2009/10. At the same time, it is becoming increasingly evident that a complete operating cycle for the new Agency will probably be necessary in order to determine, and gather in, all of the building blocks upon which VEMA will actually be built.

Since this is my final message on behalf of FLEET, I would like to take this opportunity to extend my appreciation to its management and staff, and to our numerous stakeholders, clients and partners, for the support received during my just over two years as FLEET's Chief Operating Officer. It has been a very interesting ride thus far, and I look forward to dealing with whatever challenges VEMA may bring in the future.

Original signed by

Al Franchuk
Chief Operating Officer

Profile of Fleet Vehicles Agency

Fleet Vehicles Agency (*FLEET*) has one of the larger single fleets of vehicles in Manitoba and, as an agency within Infrastructure and Transportation, its main clients are the departments, agencies and Crown corporations of the provincial government.

Mission Statement

"We are committed to provide our clients with a complete range of quality fleet management services to assist in the efficient delivery of public programs."

The fleet currently consists of more than 3,100 units including light duty trucks (56%), vans and buses (22%), sedans (11%), ambulances and ambulance chassis (5%), heavy duty vehicles and equipment (3%), and chassis attachments (3%) operating from locations throughout the province. Annual distance travelled by the fleet exceeded 73 million kilometres in 2008/09 and annual fuel consumption for vehicles owned and managed now exceeds 13 million litres.

FLEET assumed organizational responsibility for Radio Services as of April 1, 2003, with that division's technicians responsible for the servicing of existing radio base stations in areas where cellular phone service is not currently available, and for the evaluation, installation, repair and maintenance of two-way radios used by its provincial and other clients in those areas.

Vision Statement

"To provide all vehicle and equipment management services to the broader public sector."

The 2008/09 year is the final year of operations for *FLEET* as *FLEET*. Effective April 1, 2009, the Agency was amalgamated with Infrastructure and Transportation's Mechanical Equipment Services Branch into a new Special Operating Agency named Vehicle and Equipment Management Agency (with VEMA as the new Agency's acronym). VEMA combines the acquisition, management and disposal of both light duty and heavy duty vehicles and equipment under common management.

Products and Services

Over the past 75 years, *FLEET* has developed a range of products and services to meet the needs of its provincial government clients. Services fall into three main groups: Vehicle and Equipment Services, Fleet Management Services, and Radio Services.

Vehicle Services include leases, long-term rentals, short-term (daily) rentals, and vehicle insurance and registration. Fleet Management Services cover a whole range of services including a *FLEET* credit card for fuel purchases, repair authorizations, a preventive maintenance program, an invoice payment service, a taxable benefit program, and a complete history of cost, maintenance and distance for each vehicle. Together, these two groups of services constitute the vehicle Full Service package recommended by *FLEET*. Since the start of the 2003/04 year, *FLEET* has also offered the services of its Radio Services Division.

FLEET's employees provide complete fleet administration support and vehicle maintenance to clients from a central Winnipeg administration office and full service repair facility. Throughout 2008/09, the Agency's staff used the valuable information collected and stored by Keys™, the Agency's Fleet Management Information System, to assist customers in analyzing aspects of their vehicle costs and to provide detailed billing data tailored to each customer's specific needs.

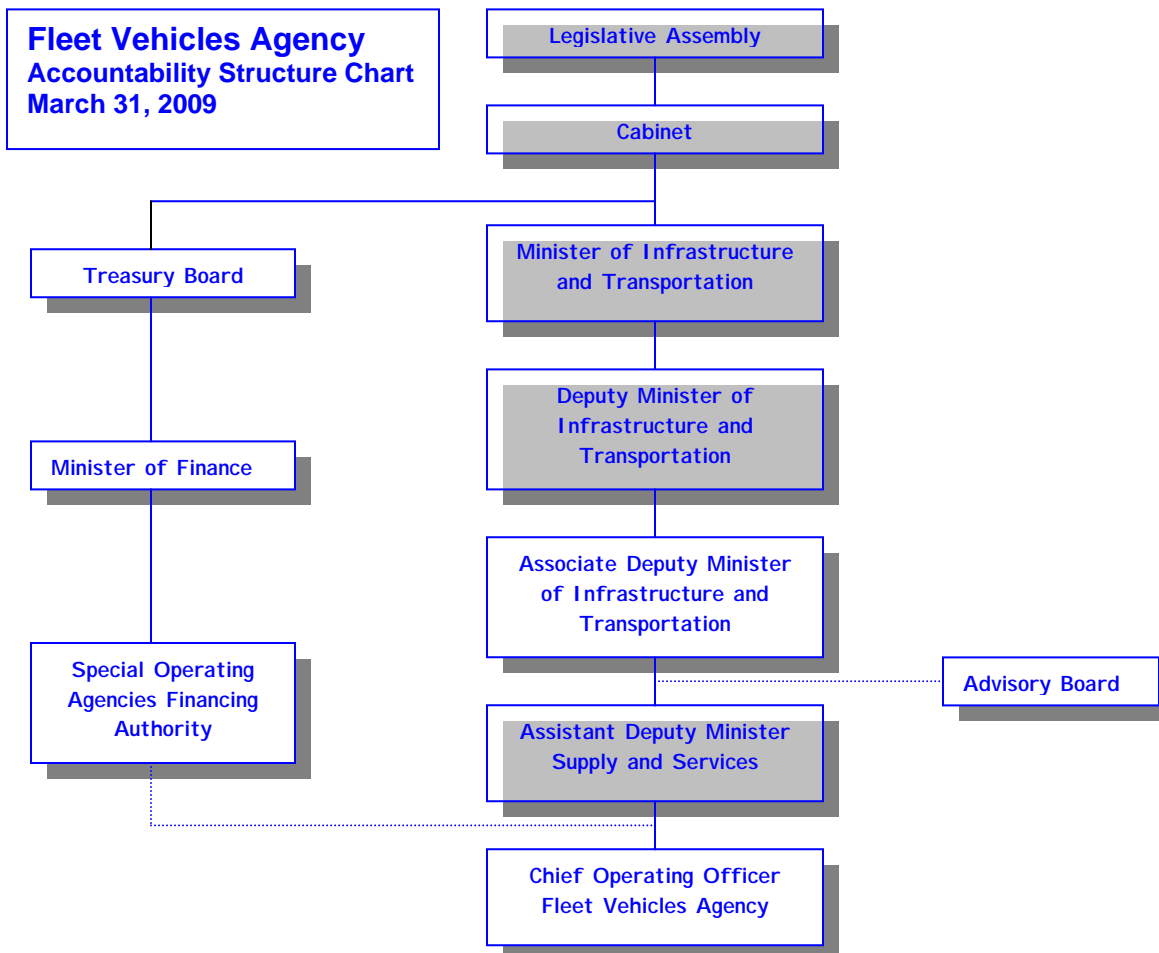
Structure for Operations

Accountability Structure

As an organization within Manitoba Infrastructure and Transportation, *FLEET* reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Associate Deputy Minister, Deputy Minister, and Minister of Infrastructure and Transportation for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities. Governance and accountability are substantiated by *FLEET's* compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by *The Special Operating Agencies Financing Authority Act*. Financial and operational information and requirements are disseminated to and from Treasury Board through a SOA Coordinator at Treasury Board Secretariat.

The Accountability Structure Chart presented below outlines the structure.



Advisory Board

The Advisory Board for Fleet Vehicles Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan, and any proposed changes to the Agency's Charter. The Board's members offer advice and direction on reporting and management issues of concern, and on short and long term strategic planning.

Members of the *FLEET* Advisory Board as of March 31, 2009, are listed below.

| Members of the Advisory Board for Fleet Vehicles Agency | | |
|--|---|---|
| CHAIR | Paul Rochon <i>Associate Deputy Minister Manitoba Infrastructure and Transportation</i> | |
| MEMBERS | | |
| <i>Private Sector Representative</i> | Position vacant | |
| <i>Client Representatives</i> | Fred Meier <i>Assistant Deputy Minister Manitoba Conservation</i> | Kim Sharman <i>Assistant Deputy Minister Manitoba Health and Healthy Living</i> |
| <i>Ex Officio</i> | Tracey Danowski <i>Assistant Deputy Minister Manitoba Infrastructure and Transportation</i> | Al Franchuk <i>Chief Operating Officer Fleet Vehicles Agency</i> |
| <i>Staff Representative</i> | Andy Chartrand <i>Environment and Program Analyst Fleet Vehicles Agency</i> | |

Staff Complement at *FLEET*

FLEET has a total of 68 available Full Time Employee (FTE) positions, with 64 of those positions allocated to either regular or term employees as of March 31, 2009.

The majority of new employees at *FLEET* are hired as term employees for at least the first six months of their tenure. Although *FLEET*'s records indicate regular and term status, all employees are shown in the provincial payroll records as occupying FTE numbers.

In January 2001, Treasury Board approved delegated authority for the Agency to manage its staff complement independently, without prior Treasury Board approval, which means that the *FLEET* management can engage incremental staff as business circumstances dictate. This delegated authority is reviewed annually by Treasury Board as a part of their review of each year's Portfolio Review and Business Plan.

The 68 FTEs and their related positions were transferred to VEMA on April 1, 2009. The Estimates Review Minutes for 2009/10 for VEMA approved the continuation of delegated authority for the new Agency to staff as required without Treasury Board approval in 2009/10.

The Public Interest Disclosure (Whistleblower Protection) Act

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service, and strengthens protection from reprisal. The Act builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under the Act may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with the Act, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department's annual report in accordance with Section 18 of the Act.

The following is a summary of disclosures received by the Department of Infrastructure and Transportation – Fleet Vehicles Agency during the 2008/09 fiscal year:

| Information Required Annually (by Section 18 of the Act) | 2008/09 Fiscal Year |
|--|--|
| The number of disclosures received, and the number acted on and not acted on. <i>Subsection 18(2)(a)</i> | One disclosure was received, with that disclosure acted on. |
| The number of investigations commenced as a result of a disclosure. <i>Subsection 18(2)(b)</i> | One investigation was commenced during the year, and is ongoing as of March 31, 2009. |
| In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken. <i>Subsection 18(2)(c)</i> | Should wrongdoing be determined, corrective action will be taken once the investigation is completed. |

Operating Objectives and Results

Each year, the management and staff at *FLEET* identify key objectives in the preparation of *FLEET*'s annual Business Plan that are considered important to the continuing success of the Agency. The major goals and objectives that were established and highlighted in the finalization of the 2008/09 Plan in March 2008 are presented below. These goals and objectives are monitored by management on a regular basis through a detailed step-by-step performance framework that is called The *FLEET* Plan.

Highlights of progress in meeting the performance targets and operating objectives for 2008/09 are provided below in italics.

Promoting Energy-Related Opportunities

Goal *Increase awareness of the Sustainable Development Procurement Guidelines in connection with vehicle selection and usage, and with the use and disposal of products and materials that are dangerous to the environment.*

Objective *Ensure that clients are aware of vehicles that are environmentally-friendly when they are ordering replacement vehicles. FLEET's 2009 Vehicle Ordering Guide has a section that highlights the Province's Sustainable Development Procurement Guidelines relating to vehicles, and indicates units available as E85, hybrid-electric or diesel. FLEET's Environment and Program Analyst regularly meets with customers to answer questions on alternate fuel or flexible fuel vehicles.*

Objective *Ensure that clients are ordering the right vehicles and equipment to meet the requirements of the job. FLEET's Environment and Program Analyst, as well as other FLEET staff, regularly meet with customers to answer questions about their new and replacement vehicles, attempting to ensure that the ordered vehicles will meet the requirements of the jobs for which they are intended.*

Objective *Investigate latest alternative vehicle technology including plug-in hybrid-electric and hydrogen fuel cell vehicles. FLEET's Chief Operating Officer and Environment and Program Analyst regularly attend conferences and trade shows where the latest vehicle technology is exhibited and demonstrated. Four Toyota Prius models assigned to customers have been converted to plug-in hybrid-electric vehicles and are currently being tested.*

Objective *Increase the number of hybrid-electric vehicles leased to customers by purchasing a minimum of 15 more by March 31, 2009. As of March 31, 2009, FLEET owned a total of 65 hybrid-electric vehicles with 61 assigned to customers and four in the short term rental pool. Twenty-three model year 2008 and six model year 2009 hybrid-electric vehicles arrived at FLEET during the 2008/09 year, bringing the total to 37 model year 2008 and 2009 hybrid-electric vehicles purchased by FLEET through March 31, 2009.*

Objective *Continue to work towards specifying E85s for model year 2009 new and replacement vehicles purchased for customers wherever practicable. As of March 31, 2009, FLEET owned a total of 557 vehicles with E85 capabilities (vehicles that are able to run on regular gasoline, or on a combination of gasoline*

and up to 85% ethanol). There was an increase of 139 E85s during the 2008/09 year.

Objective Work with members of the Senior Executive to ensure that all Ministers, Deputy Ministers and their Equivalents drive either a hybrid-electric or an E85 vehicle. As of March 31, 2009, 22 of the 38 vehicles that are assigned as Executive Vehicles within the fleet are either hybrid-electric (20) or E85 (2) vehicles. It is the intention that as Executive Vehicles are scheduled for replacement, the replacement vehicle should be either a hybrid-electric or E85 unit.

Objective Continue to make literature available to staff on bulletin boards and to promote products and practices that reduce, recycle and reuse. Posters on bulletin boards and literature distributed to staff in connection with the recycling of tires, motor oil, paper and other sustainable development initiatives are regular features at FLEET.

Objective Continue to electronically distribute the Sustainable Development tip-of-the-month to all FLEET staff. A tip-of-the-month was distributed electronically to FLEET staff 10 times during the 2008/09 year.

Taking Care of Business

Goal **Provide safe, reliable vehicles and equipment at the lowest possible cost to the Province to assist clients in meeting the vehicle transportation and communication requirements of their programs.**

Objective Maintain vehicle repair services that are cost competitive through a quarterly minimum Shop Labour Efficiency rate of 90%. During the four quarters of 2008/09, the Shop Labour Efficiency rate was 80.9%, 78.9%, 70.8% and 82.8% respectively, resulting in an overall annual rate of 77.9%.

Objective Maintain Radio Services operations that are cost competitive through a quarterly minimum Staff Labour Efficiency rate of 85%. During the four quarters of 2008/09, the Staff Labour Efficiency rate was 84.3%, 74.4%, 95.1% and 89.1% respectively, resulting in an overall annual rate of 94.1%.

Objective Ensure high quality service work by maintaining a work order comeback rate less than 0.5%. During the 2008/09 year, the comeback rate was 0.03%.

Objective Ensure that clients adhere to a vehicle replacement program that provides vehicle replacements at the optimum time for each vehicle in the fleet. Adhering to an established vehicle replacement schedule is one of the most important aspects of successful fleet management. FLEET's re-establishment of that schedule is a part of the requested change to FLEET's mandate and role, as presented to Treasury Board Secretariat during the 2007/08 year.

Goal **Ensure the continued success of FLEET as a Special Operating Agency within the Department of Infrastructure and Transportation.**

Objective Be the successful bidder on 100% of current client tenders for vehicle leasing and management services for the 2008/09 business year. No clients went to tender in ordering their new and replacement model year 2009 vehicles.

- Objective* Return to Treasury Board by September 30, 2008, with a report on the changes in mandate that are occurring, specifically noting changes in responsibilities for the Agency and any resulting implications to the Agency's clients. *Several drafts of material for the report have been prepared, but the finalized 2009/10 Business Plan for VEMA now requests that the report not be finalized until management has been through one complete operating cycle in the new Agency.*
- Objective* In conjunction with the Department of Infrastructure and Transportation, return to Treasury Board by September 30, 2008, with a report on further action, timing and financial implications of amalgamating FLEET and MES into a single operating agency. *A report was prepared and submitted to the Secretariat's office along with VEMA's 2009/10 Portfolio Review in November 2008.*
- Objective* Return to Treasury Board by September 30, 2008, with a report advising on customer reaction and concerns to direct customer billing for fuel costs. *A report was prepared and submitted to the Secretariat's office along with VEMA's 2009/10 Portfolio Review in November 2008.*
- Objective* Maintain FLEET's draw down percentage from Loan Act Authority relative to vehicle costs (except for ambulances and heavy duty equipment) at a maximum rate of 60%. *Of the \$15,200 in Loan Act Authority drawn down in 2008/09, only \$3,200 relates to the financing of light duty vehicles and equipment. That amount represents approximately 26.3% of the cost of the \$12,105 in light duty vehicles and equipment received during the 2008/09 year.*
- Objective* Maintain days sales in receivables at a maximum of 30 days at the end of each quarter. *As of March 31, 2009, days sales in receivables were at 26.0 days. The fuel flow through billings program that commenced in April 2008 resulted in delays in getting timely fuel billings out to customers for several months, resulting in days sales in receivables in excess of 30 days during the first two quarters of 2008/09, but those delays have now essentially been curtailed.*
- Objective* Following consultation with the SOA Coordinator and Treasury Board Secretariat, redraft FLEET's Operating Charter by September 30, 2008, for review, approval and implementation by March 31, 2009. *Because of the intended amalgamation of FLEET and the Mechanical Equipment Management Services Branch of MIT into a new Special Operating Agency as of April 1, 2009, it was decided that redrafting efforts of FLEET's Operating Charter could more advantageously be spent in drafting the Operating Charter for the new Agency. A report to that effect was prepared and submitted to the Secretariat's office along with VEMA's 2009/10 Portfolio Review in November 2008.*

Advancing New Market Opportunities

- Goal** **Advance new market opportunities in the broader public sector.**
- Objective* Provide light duty vehicle services to a minimum of two additional school divisions in Manitoba by March 31, 2009. *The Winnipeg School Division expressed interest in hybrid-electric vehicles for their light duty fleet in 2008/09, but that expression of interest did not materialize into the provision of services.*
- Objective* Lease a minimum of two school buses to one or more school divisions in Manitoba by March 31, 2009. *Eight Multi Function School Activity Buses were*

purchased for lease to Frontier School Division during 2008/09 as replacements for 15 passenger vans.

Objective Return to Treasury Board by September 30, 2008, with details on negotiations and financial implications of entering into an agreement with the City of Winnipeg's Fleet Management Agency for the replacement of the City's light duty vehicles. *It appears unlikely as of September 30, 2008, that this objective will move forward. A report to that effect was prepared and delivered to the Secretariat's office as a part of VEMA's 2009/10 Portfolio Review in November 2008.*

Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2009, to the projections for the same period and to the actual results for the year ended March 31, 2008. This review and analysis should be read in conjunction with *FLEET's* financial statements for the year (pages 18 to 30) and the summarization of key elements from the earnings statements in Table 1 below.

All dollar amounts in the review and analysis are in thousands of dollars, except for amounts that are in dollars and cents to four decimal places.

| Table 1 | Actual | Projected | Actual 2008/09 vs. projected 2008/09 | Actual | Actual 2008/09 vs. actual 2007/08 |
|--|-----------------------------------|-----------------------------------|---|-----------------------------------|--|
| <i>(In thousands of dollars)</i> | Year ended March 31 2009 | Year ended March 31 2009 | Increase/ (decrease) | Year ended March 31 2008 | Increase/ (decrease) |
| Vehicle and equipment leases | \$ 40,322 | \$ 39,682 | \$ 640 | \$ 34,368 | \$ 5,954 |
| Gain on disposal of vehicles and equipment, net | 273 | 539 | (266) | 599 | (326) |
| Interest income | 10 | 48 | (38) | 61 | (51) |
| Other revenue | 5,163 | 4,529 | 634 | 4,950 | 213 |
| Total revenue | 45,768 | 44,798 | 970 | 39,978 | 5,790 |
| Salaries | 3,151 | 3,259 | (108) | 2,978 | 173 |
| Vehicle and equipment operating expenses | 35,602 | 35,481 | 121 | 30,919 | 4,683 |
| Administrative expenses | 1,711 | 1,769 | (58) | 1,697 | 14 |
| Community service | 43 | 45 | (2) | 42 | 1 |
| Interest expense | 1,202 | 1,700 | (498) | 1,174 | 28 |
| Total expenses | 41,709 | 42,254 | (545) | 36,810 | 4,899 |
| Net earnings | \$ 4,059 | \$ 2,544 | \$ 1,515 | \$ 3,168 | \$ 891 |

Operating Results

As indicated in Table 1, *FLEET* is reporting net earnings of \$4,059 for the year ended March 31, 2009, compared to a projected \$2,544 and an actual \$3,168 for the years ended March 31, 2009 and 2008 respectively. Almost everything seemed to work in *FLEET*'s favour during the year, including the following:

- Draw downs from Loan Act Authority happened later than projected and at lower than projected amounts.
- Interest rates remained low, and then went even lower, on both new Loan Act Authority draw downs and on working capital payable balances.
- Vehicle and equipment numbers increased significantly during the year, providing additional profitable lease revenues.
- Drivers of assigned units drove 3,456,000 more kilometres than the 70,352,000 projected number of kilometres to be driven, with the dollars in increased kilometres at *FLEET*'s variable rates primarily falling through to the "bottom line".
- Fuel flow through to customers started April 1, 2008. As a result, none of the significant increase at the pumps during the first half of the year was absorbed by the Agency. It all flowed through directly to *FLEET*'s customers.
- Radio Services revenues exceeded projections by \$475, with the majority of that increase occurring during the fourth quarter of the year when the sale of two-way radios far surpassed expectations.

Vehicle and equipment leases revenue and vehicle and equipment operating expenses show significant increases in 2008/09 when compared to 2007/08 primarily for the following reasons:

- There was a significant increase in gasoline prices at the pumps during the first seven to eight months of 2008/09 before prices settled back down. The average price paid at the pumps for the year ended March 31, 2009, was \$1.0460 per litre compared to \$0.9760 for the 2007/08 year. The 7.0 cent difference in the year over year numbers on 13,571,000 litres of fuel purchased (for both full fleet management services units and managed units) resulted in additional billing revenues during the 2008/09 year, and in a fuel cost increase, of \$950.

Although the fuel price increase at the pumps affects both revenues and expenses in the year over year numbers, there is, however, very little effect in 2008/09 from the increased fuel price on *FLEET*'s bottom line. The fuel flow through concept that commenced April 1, 2008, essentially bills the cost for the amount of fuel used in each customer's assigned and short-term rental vehicles, with a small add-on to cover *FLEET*'s related administrative expenses.

- Reported kilometres driven and fuel litres purchased in the 2008/09 year for full fleet management services units were 73,808,000 and 12,755,000 respectively, compared to 61,411,000 and 10,505,000 during the 2007/08 year. The majority of the increases result from kilometres reported in 2008/09 on approximately 200 vehicles now managed that were dry lease units (units owned by *FLEET*, but with no fleet management services provided and no variable rate charges) in 2007/08. But the 12,397,000 kilometres and 2,250,000 litres differences also reflect a significant

number of additional kilometres driven on the remainder of the fleet as well. The additional kilometres reported in 2008/09 result in additional variable rate billing revenues, and the additional 2,250,000 litres account for the remainder of the fuel cost increase.

- The increase from 2,907 to 3,163 units in the fleet provides the majority of the remaining increase in vehicle and equipment leases revenues, and also contributes to the increases in amortization, insurance, and repairs and maintenance expenses.
- ⊕ Following the completion of the Second Quarter Report, *FLEET* management investigated the reasons for the increased “bottom line” in 2008/09 compared to projections. They determined that the variable rates per kilometre driven (following the removal of fuel from the variable rate calculations as of April 1, 2008) was too high and required a downward adjustment. That price adjustment commenced November 1, 2008, and applies to most classes of vehicles. Without that adjustment, net earnings in 2008/09 would have actually been even higher than reported.
- ⊕ The gain on disposal of vehicles and equipment is \$273 for the 2008/09 year, significantly less than both the \$539 projected and the actual \$599 a year ago. Because model year 2009 replacement vehicles are arriving at *FLEET* later than projected, the whole process of readying and disposing of vehicles is also delayed. Only 301 vehicles were disposed of during the 2008/09 fiscal year, compared to 414 a year ago. Average disposal proceeds of \$4.9 in 2008/09 compared to \$5.6 a year ago also affects the amount of the gain reported on disposal.
- ⊕ Although long term debt increased by \$7,679 between March 31, 2008 and 2009, interest expense for the 2008/09 year increased by only \$28 compared to 2007/08. On the other hand, actual interest expense in 2008/09 was \$498 less than projected. Both variances are a reflection of the current low interest rates, and when Loan Act Authority is actually drawn down.

Financial Position

- ⊕ Vehicle and equipment units total 3,163 as of March 31, 2009, compared to 2,907 as of March 31, 2008. During the 2008/09 year, *FLEET* received 557 units and disposed of 301 trucks, vans, sedans and ambulances (with a further 22 units on hand as of March 31 being readied for disposal).
- ⊕ The carrying value of *FLEET*'s capital assets at \$60,045 is \$2,662 less than projected but \$11,812 more than the value as of March 31, 2008. The variances primarily relate to acquisitions of heavy duty vehicles and equipment. The year over year numbers reflect the addition of 67 pieces of heavy equipment at a cost of \$9,206. With almost \$12,000 in heavy duty vehicles and equipment ordered, the \$2,662 variance shows the balance of heavy duty vehicles and equipment ordered but not received as of March 31, 2009.
- ⊕ *FLEET*'s working capital payable position of \$2,141 is better than projected, and better than the \$3,571 position a year ago. Many factors contribute to *FLEET*'s cash or working capital position at any given moment in time, including the collection of receivables, the payment of accounts payable, and management's decision as to when, and how much, to draw down from Loan Act Authority.
- ⊕ The lower long term debt than projected position as of March 31, 2009, primarily results from two factors: (1) almost \$3,000 in heavy duty vehicles and equipment projected to be received by March 31, 2009, are now scheduled to arrive during 2009/10, and (2) ordered

model year 2009 vehicles are arriving later than projected (with some concern at this point as to whether all vehicles ordered will actually be delivered due to the financial problems currently being experienced by General Motors, Daimler Chrysler and Ford).

Ratio Analysis

- ⊖ The three rates of return in Table 2 for the 2008/09 year reflect the higher than projected net earnings realized during the year.
- ⊖ The days sales in receivables ratio is back on track at less than 30 days. It was 41.0 days at the end of the First Quarter and 35.4 days at the end of the Second Quarter of 2008/09. The higher numbers at the end of the first two quarters were influenced by the fuel billings flow through program that started in April 2008. It was suggested then that the situation should correct itself as additional months during 2008/09 unfold, once both the *FLEET* staff and *FLEET*'s customers become more familiar with the new procedure for billing fuel, and it would appear that is now the case.

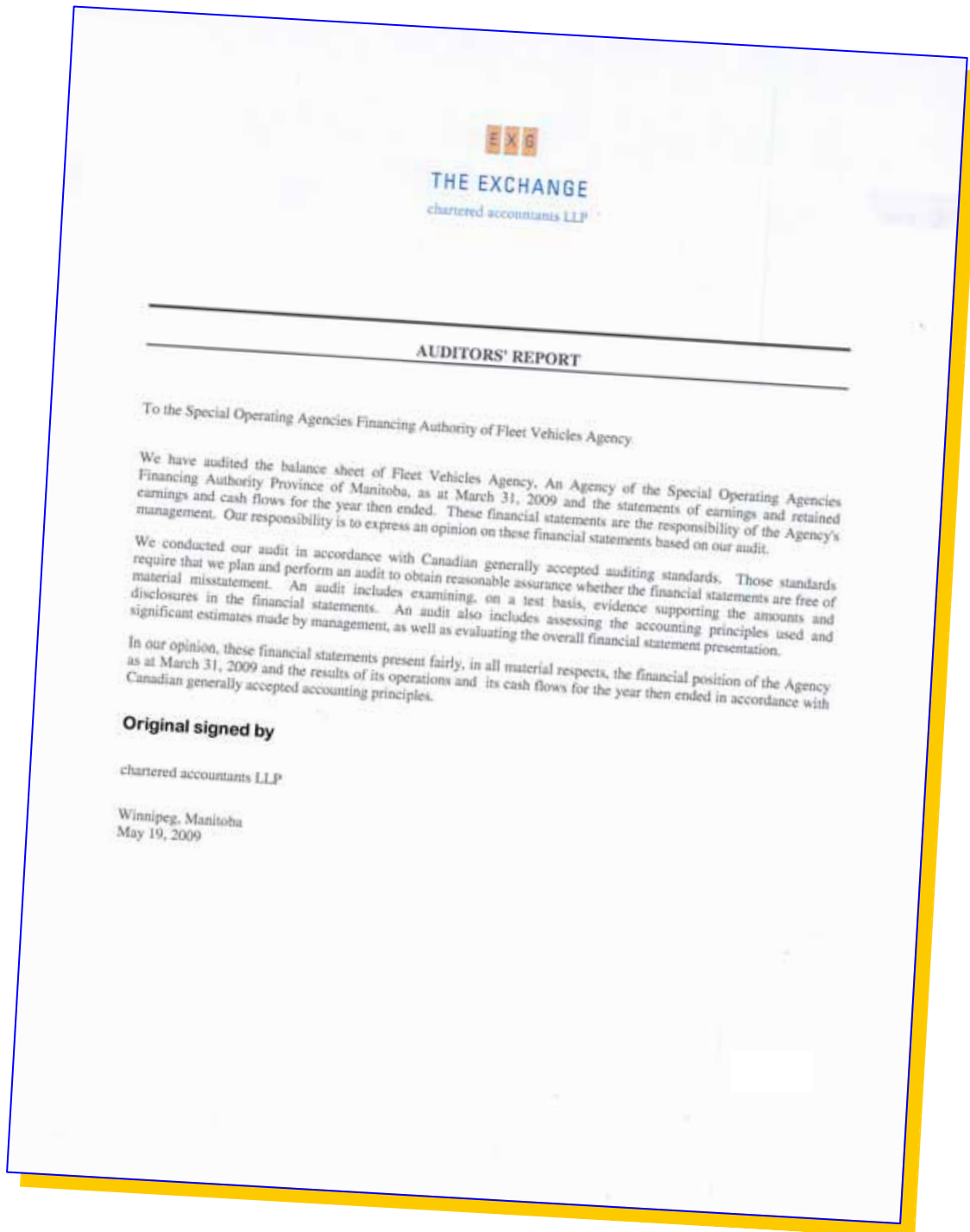
| Table 2 Ratio | March 31 | | | |
|---------------------------|--------------|-----------|-----------|-----------|
| | Projected | Actual | | |
| | 2008/09 Year | 2009 | 2008 | 2007 |
| Return on total revenue | 5.68% | 8.87% | 7.92% | 8.26% |
| Return on average assets | 4.01% | 6.72% | 5.81% | 5.69% |
| Return on average equity | 11.41% | 17.45% | 14.98% | 15.72% |
| Debt to equity | 2.05 to 1 | 1.71 to 1 | 1.47 to 1 | 1.70 to 1 |
| Current ratio | 0.39 to 1 | 0.36 to 1 | 0.38 to 1 | 0.35 to 1 |
| Days sales in receivables | 30.0 days | 26.0 days | 28.7 days | 23.2 days |

- ⊖ The debt to equity ratio continues to track *FLEET*'s leverage. The 1.71 to 1 position compares favourably with a projected 2.05 to 1 primarily due to the lower than projected draw down from Loan Act Authority during the year.
- ⊖ A current ratio of 0.36 to 1 has become a way of life at *FLEET*. The Agency has been referred to in the past as one that is "asset rich, but cash poor," and this ratio certainly demonstrates that position. It only works for the Agency because the majority of the Agency's current liabilities are amounts that have been received in cash but are not yet earned, or are amounts that can be planned for because they are due only semi-annually.

Responsibility for Financial Reporting



Auditors' Report



Financial Statements

Statement of Earnings and Retained Earnings Year Ended March 31, 2009

(In thousands)

| | 2009 | 2008 |
|--|------------------|-----------|
| Revenue | | |
| Vehicle and equipment leases | \$ 40,322 | \$ 34,368 |
| Gain on disposal of vehicles and equipment, net | 273 | 599 |
| Interest income | 10 | 61 |
| Other revenue (Page 30) | 5,163 | 4,950 |
| | 45,768 | 39,978 |
| Expenses | | |
| Salaries and wages | 3,151 | 2,978 |
| Vehicle and equipment operating expenses (Page 30) | 35,602 | 30,919 |
| Administrative expenses (Page 30) | 1,711 | 1,697 |
| Community service | 43 | 42 |
| Interest expense | 1,202 | 1,174 |
| | 41,709 | 36,810 |
| Net earnings | 4,059 | 3,168 |
| <i>Retained earnings, beginning of year</i> | 17,697 | 16,029 |
| | 21,756 | 19,197 |
| <i>Revenue sharing to the Consolidated Fund</i> | (1,500) | (1,500) |
| Retained earnings, end of year | \$ 20,256 | \$ 17,697 |

Financial Statements

Balance Sheet March 31, 2009

(In thousands)

| | | 2009 | 2008 |
|--------------------|---|------------------|-----------|
| Assets | Current | | |
| | Receivables (Note 5) | \$ 3,658 | \$ 3,464 |
| | Inventory (Note 3) | 237 | 206 |
| | Prepays | 2,273 | 2,111 |
| | | 6,168 | 5,781 |
| | Capital assets (Notes 3, 6) | 60,045 | 48,233 |
| | Severance pay benefits cash in trust (receivable in 2008) (Note 7) | 270 | 270 |
| | | \$ 66,483 | \$ 54,284 |
| Liabilities | Current | | |
| | Working capital payable, net of cash (Note 8) | \$ 2,141 | \$ 3,571 |
| | Accounts payables and accrued liabilities | 6,317 | 3,252 |
| | Unearned revenue | 1,749 | 1,455 |
| | Current portion of long term debt (Note 9) | 7,137 | 7,113 |
| | | 17,344 | 15,391 |
| | Long term debt (Note 9) | 24,105 | 16,450 |
| | Severance pay liability (Note 7) | 494 | 462 |
| | | 41,943 | 32,303 |
| Equity | Contributed equity (Note 10) | 4,284 | 4,284 |
| | Retained earnings | 20,256 | 17,697 |
| | | 24,540 | 21,981 |
| | | \$ 66,483 | \$ 54,284 |

Financial Statements

Statement of Cash Flows Year Ended March 31, 2009

(In thousands)

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Operating activities | | |
| Net earnings | \$ 4,059 | \$ 3,168 |
| Items not affecting cash: | | |
| Amortization | 11,084 | 10,237 |
| Gain on disposal of vehicles and equipment, net | (273) | (599) |
| Increase in severance pay liability | 43 | 42 |
| Payment of severance pay benefits | (11) | (19) |
| | 14,902 | 12,829 |
| Change in non-cash working capital: | | |
| Receivables | (194) | (738) |
| Inventory | (31) | (11) |
| Prepays | (162) | 47 |
| Accounts payables and accrued liabilities | 3,065 | 743 |
| Unearned revenue | 294 | (243) |
| | 2,972 | (202) |
| Cash flow from operating activities | 17,874 | 12,627 |
| Investing activities | | |
| Proceeds on disposal of vehicles and equipment | 1,473 | 2,303 |
| Acquisition of vehicles and equipment for lease | (24,019) | (10,591) |
| Acquisition of equipment for operations | (77) | (158) |
| Cash flow used by investing activities | (22,623) | (8,446) |
| Financing activities | | |
| Proceeds from Loan Act Authority draw downs | 15,200 | 4,340 |
| Repayment of long term debt | (7,521) | (7,085) |
| Revenue sharing to the Consolidated Fund | (1,500) | (1,500) |
| Cash flow from (used by) financing activities | 6,179 | (4,245) |
| Increase (decrease) in cash flow | 1,430 | (64) |
| Working capital payable, net of cash and cash equivalents, beginning of year | (3,571) | (3,507) |
| Working capital payable, net of cash and cash equivalents, end of year | \$ (2,141) | \$ (3,571) |

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

1. Nature of organization

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the then Department of Transportation and Government Services was transferred to the Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of the Department of Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister, the Deputy Minister, and the Minister, of Infrastructure and Transportation.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation were amalgamated into a new Special Operating Agency named Vehicle and Equipment Management Agency (VEMA). The asset and liability balances of Fleet Vehicles Agency as of March 31, 2009, have been transferred at their carrying values to the books and records of VEMA at the start of business on April 1, 2009, with the difference between total assets and total liabilities credited to contributed equity. Accordingly, Fleet Vehicles Agency effectively ceased operations at the close of business on March 31, 2009, and has since been dissolved.

2. Change in accounting policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

2. Change in accounting policies (continued)

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The three standards listed above have no impact on the recognition, measurement or presentation of financial instruments in the Agency's financial statements for the year ended March 31, 2009.

Section 3031, Inventories

Section 3031 replaces Section 3030, Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's financial statements for the year ended March 31, 2009.

3. Summary of significant accounting policies

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

3. Summary of significant accounting policies (continued)

Cash and equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventory

Inventories are valued at the lower of cost and market value. Cost is determined on a weighted average basis.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

| | |
|---|----------------------------------|
| Vehicles | 30%, declining balance method |
| Vehicles and equipment (signed lease agreement) | straight-line over term of lease |
| Office and shop equipment | 20%, declining balance method |
| Computer software and equipment | 20%, straight-line method |
| Leasehold improvements | 10%, straight-line method |

Pension benefits

Employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for the year ended March 31, 2009, was \$108 (2008: \$115). Under this agreement, the Agency has no further pension liability.

Revenue recognition

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed.

Capital disclosures

The Agency's capital consists of retained earnings provided by operations and contributed equity.

The Agency's capital management policy is to maintain sufficient capital in retained earnings to meet its objectives, while transferring surplus funds to the Province of Manitoba; meet short term capital needs

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

3. Summary of significant accounting policies (continued)

through working capital advances from the Province of Manitoba; and meet long term capital needs through long term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the 2008/09 year.

The Agency is not subject to externally imposed capital requirements.

4. Financial instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on a financial instrument's classification.

Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

| Financial asset/liability | Category | Subsequent measurement |
|---|-----------------------------|------------------------|
| Cash and cash equivalents, net of working capital payable | Held for trading | Fair value |
| Receivables | Loans and receivables | Amortized cost |
| Severance pay benefits cash in trust | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Long term debt | Other financial liabilities | Amortized cost |
| Severance pay liability | Other financial liabilities | Amortized cost |

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of earnings and retained earnings.

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

4. Financial instruments (continued)

Fair value of financial instruments

The fair value of receivables and accounts payable and accrued liabilities approximates their carrying values due to their relatively short term maturity.

The fair value of severance pay benefits cash in trust and its related severance pay liability is determined using the effective interest rate method.

The fair value of the long term debt is determined using the present value of future cash flows under current financing agreements, based on the Agency's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long term debt is \$31,769 as of March 31, 2009 (2008: \$23,791).

Financial risk management

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash, cash equivalents and receivables.

The maximum exposure of the Agency to credit risk as of March 31, 2009, is:

| | |
|--------------------------------------|-----------------|
| Receivables | \$ 3,658 |
| Severance pay benefits cash in trust | 270 |
| | <u>\$ 3,928</u> |

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and crown corporations within the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. An allowance for doubtful accounts was not recorded as of March 31, 2009.

Severance pay benefits cash in trust: The Agency is not exposed to significant credit risk as the cash is held in trust with the Province of Manitoba.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements through its available working capital payable limit and its long term debt draw downs from Loan Act Authority. Regular determinations of the Agency's working capital payable limit and long term debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due.

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

4. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's net earnings or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents and long term debt.

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature.

The Agency manages its interest rate risk on long term debt through the exclusive use of fixed rate terms for its long term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by \$1,134 as of March 31, 2009 (2008: \$787).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Receivables

| | 2009 | 2008 |
|-----------------------------|-----------------|-----------------|
| Trade | \$ 1,889 | \$ 1,842 |
| Accrued trade | 1,274 | 1,167 |
| Insurance rebate receivable | 495 | 455 |
| | \$ 3,658 | \$ 3,464 |

6. Capital assets

| | 2009 | | 2008 | |
|----------------------------------|-------------------|--------------------------|------------------|--------------------------|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Vehicles and equipment for lease | \$ 106,609 | \$ 47,021 | \$ 90,631 | \$ 42,897 |
| Office and shop equipment | 1,491 | 1,171 | 1,414 | 1,095 |
| Leasehold improvements | 707 | 570 | 707 | 527 |
| | \$ 108,807 | \$ 48,762 | \$ 92,752 | \$ 44,519 |
| Net book value | \$ 60,045 | | \$ 48,233 | |

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

7. Severance pay liability

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. That responsibility was previously reflected by a \$194 receivable from the Province for the employees at the Agency as of March 31, 1998, together with a \$76 receivable from the Province for the employees at Radio Services as of March 31, 2003, who are also now with the Agency. That responsibility is now reflected by the payment to the Agency by the Province of \$270 on March 31, 2009, with the funds held on the Agency's behalf in an interest bearing trust account until it is required to discharge the related liability.

An actuarial valuation report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Agency's actuarially determined net liability for accounting purposes as of March 31, 2009, was \$494 (2008: \$462).

8. Working capital payable

The Agency has an authorized line of working capital advances of \$4,000, \$2,278 of which was used as of March 31, 2009 (2008: \$3,683).

9. Long term debt

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Fleet Vehicles Agency.

Loan Act Authority long term debt is repayable in semi-annual instalments of principal and interest, as follows:

| Interest Rate | Instalment Amount | Maturity Date | 2009 | 2008 |
|---------------|-------------------|--------------------|------|--------|
| 6.425% | \$ 146 | March 31, 2009 | \$ - | \$ 278 |
| 3.625% | 149 | March 31, 2009 | - | 291 |
| 3.5% | 259 | March 31, 2009 | - | 504 |
| 5.25% | 159 | September 30, 2009 | 155 | 454 |
| 5.625% | 134 | September 30, 2009 | 131 | 381 |
| 4.125% | 56 | September 30, 2009 | 55 | 161 |

Financial Statements

Notes to Financial Statements Year ended March 31, 2009

(In thousands)

9. Long term debt (continued)

| | | | | |
|---------------------------------|-----|--------------------|------------------|------------------|
| 4% | 167 | March 31, 2010 | 324 | 636 |
| 4.375% | 438 | March 31, 2010 | 849 | 1,662 |
| 5.125% | 123 | September 30, 2010 | 350 | 568 |
| 4.75% | 227 | March 31, 2011 | 857 | 1,256 |
| 4.75% | 451 | March 31, 2011 | 1,701 | 2,494 |
| 4.875% | 137 | September 30, 2011 | 636 | 870 |
| 4.75% | 102 | September 30, 2011 | 476 | 652 |
| 4.625% | 475 | March 31, 2012 | 2,634 | 3,435 |
| 4.75% | 137 | September 30, 2012 | 871 | 1,095 |
| 5% | 142 | September 30, 2012 | 900 | 1,129 |
| 4% | 345 | March 31, 2013 | 2,528 | 3,100 |
| 4.05% | 140 | September 30, 2013 | 1,143 | 1,370 |
| 3.875% | 355 | September 30, 2013 | 2,907 | - |
| 4.875% | 148 | March 31, 2015 | 1,519 | 1,732 |
| 4.125% | 117 | September 30, 2015 | 1,321 | 1,495 |
| 4.875% | 237 | September 30, 2023 | 4,885 | - |
| 5% | 334 | March 31, 2024 | 7,000 | - |
| Amounts payable within one year | | | 31,242 | 23,563 |
| | | | 7,137 | 7,113 |
| | | | \$ 24,105 | \$ 16,450 |

Unused loan authority of \$4,900 was available as of March 31, 2008. An additional \$18,900 of loan authority availability was approved during June 2008 in The Loan Act, 2008. Of the \$23,800 in available loan authority, \$15,200 was drawn down at various times during the 2008/09 year, leaving \$8,600 of loan authority availability as of March 31, 2009.

As of March 31, 2009, principal repayments in each of the next five years are as follows:

| | |
|------|----------|
| 2010 | \$ 7,137 |
| 2011 | 5,760 |
| 2012 | 4,289 |
| 2013 | 2,999 |
| 2014 | 1,653 |

10. Contributed equity

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at \$12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of \$8,235 (2/3 of the value of the assets) and has recorded the balance of \$4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

Financial Statements

Notes to Financial Statements

Year ended March 31, 2009

(In thousands)

10. Contributed equity (continued)

The Agency's contributed equity was increased by \$166 as of April 1, 2003, with the transfer of the net assets of Radio Services to the Agency.

11. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of \$50 or more in the fiscal year ended March 31:

| | | 2009 | 2008 |
|---------------------|---------------------------------|-------|-------|
| Reginald Batenchuk | Automotive Equipment Mechanic | \$ 52 | \$ 52 |
| Kathryn Bernhardt | Manager, Support Services | 64 | 60 |
| Raymond Bobbie | Body Shop Technician | 50 | - |
| Neil Bogen | Automotive Equipment Mechanic | 52 | 52 |
| Andy Chartrand | Environment and Program Analyst | 62 | 58 |
| Donald Chesney | Manager, Fleet | 75 | 72 |
| Azeez Ciba | Programmer | 54 | - |
| Al Franchuk | Chief Operating Officer | 86 | 81 |
| Janessa Friedrich | Programmer Analyst | 55 | 51 |
| Grant Fraser | Mechanical Shop Supervisor | 62 | 62 |
| Ted Fudali | Radio Services Technician | 51 | - |
| Brian Gould | Body Shop Technician | 51 | - |
| Richard Heck | Systems Analyst | 67 | 64 |
| Kerry Kalupar | Automotive Equipment Mechanic | 51 | - |
| Kevin Kilbrei | Manager, Marketing | - | 68 |
| David Kroeker | Systems Supervisor | 80 | 77 |
| Vladimair Lachowsky | Radio Services Technician | 60 | 54 |
| Keith Leganchuk | Radio Services Technician | 56 | 60 |
| Robert Nolin | Body Shop Supervisor | - | 56 |
| Gregory O'Connor | Body Shop Technician | 51 | - |
| Albert Ogonoski | Manager, Finance | 71 | 69 |
| Grant Recknell | Radio Services Supervisor | 58 | 58 |
| William Reynolds | Manager, Strategic Planning | 70 | 68 |
| Sean Savage | Automotive Equipment Mechanic | 52 | 52 |
| Guy Sinclair | Manager, Operations | 87 | 85 |
| Karl Strieby | Systems Support Specialist | 51 | - |
| Hung Tran | Systems Analyst | 68 | - |

Financial Statements

Schedule of Other Revenue and Expenses Year Ended March 31, 2009

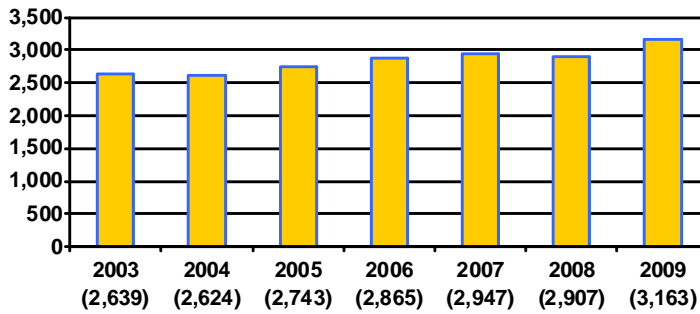
(In thousands)

| | 2009 | 2008 |
|---|------------------|------------------|
| Other revenue | | |
| Autopac service | \$ 599 | \$ 631 |
| Garage regular service | 522 | 538 |
| Insurance premium rebates | 1,046 | 993 |
| Other, including fuel billings for managed vehicles that are not owned | 1,121 | 1,069 |
| Radio Services | 1,875 | 1,719 |
| | \$ 5,163 | \$ 4,950 |
| | | |
| Vehicle and equipment operating expenses | | |
| Amortization | \$ 10,957 | \$ 10,102 |
| Fuel | 14,078 | 11,189 |
| Insurance premiums | 4,110 | 3,955 |
| Licenses | 164 | 132 |
| Repairs and maintenance | 6,293 | 5,541 |
| | \$ 35,602 | \$ 30,919 |
| | | |
| Administrative expenses | | |
| Amortization | \$ 127 | \$ 135 |
| Fleet management information system | 195 | 181 |
| Human resource overhead | 641 | 604 |
| Occupancy costs | 458 | 480 |
| Other costs | 150 | 160 |
| Professional fees | 17 | 16 |
| SOAFA charges | 4 | 4 |
| Supplies and materials | 75 | 70 |
| Telephone and communication | 44 | 47 |
| | \$ 1,711 | \$ 1,697 |

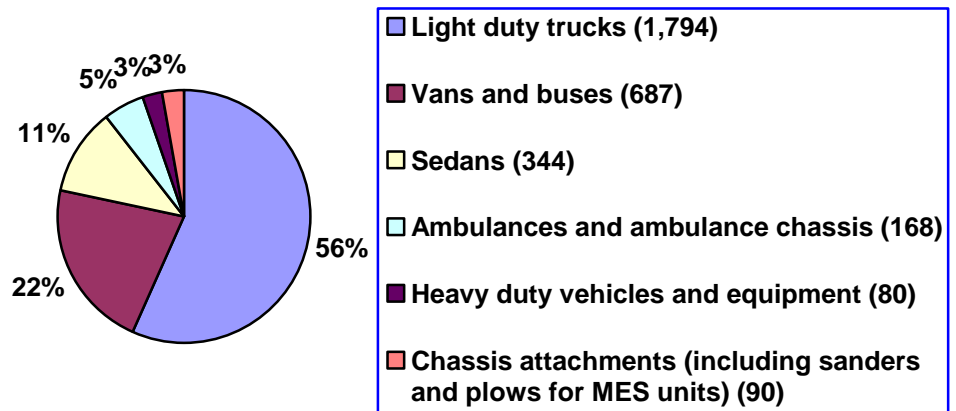
FLEET Facts

| Year Ended March 31 | Projected 2008/09 | Actual 2008/09 | Actual 2007/08 |
|--|----------------------|-------------------|-------------------|
| Distance | | | |
| Total kilometres driven (000s) | 70,352 | 73,808 | 61,411 |
| Revenue | | | |
| Total lease revenue (000s) | \$ 39,682 | \$ 40,322 | \$ 34,368 |
| All other revenue (000s) | \$ 5,116 | \$ 5,446 | \$ 5,610 |
| Total revenue (000s) | \$ 44,798 | \$ 45,768 | \$ 39,978 |
| Average lease rate per kilometre | \$ 0.5640 | \$ 0.5463 | \$ 0.5596 |
| Fleet Composition | | | |
| Light duty vehicles and equipment - full fleet management services | 2,771 | 2,686 | 2,368 |
| Light duty vehicles and equipment - dry (no fleet management services) | 0 | 139 | 319 |
| Heavy duty vehicles and equipment | 48 | 80 | 13 |
| Ambulances (160) and ambulance chassis (8) | 167 | 168 | 162 |
| Chassis attachments (including sanders and plows for MES units) | 50 | 90 | 45 |
| Number of units in the fleet | 3,036 | 3,163 | 2,907 |
| Acquisitions – Light duty vehicles and equipment | 379 | 437 | 358 |
| Acquisitions – Heavy duty vehicles and equipment | 38 | 67 | 0 |
| Acquisitions – Ambulance chassis | 20 | 8 | 5 |
| Acquisitions – Chassis attachments (including sanders and plows for MES units) | 10 | 45 | 11 |
| Average acquisition cost – Light duty vehicles and equipment (000s) | \$ 29.1 | \$ 27.7 | \$ 28.4 |
| Average acquisition cost – Heavy duty vehicles and equipment (000s) | \$ 315.8 | \$ 137.4 | \$ 0.0 |
| Average acquisition cost - Ambulances and ambulance chassis (000s) | \$ 80.3 | \$ 68.1 | \$ 52.5 |
| Average acquisition cost – Chassis attachments (000s) | \$ 14.0 | \$ 47.9 | \$ 16.0 |
| Disposals - Trucks, vans, sedans and ambulances | 366 | 301 | 414 |
| Average disposal proceeds (000s) | \$ 7.1 | \$ 4.9 | \$ 5.6 |
| Average light duty vehicle age (in years) | 3.8 | 3.7 | 3.8 |
| Fuel Consumption | | | |
| Litres for full fleet management services vehicles (000s) | 12,850 | 12,755 | 10,505 |
| Price per litre | \$ 1.1000 | \$ 1.0460 | \$ 0.9760 |
| Litres consumed per 100 kilometres | 18.27 | 17.28 | 17.11 |

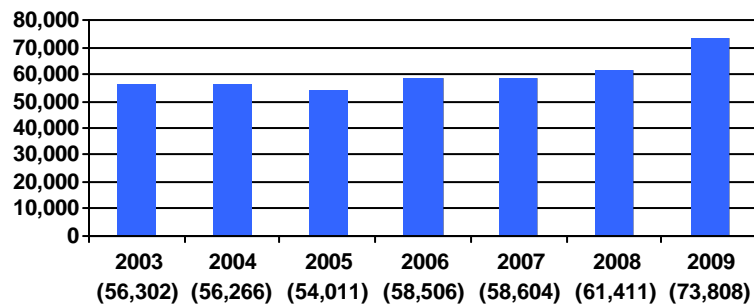
Vehicles and Related Equipment as of March 31 *(in units)*



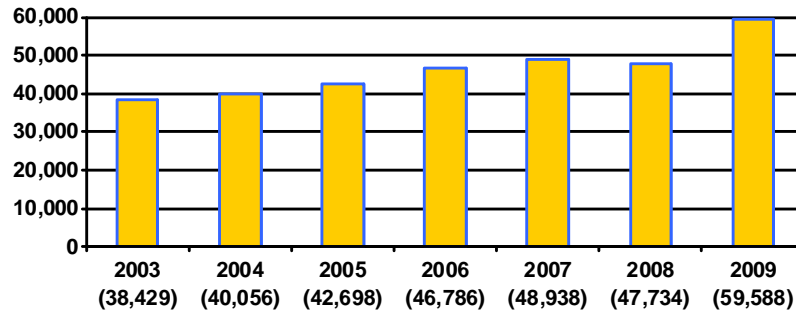
Vehicle and Equipment Type as of March 31, 2009 *(in units)*



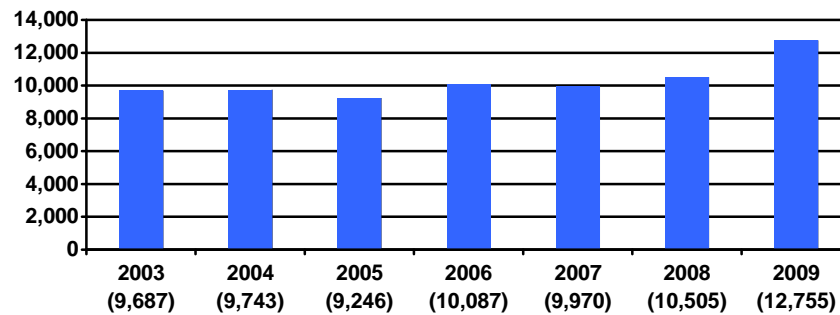
Fleet Distance for the Year Ended March 31 *(in thousands of kilometres)*



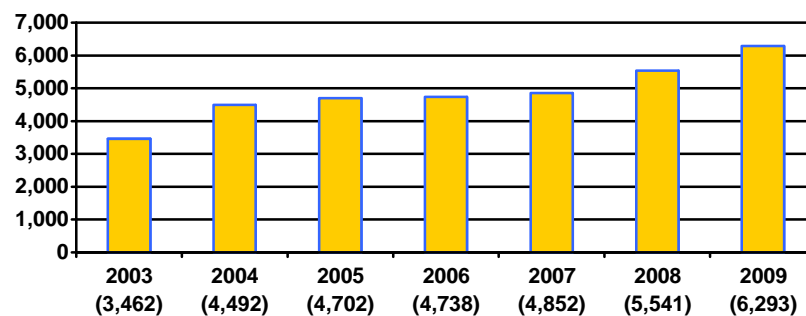
Carrying Value of Vehicles and Equipment for Lease (Cost less Accumulated Amortization) as of March 31 *(in thousands of dollars)*



Fuel Consumption for Full Fleet Management Services Vehicles *(in thousands of litres)*



Vehicle and Equipment Repairs and Maintenance Costs *(in thousands of dollars)*
(including Radio Services parts and repairs starting in 2004)



This is the final Annual Report for Fleet Vehicles Agency (FLEET).

Effective April 1, 2009, *FLEET* was amalgamated with the Mechanical Equipment Services
Branch of the Department of Infrastructure and Transportation
into a new Special Operating Agency named

Vehicle and Equipment Management Agency

