SASKATCHEWAN RESEARCH COUNCIL

Annual Report

2018-2019

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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**

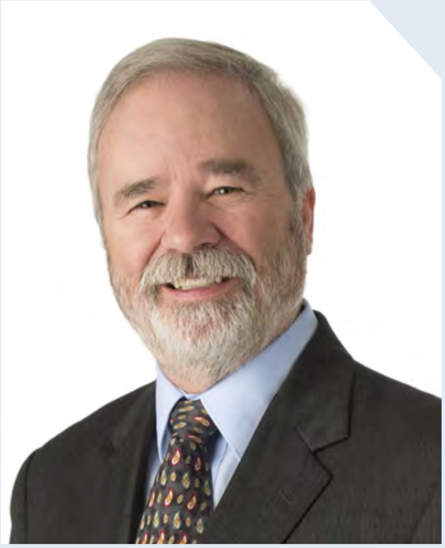
Office of the Lieutenant Governor of Saskatchewan:

The undersigned is pleased to present the Saskatchewan Research Council Annual Report for the period ending in March 31, 2019.

Respectfully submitted,

Honourable Jeremy Harrison
Minister Responsible for Saskatchewan Research Council

Message from the **Board Chair**



As Chair of the Saskatchewan Research Council's (SRC) Board of Directors, it is a pleasure to introduce the 72nd Annual Report highlighting another exceptional year of applied research, development and service to Saskatchewan.

SRC has helped raise the province's profile in terms of innovation and applied research. In fact, during a time when research and technology organizations (RTO) are struggling across Canada, Saskatchewan's RTO, SRC, has garnered positioning second only to the National Research Council. This is not only an achievement for SRC, but for Saskatchewan as a whole. How does SRC do this? Its culture of service. One that never shirks a challenge but relies on prairie-borne resourcefulness to adapt to rapidly changing needs of industry while keeping an eye on the province's basic needs. It is this approach that enables SRC to achieve outstanding economic and socio-environmental impacts for the province.

In addition to the significant contributions SRC made to the Saskatchewan economy this past year, the 2018-19 fiscal year saw another substantial change. In March, Dr. Laurier Schramm stepped down from the role of President and CEO after more than 17 years of service. His contributions have been instrumental to SRC's exponential growth and will remain a legacy in the organization's history. In Dr. Schramm's own words, "the timing is right as the future of SRC looks very bright."

After an extensive search, the Board welcomes Mike Crabtree as SRC's new President and CEO. Mike is no stranger to SRC. He joined the company in 2013 as Vice-President of Energy, working to advance technology research and development for the oil and gas industry in Saskatchewan, Canada and worldwide. He has 35 years of research and development experience spanning a range of industrial sectors, and has held numerous senior positions in corporate, government and international organizations throughout his career. Mike also has proven international experience in converting research and development into commercial technology. He is also known for driving business growth for both global leaders and start-ups in the oil and gas, renewable energy and environmental sectors. With this global experience we are truly lucky he has chosen to make Saskatchewan his home.

We proudly welcome Mike Crabtree to his new role and look forward to the fresh perspective and vigor he brings as he leads SRC into a new era.

Dr. Dennis Fitzpatrick
Board Chair

Message from the **President and CEO**

It is an honour to present our Annual Report for the first time as newly appointed President and CEO of the Saskatchewan Research Council (SRC). I have worked with SRC since 2013 and have had the opportunity to witness first-hand the work ethic, professionalism and dedication of fellow colleagues and employees. It is these qualities that will enable us to tackle new challenges going into the future.

Safety has long been established as an over-riding priority at SRC. We continuously work to nurture a strong safety culture. Over the past year we have aimed to target high-probability causes of injury incidents while continuously improving our occupational health and safety management system. We have received a Mission:Zero Award from Safe Saskatchewan for demonstrating sustained improvement in our employees' injury rate over time.

It is not enough to have a work environment that is safe, we want to build an organization that builds a culture where people are happy, fulfilled and motivated. This is key as we foster a creative and entrepreneurial culture where we can meet the changing needs of clients in a wide variety of industries here at home and around the world. We help clients with solutions that reduce their operating costs, increase efficiencies and meet regulatory requirements. All this leads to achieved economic impacts of more than $494 million, with more than 1,148 jobs created or maintained.

Beyond economic impacts, SRC's work also focuses on socio-environmental benefits. Based on our analysis at least $48 million of our work was directed towards this. Our Aboriginal Mentorship Program, now in its fifth year, connects First Nations, Inuit and Métis post-secondary students in science, technology, engineering and math disciplines with SRC mentors to gain hands-on work experience and professional growth. SRC also helps clients and stakeholders to move beyond environmental compliance into best practices in areas such as emissions reduction and energy savings. Last year, our work resulted in greenhouse gas reductions of more than 22 kilotonnes per year and energy savings equivalent to more than 40 million kilowatt-hours. As carbon dioxide and methane capture and conversion become increasingly important, ongoing initiatives, such as SRC's Centre for Demonstration of Emissions Reductions, will be instrumental to making advanced, low-cost, low-risk technologies for reducing emissions accessible to governments and petroleum industry operators. Our Project CLEANS, the cleanup of 37 abandoned uranium mine and mill sites in northern Saskatchewan, including the former Gunnar and Lorado sites, continues to advance with significant work being done to remediate the waste rock and tailings areas.

We are exploring research collaborations in the area of strategic metals and mineral resources that are essential to the economy, economic development and modern life. Demand is increasing, supply is limited and prices are high for both lithium and rare earth elements (REE). Saskatchewan has billions of dollars of lithium and REE mineral extracted as part of oil and uranium production but it is discarded due to lack of commercial technology required for separation and processing. We are working to find ways to bolster Saskatchewan's economy in anticipation of widespread changes affecting our natural resource industries.

The addition of an industrial computed tomography (CT) scanner makes us the first dedicated petroleum research and development laboratory in Canada to generate data to better understand the characteristics of light oil reservoirs by looking at detailed features of core samples. The scanner is four to five times more powerful than a hospital CT scanner and allows our research teams to examine small details finer than the width of a human hair.

As southern Saskatchewan becomes more arid, there will be an increasing need for innovation in the agricultural sector in the form of drought resilience and irrigation. The work SRC does in water management and climate science will become increasingly important to both industry and the public.

Planning for a renewable energy economy will mean working closely with operators in the existing energy sector to build greater efficiencies in production, distribution and conservation of both renewable and non-renewable energy. An example of our work in this area was the unveiling of the first utility-scale hybrid solar and wind power site in Saskatchewan, and the first known wind-solar battery project in Canada, at the Cowessess First Nation. SRC has been supporting Cowessess on this project since 2006. Following the installation of over one thousand solar panels, the facility is now capable of producing and storing enough reliable energy to supply power to 344 homes.

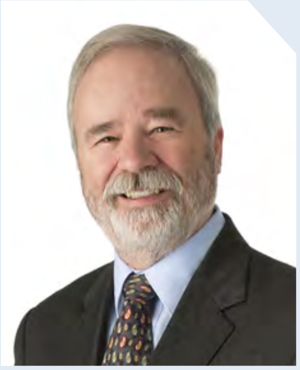
As we develop our 2030 Strategic Plan, we look to the future with excitement. There are many opportunities to create impacts in our province in a number of areas: water management, green mining and new minerals, extending the growing season, the capture and conversion of carbon dioxide and methane, emerging industries such as artificial intelligence and finally the transition to a renewable energy mix.

SRC is well-positioned to ensure Saskatchewan remains competitive and sustainable for generations to come.

In close, I would like to extend my deepest appreciation to my predecessor, Dr. Laurier Schramm for his leadership over the last 17 years. I accept the torch with honour and look forward to working with our esteemed Board of Directors and leading SRC into the future.

Mike Crabtree
President and CEO

Board of **Directors**

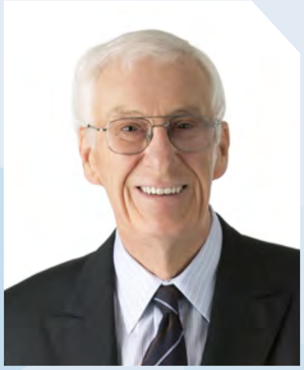


Dr. Dennis Fitzpatrick
Board Chair

Dr. Janusz A. Kozinski
Acting Board Vice-Chair

Mike Crabtree
Board Secretary

Kelly Bode



John Cross

Nathan Rhodes

Executive **Team**

Mike Crabtree
President and CEO

Toby Arnold
VP, Organizational Effectiveness

Ryan Hill
VP, Finance

Dr. Joe Muldoon
VP, Environment

Craig Murray
VP, Mining and Energy

Wanda Nyirfa
VP, Communications, Growth Services and Risk

Performance **Highlights**

AWARDS & RECOGNITION

MISSION: ZERO

2019 SASKATCHEWAN'S TOP EMPLOYERS

CANADA'S TOP EMPLOYERS FOR YOUNG PEOPLE 2019

Great Place To Work. Certified

Inclusion Great Place To Work. 2018 Best Workplaces CANADA

Great Place To Work. Best Workplaces 100-999 Employees CANADA 2019

OVERVIEW

$70 MILLION IN ANNUAL REVENUE

ONE OF CANADA'S LEADING RESEARCH & TECHNOLOGY ORGANIZATIONS

1,400 CLIENTS IN 23 COUNTRIES

OVER 340 EMPLOYEES

72 YRS OF RD&D EXPERIENCE

ECONOMIC PERFORMANCE

$9 BILLION IN IMPACTS SINCE 2003

TOTAL IMPACTS ON PROVINCIAL ECONOMY: $573 MILLION

$489 MILLION IN DIRECT ECONOMIC BENEFITS

$84 MILLION VALUE OF JOBS CREATED/MAINTAINED

24-TIMES RETURN ON PROVINCIAL INVESTMENT

ENVIRONMENTAL PERFORMANCE

HELPED REDUCE CLIENTS' EMISSIONS BY MORE THAN 22 kt

81% OF PROJECT EXPENSES WERE AIMED AT CREATING POSITIVE SOCIO-ENVIRONMENTAL IMPACTS

HELPED SAVE CLIENTS MORE THAN 40 MILLION kWh IN ENERGY

SOCIAL PERFORMANCE

MORE THAN 7,700 HOURS OF SKILLS AND SAFETY TRAINING

LOST-TIME INJURY RATE OF 0.37 PER 200,000 HOURS WORKED

SRC EMPLOYEES SUPPORTED 12 COMMUNITY GROUPS

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 Auditors.

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.

Consolidated Financial Statements

Report of Management
Year Ended March 31, 2019

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.

Michael Crabtree
President and CEO

Ryan Hill, CPA, CA
Vice-President, Finance

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Independent Auditor's Report

To The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of Saskatchewan Research Council and its subsidiaries (the "Council"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
May 14, 2019
Saskatoon, Saskatchewan

Saskatchewan Research Council

Consolidated Statement of Financial Position

As at March 31

(Thousands of dollars)

Statement 1

		2019		2018
ASSETS				
Current assets:				
Cash	$	19,879	$	10,181
Accounts receivable (Note 11)		6,430		6,786
Trust investment (Note 9)		5,469		-
Prepaid expenses		2,059		1,540
		33,837		18,507
Non-current assets:				
Accrued pension benefit asset (Note 4)		319		363
Restricted investment (Note 5)		1,127		1,064
Trust investment (Note 9)		-		5,043
Property, plant and equipment (Note 6)		46,501		29,295
	$	81,784	$	54,272
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$	5,957		4,478
Unearned revenue		16,626		4,564
Deferred revenue (Note 8)		551		645
Salaries, wages and vacations payable		2,740		1,147
Current portion of finance lease obligation (Note 10)		1,376		-
Decommissioning provision (Note 9)		2,934		-
		30,184		10,834
Non-current liabilities:				
Finance lease obligation (Note 10)		18,565		-
Sick leave benefits payable		62		67
Decommissioning provision (Note 9)		-		6,223
Deferred revenue (Note 8)		1,166		1,810
		49,977		18,934
Commitments (Note 10 and 12)				
Equity (Statement 3):				
Contributed surplus		922		922
Retained earnings - unappropriated		29,758		33,352
Retained earnings - appropriated		1,127		1,064
		31,807		35,338
	$	81,784	$	54,272

(See accompanying notes to the financial statements)

Saskatchewan Research Council

Consolidated Statement of Comprehensive Loss

For the year ended March 31

(Thousands of dollars)

Statement 2

	2019	2018
Revenue:		
Contracts	$ 51,029	$ 53,890
Transfer from General Revenue Fund	20,376	21,118
	71,405	75,008
Expenses:		
Salaries and benefits	29,268	29,303
Services	21,844	23,131
Accomodation charges	11,259	9,013
Supplies	5,866	6,040
Depreciation of property, plant and equipment (Note 6)	5,763	5,337
Travel, training and education	1,484	1,391
	75,484	74,215
Net (loss) income from operations	(4,079)	793
Other income:		
Interest revenue	529	295
Change in restricted investment (Note 5)	63	58
	592	353
Net (loss) income	(3,487)	1,146
Other comprehensive income:		
Defined benefit pension plan actuarial (loss) gain (Note 4)	(44)	365
Total comprehensive (loss) income	$ (3,531)	$ 1,511

(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)

Statement 3

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, March 31, 2017	$ 31,899	$ 1,006	$ 922	$ 33,827
Net income	1,146	-	-	1,146
Other comprehensive income	365	-	-	365
Change in appropriated amount during year	(58)	58	-	-
Balance, March 31, 2018	33,352	1,064	922	35,338
Net loss	(3,487)	-	-	(3,487)
Other comprehensive loss	(44)	-	-	(44)
Change in appropriated amount during year	(63)	63	-	-
Balance, March 31, 2019	$ 29,758	$ 1,127	$ 922	$ 31,807

(See accompanying notes to the financial statements)

Saskatchewan Research Council

Consolidated Statement of Cash Flows

For the period ended March 31, 2018

(Thousands of dollars)

Statement 4

	2019	2018
Cash flows from (used in) operating activities:		
Cash receipts from contracts	$ 63,724	$ 53,996
Cash receipts from General Revenue Fund	20,376	21,118
Cash paid to suppliers and employees	(46,616)	(69,084)
Interest received	529	295
Cash flows from operating activities	38,013	6,325
Cash flows used in investing:		
Purchase of trust investments	(426)	(360)
Decommissioning of SLOWPOKE	(2,675)	-
Interest portion of finance lease obligations	(331)	-
Purchase of property, plant and equipment, net of disposals	(23,838)	(4,844)
Cash flows used in investing activities	(27,270)	(5,204)
Cash flows used in financing:		
Principal repayment of finance lease obligations	(1,045)	-
	(1,045)	-
Net increase in cash and cash equivalents	9,698	1,121
Cash, beginning of period	10,181	9,060
Cash, end of period	$ 19,879	$ 10,181

(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 14, 2019.

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 contract revenue recognition.

Accounts receivable

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

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, judgment 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. 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)

Contract revenue recognition

The determination of performance obligations being met on a project is a matter of management judgment. Management reviews performance obligations on a contract-by-contract basis to determine the appropriate amount of revenue to recognize during the period.

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, 2019 or later periods. These include:

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.

f) New Standards and Amendments to New Standards

The Council applied IFRS 9 and IFRS 15 for the first time from April 1, 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.There were no material impacts on the comparative balances.

2. Basis of Presentation *(continued)*

f) New Standards and Amendments to New Standards (continued)

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Council adopted IFRS 15 using the full retrospective method of adoption. The requirements of IFRS 15 had no impact on the Council and therefore no adjustments to the opening balance of retained earnings.

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.

<u>Non-derivative financial assets</u>:

The Council has the following non-derivative financial assets:

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

3. Summary of Accounting Policies (*continued)*

b) Financial Instruments (continued)

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.

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

3. Summary of Accounting Policies (*continued)*

b) Financial Instruments (continued)

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.

c) Revenue Recognition

The Council recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Council is entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

Customer contracts may include the transfer of multiple goods and services. Where the Council determines that the multiple goods and services are not distinct performance obligations, they are treated as a single performance obligation.

Contract costs for obtaining a customer contract are recognized as expenses as incurred unless they create an asset related to future contract activity that the Council expects to recover.

Significant judgement may be required to determine the number of distinct performance obligations within a contract and the allocation of transaction price to multiple performance obligations in a contract, and to determine whether the Council acts as a principal or agent for certain performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation. If stand-alone selling price is not observable, the Council estimates the stand-alone selling price for each distinct performance obligation based on the related expected cost plus margin of each distinct performance obligation. The Council is acting as a principal when the Council controls the goods or services before transfer to the customer. The Council is acting as an agent when it is obliged to arrange for the provision of the goods and services by another party that are not controlled by the Council before transfer to the customer. When the Council acts as an agent, the revenue is recognized net of any related costs incurred.

3. Summary of Accounting Policies (*continued)*

c) Revenue Recognition (continued)

The Council's principle sources of revenue and methods applied to the recognition of these revenues in these financial statements are as follows:

Contract Revenue

Contracts with customers relate to the delivery of a broad range of science and engineering specialties and consist primarily of highly unique contracts. Such contracts are entered into prior to services being provided. Due to the unique nature of the performance obligations under these contracts, revenue is recognized as a performance obligation is satisfied over time. Under the terms of the contracts, the Council is contractually restricted from redirecting the output of the contract to other customers and has an enforceable right to payment for work done. These contracts are recognized over time on a cost-to-cost basis, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Council considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Grants

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

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.

3. Summary of Accounting Policies (*continued)*

d) Property, Plant and Equipment (continued)

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 - 30 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.

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.

3. Summary of Accounting Policies (*continued)*

e) Impairment (continued)

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.

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.

3. Summary of Accounting Policies (*continued)*

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 $19,012,000 (2017 - $19,245,000) at December 31, 2018. 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, 2019 was $1,255,000 (2018 - $1,204,000).

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, 2018 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2019 by Mercer. A discount rate of 2.90% (2018 – 3.20%) 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, 2018 there were nine members with an average age of 90. Separate audited financial statements for the pension plan are prepared.

4. Accrued Pension Benefit Asset *(continued)*

Defined Benefit (continued)

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, 2018 was filed with the Superintendent. The 2018 valuation disclosed a solvency surplus of $202,000 (2017 - $326,000 surplus) and a funding surplus of $281,000 (2017 - $390,000 surplus).

A 1% increase in the interest rate assumption would result in a $16,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $18,000 increase to the pension liability.

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

	2019 (000's)	2018 (000's)	2017 (000's)	2016 (000's)
Defined benefit asset expected market value, April 1	$ 912	$ 977	$ 1,017	$ 1,249
Expected return on plan assets	27	25	28	31
Benefits paid	(124)	(135)	(179)	(182)
Experience gain/(loss)	14	45	111	(81)
Asset at market value, March 31	829	912	977	1,017
Defined benefit obligation at April 1	549	979	1,016	1,217
Interest on accrued benefits and benefit payments	16	25	28	30
Benefits paid	(124)	(135)	(179)	(182)
Experience losses/(gains)	64	(322)	106	(35)
Pension increase	-	10	-	-
Assumption changes	5	(8)	8	(14)
Obligation, extrapolated to March 31	510	549	979	1,016
Accrued pension asset/(liability), March 31	$ 319	$ 363	$ (2)	$ 1

4. Accrued Pension Benefit Asset *(continued)*

Defined Benefit (continued)

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 $44,000 (2018 - $365,000 net gain) 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.

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:

	2019 (000's)	Change (000's)	2018 (000's)
Capital contributions	$ 504	$ -	$ 504
Accumulated investment earnings	859	63	796
Accumulated technology grants, fund expenses	(236)	-	(236)
Total	$ 1,127	$ 63	$ 1,064

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, 2017	$ 675	20,652	2,884	48,004	690	4,671	1,779	**79,355**
Additions	-	466	200	3,560	47	-	568	**4,841**
Disposals/transfers	(222)	(105)	(182)	(745)	-	(1,274)	(1)	**(2,529)**
Balance, March 31, 2018	**453**	**21,013**	**2,902**	**50,819**	**737**	**3,397**	**2,346**	**81,667**
Additions	-	21,314	154	4,007	32	-	-	**25,507**
Disposals/transfers	-	(29)	(134)	(4,471)	(5)	(751)	(675)	**(6,065)**
Balance, March 31, 2019	**453**	**42,298**	**2,922**	**50,355**	**764**	**2,646**	**1,671**	**101,109**
Accumulated Depreciation								
Balance, March 31, 2017	**627**	**13,002**	**2,398**	**28,945**	**487**	**2,315**	**-**	**47,774**
Current year depreciation	4	1,270	267	3,950	61	262	-	**5,814**
Disposals	(222)	(84)	(180)	(730)	-	-	-	**(1,216)**
Balance, March 31, 2018	**409**	**14,188**	**2,485**	**32,165**	**548**	**2,577**	**-**	**52,372**
Current year depreciation	4	1,944	171	4,136	66	50	-	**6,371**
Disposals	-	(9)	(133)	(3,988)	(5)	-	-	**(4,135)**
Balance, March 31, 2019	**413**	**16,123**	**2,523**	**32,313**	**609**	**2,627**	**-**	**54,608**
Net Book Value								
March 31, 2019	**$ 40**	**$ 26,175**	**$ 399**	**$ 18,042**	**$ 155**	**$ 19**	**$ 1,671**	**$ 46,501**
March 31, 2018	**$ 44**	**$ 6,825**	**$ 417**	**$ 18,654**	**$ 189**	**$ 820**	**$ 2,346**	**$ 29,295**

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, 2019, 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) 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. The revenue related to this funding was fully recognized as at March 31, 2019.

b) 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.

c) 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.

d) 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:

		2019 (000's)		2018 (000's)
Current Portion				
Microanalysis Centre	$	265	$	265
Pipe Flow Expansion		159		159
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		-		94
		551		645
Long Term Portion				
Pipe Flow Expansion		509		668
Mineral Processing Pilot Plant		503		630
Microanalysis Centre		154		419
Wheat DNA Project		-		93
		1,166		1,810
Total Deferred Revenue	$	1,717	$	2,445

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.

		2019 (000's)		2018 (000's)
Microanalysis Centre	$	265	$	265
Pipe Flow Expansion		159		159
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		187		85
Total Capital Grants	$	738	$	636

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.

During the 2017-18 fiscal year, the Council approved the decommissioning of the SLOWPOKE reactor. The decommission process was started in fiscal 2018-19 and is set to be completed in the next fiscal year. Management has obtained current information regarding the decommissioning costs and estimated these to be $5,700,000. In 2018, the total undiscounted provision for the planned decommissioning was $6,360,000 which was calculated by utilizing current information regarding decommissioning costs, a 20% contingency and an inflationary factor of 3%. The provision at year-end is $2,934,000 (2018 - $6,223,000). The Council decreased the provision by $751,000 (2018 - $1,274,000 decrease), recognized interest expense of $140,000 (2018 - $159,000) and incurred expenses related to decommissioning of $2,675,000 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 1.62% (2018 – 2.20%).

At March 31, 2019, the Council has invested $5,469,000 (2018 - $5,043,000) 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 through 2019. 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.

10. Related Party Transactions *(continued)*

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

During the year, the Council paid $10,770,000 (2018 - $7,474,000) to the Ministry of Central Services, Saskatchewan Opportunities Corporation (SOCO) and University of Saskatchewan for accommodation charges on buildings.

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

2020	$9,242,000
2021	6,760,000
2022	3,802,000
2023	3,792,000
2024	3,792,000
Greater than 5 years	53,088,000

During the year, the Council entered in to a new lease agreement with SOCO related to the lease of new office and laboratory space. This lease commitment is included in the amounts above.

Total future minimum lease payments	$23,053,000
Less: future finance charges on finance lease	3,112,000
Present value of finance lease obligations	19,941,000
Less: current portion of finance lease obligations	1,376,000
	$18,565,000

In 2019, the Council purchased supplies and services for $877,000 (2018 - $814,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $24,290,000 (2018 - $25,123,000) with related parties.

The Council received $20,376,000 (2018 - $21,118,000) in funding from the General Revenue Fund.

As at March 31, the Council had $960,000 (2018 - $712,000) in related party accounts receivable.

The Council has $1,050,000 (2018 - $1,462,000) of deferred revenue from related parties as at March 31, 2019. Of the $1,050,000, $209,000 (2018 - $342,000) is related to the Microanalysis Centre funding, $469,000 (2018 - $580,000) is related to the Pipe Flow Expansion funding, $372,000 (2018 - $447,000) is related to the Mineral Processing Pilot Plant funding and $nil (2018 - $93,000) is related to the Wheat DNA Project funding.

The Council has $16,205,000 (2018 - $3,046,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31, 2019.

10. Related Party Transactions *(continued)*

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:

	2019 (000's)	2018 (000's)
Salaries and benefits	$ 2,819	$ 2,830

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, 2019, the Council had an allowance for doubtful accounts of $203,000 (2018 - $708,000).

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

	2019 (000's)	2018 (000's)
Current	$ 6,159	$ 6,391
31 - 60 days	73	382
61- 90 days	99	133
Over 90 days	302	588
	6,633	7,494
Allowance	(203)	(708)
	$ 6,430	$ 6,786

11. Financial Instruments *(continued)*

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

	2019 (000's)	2018 (000's)
Balance, beginning of year	$ 708	$ 717
Additions charged to operations	14	79
Write-offs net of recoveries	(519)	(88)
Balance, end of year	$ 203	$ 708

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.

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

2019	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
Accounts payable	$ 5,957	$ 5,957	$ -
Salaries, wages and vacation payable	2,740	2,335	405
	$ 8,697	$ 8,292	$ 405

2018	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	$ 4,478	$ 4,478	$ -
Salaries, wages and vacation payable	1,147	900	247
	$ 5,625	$ 5,378	$ 247

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 $54,000 change in interest revenue.

11. Financial Instruments *(continued)*

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 $113,000 change in the return from the Restricted Investment.

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, 2019. 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.

			2019 (000's)		2018 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash	L&R	1	$ 19,879	$ 19,879	$ 10,181	$ 10,181
Accounts receivable	L&R	N/A	6,430	6,430	6,786	6,786
Restricted investment	FVTPL	1	1,127	1,127	1,064	1,064
Trust investment	L&R	1	5,469	5,469	5,043	5,043
Financial Liabilities						
Accounts payable	OFL	N/A	5,957	5,957	4,478	4,478
Unearned revenue	OFL	N/A	16,626	16,626	4,564	4,564
Salaries, wages and vacation payable	OFL	N/A	2,740	2,740	1,147	1,147
Sick leave benefits payable	OFL	N/A	62	62	67	67

[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:

2020	$809,000
2021	604,000
2022	222,000
2023	100
2024	100
Greater than 5 years	1,100

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, 2019, the Council holds $18,500 (2018 - $34,300) 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.

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