SASKATCHEWAN RESEARCH COUNCIL

Annual Report
2016-2017

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Vision

Driven by our passion for a better world, we will break boundaries to become the most internationally recognized and valued science solutions company in North America by 2020.

Mission

We proudly deliver smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen our economy.

We embrace our safe, creative and diverse work environment which enables us to excel, personally and professionally.

We live by our core values to build a better world.

Values

Integrity

Respect

Quality

One Team

Strategic Goals to 2020

Economic Impact

Best Employer

Best Research & Technology Organization

Financial Management

Corporate Social Responsibility

Letter of **Transmittal**

To the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it please your Honour:

The undersigned presents herewith, for your consideration, the report of the Saskatchewan Research Council for the year ended March 31, 2017.

Respectfully submitted,

Honourable Jeremy Harrison
Minister Responsible for Innovation

Message from the **Board Chair**

This year, we celebrate the 70th anniversary of the Saskatchewan Research Council (SRC). SRC has grown from humble beginnings to become a successful organization delivering "smart science solutions™ with unparalleled service to clients and colleagues to grow and strengthen our provincial economy."

As part of SRC's 70th anniversary celebrations, Dr. Laurier Schramm, SRC's President and CEO, has beautifully documented the history of the organization in a book titled: *Research and Development on the Prairies: A History of the Saskatchewan Research Council*. Available in traditional and electronic book formats, it is widely available and follows the progression of SRC from its foundational years through several eras, including the Early Years (1947-1955), Building Years (1956-1972), Maturing Years (1972-1983), Commercial Years (1983-2000), and New Millennium Years (2001-2017).

The history book clearly demonstrates that SRC was developed to meet the needs of local industry in order to serve the people of Saskatchewan. It also shows that SRC responds to challenges. SRC is known to take on new research lines, embrace new technologies and extract additional value for industry clients.

SRC is truly a product of the prairies. Saskatchewan farmers are famous for their ability to keep equipment operational with simple tools like pliers, wire, and their wits. No challenge is too daunting. SRC is grounded in this spirit – hard work, perseverance and a strong entrepreneurial character have made the organization successful.

In 1958, the Honourable T.C. "Tommy" Douglas, Premier of Saskatchewan said: *"The need for a scientific organization responsible to the Provincial Government was realized shortly after the Second World War. Indications that the economy of the province was entering a phase of rapid change presenting new opportunities and problems in the fields of science and engineering prompted the Provincial Government to establish the Saskatchewan Research Council in 1947. … the consequent benefit to the provincial economy relative to the expenses of the Council has been beyond expectation."*

The collective benefits to the people of Saskatchewan have been breath-taking and they continue today. The driving force to help improve life in Saskatchewan has never changed. SRC continues to play a leading role in Saskatchewan's innovation system, as it helps industry convert new ideas and knowledge into commercially successful products and services that increase competitiveness and boost the economy.

I am pleased to see that the pioneering spirit is still evident 70 years later at SRC. I want to thank everyone at SRC for the positive impacts they are creating within Saskatchewan. Through continuous improvement and growth, SRC is well-positioned for its next chapter.

Dr. Dennis Fitzpatrick
Board Chair

Message from the **President and CEO**

This is our 70th Annual Report. We at the Saskatchewan Research Council (SRC) are continuing to focus on achieving the greatest possible beneficial impacts on economic growth in Saskatchewan, helping our natural resource industry diversify, grow and sustain, and through this work, grow and sustain private sector jobs in Saskatchewan. Without losing this focus, we continue to assist industries across Canada and around the world, and we have found that working nationally and globally provides many benefits that position us to provide even better support for Saskatchewan's industries and communities. To this end, we have continued to build on our long history of pioneering spirit, entrepreneurial approach, and diversified activities along the innovation continuum: from applied research and development to design, testing and analysis, pilot testing, scale-up engineering, field/plant demonstration, product/process deployment, and commercial adoption. This has positioned us as one of North America's premier innovation-enablers.

I'd like to take this opportunity to thank our 360 employees for bringing their enthusiasm, patience, creativity and professionalism to our mission. By staying focused on practical, real-world solutions to industry's technical problems and opportunities and, by helping industry to grow, the economic impacts from our work continue to accumulate. This evolution has enabled SRC to grow from modest beginnings to today's $70-80 million-per-year revenue level. Our large and diverse range of clients and partners, our breadth, depth and complexity of projects and the real-world solutions we deliver at the pace of business have all contributed to a substantial increase in SRC's visibility and profile at the national and international levels. This in turn, is creating new opportunities for us as we forge the next steps in SRC's evolution under our strategy to 2020.

Safety is our over-riding priority and we continue to strive for leading-edge safety performance by adopting industry best practices, continuous improvement and a steady, methodical process supported by a sustained corporate focus at all levels of the organization. Our lost-time-injury (LTI) rate has, for the past decade, been trending downwards, and for two years in a row now, we have achieved zero lost-time injuries. As of April 2017, our employees have worked over 1.5 million person-hours without an LTI. Moving forward, we will continue to strive to achieve zero injuries as often as is humanly possible. We are continuing to develop our comprehensive occupational health and safety management system, target our high probability causes of injury incidents, and nurture and enhance our active and strong safety culture.

We also continued to advance employee **engagement**, **diversity**, and **inclusivity**, which are key features of strategic strength for SRC. We continue to find that the more we respect, value and increase the engagement, diversity, and inclusivity of our employees, the more we build an environment that fosters creativity, invention and innovation – something that enables us to achieve our strategic goals and core values. We are proud to have been recognized as one of **Canada's Top Employers**, **Canada's Top 100 Employers**, and **Canada's Outstanding Employers**. As well, it was particularly special for us to make the lists of **Canada's Top Employers for Young People** and, just recently, the **Best Workplaces in Canada for Women.**

Our regional, national, and international markets remained uncertain and volatile in the past year, but we continued to find ways to advance our work anyway, maintained our revenue stream, and we continued to advance under our strategy. We serve a very diverse group of clients – about 1,500 last year – and we continue to achieve great client satisfaction reviews with 100 per cent responding that they would return to SRC for future work, 100 per cent responding that they would positively refer SRC to others, and 98 per cent expressing satisfaction with our overall quality of work. In particular, we work for Canada's leading mining and mineral companies, Canada's leading oil and gas companies with a large proportion of our work aimed at addressing issues of environmental safety and sustainability in these two sectors. Additionally, our work in the Agriculture/Biotechnology sector increased over prior years. By establishing great working relationships with some of the biggest and best natural resource developing companies in the world, we are helping attract their interest and their work into Saskatchewan. For the mineral and petroleum sectors, in particular, we have focused much of our efforts on technology opportunities to reduce companies' operating costs and/or increase their operating efficiencies. We also continue to develop mineral processing technologies, particularly at the pilot- and demonstration-scales, for minerals ranging from potash and uranium to diamonds and rare earths. We now maintain **ISO 9001:2008 certification** for our Quality Management System, and remain committed to delivering the highest levels of quality and world-class client service.

With regard to preserving and improving the **environment**, we continue to work closely with our clients and partners on industrial emissions and releases of all kinds, and their impacts in air, water, soil and tailings. From testing and analyses to monitoring and modelling to the development and demonstration of new technological solutions, we continue to help industry move beyond environmental compliance and into best practices. Over the past two years, we have substantially increased our capabilities in the area of hydrogen sulphide (H_2S) gas detection, measurement, and monitoring in order to assist industry and government in their efforts to deal with this highly toxic greenhouse gas (GHG). As governments seek to reduce GHG emissions, and particularly methane emissions, from the petroleum industry there is a need for technology developers and oilfield operators alike to access low-cost, low risk, pre-commercial field trial opportunities. This is needed, in order to demonstrate and commercialize advanced technologies that can be deployed to reduce the emissions. In response, this past year we developed and launched an SRC Centre for Demonstration of Emissions Reductions (CeDER), a unique facility that provides real-world testing, demonstration, and verification of emissions reductions technologies, with independent, third-party certification. The first field projects to engage CeDER in the acceleration of industry adoption of practical emissions reductions technologies are underway as this message was being written. We have also continued to work on environmental legacy issues as we advance the cleanup of 37 abandoned uranium mine and mill sites in northern Saskatchewan, including the large former Gunnar and Lorado sites.

As a Crown Corporation providing applied research, development, demonstration and technology commercialization services in the public interest, we are highly focused on producing not just outcomes like **Smart Science Solutions™** for our clients, but also positive economic, environmental and social impacts in Saskatchewan. Like many companies, our work has been strongly affected by the effects of several years of depressed mineral and oil prices. Despite this, our economic impact assessment process shows that we were still able to achieve exceptional impacts again this past year with over $404 million in direct economic benefit to the province. This means that for every public dollar invested in SRC, we generated an 18-times return in direct economic impacts. In addition, our work led to over $109 million worth of jobs created or maintained in the province, for an overall economic and jobs impact of over $513 million. This is the ninth year for which our economic and jobs impacts have exceeded the half billion-dollar level! Our benchmarking shows that this continues to be an unparalleled record in Canada, or indeed around the world.

We also continue to strive to enhance our strong economic impacts by providing **Responsible Science Solutions™** to help ensure a safe, secure and sustainable environment. Last year we undertook more than $43 million in projects aimed at creating positive socio-environmental impacts. Our work contributed to more than 21 kt/year of greenhouse gas emission reductions and energy savings of over 40 million kWh/year. This is the 14th year for which we have been assessing our impact contributions to Saskatchewan, and the cumulative total now comprises $7.6 billion in incremental economic activity (direct plus jobs).

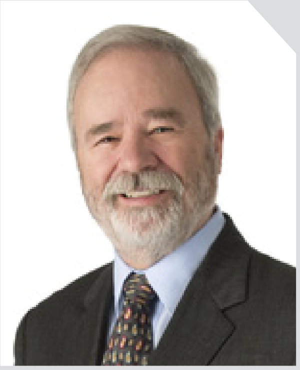
In terms of **corporate social responsibility** (CSR), essentially everything we do is aimed in one way or another at benefitting people and communities. Nevertheless, we continue to increase our distinctly CSR activities in which we try to "go the extra distance" from a community perspective, such as with our flagship Saskatchewan Food Bank initiatives. In the past year, we continued and expanded our **Aboriginal Mentorship Program** through which we connect Aboriginal post-secondary students in the science, technology, engineering and math disciplines with SRC mentors to help them progress through their post-secondary education with opportunities to learn and grow both personally and professionally. We also continued to increase our visibility and our transparency through public reporting mechanisms, including the Global Reporting Initiative, and we were very pleased to have been selected as a **Future 40** corporate leader by Corporate Knights for the fourth year in a row.

As we continue to move forward toward our **2020 Vision**, we are receiving increased visibility, profile, and recognition across Canada and internationally, and an increasing number of our business lines are becoming internationally recognized as the best in the world. The latest independent surveys (2014 and 2016) show that SRC has become established as one of Canada's top three Research and Technology Organizations (RTOs) and is recognized by most key clients and peers as one of North America's premium and most valued RTOs.

Dr. Laurier Schramm
President and CEO

Board of **Directors**

*As of June 1, 2017

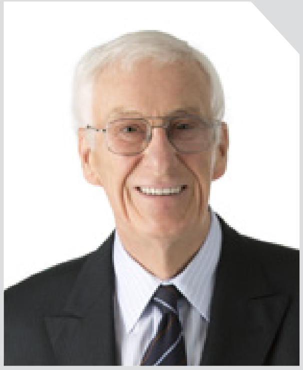


Dr. Dennis Fitzpatrick,
Board Chair

Dr. Janusz Kozinski,
Board Vice-Chair

Dr. Laurier Schramm,
President and CEO /
Board Secretary

Kelly Bode



John Cross

Nathan Rhodes

Executive **Team**

Dr. Laurier Schramm,
President and CEO

Toby Arnold,
VP, Organizational Effectiveness

Michael Crabtree,
VP, Energy

Ryan Hill,
VP, Finance

Dr. Joe Muldoon,
VP, Environment

Craig Murray,
VP, Mining and Minerals

Wanda Nyirfa,
VP, Business Ventures

Phillip Stephan,
VP, Strategic Initiatives

SRC Key Performance Indicators 2016–2017

2016-2017 FINAL RESULTS

GOAL 1: ECONOMIC IMPACT – *Grow our economy in a socially and environmentally responsible manner, through the responsible application of science and technology.*

OBJECTIVE: Achieve enhanced socio-economic impact targets, focused on Saskatchewan but also including rest-of-Canada and rest-of-world impacts.

KPI	TARGET	RESULT
1.1	Achieve economic impacts of $525 million in Saskatchewan.	**$513M**
1.2	Ensure at least 70% of SRC's projects are also focused on, or at least contain, a substantial component of achieving positive socio-environmental impacts (again measuring the actual breakdown by Saskatchewan, RoC and RoW).	**96% of significant projects**

GOAL 2: BEST EMPLOYER – *Become a 'best' employer with highly engaged employees.*

OBJECTIVE: Become a Great Place to Work®.

KPI	TARGET	RESULT
2.1	Gather new benchmark data for future measures.	**SRC reported an overall Trust Index survey score of 78%**
2.2	Complete safety and engagement action plans.	**Completed**
2.3	Safety – achieve a Lost Time Injury rate of <0.5 per 200,000 hours worked.	**LTI rate: 0**

GOAL 3: BEST RESEARCH AND TECHNOLOGY ORGANIZATION – *Become North America's premium "go-to" and "One-Stop-Shop" science-solutions company, with a strong international brand.*

OBJECTIVE: Achieve world-class corporate performance.

KPI	TARGET	RESULT
3.1	Client Feedback Survey – achieve a minimum of 98% satisfaction on the most important client satisfaction survey measures.	**99.3%**
3.2	Core competencies – build on client feedback survey and other anecdotal measures to benchmark indicators for future measures.	**Complete – new items added to survey**
3.3	Quality – achieve quality objectives in SRC's quality plan.	**95% complete**
3.4	Thought Leadership – build on SRC's Technical Excellence report and media monitoring to benchmark indicators for future measures.	**Complete – new reporting measures in place**

GOAL 4: FINANCIAL MANAGEMENT – *Provide a positive financial return, utilize Provincial Investment (PI) appropriately, and invest in our future.*

OBJECTIVE: Achieve an increase in overall average margin, and invest appropriately in people, programs and infrastructure.

KPI	TARGET	RESULT
4.1	Achieve an average margin of >10% on R&T Division operations and a positive overall net income.	**R&T Margin Actual – 8.3% SRC Net Income Actual – $439k**
4.2	Grow SRC's non-CLEANS revenue by >$1 million.	**Actual – ($2.5M)**
4.3	Invest >$6 million in training and development, capability-enhancing programs and capital investments.	**Actual – $5.7M**

GOAL 5: CORPORATE SOCIAL RESPONSIBILITY – *Conduct business in a socially and environmentally responsible manner.*

OBJECTIVE: Become more visibility active in demonstrating Corporate Social Responsibility (CSR).

KPI	TARGET	RESULT
5.1	Continue to evolve SRC's CSR programming to maintain G4 reporting level with the Global Reporting Initiative.	**Report submitted**
5.2	Contribute employee time and conduct a significant, proactive CSR initiative in the communities within which we live and work.	**240.5 hours 67 individuals**

Corporate **Governance**

Authority

The Saskatchewan Research Council (SRC) is a Saskatchewan Treasury Board Crown Corporation governed by *The Research Council Act*. Within this framework, the Board of Directors (Board) formulates policy and delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

Board Responsibilities

The Board ensures that the activities of the corporation are carried out under the terms of *The Research Council Act*. The Board oversees the stewardship of the corporation and has responsibility for strategic planning, risk oversight and monitoring of financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the corporation's business.

Board Composition and Compensation

The SRC Board is comprised of a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community. All but the President & CEO are independent of SRC management. Board members (except for members who are government employees) receive a retainer and an honorarium for meetings attended. The level of compensation is established by Treasury Board. Members are allowed travel and associated expenses at SRC-approved rates.

The Board and Management

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to management, holding management accountable for the corporation's performance, long-term viability and the achievement of its objectives.

Committees

The Board has established the following committees to address specific areas of Board responsibility:

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring, advising and making recommendations to the Board regarding all aspects of financial planning and the financial management of the corporation. The Audit and Finance Committee acts as the communication link between the Board and the Provincial Auditor.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for monitoring, advising and making recommendations to the Board regarding the governance strategy of the corporation, assessing and evaluating Board and CEO performance, administering the Board-CEO relationship and assessing and monitoring the risk framework.

Financials

Report of Management
Year Ended March 31, 2017

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council (the Council). They have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

Deloitte LLP has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and their report follows.

Laurie Schramm

Laurier Schramm
President and CEO

Ryan Hill

Ryan Hill, CPA, CA
Vice-President, Finance

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Canada

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INDEPENDENT AUDITOR'S REPORT

To The Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Saskatchewan Research Council, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Saskatchewan Research Council as at March 31, 2017, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants

May 24, 2017
Saskatoon, Saskatchewan

Statement 1

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31
(Thousands of dollars)

	2017	2016
ASSETS		
Current assets:		
Cash	$ 9,060	$ 10,182
Accounts receivable (Note 11)	4,511	6,325
Prepaid expenses	1,417	1,241
	14,988	17,748
Non-current assets:		
Accrued pension benefit asset (Note 4)	-	1
Restricted investment (Note 5)	1,006	900
Trust investment (Note 9)	4,683	4,298
Property, plant and equipment (Note 6)	31,581	33,187
	$ 52,258	$ 56,134
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 3,841	$ 4,518
Unearned revenue	2,296	4,384
Deferred revenue (Note 8)	653	750
Salaries, wages and vacation payable	1,788	2,542
	8,578	12,194
Non-current liabilities:		
Accrued pension benefit liability (Note 4)	2	-
Sick leave benefits payable	75	79
Decommissioning provision (Note 9)	7,338	7,381
Deferred revenue (Note 8)	2,438	3,092
	18,431	22,746
Equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	31,899	31,566
Retained earnings - appropriated	1,006	900
	33,827	33,388
	$ 52,258	$ 56,134

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31
(Thousands of dollars)

		2017		2016
Revenue:				
Contracts	$	46,363	$	46,926
Grants from General Revenue Fund		22,230		22,475
		68,593		69,401
Expenses:				
Salaries and benefits		31,367		29,097
Contract services		16,636		16,510
Accommodation charges		8,490		8,229
Supplies		5,866		7,024
Depreciation of property, plant and equipment (Note 6)		4,919		4,505
Travel, training and education		1,179		1,051
		68,457		66,416
Net income from operations		136		2,985
Other income:				
Interest revenue		197		290
Change in restricted investment (Note 5)		106		(13)
Defined benefit pension plan valuation adjustment		3		1
		306		278
Net income		442		3,263
Other comprehensive income:				
Defined benefit pension plan actuarial loss (Note 4)		(3)		(32)
Total comprehensive income	$	439	$	3,231

(See accompanying notes to the financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended March 31
(Thousands of dollars)

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, March 31, 2015	$ 28,322	$ 913	$ 922	$ 30,157
Net income	3,263	-	-	3,263
Other comprehensive income	(32)	-	-	(32)
Change in appropriated amount during year	13	(13)	-	-
Balance, March 31, 2016	31,566	900	922	33,388
Net income	442	-	-	442
Other comprehensive income	(3)	-	-	(3)
Change in appropriated amount during year (Note 5)	(106)	106	-	-
Balance, March 31, 2017	$ 31,899	$ 1,006	$ 922	$ 33,827

(See accompanying notes to the financial statements)

Statement 4

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31
(Thousands of dollars)

		2017		2016
Cash flows from operating activities:				
Cash receipts from contracts	$	46,092	$	46,282
Cash receipts from General Revenue Fund		22,230		22,475
Cash paid to suppliers and employees		(64,976)		(62,108)
Interest received		197		259
Cash flows from operating activities		3,543		6,908
Cash flows used in investing:				
Purchase of trust investment		(371)		(371)
Purchase of property, plant and equipment		(4,294)		(11,290)
Cash flows used in investing activities		(4,665)		(11,661)
Net decrease in cash		(1,122)		(4,753)
Cash, beginning of year		10,182		14,935
Cash, end of year	$	9,060	$	10,182

(See accompanying notes to the financial statements)

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a corporate body which receives monies appropriated by the Legislature for these purposes and is owned by the Government of the Province of Saskatchewan (the Province). It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council has also been contracted by the Province to manage the remediation of northern abandoned mine sites. The Council's financial results are included in the summary financial statements of the Province. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

The Council's head office is located at 125 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Presentation

a) Statement of Compliance

The Council's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized and issued by the Board of Directors of the Council on May 9, 2017.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are accounted for according to the accounting policy in note 3b) and the decommissioning provision as described in Note 9.

c) Functional and Presentation Currency

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

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Basis of Presentation *(continued)*

d) Estimates and Judgments (continued)

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the determination of cash-generating units.

Key estimates within the financial statements include estimates related to accounts receivable, accrued pension benefit assets, property, plant and equipment, decommissioning provision and percentage-of-completion.

Accounts receivable

Determining when there is reasonable expectation that the Council will not be able to collect accounts requires judgement.

Accrued pension benefit asset

The cost of the defined benefit pension plan as well as the present value of the pension obligations is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, mortality rates and future pension increases. All assumptions are reviewed at the end of each fiscal year. Any changes in these assumptions will impact the carrying amount of pension obligations.

Property, plant and equipment

The Council assesses its assets and depreciable lives at the end of each fiscal year. When it is determined that assigned asset lives do not reflect the expected remaining period of benefit, prospective changes are made to the depreciable lives. These changes can result in changes to depreciation expense in future periods.

When an item of property, plant and equipment comprises individual components for which different depreciation rates are appropriate, judgement is used in determining the appropriate level of componentization.

Decommissioning provision

The Council has recorded a provision relating to the decommissioning of the SLOWPOKE reactor. This provision will not be settled for a number of years which requires estimates to be made over a long period of time. Regulations and interpretations by regulatory authorities could change or circumstances affecting the Council's operations could change which may result in changes to its current plans. The recorded provision is based on the best estimate of cost required to settle the obligation, taking in to account the nature, extent and timing of current and proposed decommissioning costs and regulations.

2. Basis of Presentation *(continued)*

d) Estimates and Judgments (continued)

Percentage-of-completion

The determination of the costs incurred to date as a proportion of the total costs of a project is a matter of management judgement. Management reviews the estimated costs to complete, percentage-of-completion estimates and revenues and margins recognized, on a contract-by-contract basis.

e) Future Changes in Accounting Policy

The Council has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2017 or later periods. These include:

- IFRS 9 Financial Instruments (2014) – effective January 1, 2018
- IFRS 15 Revenue from Contracts with Customers – effective January 1, 2018
- IFRS 16 Leases – effective January 1, 2019

IFRS 9 Financial Instruments (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Council is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. In July 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Council intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning April 1, 2018. The Council is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

2. Basis of Presentation *(continued)*

e) Future Changes in Accounting Policy (continued)

IFRS 16 Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that apply IFRS 15. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to the current finance lease accounting. The Council is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. Summary of Accounting Policies

a) Consolidation Principles

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. TecMark holds certain patents and other non-tangible assets of the Council. There are no other financial transactions flowing through this subsidiary. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets. The book value of these patents is $nil.

b) Financial Instruments

The Council does not have any derivative financial instruments.

Non-derivative financial assets:

The Council has the following non-derivative financial assets:

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Council’s documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Council’s financial assets consist of the restricted investment.

3. Summary of Accounting Policies (*continued)*

b) Financial Instruments (*continued*)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, accounts receivable from related and non-related parties and the trust investment.

Non-derivative financial liabilities:

The Council's non-derivative financial liabilities include accounts payable, unearned revenue, salaries, wages and vacation payable and sick leave benefits payable.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each fiscal period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Summary of Accounting Policies (*continued)*

c) Revenue Recognition

Revenue from contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses. The percentage of completion is calculated based on the terms of the individual contracts (based on completion of individual stages and/or costs incurred relative to the total contract price). Profit is recognized over the life of the contract, at the expected margin. Losses from cost overruns are recognized in the year they occur.

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable.

Capital grant revenues for the Capital Enhancements, Wheat DNA Project, Microanalysis Centre, Pipe Flow Expansion and Mineral Processing Plant are recorded as deferred revenue and are recognized as a reduction of depreciation expense at the same rate as the related assets are put in use and depreciated.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Donation revenue is recognized upon receipt based on the value of the assets received.

d) Property, Plant and Equipment

Property, plant and equipment (PP&E) is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for its intended use. Self-constructed assets are recorded at cost, including labour and materials.

Depreciation of PP&E is provided over the estimated useful lives of the assets on the following basis:

Straight-line method	
Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Leasehold Improvements	2 -12 years
SLOWPOKE Reactor	Straight line over the life of asset

Assets under construction are recorded as in progress until they are operational and available for use, at which time deprecation commences.

3. Summary of Accounting Policies (*continued)*

d) Property, Plant and Equipment *(continued)*

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

e) Impairment

The carrying amounts of the Council's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

The recoverable amount of a cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Council assesses the CGU at the lowest level of revenue attributable to assets and has assessed the Council as a single CGU.

An impairment loss is recognized if the carrying amount of the Council's CGU exceeds its estimated recoverable amount. Impairment losses are recognized as a charge against net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGU carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognized.

f) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

3. Summary of Accounting Policies (*continued)*

f) Restricted Investment *(continued)*

This investment has been classified as FVTPL and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income. Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at year-end is shown as a change in restricted investment on the consolidated statement of comprehensive income.

g) Trust Investment

The trust investment is comprised of GICs held by a trust company. This investment has been classified as a loan and receivable and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income.

h) Accrued Pension Benefit Asset

The Council maintains a pension plan for its employees. The Board of Directors for the Council is responsible for the plan and approves the pension plan financial statements. The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act, 1992* (Act). Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes did not affect employees who retired before this date. They continue to receive benefits as granted.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income. The valuation adjustment includes the expected return on plan assets netted against the interest arising on the pension liability and is included in other income.

i) Decommissioning Provision

The fair value of legal obligations to retire long-lived assets is recorded as a decommissioning provision with a corresponding increase in the carrying amount of the related assets. The recorded decommissioning provision increases over time through interest expense charges to earnings. The capitalized assets are depreciated to income consistent with the depreciation of the related assets.

j) Capital Grants

Capital grants related to depreciable property are recorded as deferred revenue as received. Each year the Council recognizes a portion of the capital grants as a reduction of depreciation expense at the same rate as depreciation recognized on the assets acquired with the grant funds.

4. Accrued Pension Benefit Asset

Defined Contribution

The defined contribution pension plan assets had a market value of $18,734,000 (2015 - $16,894,000) at December 31, 2016. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year ended March 31, 2017 was $1,309,000 (2016 - $1,206,000).

The assets consist of units in multiple funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

Defined Benefit

The Pension Benefits Act, 1992 (Act), requires the pension plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The latest actuarial valuation of the defined benefit pension plan was performed as at December 31, 2016 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2017 by Mercer. A discount rate of 2.80% (2016 – 3.00%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

This plan is low risk to the Council. It is a closed plan and fully funded. At December 31, 2016 there were 12 members with an average age of 87. Separate audited financial statements for the pension plan are prepared.

The assets of the defined benefit plan consist of units in two balanced funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

The funding position outlines whether the pension plan has sufficient assets to pay the benefits agreed to under the plan. The solvency position outlines if the pension plan has sufficient assets to windup the plan at the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The actuarial valuation for funding and solvency purposes prepared by Mercer as at December 31, 2015 was filed with the Superintendent. The 2016 valuation disclosed a solvency deficit of $26,000 (2015 - $19,000 deficit) and a funding surplus of $26,000 (2015 - $64,000 surplus).

A 1% increase in the interest rate assumption would result in a $41,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $44,000 increase to the pension liability.

4. Accrued Pension Benefit Asset *(continued)*

Defined Benefit *(continued)*

The financial position of the defined benefit pension plan is as follows:

	2017 (000's)	2016 (000's)	2015 (000's)	2014 (000's)
Defined benefit asset expected market value, April 1	$ 1,017	$ 1,249	$ 1,282	$ 1,252
Expected return on plan assets	28	31	42	37
Benefits paid	(179)	(182)	(189)	(191)
Experience gain/(loss)	111	(81)	114	184
Asset at market value, March 31	977	1,017	1,249	1,282
Defined benefit obligation at April 1	1,016	1,217	1,235	1,269
Interest on accrued benefits and benefit payments	28	30	40	37
Benefits paid	(179)	(182)	(189)	(191)
Experience losses/(gains)	106	(35)	73	51
Pension increase	-	-	12	10
Assumption changes	8	(14)	46	59
Obligation, extrapolated to March 31	979	1,016	1,217	1,235
Accrued pension (liability)/ asset, March 31	$ (2)	$ 1	$ 32	$ 47

Upon termination of the defined benefit portion of the pension plan, any balance remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act* (Canada) and the regulations thereunder.

The defined benefit pension plan net loss of $3,000 (2016 - $32,000 net loss) is presented in other comprehensive income. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

5. Restricted Investment

Restricted investment represents the Technology-in-Action Fund (Fund), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

5. Restricted Investment *(continued)*

The Council received a binding ruling from the Canada Revenue Agency that accepted this gift as a "Gift to the Crown".

The Council maintains a separate account for the capital contributions and all investment income earned.

The balance of the Fund at March 31 is as follows:

	2017 (000's)	Change (000's)	2016 (000's)
Capital contributions	$ 504	$ -	$ 504
Accumulated investment earnings	738	106	632
Accumulated technology grants, fund expenses	(236)	-	(236)
Total	$ 1,006	$ 106	$ 900

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund investments. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year-over-year change in the market value of the assets.

6. Property, Plant and Equipment

(000's)	Building	Leasehold Improvements	Computer Equipment	Equipment	Automotive	SLOWPOKE	Construction in Progress	Total
Cost								
Balance, March 31, 2015	$ 675	15,726	2,937	43,442	464	4,885	3,763	**71,892**
Additions	-	4,861	238	6,917	185	-	-	**12,201**
Disposals/transfers	-	(32)	(295)	(2,577)	(11)	(33)	(911)	**(3,859)**
Balance, March 31, 2016	675	20,555	2,880	47,782	638	4,852	2,852	**80,234**
Additions	-	182	56	5,073	56	-	-	**5,367**
Disposals/transfers	-	(85)	(52)	(4,851)	(4)	(181)	(1,073)	**(6,246)**
Balance, March 31, 2017	**675**	**20,652**	**2,884**	**48,004**	**690**	**4,671**	**1,779**	**79,355**
Accumulated Depreciation								
Balance, March 31, 2015	620	10,727	2,098	28,986	409	1,676	-	**44,516**
Current year depreciation	3	1,119	321	3,504	37	323	-	**5,307**
Disposals	-	(31)	(290)	(2,444)	(11)	-	-	**(2,776)**
Balance, March 31, 2016	623	11,815	2,129	30,046	435	1,999	-	**47,047**
Current year depreciation	4	1,227	321	3,607	55	316	-	**5,530**
Disposals	-	(40)	(52)	(4,708)	(3)	-	-	**(4,803)**
Balance, March 31, 2017	**627**	**13,002**	**2,398**	**28,945**	**487**	**2,315**	**-**	**47,774**
Net Book Value								
March 31, 2017	**$ 48**	**$ 7,650**	**$ 486**	**$ 19,059**	**$ 203**	**$ 2,356**	**$ 1,779**	**$ 31,581**
March 31, 2016	**$ 52**	**$ 8,740**	**$ 751**	**$ 17,736**	**$ 203**	**$ 2,853**	**$ 2,852**	**$ 33,187**

7. Line of Credit

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed $5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at ScotiaBank prime rate.

As at March 31, 2017, the Council was not utilizing this line of credit.

8. Deferred Revenue

The Council received funding for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized at the same rate as the depreciation of the related assets.

a) Capital Enhancements

The Council received specific funding from the Province to replace aging equipment and acquire enhanced equipment. All purchases were fully funded. The revenue related to this funding was fully recognized as at March 31, 2016.

b) Wheat DNA Project

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada. Funding was also received from Agriculture and Agri-Food Canada.

c) Microanalysis Centre

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Microanalysis Centre.

d) Pipe Flow Expansion

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Pipe Flow Expansion.

e) Mineral Processing Pilot Plant

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Mineral Processing Pilot Plant.

8. Deferred Revenue *(continued)*

Deferred revenue consists of:

		2017 (000's)		2016 (000's)
Current Portion				
Microanalysis Centre	$	265	$	265
Pipe Flow Expansion		159		159
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		102		68
Capital Enhancements		-		131
		653		750
Long Term Portion				
Pipe Flow Expansion		827		987
Mineral Processing Pilot Plant		757		884
Microanalysis Centre		684		950
Wheat DNA Project		170		271
		2,438		3,092
Total Deferred Revenue	$	3,091	$	3,842

During the year, the Council recognized the following amounts as revenue based on the current year's depreciation expense of the related property, plant and equipment.

		2017 (000's)		2016 (000's)
Microanalysis Centre	$	266	$	265
Pipe Flow Expansion		159		159
Capital Enhancements		131		298
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		68		85
Total Capital Grants	$	751	$	934

9. Trust Investment and Decommissioning Provision (Provision)

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

The determination of the provision is based on the current estimated costs of decommissioning. The eventual decommissioning is estimated to occur in 2025 and require eighteen months to complete. The total undiscounted provision for the planned decommissioning at 2025 is $8,713,000 (2016 - $8,713,000) calculated by utilizing current information regarding decommissioning costs, a 20% contingency and an inflationary factor of 3% (2016 - 3%). The provision at year-end is $7,338,000 (2016 - $7,381,000). The Council decreased the provision by $180,000 (2016 - $33,000 decrease) and recognized interest expense of $137,000 (2016 - $132,000) during the year. The discount rate adjusted for current market assessments of the time value of money and the risks specific to the provision was reassessed to 2.17% (2016 – 1.86%).

At March 31, 2017, the Council has invested $4,683,000 (2016 - $4,298,000) in a legal trust for the purpose of settling the provision. This trust agreement is a condition of the operating license issued to the Council by CNSC. The terms of the trust agreement require the trust be invested in GICs and require the Council to contribute to the trust account each year. An initial investment of $500,000 was made in 2004. Investments of $260,000 were made in fiscal years 2006 to 2010. The trust agreement expired in 2010 and as such no contributions were made in 2011 or 2012. The Council completed a new trust agreement during the fiscal year ended March 31, 2013 and provided contributions for fiscal years 2011, 2012 and 2013 totaling $1,033,000. Investments of $371,000 were made in fiscal years 2014, 2015, 2016 and 2017. The funds cannot be used for any purpose without prior approval of CNSC. The Council will work with CNSC to ensure that the new trust adequately reflects the requirements of the plan.

10. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control or significant influence by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Council 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 and other government-related entities.

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

During the year, the Council paid $6,811,000 (2016 - $6,344,000) to the Ministry of Central Services, Saskatchewan Opportunities Corporation (SOCO) and University of Saskatchewan for accommodation charges on buildings.

10. Related Party Transactions *(continued)*

At year-end, the Council has lease commitments with SOCO requiring minimum lease payments of:

2018	$4,475,000
2019	4,475,000
2020	3,827,000
2021	516,000
2022	620,000
Greater than 5 years	610,000

In 2017, the Council purchased supplies and services for $895,000 (2016 - $1,685,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $17,791,000 (2016 - $15,570,000) with related parties.

The Council received $22,230,000 (2016 - $22,475,000) in funding from the General Revenue Fund.

As at March 31, the Council had $240,000 (2016 - $470,000) in related party accounts receivable.

The Council has $1,815,000 (2016 - $2,307,000) of deferred revenue from related parties as at March 31, 2017. Of the $1,815,000, $nil (2016 - $130,000) is related to the Capital Enhancements funding, $126,000 (2016 - $169,000) is related to the Wheat DNA Project funding, $475,000 (2016 - $608,000) is related to the Microanalysis Centre funding, $692,000 (2016 - $803,000) is related to the Pipe Flow Expansion funding and $522,000 (2016 - $597,000) is related to the Mineral Processing Pilot Plant funding.

The Council has $1,358,000 (2016 - $2,059,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31, 2017.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Key management personnel includes the President and Vice-Presidents of the Council. The compensation paid to key management for employee services is shown below:

	2017 (000's)	2016 (000's)
Salaries and benefits	$ 3,252	$ 2,621

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

11. Financial Instruments

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

The Council's credit risk is limited to its accounts receivable and cash balances.

Until the Council's surplus cash is required to fund operations, it is invested in a variety of highly rated, risk-free instruments.

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients who have a strong payment history. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or insurance for receivables due from customers with a high level of credit risk.

At March 31, 2017, the Council had an allowance for doubtful accounts of $717,000 (2016 - $991,000).

The following reflects an aging summary of the Council's accounts receivable:

	2017 (000's)	2016 (000's)
Current	$ 3,975	$ 5,340
31 - 60 days	181	652
61- 90 days	204	58
Over 90 days	868	1,266
	5,228	7,316
Allowance	(717)	(991)
	$ 4,511	$ 6,325

The following reflects a reconciliation of the Council's allowance for doubtful accounts:

	2017 (000's)	2016 (000's)
Balance, beginning of year	$ 991	$ 931
Additions charged to operations	72	124
Write-offs net of recoveries	(346)	(64)
Balance, end of year	$ 717	$ 991

Liquidity Risk:

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

11. Financial Instruments *(continued)*

The following table summarizes the contractual maturity of the Council's financial liabilities at March 31.

2017	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
Accounts payable	$ 3,841	$ 3,841	$ -
Salaries, wages and vacation payable	1,788	1,615	173
	$ 5,629	$ 5,456	$ 173

2016	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	$ 4,518	$ 4,518	$ -
Salaries, wages and vacation payable	2,542	2,366	176
	$ 7,060	$ 6,884	$ 176

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and the Trust Investment. The Council manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

A 1% change in the interest rate of the Trust Investment would result in a $47,000 change in interest revenue.

Equity Price Risk:

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% change in the market value of the Restricted Investment would result in a $100,000 change in the return from the Restricted Investment.

11. Financial Instruments *(continued)*

Foreign Exchange Risk:

Foreign exchange risk is the risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Council.

The Council is exposed to foreign exchange risk primarily relating to United States operating and capital expenditures. The company has no significant foreign currency exposure related to cash and receivables at March 31, 2017. The Council does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

Fair Values:

The fair values of the cash, accounts receivable, accounts payable, unearned revenue, salaries, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3f). Due to the short-term nature of the type of investment held in the Trust Investment, the cost plus accrued interest is considered to be equal to market value.

11. Financial Instruments *(continued)*

The following table summarizes the classification, measurement category, carrying amount, and fair value of the Council's financial instruments.

			2017 (000's)		2016 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash	L&R	1	$ 9,060	$ 9,060	$ 10,182	$ 10,182
Accounts receivable	L&R	N/A	4,511	4,511	6,325	6,325
Restricted investment	FVTPL	1	1,006	1,006	900	900
Trust investment	L&R	1	4,683	4,683	4,298	4,298
Financial Liabilities						
Accounts payable	OFL	N/A	3,841	3,841	4,518	4,518
Unearned revenue	OFL	N/A	2,296	2,296	4,384	4,384
Salaries, wages and vacation payable	OFL	N/A	1,788	1,788	2,542	2,542
Sick leave benefits payable	OFL	N/A	75	75	79	79

[1] Classification and Level
FVTPL – Fair value through profit and loss
L&R – Loans and receivables
OFL – Other financial liabilities

Investments measured at fair value are categorized into a hierarchy level, which is described below. This level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – Quoted prices in active markets for identical assets.

12. Commitments

At year-end, the Council has lease commitments with non-related parties requiring minimum lease payments of:

2018	568,000
2019	424,000
2020	276,000
2021	158,000
2022	20,000
Greater than 5 years	1,000

13. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with *The Financial Administration Act, 1993*.

The Council is not subject to prescribed capital requirements or external restrictions.

14. Funds Held in Trust

At March 31, 2017, the Council holds $17,800 (2016 - $20,000) for the Ministries of Environment and Parks, Culture & Sport. These funds are held in trust for the purpose of forest land management carried out by the Council. This amount is not reflected in these financial statements.

15. Remediation Projects

The Council has been contracted by the Ministry of the Economy to manage the remediation of several northern abandoned mine sites. The project's life-to-date contract revenue, expenses and loss is as follows:

	2017 (000's)	2016 (000's)
Contract revenue	$ 107,699	$ 91,828
Expenses	108,266	91,938
(Loss)	$ (567)	$ (110)

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