

— ANNUAL REPORT —

2014

SASKATCHEWAN TRANSPORTATION COMPANY



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CORPORATE MANDATE

The Saskatchewan Transportation Company (STC) is a provincial coach company which provides **SAFE, AFFORDABLE** and **ACCESSIBLE** bus passenger and freight services to Saskatchewan.

2014 CORPORATE PROFILE

MISSION

To provide value to Saskatchewan residents with convenient, affordable, safe, clean, comfortable, courteous, environmentally friendly and reliable passenger and freight transportation services.

VISION

To be the best passenger and freight transportation Company in Canada.

VALUES

All business activities are conducted in a manner that is:

- Honest
- Dependable
- Innovative
- Respectful
- Socially and Environmentally Responsible



At STC, customer satisfaction is our **TOP PRIORITY.**

94%
OF PASSENGERS AGREE

+

92%
OF PARCEL EXPRESS
CUSTOMERS AGREE

2014 saw the
HIGHEST EVER
satisfaction ratings.

LETTER OF TRANSMITTAL



Regina, Saskatchewan
March 31, 2015

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of the Province of Saskatchewan

Dear Madame:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2014, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the company's auditors.

Honourable Jennifer Campeau
Minister Responsible for Saskatchewan Transportation Company

MESSAGE FROM THE MINISTER

Upon learning of my appointment as Minister Responsible for the Saskatchewan Transportation Company (STC) in June 2014, I was eager to work with this organization to ensure that it was achieving its mandate to "provide safe, affordable and accessible bus passenger and freight services to Saskatchewan."

Customer service remains key to STC for both their passenger and parcel express services. A passenger satisfaction rating of 94 per cent was attained in 2014, as was a parcel express rating of 92 per cent. Both of these ratings are at record high levels for the Company.

STC receives an annual subsidy from the Government of Saskatchewan and continues to work to ensure these funds are used in an efficient manner. On January 1, 2014 STC discontinued two routes as part of efficiency measures taken in 2013. These tough decisions were in response to industry changes in neighbouring jurisdictions dating back to 2011 that continue to have negative impacts on ridership in Saskatchewan.

The organization continues to promote a "Culture of Safety" as part of their support for Mission Zero. Monitoring, reporting and training have all had a positive impact with total time loss injuries dropping by 56 per cent in 2014.

Partnerships with private operators, local agencies and interline agreements expand the network for intercity bus service in Saskatchewan. STC will continue to deliver on the mandate by working with its partners to provide Saskatchewan residents with a first class bus service in the most efficient manner possible.

The company provides access between communities for medical appointments, shopping, and visiting friends and family. It is the shipping choice for agri-business, entrepreneurs, health services, municipalities, individuals and others. I look forward to working with STC as they continue to provide valuable service to these varied customers across the province. Thank you to the Board of Directors and staff for the work they complete each day in service to Saskatchewan citizens.

I am pleased to present STC's 2014 Annual Report.

Honourable Jennifer Campeau
Minister Responsible for Saskatchewan Transportation Company

MESSAGE FROM THE CHAIR



I am pleased to announce that for the second year in a row, STC received a passenger satisfaction rating of 94 per cent. Parcel express customers also showed their appreciation with a 92 per cent satisfaction score. These results highlight the value of the bus passenger and freight services provided to customers and the dedication of the staff.

These excellent ratings come during a year of many challenges. Ridership dropped by over five per cent and parcel express volumes declined. Much of this can be attributed to industry changes in Western Canada that began back in 2011. These changes continue to have an impact as fewer connection points are available in neighbouring jurisdictions for passengers and shipments.

In addition to cutting costs through such things as route discontinuations, STC focused on promotions throughout 2014 to encourage new and repeat riders. In March, members of STC's email loyalty program Ride Rewards received an exclusive flat fare offer. The results of the offer included over 2,400 new members and over 4,800 riders. Both the spring and fall Senior Seat Sales were extended with over 33,500 seniors taking advantage of the discounted fares. Finally, the revised Youth Promotion in July and August saw just under 8,900 riders.

Facebook played a key role in the advertising plan for STC in 2014. In its first year of full implementation, STC reached over 3,600 followers. Contests, information on services and customer service support encourage engagement and expand the reach of advertising beyond the traditional tools.

Promotion of the key benefits of shipping with STC continued in 2014. The convenience offered by pick-up and delivery options and same-day/weekend service were the focus of messages to both individual and business shippers delivered through sales blitzes, advertising and social media.

Recruitment and retention continues to be a challenge. STC's engagement with staff is growing and the commitment to safety remains strong. The significant reduction in loss time injuries is a key outcome that draws attention to the success of work completed in this area.

On behalf of the Board, I would like to thank the STC employees for their hard work and commitment. 2014 was a year of both challenges and successes. We look forward to continuing to provide a valuable bus service to the people of Saskatchewan.

Jonathan Abrametz
Chair of the 2014 Board of Directors

MESSAGE FROM THE PRESIDENT



The following annual report focuses on the excellent customer satisfaction ratings that STC once again received for both passenger and parcel express services. These positive results show the value of the intercity bus passenger and shipping services provided by STC. The strong satisfaction also highlights that new customers, both passengers and shippers, are likely to become repeat users of the services.

Research focusing on non-riders highlighted the challenges the Company faces with moving more people to consider STC as a travel option. Poor perceptions as to the lack of convenience and the length of trips combined with a lack of awareness of the schedules and options increase the difficulty of getting new people to try STC. Our challenge remains to be that of reaching out to new customers with promotions that build awareness.

Finding new riders and increasing the number of times they travel will be important for STC to stem the declines in ridership. Ridership dropped by 5.28 per cent in 2014. Changes in neighbouring jurisdictions that began in 2011 continue to make national travel more difficult. In response to these declines, on January 1, 2014 two under-utilized routes (Eastend-Swift Current/Mossbank and Regina-Lanigan) were discontinued as part of cost saving measures taken by the Company that began in 2013.

An ongoing focus on promotions such as the Frequent Rider Card, which saw sales grow by over 16 per cent in 2014, encourages people to save more when travelling. Senior Seat Sales transported over 33,500 seniors during May, June, September and October. The new format for the Youth Promotion saw more people between 12 and 25 take advantage of the flat fare during July and August.

Ride Rewards and Facebook were key tools in 2014 for spreading the word about promotions and services. Ride Rewards members enjoyed access to an exclusive flat fare in March and numerous opportunities to win throughout the year. The year ended with over 6,600 members in the database.

2014 was the first full year for STC's Facebook page. Followers grew from just 82 on January 1 to over 3,600 by December 31, 2014. Information on promotions, updates on services and timely responses to customer service requests have built loyalty and engagement among followers and helped build new traffic to STC's website.

A comprehensive research project to determine the demand for commuter services into Regina and Saskatoon from growing communities surrounding these cities was completed during the year. Consultations with communities and citizens were undertaken to identify the opportunity for such a service. Schedules and price proved to be the key decision points with expectations beyond what STC could provide. Although a commuter service offered by STC is not viable at this time, we truly appreciate the participation and feedback received from citizens throughout the process.

Two new Park and Ride locations added convenience for travel between Saskatoon and Regina. New agencies were set up in Regina and Saskatoon eliminating the need for riders to park downtown. This new option, combined with Wi-Fi access, makes STC a great choice for business travel between the two cities.

An increase in online advertising and social media engagement has expanded website traffic by 16 per cent. Demand for online tickets continued to grow in 2014, and STC responded by increasing the number of communities available for online ticketing to 100. Over 5,900 e-Tickets were sold in 2014.

Other revenues from charter activity and foreign coach work helped to offset some of the declines felt in passenger and parcel express. The primary focus for STC is the delivery of intercity bus passenger and freight services. However, charter activities can provide additional revenue when fleet is available. Foreign coach maintenance is another area that can drive additional revenues when maintenance staff are available.

Fleet renewal continued to focus on the purchase of used motor coaches. In 2014, four older coaches were retired and replaced through the purchase of newer used motor coaches, all with the standard amenities of Wi-Fi, extended leg room, and cup holders.

2014 was a year with many challenges. However, the team at STC continued to strive towards ensuring our customers received the best services available. We are proud of the customer satisfaction ratings we received in 2014. I want to thank the staff and agents for all of their hard work and commitment. They are the network that brings Saskatchewan together.

Shawn Grice
President and Chief Executive Officer





ACHIEVING STRATEGIC GOALS

STC's strategic goals are focused around four pillars: **CUSTOMER, FINANCIAL, PEOPLE** and **INNOVATION**.



CUSTOMER (PAGE 8)

STC is a customer-focused business with high service standards, which was rewarded with a 94 per cent passenger satisfaction rating and a 92 per cent parcel express satisfaction rating.

FINANCIAL (PAGE 12)

STC requires grants to fulfil its public policy role; therefore, financial controls, operational efficiencies and revenue generation are key areas for the organization.

PEOPLE (PAGE 14)

STC's team of professionals is critical to the organization's success and attainment of the Company's vision of being the best passenger and freight transportation company in Canada.

INNOVATION (PAGE 18)

STC is constantly looking at new ways to provide valuable services to passengers and freight customers across Saskatchewan.

CUSTOMER

Customer satisfaction remains high with passengers at 94 per cent and parcel express satisfaction growing to 92 per cent.



CUSTOMER SATISFACTION

The Saskatchewan Transportation Company (STC) takes great pride in providing passenger and freight services to communities throughout Saskatchewan. Each year, the Company surveys both passengers and parcel express customers to reach out to those using the services. Responses in 2014 highlight that STC's work to ensure customer satisfaction is paying off. Passenger satisfaction remained at an impressive 94 per cent and parcel express satisfaction exceeded its target and reached 92 per cent.

PASSENGER PROMOTIONS

Members of Ride Rewards, STC's email loyalty program, receive regular emails highlighting STC discounts, promotions, and seat sales. The program allows the Company to reach out to participants via email in a cost-effective and timely manner. In addition to regular monthly draws, Ride Rewards members were treated to an exclusive member's discount in March. Members received a coupon for a \$20 one-way ticket for use multiple times during the calendar month. Membership grew by over 2,400 names during the month of the promotion and ridership associated with the promotion reached over 4,800.

Senior Seat Sales were again offered in the spring and fall. In both cases, the sales were extended for an additional month, providing one of STC's key markets with the opportunity to ride more in 2014. Senior ridership of over 33,500 was recorded during the four months of this promotion.

Changes to the Youth Promotion in 2014 saw increased use by riders 25 years and younger. The promotion was offered in July and August. As well, the monthly pass was replaced by a \$20 flat fare. Just under 8,900 riders took advantage of this promotion.

Frequent Rider Cards provide regular adult and student customers with the opportunity to save. The card, which retails for \$30, provides the holder with 20 per cent off of all tickets purchased over a year. Advertising online and through social media increased exposure to this tool that encourages repeat customers. Sales of the card grew by 16 per cent over 2013 levels.

After a successful launch late in 2013, STC saw a full year of activity on Facebook and LinkedIn. These online tools provided access to new customers and drove increased traffic to the STC website. Timely information, contests and access to customer service ensured lively interactions on STC's social media channels. Followers of STC's Facebook page grew by over 4,300 per cent to over 3,600.

CTV and STC continued their partnership on the Hometown Tours in 2014. STC provides a charter bus to the CTV newscast and crew as it travels to different communities across the province to broadcast the evening news. STC received significant exposure in 20 communities, along with an advertising presence from this agreement.

New Park and Ride services in Regina and Saskatoon have been implemented to make it easier for people to travel between Regina and Saskatoon, without having to go downtown to catch the bus. This is an added convenience designed to improve bus travel as an option between these communities.

In December, Mission Ridge Winter Park in Fort Qu'Appelle became a daily stop on STC's regular schedule between Regina and Kamsack. Snowboarders and skiers will have better access to a fantastic winter recreation facility.



AMENITIES

Demand for online tickets continued to grow. STC worked hard in 2014 to increase the number of locations available for purchase online. Over 100 points of service are now offered through e-Tickets on the STC website.

The standardization of amenities continued with most coaches having expanded leg room. Cup holders and 110V power outlets have been rolled out across much of the fleet as used coaches are purchased and existing coaches are updated.

Wi-Fi is available on 100 per cent of STC's fleet. As more and more riders have access to personal electronic devices, the use of the power charging stations and public Wi-Fi service in the Regina, Saskatoon, and Prince Albert terminals continues to grow.

STC added four high-quality and low-mileage pre-owned coaches to its fleet in 2014. In addition, one existing coach was refurbished to extend the life of the bus. These purchases and the refurbishment help to increase the fleet's reliability, access to amenities, and passenger comfort.

ACCESS TO SERVICES

STC has a number of programs to improve the accessibility of its services. By the end of 2014, 35 per cent of the fleet was wheelchair-accessible. Passengers with special needs have the ability to book buses with wheelchair accessibility, 48 hours in advance prior to travelling.

STC's Attendant Program for Visually Impaired and Disabled Persons allows accompaniment by an adult attendant or a service animal at no additional charge. As well, persons travelling on STC routes for physician-prescribed treatments are able to purchase a Medical Pass for a discounted rate. The pass provides unlimited travel on a specified corridor for a period of 30 days.

PARCEL EXPRESS SERVICES

STC's parcel express service provides shipping services to communities throughout the province. Individuals sending parcels to friends and family and businesses shipping to customers can access cost-effective and timely services.

In 2014, in addition to traditional advertising, STC completed sales blitzes in Regina and Prince Albert focusing on business shipping. A Quick Drop box was deployed in downtown Regina. The Quick Drop box provides a convenient location for STC customers in the downtown area to ship envelopes and small packages without having to visit the Regina terminal.

ENSURING PASSENGER SAFETY

Safety is a key part of STC's mandate to provide safe, affordable and accessible bus passenger and freight services to Saskatchewan. This is achieved through staff training and equipment maintenance.

In the spring, STC honoured those operators who reached safety milestones in their careers. Many of STC's drivers have over one million miles with a safe driving record. All buses are installed with global positioning systems (GPS) and onboard cameras, both inside and out, for STC's dispatchers to address safety concerns. In addition, STC requires the certification of all operators in CPR and first aid as part of their training, and recertification is necessary every three years.

STC maintains a high standard of maintenance for its fleet and equipment. Mechanics adhere to a checklist of tests and inspections to the engine and body of coaches on every regularly scheduled service. Major repairs, installations and maintenance work take place at the Saskatoon garage, with the Regina garage performing more routine maintenance and servicing.



FINANCIAL

STC is serious about the public policy role of the organization and manages the annual grant through financial controls, operational efficiencies and revenue generation.

OPERATIONAL EFFICIENCY

The Saskatchewan Transportation Company (STC) requires an operating and capital grant from Crown Investments Corporation of Saskatchewan (CIC) to fulfil its public policy role. Ensuring the efficient use of these funds drives decisions throughout STC each year. The Company's financial performance is based on its operational efficiency and measured against the grant. STC's operating cash loss as a percentage of expenditures was calculated at 39 per cent in 2014. This compares favourably to other municipal transit systems in the province that are between 62 and 75 per cent.

STC provides service to a geographically-dispersed market and the footprint of the network is a key driver of costs. Although two routes were discontinued on January 1, 2014 (Eastend-Swift Current/Mossbank and Regina-Lanigan), STC still travelled approximately 2.9 million miles (4.7 million kilometres) and served 253 communities in 2014.

Fleet renewal continued to focus on the purchase of used motor coaches. STC's work with Motor Coach Industries (MCI) in 2014 has ensured that wheelchair access and trailer hitches can now be added to used motor coaches. These steps provided for a greater opportunity to modernize more of the fleet in 2014 without the costly purchase of new buses.

From 2012 to 2014, STC was able to partner with Greyhound Lines, Inc. in the cost-effective refurbishment of coaches nearing retirement. Over the three-year project, four motor coaches from STC's fleet were refurbished in Nappanee, IN. The refurbishments improved the remaining life of these coaches and added the standard amenities that passengers have come to enjoy. Greyhound Lines, Inc. has discontinued its refurbishment program and the final refurbishment was completed in September 2014.

Operational efficiencies using technology included a Point of Sale (POS) pin pad integration and a payroll system integration. The pin pad integration brings a more streamlined customer sales experience, while decreasing manual processing for staff and agents during the transaction and reporting procedures. The payroll integration reduces time for month-end completion and manual data entry.

OTHER REVENUE

Diversifying revenue beyond passenger services helps STC to contain the annual subsidy. Profits from parcel express, leasing company facilities, and signage on STC property help offset the passenger service losses.

Foreign coach and charter revenues have performed ahead of 2014 targets. Charter revenues are up \$48,500 over 2013 levels bringing in \$255,142. Foreign coach revenues are up \$84,000 over 2013, mainly due to an increase in foreign coach rates adjusted earlier in the year and increased fuel prices. Improving the condition of the fleet continues to be of significant importance in the growth of these revenues.

FINANCIAL CONTROLS

Accurate public financial reporting is very important at STC. As part of the Company's strict internal financial and reporting controls, CEO/CFO Certification requires the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) to certify that controls have been implemented and are operating effectively with no material weaknesses. In place since 2009, this certification process is evidence of the importance of accurate public financial reporting to STC.

Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* guide STC's approach to corporate governance. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices. A copy of STC's Corporate Governance Scorecard can be found later in this annual report.

PEOPLE

STC's team of professionals work every day towards the achievement of the company's vision with a focus on customer service and safety.



EMPLOYEE COMMITMENT

The Saskatchewan Transportation Company (STC) regularly completes an employee survey to provide a mechanism for feedback and dialogue. The improvement in employee engagement in 2014 can be attributed to a number of initiatives. Regular communication tools such as quarterly meetings, the employee intranet site *BusStop* and bi-monthly staff newsletter *BUSINESS NEWS* are used to communicate plans, company standards, and to keep staff informed. Employee functions like annual summer barbecues provide staff with an opportunity to grow as a team while raising money for community support initiatives.

Meetings with groups such as the Mechanics and Drivers help management to reinforce the importance of inspections and safety procedures and to work with these groups to jointly develop better processes. Safe Driving and Long Service Awards were presented to drivers and employees to recognize their years of service with the company. This year, there were four employees recognized for 35 years of service, which is a true testament to their dedication to STC.

RECRUITMENT AND RETENTION

Recruiting and retaining skilled and talented workers is becoming more competitive in the transportation industry. Positions in the organization such as Mechanics continue to be a challenge for recruitment.

The Gradworks Intern Development Program is used by STC to alleviate some workforce challenges and provide real learning opportunities for recent graduates. Interns can be found in human resources, information technology, operations and communications.

STC is proud to have a workforce that is representative of Saskatchewan's general population. As a federally regulated employer, annual reports are submitted to the Canadian Human Rights Commission in compliance with the *Employment Equity Act*.

CULTURE OF SAFETY

STC is committed to *Mission Zero* and continues to build a "Culture of Safety" throughout the organization. A significant emphasis is placed on the organization's Occupational Health and Safety program, including prevention strategies in high-risk occupations. The Company's ongoing investment in improving return-to-work programs and training employees in regulations and safe work procedures paid off with significant reductions in loss time injuries in 2014.

STC has an enviable on-road safety record. 2014 saw a continued focus on transport compliance and safety that ensured the organization met its mandate of providing safe, affordable and accessible bus passenger and freight services.





EMPLOYEE SATISFACTION

The Company measures employee satisfaction regularly through a voluntary survey. This tool is a valuable resource for STC management to determine the strengths and weaknesses of company-employee relations. Feedback from the surveys helps STC determine its yearly human resources plan.

STC focused on improving employee satisfaction through improved communication and recognition efforts in 2014. The result was an increase in overall employee satisfaction scores over the previous year.

COMMUNITY SUPPORT

STC and the employees enjoy giving back to groups and communities across Saskatchewan. On-going work with groups like the Canadian Red Cross, The Arthritis Society and CAA Saskatchewan allow STC to provide transportation and shipping in support of the valuable work done by these organizations. In 2014, STC was proud to work with the North American Indigenous Games to ensure many of the athletes and coaches from across Saskatchewan had access to cost-effective transportation to the event.

The Company raised money for charity through staff barbeques and other fundraising events. In 2014, The Little Bald Angels and the Canadian Cancer Society received donations thanks to the efforts of STC employees. Employees in Regina, Saskatoon and Prince Albert also organized a food drive during the holiday season to support local food banks, donating much-needed non-perishable food items.

In May, STC participated in the evacuation of Stanley Mission in response to forest fires. STC was proud to help move evacuees to safe communities.



INNOVATION

Focusing on efficiencies, STC continually looks for new and cost effective ways to provide valuable services to riders and freight customers across Saskatchewan.



REACHING OUT TO THE CUSTOMER

More and more consumers are looking to online sources for information and purchase options. The Saskatchewan Transportation Company (STC) is experiencing this trend with visits to the website (www.stcbus.com) growing by 16 per cent in 2014. Sales of online tickets continue to grow as more and more communities and locations become available for purchase. After the successful launch of e-Tickets in 2013, STC has expanded to provide online tickets to 100 destinations across the province. E-Ticket sales increased to 5,900 in 2014.

Ride Rewards, STC's email loyalty program, remained a key tool for providing information and promotions to STC customers. In March 2014, Ride Reward members received an exclusive offer of one-way fares for \$20. The offer increased membership in Ride Rewards by over 2,400 members. In July, Canada's new anti-spam legislation came into effect. STC's proactive work to ensure compliance helped to maintain a large portion of the members in the database and proved the value members see in this loyalty program.

Social media, in particular Facebook, became a key promotional tool for STC in 2014. The ability to reach out to and engage with a broad Saskatchewan audience proved valuable to the company. Followers of STC's Facebook page grew from 82 on January 1 to over 3,600 by December 31, 2014. STC took advantage of the platform to provide customer support, promote sales and discounts, accept feedback on services, and engage the public through contests and give-aways.

STC implemented opportunities to move the service closer to the customer to increase the convenience of bus travel. Park and Ride locations were set up in Regina and Saskatoon allowing travellers between these two locations a convenient place to park their vehicles and take the bus, eliminating the need to go downtown. Convenient parking and Wi-Fi help to make bus travel a viable option between these communities.

Quick Drop boxes were developed and the first was located in Regina. STC customers in Regina's downtown can now utilize STC shipping services without having to visit the terminal to drop off packages. Additional locations in Regina and Saskatoon are under negotiation.



PARTNERSHIPS

STC is both a commissioned agent and a strategic partner with Greyhound Canada to provide connections to destinations across Canada for passengers and parcels. STC is the agent for Greyhound Canada in Regina and Saskatoon and has common agencies in Moose Jaw, Swift Current, Yorkton and North Battleford.

2014 was the final year for the refurbishment program offered by Greyhound Lines, Inc. STC refurbished one coach in 2014 at a fraction of the cost of purchasing a new coach. Refurbishment extends the useful life of the existing coach while upgrading amenities to include wheelchair access, 110V power outlets, and extended legroom.

Community agencies, interline carriers, contract carriers and pick-up and delivery operators make up the 204 partners that work with STC every day to provide bus passenger and freight services across Saskatchewan. STC engaged new partners in 2014 through the implementation of Park and Ride locations in Saskatoon and Regina. These partnerships extend the reach of the network and enhance the service offering.

Commuter service research allowed STC to work with various communities surrounding Regina and Saskatoon. Although a commuter service has proven to not be feasible for STC at this time, the engagement from the communities was excellent.

OPERATIONS

In 2014, STC developed a preventative maintenance scheduler that incorporates the last reported mileage with the existing fleet maintenance software. This visual tool enables maintenance staff to more efficiently track service intervals and required inspections to ensure ongoing compliance with *National Safety Code* standards and provincial regulations.

Prior to 2014, access to motor coaches with towing capacity required the refurbishment of old coaches that already had a hitch, or the purchase of new customized coaches. STC's focus on serving both bus passenger and shipping customers is unique in the intercity bus industry with Greyhound Canada being the other main provider of this type of service. Most other players in the industry do not require the ability to tow trailers and there are no used coaches available with hitches pre-installed. In 2014, STC worked directly with Motor Coach Industries (MCI) and their engineering department to retrofit used coaches with hitches. Without this new option, the only opportunity to retain access to hitches for STC's fleet would be the purchase of new coaches at a considerably higher cost.



MEETING FINANCIAL OBJECTIVES

Saskatchewan Transportation Company
2013 Annual Report



Annual grants allow STC to deliver a valuable public service. The stewardship of these funds are managed through strict financial controls and performance measurement tools.

MANAGEMENT DISCUSSION & ANALYSIS (PAGE 24)

Management's view of STC's performance in 2014 and prospects for the future are presented.

BALANCED SCORECARD (PAGE 34)

Performance is tracked and reported against targets set in each of STC's strategic goals.

FINANCIAL STATEMENTS (PAGE 40)

Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and audited annually.



The following Management Discussion and Analysis (MD&A) highlights the primary factors that impacted Saskatchewan Transportation Company (STC) operations and financial results for the year ended December 31, 2014. The MD&A provides management's perspective of the Corporation for the previous 12 months. It should be read in conjunction with the audited financial statements and accompanying notes. The MD&A includes an industry overview and risk assessment, as well as information on financial performance, facilities, future outlook and the Balanced Scorecard.

INDUSTRY OVERVIEW

Western Canadian Industry

STC has the bulk of the intercity bus passenger business in Saskatchewan. Greyhound Canada operates two routes through the province (along the Trans-Canada and Yellowhead Highways). There are also private sector carriers who have interline and other contractual arrangements with STC to serve specific schedules for passenger or freight services.

Factors such as dispersed populations, fluctuating costs, and competition with other forms of travel and freight services continue to impact the intercity bus industry. The negative impacts of schedule changes by Greyhound Canada in 2011 and 2012 resulted in ridership declines and significant financial challenges for STC. Industry changes in Manitoba and Alberta impacted schedules in those provinces and by extension, STC operations. The resulting discontinuation of three routes on STC's provincial network has compounded the negative impact on ridership and parcel express revenues.

The strength of the Saskatchewan economy in 2014 continued to affect STC's ability to recruit staff in key areas. Modified work schedules in the maintenance area continue to help with retention. However, competition from other industries continues to have a negative impact on recruitment efforts.

Fuel is one of the biggest cost drivers at STC. In 2014, the cost of diesel fuel did not follow the drop in crude oil prices resulting in a large disparity between the price of crude oil and the rack diesel prices in Western Canada. This is due to the impact of high demand for diesel and the lag in additional capacity coming online in Western Canada. If the price of crude remains low in 2015, smaller producers may exit the market and the disparity between the price of crude and rack diesel prices in Western Canada may shrink.

Population migration projections and strong income levels for Saskatchewan families as compared to the rest of Canada create both opportunities and challenges for STC. STC's ridership profile is increasingly becoming more dispersed among all segments of the population. While many customers choose to use STC out of necessity and do not have access to other modes of transportation, others are choosing to ride with STC because of the convenience, the environmental benefits, the ability to relax and the access to Wi-Fi. Despite this trend, there are still many that will continue to prefer the convenience and flexibility that private vehicles offer. For segments such as the business traveller, air service may provide an alternative transportation service. STC's new Park and Ride options in Saskatoon and Regina, combined with the ability to remain productive and connected via Wi-Fi access, are designed to compete in this market.

Competition from local, regional and national carriers continues to grow for STC's parcel express service. Customer satisfaction grew to 92 per cent in 2014 for STC's parcel express service amidst deep discounting by national carriers.

Geographically-Dispersed Population

Saskatchewan has more than 16,000 miles (25,800 kilometres) of provincial highways. Including municipal roads, Saskatchewan's total road surface is approximately 119,000 miles (191,500 kilometres).

In 2014, STC operated approximately 2.9 million miles (4.7 million kilometres) of scheduled bus service and provided connections to 253 communities. Private sector partnerships allow STC to offer seamless bus passenger and parcel express service to additional communities.

In Saskatchewan, nearly all of STC's routes are low density. Revenues from the higher-volume routes are not able to fully offset the associated losses. Frequency of service is limited on some routes with low passenger numbers allowing STC to contain costs, but this negatively impacts both passenger and shipper convenience. In 2013, to assist in managing the annual subsidy, STC applied for and received approval to discontinue three under-utilized routes: Blaine Lake-North Battleford on May 18, 2013; and, Regina-Lanigan and Eastend-Mossbank/Swift Current on January 1, 2014.

Improving Public Perception of Bus Travel

Within the intercity bus market, STC's service consistency and improvements in the on-board experience are company highlights. STC continues to reinforce security, safety, comfort, and affordability as brand attributes and seeks to improve public perception of bus travel.

Despite positive reviews from STC customers ("good" or "excellent" combined satisfaction rating of 94 per cent in 2014), there remains a negative public perception of bus travel among those who do not use the service. Research completed by STC in 2014 confirmed that taking the bus is simply not considered by most non-riders. The non-users continue to view trip length, schedule and price as the key negative points that eliminate bus transportation as a viable option in their travel decisions. STC customers know the Company provides good, clean and dependable service. The challenge is to utilize media and all other avenues to get this message out to people who have never travelled with STC.

To reach out to a broader market, increased focus was placed on social media tools and the Ride Rewards program. Challenges with both options were faced in 2014 with changes to Facebook and Canada's new anti-spam legislation (CASL). The ability to reach large portions of key markets through tools such as Facebook has become more difficult and expensive to achieve. STC's proactive approach to preparing for the implementation of CASL allowed the organization to ensure that a large portion of the Ride Rewards database provided consent for future communications. The gains to the database during the March Flat Fare offer offset the losses when those who did not consent were removed from the list in July.



RISK ASSESSMENT

STC undertakes semi-annual reviews of the enterprise risk management system with the Board of Directors. The risks identified are key considerations in the development of the capital and operating budgets, and the annual strategic plan.

Fleet Age

The condition of STC's fleet is a critical factor in being able to provide high quality, safe and reliable service. An aging fleet poses significant risk in terms of image and service delivery and restricts STC from taking on charter business to assist in revenue generation. Breakdowns and other service related failures can negatively impact customer satisfaction and shareholder confidence. The additional pressure on maintenance services reduces revenue options from foreign coach work.

STC maintains its fleet with regularly scheduled service intervals as determined by the *National Safety Code* to ensure repairs are conducted in a timely manner and extend the useful life of the fleet.

Recruitment and Retention

STC's ability to provide high quality service to the public is directly attributable to a well-trained, satisfied workforce. STC surveys its workforce regularly to measure staff engagement. Consistent with other employers in Saskatchewan, STC is facing difficulties recruiting and retaining employees in certain key job classifications. General recruitment and retention issues are being addressed by a targeted strategy that has been developed to address driver recruitment and partnerships and participation in job fairs as a way to promote STC as an employer of choice.

Compliance with Legislation Including Occupational Health and Safety Legislation

STC continued a proactive review of key legislation impacting the transportation industry in 2014. The project included a review of STC's current processes to ensure compliance and the development of tests and quarterly signoffs (similar to CEO/CFO Certification) to monitor compliance and mitigate risk. The Board is updated quarterly on STC's regulatory compliance to ensure due diligence is completed and transparency is maintained.

Lack of Sufficient Growth in Parcel Express Volumes

Lower than planned parcel express volumes impact the organization's need for subsidization. The current network is designed for passengers, not for freight, and STC's non-automated shipping can make it difficult to compete for large accounts. Increasing competition in the parcel business contribute to decreased volumes for STC. In addition, points of service have been lost due to Greyhound Canada changes in 2011 and 2012 and STC's route discontinuations in 2013 and 2014. STC will continue to provide convenient options to the business market in 2015.

Being a Price Taker of Commodities and Supplies

Fluctuating fuel prices have a direct impact on STC's subsidy. STC has no control over Western Canadian fuel supply and the price of fuel. In addition, the currency exchange rate can impact the capital cost when purchasing used coaches available in the United States. All of these factors impacted STC in 2014.

FINANCIAL PERFORMANCE

Introduction

The financial performance of the Company is significantly impacted by its mandate to provide service on the widest practical basis. Because of low population densities, there are insufficient passenger and freight volumes to fully recover all operating costs. Thus, subsidization is required to serve such an extensive network. No dividend was paid to Crown Investments Corporation of Saskatchewan (CIC) in 2014 and STC will not be in a position to pay one in 2015.

In STC's case, its financial performance is gauged by whether its costs and subsidy are as low as possible. The quality and magnitude of the services provided is relative to expenditures incurred. Total cash loss as a percentage of total expenses (excluding depreciation) in 2014 was 38.8 per cent (38.8 per cent in 2013). This compares favorably to ratios for public transit in the urban centres which sit between 62 and 75 per cent.

The major fiscal challenges faced by STC in 2014 included lower revenues compared to budget and a sudden jump in fuel prices. In order to minimize the overall operating loss, a number of short term spending constraints were implemented including vacancy management, reduced express depot hours of operation, reduced building maintenance and restrictions on corporate travel. Despite these measures, the 2014 operating loss ended the year \$193,000 higher than the approved operating grant.

Operating and Capital Grants

STC operations are subsidized through grants received from CIC, the central overseeing body of Saskatchewan's Crowns. Each year, STC submits its performance measures and grant requirements to CIC for review and approval. In 2014, STC received approval for a total operating grant of \$10.3 million to cover its estimated operating losses.

STC received an approved 2014 capital grant of \$3.3 million to fund capital expenditures. Capital expenses are primarily allocated to fleet and building investments.

Other Revenue Sources

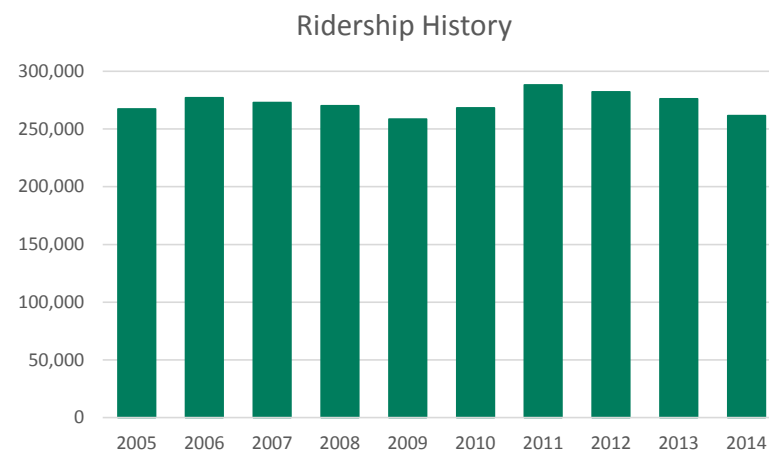
STC generates other revenue through alternative sources to help offset grant requirements. In 2014, this other revenue totalled \$1,115,000 (2013 \$954,000) and included:

- maintenance and cleaning service provided to other independent bus lines generating \$487,000 in revenue;
- leased excess space in terminals and garages totalling \$302,000;
- wrapped trailers and buses with advertising and sold advertising on STC property through the use of billboard signs resulting in \$68,000; and,
- an additional \$51,000 from automated banking machines and locker rentals.

STC also operates charter services which provided \$255,142 in revenue in 2014. The operation of charters provides opportunities to better utilize the bus fleet, as most take place on weekends when fewer scheduled trips occur. In 2014, reduced fleet pressures allowed STC to book more charters while maintaining equipment availability for scheduled services. Requests for charter service that cannot be accommodated by STC are referred to private sector operators. STC maintains strong working relationships with the private sector and provides extra capacity, when possible, to private charter companies when they have failures or excess demand.

Passenger Service

Overall passenger numbers of 261,531 in 2014 was a 5.28 per cent decline compared to 2013. Despite increases in June and October ridership due to seat sale extensions and continued high satisfaction ratings with our services, STC has been unable to overcome the losses that are occurring in the network due to the Greyhound Canada route cuts that began in 2011.



The table below offers a snapshot comparison of passenger service financial results from 2014.

	2014	2013
Passenger Service Loss Per Mile (Revenue - Cost = Loss/Mile)	\$2.96/mile (\$2.61-\$5.57)	\$2.73/mile (\$2.54-\$5.27)
Passenger Service Revenue	\$7,684,000	\$7,802,000
Passenger Service Operating Expense	\$16,399,000	\$16,193,000

Ridership losses are attributable in part to the bitterly cold start and the unusually warm end to 2014 and to the route reductions that Greyhound Canada, and subsequently STC, implemented over the last few years.

In 2014, STC continued with its successful Senior Seat Sales and Youth Promotion. The Senior Seat Sales in May and September were extended into June and October. In total, over 33,500 senior passengers were carried during the four sale months. The Youth Promotion was updated to a flat fare offer of \$20 one-way during the months of July and August. Ridership associated to the two month flat fare promotion was just under 8,900.

Parcel Express Service

STC route scheduling and frequency are designed to optimize services for the passenger side of the business. STC, however, has unique strengths with respect to its parcel express service. STC provides service on weekends for a number of schedules, as does Greyhound Canada on routes it serves.

Another strength of STC's freight business is its reach. The breadth of its network is unparalleled by other couriers in Saskatchewan. Valuable packages containing water samples, blood supplies, and agricultural equipment help drive Saskatchewan's rural economy.

STC has programs in place for volume shippers. The Company has a large number of corporate customers who do business with STC through charge accounts or a pre-sold waybill program.

Parcel express service tends to be somewhat seasonal for STC, with increased freight activity generally occurring during farm seeding, harvest, construction season, drilling season and the winter holiday season.

Profits from STC's parcel express service help contain its subsidy requirement. Express volumes were stagnant due to the collateral effects of the service discontinuations and increased competition from large carriers in the Saskatchewan market. However, the company experienced a 2.1 per cent increase in revenue for 2014 compared to 2013 attributable to the tariff increase in February 2014.

A comparison of parcel express revenues, expenses and profits are provided in the table below:

	2014	2013
Parcel Express Revenues	\$ 7,755,000	\$ 7,596,000
Parcel Express Expenses	\$ 6,177,000	\$ 5,928,000
Parcel Express Profits	\$ 1,578,000	\$ 1,668,000

Bus Maintenance Services

STC provides maintenance and cleaning services for other bus companies, providing revenue streams of \$487,000 for 2014, compared to \$403,000 in 2013. Expenses associated with such work were \$281,000 in 2014 compared to \$251,000 in 2013. The increased revenue is largely due to increased fuel prices in 2014 which STC sells as part of its maintenance services.

The workload of STC mechanics continues to be prioritized based on STC's own fleet maintenance needs. Maintenance service expenditures for STC coaches and fleet were \$3,982,000 in 2014, compared to \$3,825,000 in 2013. This is due to increases in the amount of repairs required to keep the fleet performing safely on scheduled routes in 2014.

STC made a number of fleet improvements in 2014, including the expansion of the number of coaches with 110V power outlets, Wi-Fi enhancements on key high-volume routes, and the replacement of four coaches with low-mileage used coaches equipped with both wheelchair access and hitches. The refurbishment of one existing coach was completed during the year allowing STC to extend the life of this coach and upgrade on-board amenities.

Property, Plant and Equipment

Capital spending was \$3.4 million in 2014 compared to \$3.3 million in 2013. The increase over 2013 is largely the result of projects initiated in 2013 that were completed in 2014, including the Saskatoon Maintenance Facility washroom accessibility upgrades and snow stop installations at the Regina Terminal.

STC's capital investment in 2014 included fleet renewal (\$2,245,000), other equipment (\$91,000), corporate systems and technology (\$242,000), and facilities (\$465,000). The capital spend on the Regina Maintenance Facility renovations was \$383,000 in 2014. The fleet renewal spending included completion of one coach refurbishment and the purchase of four used coaches.

FACILITIES

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns maintenance facilities in Regina and Saskatoon. The Company owns a passenger and freight terminal in Moose Jaw, and contracts the operation of the facility to an agent.

STC Facilities	Age (years)
Moose Jaw* Passenger and Parcel Express Terminal	19
Prince Albert Passenger and Parcel Express Terminal	20
Regina	
• Passenger and Parcel Express Terminal	6
• Maintenance Facility	66
Saskatoon	
• Passenger Terminal	40
• Parcel Express Building	37
• Maintenance Facility	32

*STC owns but does not operate the property.

Prince Albert

The Prince Albert Terminal provides services for both passengers and parcel express customers. The exterior lighting in the bus lane area was upgraded in 2014 and new door operators for the express entrance were installed.

Regina

The main facility in Regina houses passenger services, parcel express services and the head office of STC. Improvements completed include the replacement of bus lane exhaust fans and CO/NOx detection equipment. Security camera software was upgraded and the uninterrupted power supply batteries were replaced. The lift station was also refurbished in 2014.

The Regina Maintenance Facility remained a focus for STC in 2014. An engineer's inspection of the Regina Maintenance Facility revealed structural weaknesses in 2012. A plan for a long term solution was developed and STC received approval for a \$3.82 million capital grant in 2013. In 2014 STC hired a consultant, completed required drawings and awarded the tender for this project. Construction is expected to begin and reach substantial completion in 2015.

Saskatoon

The Saskatoon Terminal buildings house passenger and parcel express services. An accessibility upgrade to the Saskatoon ticket office was completed in 2014. This included the widening of doorways in the ticket office and modification to entrance doors to one office and the Saskatoon boardroom to make them wheelchair-accessible. Five new overhead heaters were installed in the Saskatoon Express Terminal, upgrades were made to bus lane supports and the chiller was repaired.

Upgrades to the Saskatoon Maintenance Facility included the completion of improvements to the accessibility of washrooms, updates to the backflow prevention systems and the repair of a sink hole in the parking lot.



Corporate Systems and Technology

In 2014, STC expanded e-Ticketing to include 100 origins and destinations across the network. This online system gives customers another sales channel for purchasing tickets. Uptake has been extremely positive.

Fleet and Equipment

STC's coaches range in size from 22 to 55 seats. In 2014, STC operated a total of 43 coaches and 27 freight trailers. STC's fleet is 35 per cent wheelchair-accessible.

In 2014, STC purchased and received four full-size pre-owned coaches and four freight trailers.

All coaches in STC's fleet have global positioning systems (GPS) and surveillance capability, 67 per cent have 110V power outlets for passenger use and 100 per cent are Wi-Fi capable.

EMPLOYEES

Employment Equity

As a federally regulated employer, STC's commitment to diversity is monitored annually by the Canadian Human Rights Commission (CHRC) on behalf of Department of Employment and Social Development Canada (ESDC). In 2014, the CHRC completed an audit of STC's employment equity program to ensure compliance with the *Employment Equity Act*. Since the last audit completed in 2000, STC demonstrated significant improvement in the representation of Women, Aboriginal people, and Persons with disabilities. STC received an excellent rating in the representation of Aboriginal people. In addition, STC demonstrated an overall higher employment equity result than the average of the Ground Transportation Sector. While STC's overall audit results were positive and demonstrated improvement, continued efforts are required to increase the representation of Women in the semi-skilled manual workers occupational group, and Persons with disabilities and visible minorities in the managerial and operational occupational groups.

SHAREHOLDER ENGAGEMENT

STC works to maintain a strong relationship with its shareholder. Committed to supporting the principles of timeliness, openness and transparency, STC fully complies with its statutory obligations for approval and disclosure of information. These responsibilities include:

- Annual approval of the Corporation's performance management plan, including capital expenditures through its holding company, Crown Investments Corporation of Saskatchewan (CIC).
- Annual disclosure of all payments of over \$50,000 to employees and suppliers.
- Compliance with public requests for information, balancing the interests of *The Freedom of Information and Protection of Privacy Act*.

FUTURE OUTLOOK

It is the Company's responsibility to effectively manage resources it can control to contain its subsidy level. STC's business is also tied to non-controllable costs such as fuel. Volatile diesel fuel prices in 2014 had a significant impact on STC's fiscal position.

Managing the investment in fleet, technology, people, and facilities will support strategic goals of increasing revenues while maintaining high customer satisfaction ratings for both passengers and shippers.

The company will continue private sector partnerships with agents and interline carriers to strengthen STC's customer service network in Saskatchewan. Other agreements will be leveraged with sponsors and business partners to increase STC's visibility within the community and foster a positive reputation of safe, affordable, and accessible bus passenger and freight service.

Saskatchewan's economy and growing population provide the opportunities of a larger potential market for STC. However, an increasingly affluent population often has access to private vehicle and air transportation options. Increasing competition in the parcel express industry provide shippers with a variety of options. Industry changes in neighbouring jurisdictions impact STC's ability to provide convenient connections to destinations in other provinces which is key for both passengers and freight customers.



MANAGEMENT'S RESPONSIBILITY FOR REPORTING ON PERFORMANCE

Management has presented its performance information in the Balanced Scorecard.

The information is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims), consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To provide a better understanding of the information, management has defined the terms and calculations and has disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfil this responsibility, the Company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the Company, on March 31, 2015,



Shawn Grice, President & CEO

Scorecard Discussion

STC's Balanced Scorecard (BSC) holds the Company accountable to the public. It contains objectives, measures, and targets which were created based on the strategic direction provided by STC's Board of Directors, as well as the overall strategic direction of Crown Investments Corporation of Saskatchewan (CIC). Measures continue to evolve to improve alignment with the company's strategic plan, demonstrate STC's contribution to the priorities of the Crown sector, and improve clarity in the reporting of the results.

- Customer satisfaction remained very high for passenger services at 94 per cent and exceeded the targets set for parcel express with a final result of 92 per cent.
- STC increased passenger fares on August 1, 2014. Greyhound Canada introduced dynamic pricing in August 2014; therefore, evaluations against the WCA no longer provide an accurate comparison against Greyhound Canada's market pricing.
- STC owns and operates 43 coaches, 35 per cent of which are equipped for wheelchair accessibility.
- While STC requires grants from CIC to fulfil its public policy role, it measures its financial success by setting efficiency targets and by implementing expenditure controls to meet those targets. Key financial measures did not meet 2014 targets largely due to lower revenues, lower ridership and volatile fuel costs.
- Employee satisfaction in 2014 rose to 69 per cent. STC worked to improve this measure through better communication across all levels within the organization.
- The training target was exceeded in 2014, in part due to an ongoing focus on safety training. However, STC also sought efficiencies and cost-savings in regards to how employees receive training with a focus on online and webinar-style courses.

- STC continued to focus significant efforts on health and safety, including improvements in reporting and investigation processes, training and the development of safe work procedures, and injury prevention strategies. The number of workplace injuries resulting in loss time in 2014 dropped to half the number of loss time injuries reported in 2013.
- Overall ridership declined. As of December 31, 2014, ridership was 5.28 per cent below 2013 levels.
- Gallons of fuel per 100 passenger miles is worse than budget for the year due to lower than budgeted ridership levels resulting in reduced passenger miles.

CUSTOMER

WE MEET THE NEEDS OF OUR CUSTOMERS

Objective	Measures	2014 Target	2014 Actual	2015 Target
Passengers are satisfied with the service they receive	M1 Passenger survey satisfaction rating	92%	93.6%	85%
Fares and discounts are competitive and satisfactory to our customers	M2 Fares are at or near the Western Canadian Average	-1% to +4%	N/A	Removed
Routes serve a significant portion of Saskatchewan	M3 Number of communities served	253	253	253
A portion of our passenger bus fleet is equipped for wheelchair accessibility	M4 Percentage of fleet that is wheelchair-accessible	30%	35%	41%
Parcel express customers are satisfied with the service they receive	M5 Parcel express survey satisfaction rating	85%	92.3%	85%

FINANCIAL

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

Objective	Measures	2014 Target	2014 Actual	2015 Target
Cash loss is as low as possible	M6 Operating cash loss as a percentage of overall expenditures	37.52%	38.80%	38.46%
Operating costs are as low as possible	M7 Passenger services loss per mile	(\$2.69)	(\$2.96)	(\$2.77)
Meet or exceed all Board of Director governance requirements	M8 Compliance with "Best Practices" for Board governance	Full Compliance	Full Compliance	Removed

Explanation of Measurement Terms

WE MEET THE NEEDS OF OUR CUSTOMERS

M1 Passenger Survey Satisfaction Rating is the overall satisfaction level of our passengers (bus-riding customers). This information is obtained through a semi-annual, voluntary, passenger sample survey. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent". Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and seat sales and the reduction of frequency on certain routes, the future target for this measure has been adjusted down.

M2 Fares Are At Or Near The Western Canadian Average (WCA) and are set within a range of one per cent below to four per cent above the average. The WCA is determined by the intra-provincial rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia. In August 2014, Greyhound Canada implemented dynamic pricing. Therefore, results for this measure may not provide an accurate comparison of Western Canadian pricing. The Board of Directors approved the discontinuation of this measure on October 30, 2014.

M3 Number Of Communities Served is all communities within Saskatchewan with at least one of the following: a flag-stop, scheduled passenger service and/or freight-only service.

M4 Percentage Of Fleet That Is Wheelchair-Accessible includes the percentage of total motor coaches owned by STC that have built-in chair lifts.

M5 Parcel Express Survey Satisfaction Rating is the overall satisfaction level of our shipping customers. This information is obtained through survey information that is gathered voluntarily from customers. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent". Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and the reduction of frequency on certain routes, the future target for this measure has been adjusted down.

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

M6 Operating Cash Loss As A Percentage Of Overall Expenditures is kept as low as possible. The percentage is calculated as the operating cash loss divided by the total expenses (excluding depreciation) for the year.

M7 Passenger Services Loss Per Mile is the difference between the passenger expense and revenue per mile. Revenue per mile is calculated as total passenger revenues, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses divided by the total scheduled miles and service miles.

M8 "Best Practices" For Board Governance is measured by either meeting or exceeding all corporate governance requirements as set forth by 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. While STC is not a publicly traded company, its practices are benchmarked against these industry best practices each year. The Board of Directors approved the discontinuation of this measure in September 2014.

PEOPLE

WE ARE A HIGH-QUALITY EMPLOYER

Objective	Measures	2014 Target	2014 Actual	2015 Target
STC is an employer of choice in Saskatchewan	M9 Employee satisfaction survey rating	75%	69%	Non-reporting
STC promotes safety and career enhancement training for our employees	M10 Number of safety, technical and professional development training opportunities attended	190	330	200
STC provides a safe work environment	Number of compensable injury claims	14	11	Removed
	NEW - Percentage of days lost due to compensable injuries	-	-	1.4%

INNOVATION

WE ARE IMPROVING AND INNOVATING

Objective	Measures	2014 Target	2014 Actual	2015 Target
Grow our business operations with other private entities	M12 Total agreements and partnerships	204	204	206
Build our customer base and promote the Corporation	M13 Percentage growth in passenger numbers	1.0%	-5.28%	-16.0%
Support building our future by protecting our environment	M14 Percentage of passengers aware that bus transportation is environmentally-friendly	95%	91.4%	Removed
Environmental benefits of bus travel	M15 Gallons of fuel per 100 passenger miles	1.14	1.24	Removed

Explanation of Measurement Terms

WE ARE A HIGH-QUALITY EMPLOYER

M9 Employee Satisfaction Survey Ratings is obtained from a comprehensive employee survey. The survey measures the overall satisfaction of STC employees. STC is moving to a biennial employee survey. The next survey will take place in 2016.

M10 Number Of Safety, Technical And Professional Development Training Opportunities Attended in the workplace represents the total number of times employees have attended either an in-house or externally-delivered seminar, training session, webinar or workshop during the year.

M11 Number Of Compensable Injury Claims in the workplace. This represents the total number of injury claims which involved time loss (WCB) compensation to an employee during the year. The Board of Directors approved the replacement of this measure.

M11 NEW - Percentage of Days Lost Due to Compensable Injuries reflects the work that STC does to improve safety throughout the organization and the steps taken to lower the risk of occurrence and the length of absence due to injury. It is calculated by dividing the total number of days lost due to injury by the total working days.

WE ARE IMPROVING AND INNOVATING

M12 The Number Of Total Agreements And Partnerships with private sector entities includes the total number of operating STC agents, interline carriers, contract carriers and pick-up and delivery service operators. It also includes other partnerships and agreements that meet specified criteria to be included in the reported results.

M13 Percentage Growth In Passenger Numbers is the percentage growth in ridership on scheduled routes year-over-year. Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and seat sales and the reduction of frequency on certain routes, the future target for this measure has been adjusted down. However, the cost savings are expected to yield a positive net financial impact on the Company's fiscal position.

M14 The Percentage Of Passengers Aware That Bus Transportation Is Environmentally-Friendly is obtained through a semi-annual, voluntary, passenger sample survey and represents the total percentage of respondents who rate riding the bus as environmentally-friendly. The Board of Directors approved the discontinuation of this measure in September 2014.

M15 Gallons of Fuel per 100 Passenger Miles is a ratio of budgeted gallons of fuel for scheduled service miles divided by the projected passenger miles for bus travel. The Board of Directors approved the removal of this measure as it is not easily understood.

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 December 31, 2014 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,



Shawn Grice
President & CEO



Jason Sherwin
CFO

February 26, 2015

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, Shawn Grice, the President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Jason Sherwin, 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 December 31, 2014.
- 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 December 31, 2014 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Shawn Grice
President & CEO



Jason Sherwin
CFO

February 26, 2015

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Assembly of Saskatchewan:



We have audited the statement of financial position of Saskatchewan Transportation Company as at December 31, 2014 and the statements of comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

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 an audit to obtain reasonable assurance whether the financial statements are free of 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 misstatement. 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
February 26, 2015

Chartered Accountants

STATEMENT OF FINANCIAL POSITION **As at December 31**

(Thousands of Dollars)

	2014	2013
Assets		
Current		
Cash	\$ 1,855	\$ 1,642
Accounts receivable (note 5)	1,311	1,281
Inventories (note 7)	325	330
Prepaid expenses	534	518
Assets held for sale (note 8)	6	3
	<u>4,031</u>	<u>3,774</u>
Non-current		
Property and equipment (note 9)	36,070	35,779
	<u>\$ 40,101</u>	<u>\$ 39,553</u>
Liabilities and Province's Equity		
Liabilities		
Current		
Trade and other payables	\$ 3,039	\$ 2,950
Non-current		
Deferred capital grant (note 11)	30,469	29,592
	<u>33,508</u>	<u>32,542</u>
Province of Saskatchewan's Equity		
Contributed surplus	465	465
Retained earnings	6,128	6,546
	<u>6,593</u>	<u>7,011</u>
	<u>\$ 40,101</u>	<u>\$ 39,553</u>

See accompanying notes

Approved by the Board on February 26, 2015

Jonathan Abrametz
Director

Mervin Schneider
Director

STATEMENT OF COMPREHENSIVE LOSS **Year Ended December 31**

	(Thousands of Dollars)	
	2014	2013
Revenue		
Express services	\$ 7,755	\$ 7,596
Passenger services	7,684	7,802
Other	1,115	954
Gain on disposal of property and equipment	17	96
	<u>16,571</u>	<u>16,448</u>
Expenses		
Operating costs other than those listed below	10,956	10,802
Salaries, wages and short-term employee benefits	16,091	15,904
Depreciation (note 9)	3,115	3,087
	<u>30,162</u>	<u>29,793</u>
Loss before the following	(13,591)	(13,345)
Operating grant (note 12)	10,300	10,500
Capital grant (note 11)	2,873	2,794
Total comprehensive loss	\$ (418)	\$ (51)

See accompanying notes

STATEMENT OF CHANGES IN EQUITY

	(Thousands of Dollars)		
	Attributable to the Province of Saskatchewan		
	Retained Earnings	Contributed Surplus	Total Equity
Balance at December 31, 2012	\$ 6,597	\$ 465	\$ 7,062
Total comprehensive loss	(51)	-	(51)
Balance at December 31, 2013	<u>6,546</u>	<u>465</u>	<u>7,011</u>
Balance at December 31, 2013	6,546	465	7,011
Total comprehensive loss	(418)	-	(418)
Balance at December 31, 2014	\$ 6,128	\$ 465	\$ 6,593

See accompanying notes

STATEMENT OF CASH FLOWS **Year Ended December 31**

	(Thousands of Dollars)	
	2014	2013
Operating Activities		
Total comprehensive loss	\$ (418)	\$ (51)
Items not involving cash:		
Depreciation (note 9)	3,115	3,087
Gain on disposal of property and equipment	(17)	(96)
Recognition of capital grant (note 11)	(2,873)	(2,794)
Net change in non-cash working capital (note 14)	48	183
Cash (used in) provided by operating activities	(145)	329
Investing Activities		
Additions to property and equipment (note 9)	(3,426)	(3,347)
Proceeds on disposal of property and equipment	34	117
Cash used in investing activities	(3,392)	(3,230)
Financing Activities		
Capital grant received (note 11)	3,750	3,500
Cash provided by financing activities	3,750	3,500
Increase in cash	213	599
Cash, beginning of year	1,642	1,043
Cash, end of year	\$ 1,855	\$ 1,642

See accompanying notes

1. STATUS OF THE COMPANY

The Saskatchewan Transportation Company ['STC' or the 'Company'] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under the Traffic Safety Act, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates, but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. OPERATIONS AND FINANCING

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the province of Saskatchewan is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Orders in Council #3/2014 STC was authorized to obtain grant funding up to \$13.6 million (2013 - \$14.0 million, Order in Council #10/2013 and #560/2013) for operating and capital requirements. During the year, STC requested and received \$13.6 million of the \$13.6 million authorized (2013 - \$14.0 million of the \$14.0 million authorized).

By way of Order in Council #647/2013 STC is authorized to obtain grant funding up to \$3.82 million for structural and mechanical renovations to the Regina Maintenance Facility. During the year, STC requested and received \$450 thousand of the grant funding related to this project.

3. BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on a three year rolling average of historical usage.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Cash

Cash is measured at fair value which approximates cost.

b. 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.

c. Property and equipment

Property and equipment are recorded at cost less accumulated depreciation

and any provisions for impairment. Cost includes expenditure that is 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 productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive 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 total comprehensive 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 loss for the period.

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. Operating grant revenue

Operating grants from CIC are recognized as revenue when received.

f. Capital grant revenue

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

g. Depreciation of property and equipment

Depreciation is recorded on buildings, vehicles, and equipment, on the straight-line basis over the estimated productive 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

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 immediately in the statement of comprehensive loss.

i. 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 maintenance, are recognized when earned.

NOTES TO FINANCIAL STATEMENTS (continued)

j. Employee benefits

The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Employees Benefits Agency. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to the defined benefit plan and the defined contribution plan are expensed during the period. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligations to each plan is limited to making regular payments to match the amounts contributed by the employees for current services.

k. Financial instruments

The Company classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities.

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 periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of comprehensive loss. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at fair value less any allowances and impairments.

l. Impairment of accounts receivable

A provision for impairment is made and an impairment loss is recognized in the statement of comprehensive 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 use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

m. 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 the coming year.

n. New standards and amendments effective during the year

The following amendments to IFRSs came into effect during 2014:

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - effective January 1, 2014
- Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* - effective January 1, 2014
- Amendments to IAS 36, *Recoverable Amount Disclosure for Non-Financial Assets* - effective January 1, 2014
- Amendments to IAS 39, *Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* - effective January 1, 2014
- IFRIC 21, *Levies* - effective January 1, 2014

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

o. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2014, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after July 1, 2014:

- IAS 19, *Employee Benefits* - effective July 1, 2014
- Amendments to IFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date and Transition Disclosures* - effective January 1, 2015
- Amendments to IAS 16, *Property Plant and Equipment - Acceptable Methods of Depreciation* - effective January 1, 2016
- IFRS 15, *Revenue from Contracts with Customers* - effective January 1, 2017
- IFRS 9 - *Financial Instruments* - effective January 1, 2018
- Amendments to IFRS 7 - *Financial Instruments: Disclosures* - effective January 1, 2018

The extent of the impact on adoption of these standards on the financial statements of STC is not known at this time.

5. FINANCIAL RISK MANAGEMENT

Fair value

The Company, as part of its operations, carries a number of financial instruments which includes cash, accounts receivable, and trade and other payables. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

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

	Classification	Level	2014		2013	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Thousands of Dollars)						
Cash	FV	1	\$ 1,855	\$ 1,855	\$ 1,642	\$ 1,642
Accounts receivable	L&R	N/A	1,311	1,311	1,281	1,281
Trade and other payables	OL	N/A	3,039	3,039	2,950	2,950

Classification details are: FV - fair value through profit or loss, L&R - loans and receivables, OL - other financial liabilities

Fair value hierarchy

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.

The Company's financial instruments (other than Cash) have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

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 extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. 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 information. STC monitors the credit risk and credit rating of customers on a regular basis. Cash is held with a major chartered Canadian bank and management believes the risk of loss to be minimal.

NOTES TO FINANCIAL STATEMENTS (continued)

The maximum exposure to credit risk is \$3.17 million (2013 - \$2.92 million) equal to the carrying value of the Company's financial assets (cash - \$1.86 million (2013 - \$1.64 million) and accounts receivable - \$1.31 million (2013 - \$1.28 million)).

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

	2014 (Thousands of Dollars)	2013 (Thousands of Dollars)
Gross accounts receivable:		
Current	\$ 1,033	\$ 919
Up to three months past due date	388	385
Greater than three months past due date	49	137
	1,470	1,441

Allowance for doubtful accounts, opening balance	(160)	(160)
Accounts written off	1	-
Allowance for doubtful accounts, ending balance	(159)	(160)
Net accounts receivable	\$ 1,311	\$ 1,281

6. CAPITAL MANAGEMENT

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

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, primarily in the form of retained earnings. STC does not have any debt.

STC's capital structure is as follows:

	2014 (Thousands of Dollars)	2013 (Thousands of Dollars)
Contributed surplus	\$ 465	\$ 465
Retained earnings	6,128	6,546
	\$ 6,593	\$ 7,011

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its balanced scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

7. INVENTORIES

The costs of inventory recognized as an expense during the year in respect of continuing operations was \$380 thousand (2013 - \$337 thousand). The costs of inventory recognized as an expense includes \$10 thousand (2013 - nil) in respect of a write-down of inventory to net realizable value.

8. ASSETS HELD FOR SALE

(Thousands of Dollars)

	Cost	Accumulated Depreciation	2014 Net Book Value	2013 Net Book Value
Assets held for sale	\$ 735	\$ 729	\$ 6	\$ 3

At December 31, 2014, STC had fleet assets that are no longer in service and are held for sale. Management intends to dispose of these assets through public sale within the next 12 months. The carrying amount of these assets approximates fair value.

9. PROPERTY AND EQUIPMENT (Thousands of Dollars)

	Land	Buildings	Vehicles	Other Equipment	Total
Cost or deemed cost					
Balance at December 31, 2012	\$ 4,654	\$ 33,737	\$ 15,611	\$ 8,613	\$ 62,615
Additions	-	236	2,709	402	3,347
Assets held for sale	-	-	-	-	-
Disposals	-	-	(604)	(169)	(773)
Balance at December 31, 2013	4,654	33,973	17,716	8,846	65,189

Balance at December 31, 2013	4,654	33,973	17,716	8,846	65,189
Additions	-	848	2,245	333	3,426
Assets held for sale	-	-	(1,931)	-	(1,931)
Disposals	-	-	-	(83)	(83)
Balance at December 31, 2014	\$ 4,654	\$ 34,821	\$ 18,030	\$ 9,096	\$ 66,601

Depreciation

Balance at December 31, 2012	\$ -	\$ 10,865	\$ 9,634	\$ 6,590	\$ 27,089
Depreciation for the year	-	959	1,388	740	3,087
Assets held for sale	-	-	-	-	-
Disposals	-	-	(599)	(167)	(766)
Balance at December 31, 2013	-	11,824	10,423	7,163	29,410

Balance at December 31, 2013	-	11,824	10,423	7,163	29,410
Depreciation for the year	-	986	1,578	551	3,115
Assets held for sale	-	-	(1,916)	-	(1,916)
Disposals	-	-	-	(78)	(78)
Balance at December 31, 2014	\$ -	\$ 12,810	\$ 10,085	\$ 7,636	\$ 30,531

Carrying Amounts

At December 31, 2013	4,654	22,149	7,293	1,683	35,779
At December 31, 2014	\$ 4,654	\$ 22,011	\$ 7,945	\$ 1,460	\$ 36,070

Capital expenditures incurred during the year totalling \$383 thousand (2013 - nil) for costs related to the renovations of the Regina Maintenance Facility are included in buildings. These costs will not be depreciated until the renovations are completed.

NOTES TO FINANCIAL STATEMENTS (continued)

10. NON-MONETARY TRANSACTIONS

During the year, STC entered into non-monetary arrangements resulting in STC providing services in exchange for advertising and promotional services. The fair value of the transactions were determined based on the value of services provided as the services received were not reliably measurable. In 2014, passenger and other revenue included \$95 thousand (2013 - \$95 thousand) exchanged in such arrangements offset by a corresponding amount included in operating expenses.

11. CAPITAL GRANT

Order in Council #3/2014 authorized STC to obtain grant funding up to \$3.3 million for capital requirements in 2014. During the year, STC obtained \$3.3 million (2013 - \$3.5 million, Order in Council #10/2013) of capital funding from CIC.

Order in Council #647/2013 authorized STC to obtain grant funding up to \$3.82 million for structural and mechanical renovations to the Regina Maintenance Facility. During the year, STC requested and received \$450 thousand of the grant funding related to this project. The remaining \$3.37 million will be requested as needed during the renovation project.

Deferred capital grant consists of the following:

	2014	2013
	(Thousands of Dollars)	
Deferred capital grant, beginning of year	\$ 29,592	\$ 28,886
Capital grant received	3,300	3,500
Grant received - Regina Maintenance Facility renovations	450	-
Capital grant revenue recognized	(2,873)	(2,794)
	\$ 30,469	\$ 29,592

12. OPERATING GRANT

Orders in Council #3/2014 authorized STC to obtain grant funding up to \$10.3 million for operating requirements in 2014. During the year, STC obtained \$10.3 million (2013 - \$10.5 million, Order in Council #10/2013) from CIC.

13. PENSION CONTRIBUTIONS

The Company participates in two pension plans. STC's contributions to the Public Service Superannuation Plan which were expensed during the year were \$2 thousand (2013 - \$2 thousand). STC's contributions to the Capital

Pension Plan which were expensed in the year were \$879 thousand (2013 - \$859 thousand).

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	2014	2013
	(Thousands of Dollars)	
(Increase) Decrease in:		
Accounts receivable	\$ (30)	\$ (103)
Inventories	5	(34)
Prepaid expenses	(16)	4
	(41)	(133)
Increase (Decrease) in:		
Trade and other payables	89	316
	\$ 48	\$ 183

15. 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.

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus (\$465 thousand).

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.

Key management personnel compensation

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

Key management personnel compensation comprised:

	2014	2013
	(Thousands of Dollars)	
Short-term employee benefits	\$ 1,302	\$ 1,286
Post-employment benefits	67	67
	\$ 1,369	\$ 1,353

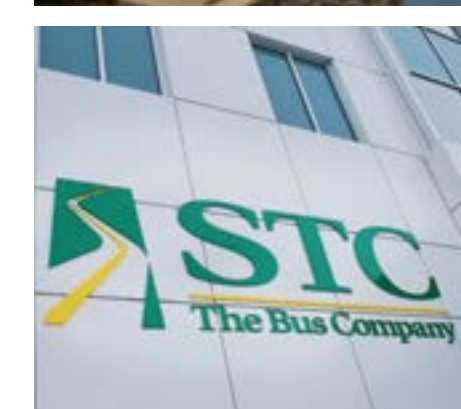
16. COMMITMENTS

The following significant purchase commitments exist at December 31, 2014:

- a) \$402 thousand for the purchase of one used coach. The coach was delivered in January 2015.
- b) \$2,399 thousand for structural and mechanical renovations at the Regina Maintenance Facility. The work is expected to be completed in the fourth quarter of 2015.

ENSURING CORPORATE GOVERNANCE

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



CORPORATE GOVERNANCE (PAGE 56)

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

BOARD COMMITTEES (PAGE 60)

Committees assist the Board in fulfilling its obligations and meeting its responsibilities.

CORPORATE GOVERNANCE SCORECARD (PAGE 61)

STC's team of professionals is critical to the organization's success and attainment of the Company's vision of being the best passenger and freight transportation company in Canada.

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.

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, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements board-approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. 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 Compensation

The remuneration and expense schedules for the Board are determined by CIC and adhered to by STC.

In 2014, Directors were paid an annual retainer and per diems:

Board Chair Retainer (Annual)	\$20,000
Board Member Retainer (Annual)	\$14,000
Audit & Finance Committee Chair Retainer (Annual)	\$2,600
Other Committee Chair Retainer (Annual)	\$2,000
Committee Member Meeting Fee (Daily)	\$650

Board Priorities and Risk Oversight

In 2014, the Board of Directors focused on areas that could positively impact the organization's financial performance and risk mitigation. Semi-annual reviews of the enterprise risk management framework ensure the Board understands that effective risk management processes are in place and functioning effectively. Approval of the annual business plan ensures that management understands the direction of the Company.

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.

In 2014, the composition of the Board was as follows:



JONATHAN ABRAMETZ

Saskatoon-based trial lawyer (kmpLaw north) practices no-fault and tort auto injury claims, fatal accident claims, and personal injury claims. Mr. Abrametz gained his Chartered Director designation in 2012. He is involved in several charitable and community organizations, including the Kinsmen Club of Saskatoon where he chaired the 2012 Kinsmen Sports Celebrity Dinner. Jonathan also has facilitated educational sectionals for the Saskatchewan Bar Admission course in Criminal Law.

*Board Chair
Audit and Finance Committee Member
Compensation Committee Member*



JOCELYN HUTCHINSON

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. Past experience as a Regina City Councillor, Ward 2 from 2006 - 2012. As an elected Councillor, participated in the City's senior decision-making and policy body. Currently she is Honorary LCol. of the Saskatchewan Dragoons, Treasurer of Royal United Services Institute, Regina, and CFLC Board Member. Jocelyn was also Past President of Regina Queen City Kinette Club and Committee Member of Kinsmen Telemiracle Organizing Committee and continues to be a regular participant in local charities and community organizations.

*Board Vice-Chair
Audit and Finance Committee Member
Compensation Committee Member*



JOHN BREAKEY

Estevan-based oil, land and retired farm entrepreneur. Currently Vice-President of Land and a shareholder in a junior Saskatchewan-based oil company. Owner and manager of three other family corporations involved in oil and land operations. Past experience as a financial fieldman with Farm Debt Review Board. Regular participant in local charities and community organizations.

*Governance and Corporate Responsibility Committee Chair
Compensation Committee Member*



AMANDA CRASHLEY

Big River-based insurance broker for twenty years. Highly involved in community, active volunteer with minor sports and cultural boards and associations. Board member for Ladder Valley Community Centre Co-op, Big River and District Recreation and Cultural Board, Kidsport, and the liaison to the Minor Sports Board. Also involved in various community fundraising projects each year.

Governance and Corporate Responsibility Committee Member



VÉRONIQUE LARLHAM

Saskatoon-based Communications Manager (AREVA Resources Canada Inc.), develops, implements and evaluates communications, stakeholder engagement and community investment strategies and initiatives. Ms. Larlham also provides English-French Translation services. She holds a Bachelor of Arts in Applied Foreign Languages and a Master of Business Administration. She is involved in several charitable, community and professional organizations, including as board member of Women in Mining/Women in Nuclear Saskatchewan and member of the Saskatchewan Mining Association Public Affairs Committee.

Governance and Corporate Responsibility Committee Member



MERVIN MASSIER

Saskatoon-based consultant. Banking/financial background includes senior positions with Concentra Financial Corporate Banking and Barclays Bank of Canada. Past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturer's Association, the North Saskatoon Business Association, and Treasury Management Association of Canada.

Audit and Finance Committee Member



MERVIN SCHNEIDER

Prince Albert-based retired Chartered Accountant, serving over 38 years in public practice with Deloitte & Touche including terms on Executive Committee, Office Managing Partner and Audit and Assurance Partner. Currently operating a small business consulting practice and serving on a number of profit and non-profit Boards including STC since 2011. Completed training and received Chartered Director (C.Dir.) designation from McMaster University in 2012.

*Audit and Finance Committee Chair
Compensation Committee Member*



DELMER WAGNER

Moose Jaw-based Director of Education, retired. Over thirty-one years of experience in the education field, including Director of Education, Superintendent of Student Services, Principal, Vice-Principal and teacher. Published author of numerous education-related articles and studies. Occasional provider of senior administrative services within the education sector. Associate member of the League of Education Administrators, Superintendents and Directors. Involved in various community-based pursuits, currently serving as Grand Knight for the Knights for Columbus and president of Heartland Hospice Moose Jaw.

Governance and Corporate Responsibility Committee Member

BOARD COMMITTEES

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference, updated annually, which outlines its authority and areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees not already appointed to, and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2014. Committee members are listed as of December 31, 2014.

AUDIT AND FINANCE

Chair: Mervin Schneider

Committee Members: Jonathan Abrametz, Jocelyn Hutchinson, Mervin Massier

The Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- overseeing the provision of relevant and timely financial information to the Board;
- the appointment of the external auditor; and,
- ensuring appropriate follow-up of audit results.

GOVERNANCE AND CORPORATE RESPONSIBILITY

Chair: John Breakey

Committee Members: Amanda Crashley, Véronique Larlham, Delmer Wagner

The Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- developing and recommending best corporate governance practices and the annual strategic planning processes;
- overseeing human resource strategies, programs and practices;
- ensuring the Corporation is proactive in addressing safety, health, and environment issues, and is in compliance with all statutory requirements;
- reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- managing evaluations of the Board, Committees, Chair and Director performance; and,
- providing oversight to the Corporation's code of conduct and ethics.

Compensation

Chair: Jonathan Abrametz

Committee Members: John Breakey, Jocelyn Hutchinson, Mervin Schneider

The Compensation Committee assists the Board in fulfilling its obligations and responsibilities for:

- making recommendations on the recruitment of the President and CEO;
- making recommendations on the goals and objectives, conducting annual performance evaluations, and recommending a compensation package for the President & CEO; and,
- making recommendations on Executive Compensation in accordance with CIC's Executive Compensation Framework.

CORPORATE GOVERNANCE SCORECARD

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. While the Saskatchewan Transportation Company is not a publicly traded company, its practices are benchmarked against these current industry best practices.



CORPORATE GOVERNANCE SCORECARD

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
COMPOSITION OF THE BOARD	
3.1 The Board should have a majority of independent directors.	✓ Consistent with CSA Guidelines All directors of the STC Board are independent members.
3.2 The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director". However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	✓ Consistent with CSA Guidelines The Chair of the Board is an independent director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the Shareholder.
MEETINGS OF INDEPENDENT DIRECTORS	
3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	✓ Consistent with CSA Guidelines As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting. All directors participate in the sessions, except where a director has a conflict with an item under discussion.
BOARD MANDATE	
3.4 The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for: <ul style="list-style-type: none"> (a) To the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization; (b) Adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) The identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks; (d) Succession planning (including appointing, training and monitoring senior management); (e) Adopting a communication policy for the issuer; 	✓ Consistent with CSA Guidelines The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the board has a responsibility to ensure congruence between stakeholder expectations, corporate plans and management performance. The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties. (a) One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President & CEO, taking appropriate action as warranted. The Governance and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among other executive officers.

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
BOARD MANDATE (continued)	
(f) The issuer's internal control and management information systems; and, (g) Developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer. The written mandate of the board should also set out (i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials. Issuers may consider appointing a corporate governance committee to consider these issues. A corporate governance committee should have a majority of independent directors, with the remaining members being "non-management" directors.	(b) The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures. (c) A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Enterprise Risk Management matrix is a key tool for the Board. (d) The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee to oversee. The Committee reviews the plan on an annual basis and reports its findings to the Board. (e) The Board adopts policies and processes to enable effective communication with the Shareholder, stakeholders and the public. (f) The Board monitors the integrity of the Corporation's internal control and management information systems through the CEO/CFO Certification process and through work with both internal and external auditors. (g) The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee. STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled board meetings or has attended fewer than sixty per cent of all meetings held in any year. STC is not an issuer.

CORPORATE GOVERNANCE SCORECARD (continued)

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
POSITION DESCRIPTIONS	
<p>3.5 The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.</p>	<p>✓ Consistent with CSA Guidelines The <i>Crown Corporations Act, 1993</i> subsection 23 (5) and CIC's "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There is a Terms of Reference for the Board and each committee of the Board and written position descriptions are in place for the Chair, each committee chair, and the CEO.</p> <p>The Board's Terms of Reference sets out matters that require Board approval and delegates other matters to management.</p> <p>The Board annually approves a strategic business plan and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.</p>
ORIENTATION AND CONTINUING EDUCATION	
<p>3.6 The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.</p>	<p>✓ Consistent with CSA Guidelines Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings. In the circumstance that there are new board members appointed, a board orientation will be scheduled.</p>
<p>3.7 The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.</p>	<p>✓ Consistent with CSA Guidelines CIC's Board Training Program covers all the Crown Corporations' education programs. All STC board members have the opportunity to take part in various sessions of this training throughout the year.</p>

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
CODE OF BUSINESS CONDUCT AND ETHICS	
<p>3.8 The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:</p> <p>(a) Conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;</p> <p>(b) Protection and proper use of corporate assets and opportunities;</p> <p>(c) Confidentiality of corporate information;</p> <p>(d) Fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p> <p>(e) Compliance with laws, rules and regulations; and,</p> <p>(f) Reporting of any illegal and unethical behaviour.</p>	<p>✓ Consistent with CSA Guidelines Directors and officers must comply with the <i>Crown Corporations Act, 1993</i> Part VI, which explicitly outlines duty of care, conflict of interest and indemnification.</p> <p>The Board must also comply with CIC's <i>Directors' Code of Conduct</i>, which is applicable to all directors of its subsidiary Crown boards. A copy of the <i>Directors' Code of Conduct</i> can be obtained by contacting the Corporate Secretary to the board.</p> <p>The Board provides annual attestation for compliance with the <i>Directors' Code of Conduct</i>.</p> <p>Officers and employees of the Corporation must comply with STC's <i>Code of Ethical Conduct</i>. Management reports on the compliance with the Corporation's <i>Code of Ethical Conduct</i> to the Governance and Corporate Responsibility Committee at each of its regular meetings.</p>
<p>3.9 The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.</p>	<p>✓ Consistent with CSA Guidelines The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the <i>Directors' Code of Conduct</i>, reports on compliance with the code and provides advice to the directors on conflict of interest.</p>
NOMINATIONS OF DIRECTORS	
<p>3.10 The board should appoint a nominating committee composed entirely of independent directors.</p>	<p>✓ Consistent with CSA Guidelines The Governance and Corporate Responsibility Committee functions as the nominating committee and is comprised of all independent board members.</p>
<p>3.11 The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority</p>	<p>✓ Consistent with CSA Guidelines The Governance and Corporate Responsibility Committee's Terms of Reference establishes the committee's role and responsibility to act as advisors to the board regarding purpose and responsibilities that include the objectives to advise the board regarding nominees for positions on the Board of Directors.</p>

CORPORATE GOVERNANCE SCORECARD (continued)

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
NOMINATIONS OF DIRECTORS (continued)	
to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	If the Committee deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities. There are no third party nominations to the Board of Directors.
<p>3.12 Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:</p> <p>(a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.</p> <p>(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.</p> <p>The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.</p> <p>In carrying out each of these functions, the board should consider the advice and input of the nominating committee.</p>	<p>✓ Consistent with CSA Guidelines The Board's nomination process as outlined in the Terms of Reference of the Governance and Corporate Responsibility Committee meets these guidelines. The Board with the assistance of the Corporate Secretary undertakes an annual review of the Board Skills Matrix.</p> <p>As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council.</p>
<p>3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.</p>	<p>✓ Consistent with CSA Guidelines As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and may put forward, for consideration, qualified candidates to fill vacant positions, which are then forwarded to CIC for consideration and decision.</p> <p>The shareholder has the legislative authority to make board appointments and all appointments are by Order in Council.</p>

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
NOMINATIONS OF DIRECTORS (continued)	
<p>3.14 In making its recommendations, the nominating committee should consider:</p> <p>(a) The competencies and skills that the board considers to be necessary for the board, as a whole, to possess;</p> <p>(b) The competencies and skills that the board considers each existing director to possess; and,</p> <p>(c) The competencies and skills each new nominee will bring to the boardroom.</p>	<p>✓ Consistent with CSA Guidelines The Committee reviews the competencies required by the Board and the skills of current directors annually or as required, and identifies gaps in skill sets on the Board.</p> <p>Executive Council is responsible for considering how the skills and competencies of each candidate fit with the skill gaps identified by the Board, and for determining that nominees have the time and resources to fulfil their duties as a board member.</p>
COMPENSATION	
<p>3.15 The board should appoint a compensation committee composed entirely of independent directors.</p>	<p>✓ Consistent with CSA Guidelines The Board appoints a Compensation Committee. The composition of this committee is the Board Chair, the Vice-Chair, the Chair of Governance and Corporate Responsibility and the Chair of Audit and Finance.</p>
<p>3.16 The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.</p>	<p>✓ Consistent with CSA Guidelines The Compensation Committee is established by the Board of Directors and has a Terms of Reference that establishes the duties and responsibilities of this Committee.</p> <p>If the Committee deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.</p>
<p>3.17 The compensation committee should be responsible for:</p> <p>(a) Reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;</p> <p>(b) Making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and,</p> <p>(c) Reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>✓ Consistent with CSA Guidelines The Compensation Committee completes an annual performance evaluation of the President and CEO and recommends a ranking to the Board for approval. They also make recommendations on executive compensation in accordance with CIC's Executive Compensation Framework.</p> <p>Respecting non-CEO officer compensation, the Compensation Committee is responsible for recommending, to the Board, management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the</p>

COMPENSATION (continued)

extent to which the targets are achieved determines management's eligibility for performance compensation.

Executive compensation decisions are subject to any guidelines established by CIC. Director compensation is determined by CIC.

CEO, officer and employee compensation disclosure occurs in the form of an annual Crown payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under the *Crown Employment Contracts Act*, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.

REGULAR BOARD ASSESSMENTS

3.18 The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:

- (a) In the case of the board or a board committee, its mandate or charter; and,
- (b) In the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.

✓ **Consistent with CSA Guidelines**

The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board.

Performance evaluations on all CIC subsidiary Crown Corporation boards are conducted on a two year cycle. All director peer, committee chair and board committee evaluations were conducted in 2013. In 2014, evaluations of the Board and the Board Chair were completed.

The Board and its committees review their Terms of Reference annually. Directors' skills are reviewed annually; individual directors are plotted on a skills matrix and are assessed as part of a regular peer review.





CORPORATE DIRECTORY

STC's dedicated staff work hard to provide valuable passenger and freight services across the broad provincial network.



DIVISIONS OF STC (PAGE 72)

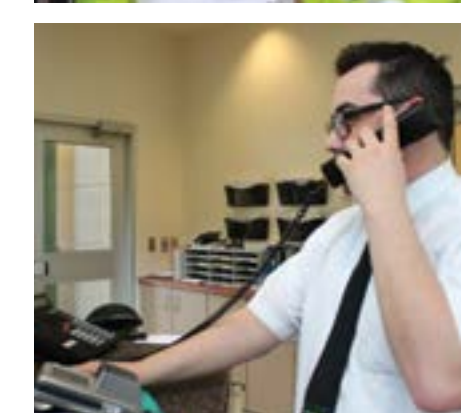
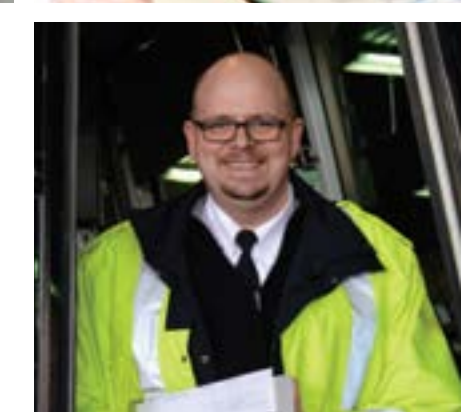
STC's divisions work together towards the Company's vision to be the best passenger and freight company in Canada.

CORPORATE DIRECTORY (PAGE 74)

STC's senior team provide leadership and direction in the achievement of the strategic goals.

ROUTE MAP (PAGE 76)

STC's network spans the province and provides passenger and freight services to 253 communities.



CUSTOMER SERVICES AND OPERATIONS

The Customer Services and Operations Division is responsible for passenger, parcel express, and maintenance services. The Division includes the following components:

Passenger Services

Passenger Services is responsible for ensuring passengers enjoy safe and reliable transportation. This area handles functions that include operating motor coaches, issuing passenger tickets, scheduling, maintenance of tariffs, dispatching of buses and drivers, managing the network of agencies, and the maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel Express Services is responsible for the freight and baggage handling for all STC coaches and connecting carriers. Door-to-door pickup and delivery services are available in Regina, Saskatoon, Prince Albert, and in some designated rural agencies.

Maintenance Services

The primary responsibility of Maintenance Services is to perform inspections and preventative maintenance services, maintain clean, comfortable coaches and provide storage for all STC vehicles. These duties are performed in the service garages in Saskatoon and Regina and when required, this group handles on-the-road servicing of STC coaches. Maintenance Services handles the procurement of all corporate vehicles. Foreign coach services including cleaning, maintenance, and storage are also provided on a contract basis for coaches of other carriers.



CORPORATE SYSTEMS AND TECHNOLOGY

The Corporate Systems and Technology Division is responsible for the reliability and integrity of data, electronic communications, software applications and web services at STC. By implementing and maintaining efficient business processes through the introduction of new technologies, it ensures that ticketing and freight systems across Saskatchewan are capable of serving STC's customers in a quick and convenient manner.

The Division provides technical support across the province to employees operating a variety of systems that support the business, as well as to major customers that have STC shipping systems in their distribution centres.

The Corporate Systems and Technology Division is also responsible for procurement and management of all corporate hardware and software.

FINANCE

The Finance Division provides the information required to monitor STC's performance and make effective decisions. The Division delivers accurate financial reporting, budgeting and forecasting; assesses risk and insurance requirements; and, monitors internal control functions. In addition, specific groups within the Division are responsible for billing and collection of revenue, issuing payments to suppliers, monitoring reports from agencies, and processing reclaims with partner carriers.

HUMAN RESOURCES AND PAYROLL

The Human Resources and Payroll Division provides leadership and strategic human resource advice and support to ensure STC has a strong and committed workforce. To ensure a standard of excellence, the Division delivers human resource services, including recruitment and retention; labour relations; human resource policy and planning; learning and development; organizational development and design; payroll and benefits administration; occupational health and safety; and, diversity and rehabilitation/return to work programs. The Division plays a key role in representing the employer during collective agreement bargaining with the Amalgamated Transit Union Local 1374 and contributing to a positive employer and employee relationship.

STRATEGIC PLANNING AND COMMUNICATIONS

The Strategic Planning and Communications Division is responsible for corporate promotions, communications and strategic planning. Promotional advertising, corporate branding, and public relations are tools used to drive revenues for the organization in both passenger and parcel express services. Ensuring effective communications between the Company and Crown Investments Corporation of Saskatchewan (CIC), the media, and the Government of Saskatchewan are important services provided by this area.

The Division establishes STC's planning process, its strategic business plans and reports on performance and governance compliance. It also has responsibility for privacy of information and requests under freedom of information legislation.

EXECUTIVE OFFICERS**Compensation Philosophy**

STC follows the compensation philosophy as outlined in the Crown Investments Corporation of Saskatchewan, Crown Executive *Compensation Policy, Procedures and Guidelines*.

Salary ranges for STC's Executive Team, as of December 31, 2014, are:

President and Chief Executive Officer: \$146,638 to \$183,298

Other Executive members: \$105,944 to \$155,803

SHAWN GRICE**President and Chief Executive Officer**

Shawn Grice was appointed as STC's President and Chief Executive Officer in August 2010, after acting in the role since February 2010. Before becoming CEO, Mr. Grice served as Chief Financial Officer (CFO) at STC since 1998. Previous to his joining the company, Mr. Grice held roles with Crown Investments Corporation of Saskatchewan (CIC), Saskatchewan Department of Finance, and KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, holds a Chartered Professional Accountant (CPA, CA) designation from the Canadian Institute of Chartered Accountants (CICA), obtained the Chartered Director (C.Dir.) designation in 2013 from The Directors College (a joint venture of McMaster University and The Conference Board of Canada) and has also completed the CICA In-depth Taxation Program. Mr. Grice is a board member with the Canadian Bus Association. He is also a board member and past Finance Chair with the Regina Downtown Business Improvement District.

CRYSTAL LAWREK**Executive Director Human Resources and Payroll**

Crystal Lawrek joined STC in April 2013 as Executive Director, Human Resources and Payroll. Prior to joining STC, she held progressively responsible Human Resources positions from 2003 to 2013 with the University of Regina, Meyers Norris and Penny LLP and the City of Regina. Ms. Lawrek holds a Bachelor of Administration degree from the University of Regina and a certificate in Organizational Development from Queen's University Industrial Relations Centre.

DEAN MADSEN**Chief Operating Officer**

Dean Madsen began working with STC as an employee of the Weyburn Bus Depot in 1986. In May of 1988, Mr. Madsen joined STC as a Baggage and Express Agent in Regina. Since that time Mr. Madsen worked in various areas of the Company, moving into senior management positions and culminating in the position of Chief Operating Officer as of September 2013. Mr. Madsen holds a Master of Business Administration degree from the University of Regina and is currently a board member with the Canadian Bus Association.

CANDACE PHELPS**Executive Director Strategic Planning and Communications**

Candace Phelps joined STC in December 2012. Prior to that, Ms. Phelps was employed at Tourism Saskatchewan from 2006 to 2012 as the Director of Marketing, the Vice President, and the Acting President and CEO. She has also held roles with Saskatchewan Trade and Export Partnership, Saskatchewan Chamber of Commerce, and Trimension Consulting Group. Ms. Phelps graduated with a Bachelor of Commerce (Honours and Distinction) from the University of Saskatchewan, holds a Certified International Trade Professional (CITP) designation and is a graduate of the Palladium Kaplan-Norton Balanced Scorecard Certification Program.

BRIAN ROULSTON**Executive Director Corporate Systems and Technology**

Brian Roulston was appointed Executive Director, Corporate Systems and Technology in February 2013. Prior to that, Mr. Roulston worked as STC's Manager of Corporate Information Technology from 2004 to 2013, and Technical Analyst from 2002 to 2004. He also held prior roles at Saskatchewan Environment and SaskTel. Mr. Roulston graduated with a Diploma in Computer Information Systems from the Saskatchewan Institute of Applied Science and Technology, and holds designations including Information Systems Professional (ISP) and Certified Information Systems Security Professional (CISSP).

JASON SHERWIN**Chief Financial Officer**

Jason Sherwin was appointed Chief Financial Officer in April 2011, after acting in the role since February 2010. Mr. Sherwin rejoined the Company in January 2009 as Director of Finance, having worked with STC previously from 1999-2004 as Assistant Controller. Prior to 2009, Mr. Sherwin was employed with Greystone Managed Investments Inc. as Manager, Real Estate Portfolio Administration and as Controller with PW Group. Mr. Sherwin also held accounting positions with Markusson New Holland and KPMG. He graduated with a Bachelor of Commerce (Distinction) from the University of Saskatchewan and also holds a Chartered Professional Accountant (CPA, CA) designation.

ROUTE MAP

As of December 31, 2014



2014 AT A GLANCE

- Established in 1946
- Travelled approximately 2.9 million scheduled miles (4.7 million kilometres), serving 253 Saskatchewan communities
- Had 176 agents operating in Saskatchewan
- Overall ridership of 261,531 passengers (2013: 276,113)
- The Youth Promotion in July and August saw just under 8,900 riders
- Transported over 33,500 seniors during the seat sales in May, June, September and October
- Passenger satisfaction rating of 94 per cent (2013: 94 per cent)
- Parcel express customer satisfaction rating of 92 per cent (2013: 88 per cent)
- \$16.6 million of revenues (2013: \$16.4 million)
- \$30.2 million of operating expenses (2013: \$29.8 million)
- \$3.4 million of capital expenditures (2013: \$3.3 million)
- \$40.1 million of assets (2013: \$39.6 million)
- Operating subsidy requirement of \$10.3 million
- Capital subsidy of \$3.3 million
- Maintains its head office in Regina
- Owns and operates passenger and parcel express terminals in Regina, Saskatoon and Prince Albert
- Operates a maintenance facility in Saskatoon and one in Regina
- Has a fleet of 43 coaches, 35 per cent of which are wheelchair-accessible, varying in size from 22 seats to 55 seats, as well as a freight truck and 27 freight trailers
- Employs 229 people; approximately 81.2 per cent of STC's workforce is unionized (186 out of 229 as of December 31, 2014)
- The Amalgamated Transit Union Local 1374 represents the in-scope employees
- \$13.7 million of annual payroll (2013: \$13.2 million)



RIDE IN COMFORT. RIDE SAFELY. RIDE WITH STC.