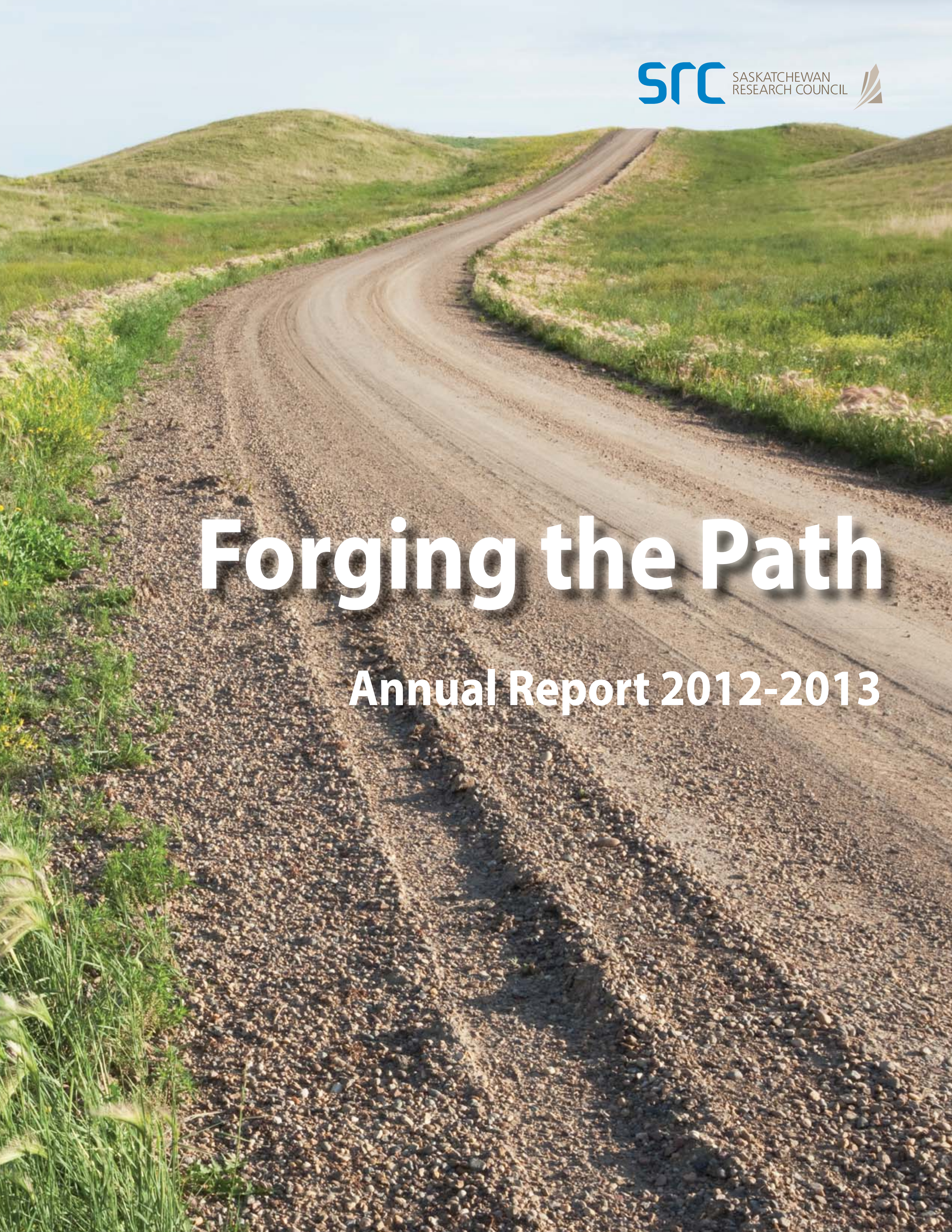
SRC SASKATCHEWAN RESEARCH COUNCIL



Forging the Path

Annual Report 2012-2013

July 2013

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, 2013.

Respectfully submitted,

Honourable Bill Boyd
Minister Responsible for SRC

Cover photo taken in Grasslands National Park, Saskatchewan

MESSAGE FROM THE BOARD CHAIR

Science and society have sometimes had a rocky relationship. No, we don't burn scientists at the stake any more, nor do we lock them away in house arrest for daring to question common beliefs. But it is obvious that research and discoveries can generate lively debate and even opposition.

And I think everyone at the Saskatchewan Research Council (SRC) would say that's exactly as it should be.

There are many reasons for discounting scientific discoveries. People don't like change. Entrenched institutions might feel threatened by new innovations. The results of research can invariably be used for as many bad things as good. The list goes on. When most of us are struggling to provide safety and security for our loved ones, the big problems science tries to answer can seem frivolous.

The tension between applied and pure science has always been present. Sometimes it is hard to tell which is which. The American space program is still criticized for spending money on chasing stars instead of basic problems here on Earth. Opinions on the right balance differ but nobody can argue that scientific research has changed all of our lives.

Think about it. We have people living in a spaceship that is circling our planet right now. A spaceship! Even though I was born after the first human went into space, that still astounds me. Ho hum, you say. What about the rest of us here on Earth? Well how about this - billions of people carry around a slab made of glass and plastic that lets us learn in seconds virtually any fact, idea or observation that mankind has ever discovered. That was science fiction just 20 years ago.

I won't say "There, look at what science organizations like SRC can do." It's a trite and superficial observation. The more interesting point, I think, is how science teaches us to be skeptical. We **must** question everything, even if it makes us feel uneasy or opens ourselves to criticism. It is the antithesis of science to ever be satisfied that all has been learned. In that way science mimics the human experience.

That is why I say good scientists welcome dissent and debate. They don't censor it or close their eyes and ears because of the things they might learn. Scientific discovery is a ruthless meritocracy where only the best ideas survive. Concepts that can't survive that scrutiny fall away. And even though today's best theories may be obsolete someday, it doesn't mean they were useless. Thomas Edison was brilliant whether or not we still use incandescent light bulbs. His discoveries made countless later inventions possible.

Science is about constantly challenging ourselves and our commonly held beliefs, testing them and putting in place new ones if the old ideas don't fit reality. We joke about it; one day we're told something is bad for us and the next day we hear it will extend our life. The truth is in there somewhere but we have to keep searching. That is what science gives us – the opportunity to learn, be challenged and expand our horizons.

This is part of the path SRC is forging as a leading science solutions company. The pursuit of knowledge is never easy and progress is often slower than we would like. Despite this, it is still one of the best ways we know to improve lives.

This is my last year on the Board of SRC. During my term, I have been privileged to work with some of the smartest and most dedicated people I've ever had the pleasure of meeting. They make science seem possible and easy even though it is hard and uncertain. We in Saskatchewan should be proud of the reputation they are building around the world and the knowledge they are contributing.

I also want to acknowledge our CEO and President, Dr. Laurie Schramm. I've worked with Laurie for almost 12 years. Dedication and hard-work are overused terms but they fit Laurie perfectly. Under his stewardship, SRC has grown many times larger and has developed expertise and capacity beyond anything this organization imagined in the past. With his guidance and the team he has assembled at SRC, I have no doubt we will achieve our vision of becoming the most internationally recognized and valued science solutions company in North America by 2020.

I won't be directly involved in the coming years but I'll always consider myself part of the SRC family. I can't wait to see what scientific accomplishments this talented company achieves next.

Craig Zawada
Board Chair

This is my last year on the Board of SRC. During my term, I have been privileged to work with some of the smartest and most dedicated people I've ever had the pleasure of meeting. They make science seem possible and easy even though it is hard and uncertain.

MESSAGE FROM THE PRESIDENT AND CEO

Forging the Path is the theme of our 66th Annual Report. Over the past decade, we at the Saskatchewan Research Council (SRC) have been reinventing ourselves in order to achieve greater economic growth impacts. We have become increasingly entrepreneurial and we have substantially diversified our work along the innovation continuum, from applied research and development to design, testing and analysis, pilot testing, scale-up engineering and field/plant demonstration, through to commercial adoption. In doing so, we have remained focused on practical, real-world solutions to industry's technical problems and opportunities and, by helping industry to grow, our economic impacts continue to accumulate. This evolution has enabled SRC to grow and settle-in at the ">$50 million-per-year" revenue level. The fabulous work of our 432 employees, 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, and this in turn is creating new opportunities for us as we forge the next steps in SRC's evolution under our long-term strategy.

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 nine years been trending downwards, and is being maintained at <1 as we strive to make it zero as often as is humanly possible. We are continuing to develop our comprehensive new OH&S management system and target our high probability causes of injury incidents, and we continue to nurture an active and strong safety culture in which everyone takes responsibility for safety, whether at work or not.

Although our regional, national and international **markets** all remained uncertain and volatile, we have continued to explore new frontiers. We continue to serve a diverse group of about 1,800 clients per year. We work for **Canada's** top mining and mineral and oil and gas companies, among other industry leaders and other sectors. By establishing great working relationships with the biggest and best companies in Canada we are helping attract their interest and their work into Saskatchewan. We also work for many of the **world's** top mining and mineral and oil and gas companies, among others in other sectors. By establishing great working relationships with some of the biggest and best companies in the world, we help attract their interest and their work into Saskatchewan as well. We expanded the SRC Advanced Microanalysis Centre™ by adding a QEMSCAN service (quantitative evaluation of minerals with advanced scanning electron microscopy) and, later this year, we will open our multi-purpose mineral processing pilot plant and the volatile-fluids expansion to our Pipe Flow Technology Centre™. Beyond the mineral and petroleum sectors, we continue to work with small, medium and large enterprises and communities in agriculture and biotechnology; alternative renewable energy; forestry, agroforestry and afforestation and manufacturing.

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. 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. We have also continued to work on environmental legacy issues as we advance the clean-up of 38 abandoned uranium mines in Northern Saskatchewan.

As Saskatchewan's premier provider of applied research, development, demonstration and technology commercialization, ***Forging the Path*** is about finding more and better ways to realize economic, environmental and social impacts from our work. Our economic impact assessment process shows that we again achieved exceptional impacts this past year with more than $559 million in direct economic benefit to the province plus more than $169 million worth of jobs created or maintained, for an overall impact total of more than $728 million. This means that for every public dollar invested in SRC, we generated a 29-times return in economic impacts. Our benchmarking shows that this is an unparalleled record in Canada. We also continue to strive to enhance these strong economic impacts by providing *Responsible Science Solutions*™ to help ensure a safe, secure and sustainable environment. Last year we undertook more than $18 million in projects aimed at creating positive environmental impacts, and more than $18 million in projects aimed at creating positive social impacts. This work contributed to more than 22,000 tonnes of greenhouse gas emission reductions and energy savings of more than 44 million kWh/year. This is the tenth year for which we have been calculating our impact contributions to Saskatchewan, and the cumulative total now comprises >$5.1 billion in direct incremental economic activity.

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. At the same time, we are increasing our visibility and our transparency through a wide array of public reporting mechanisms ranging from formal reporting, such as the Global Reporting Initiative, to informal reporting via social media.

We are also ***Forging the Path*** to achieving our 2020 **Vision**, and again this past year we have received increased visibility, profile and recognition across Canada and the United States, and to some degree overseas, and an increasing number of our business lines are becoming internationally recognized as the best in the world. I thank our 432 employees and our Board of Directors for their enthusiasm, patience, creativity and contributions. In closing, I offer a very special thanks to Board Chair Craig Zawada, who is retiring from the Board after 12 years of service. Craig has been a huge champion of granting the encouragement and environment for us to strive to discover how great an organization we can build, how far we can go and how much we can accomplish together. His wisdom and contributions will be greatly missed.

Dr. Laurier Schramm
President and CEO

As Saskatchewan's premier provider of applied research, development, demonstration and technology commercialization, *Forging the Path* is about finding more and better ways to realize economic, environmental and social impacts from our work.

BOARD OF DIRECTORS

Back row: Nathan Rhodes, Jamie McIntyre, Dr. Patrick Jamieson, Ronn Lepage, Shelley Lipon, Dr. Dennis Fitzpatrick, Dr. Charles Randell, John Cross
Front row: Dr. Laurier Schramm (Secretary), Dr. Peta Bonham-Smith (Vice-Chair), Craig Zawada (Chair)
Missing: Patricia Cook

EXECUTIVE TEAM

Back row:	Craig Murray	Mining and Minerals	Vice-President
	Toby Arnold	Organizational Effectiveness	Vice-President
	Ernie Pappas	Energy	Vice-President
	Phillip Stephan	Agriculture/Biotechnology	Vice-President
	Wanda Nyirfa	Business Ventures and Communications	Vice-President
	Joe Muldoon	Environment	Vice-President
Front row:	Dr. Laurier Schramm	President and CEO	
	Crystal Nett	Finance, Safety and Risk	CFO and Vice-President

ECONOMIC IMPACT

Since 2003, SRC contributed to more than $5.1 billion in economic and employment impacts in Saskatchewan.

For every dollar the province invested in SRC in the past year, our work contributed to at least a $29 return. That translated into $559 million in direct economic impacts for Saskatchewan.

We assisted in creating or maintaining more than 2,701 Saskatchewan jobs with an economic impact of more than $169 million.

$5.1B

$5.1 billion in economic and employment impacts in Saskatchewan since 2003.

$559M

Our annual economic impact assessment shows that our work contributed to **$559 million** in direct economic impacts for Saskatchewan.

2,701

SRC assisted in creating or maintaining more than **2,701** Saskatchewan jobs in 2012-13 valued at more than $169 million.

29

For every dollar the province invested in SRC, SRC's work contributed at least a **$29** return to the growth of the Saskatchewan economy.

$36M

Projects focused on or containing a substantial component of achieving positive environmental or social impacts is valued at **$36 million**.

22,000

SRC participated in projects that resulted in greenhouse gas reductions of more than **22,000** tonnes and energy savings equivalent to more than **44 million** kW/h/year in 2012-13.

FINANCIAL MANAGEMENT

Good Business Sense, Investing in Our Future

In 2012-2013, we aimed to provide a positive financial return, use Provincial Investment appropriately and invest in our future. SRC achieved an increase in overall average margin and invested in people, programs and infrastructure.

Positive financial return

SRC achieved an 11.3 per cent margin on research and technology operations and a positive net income overall.

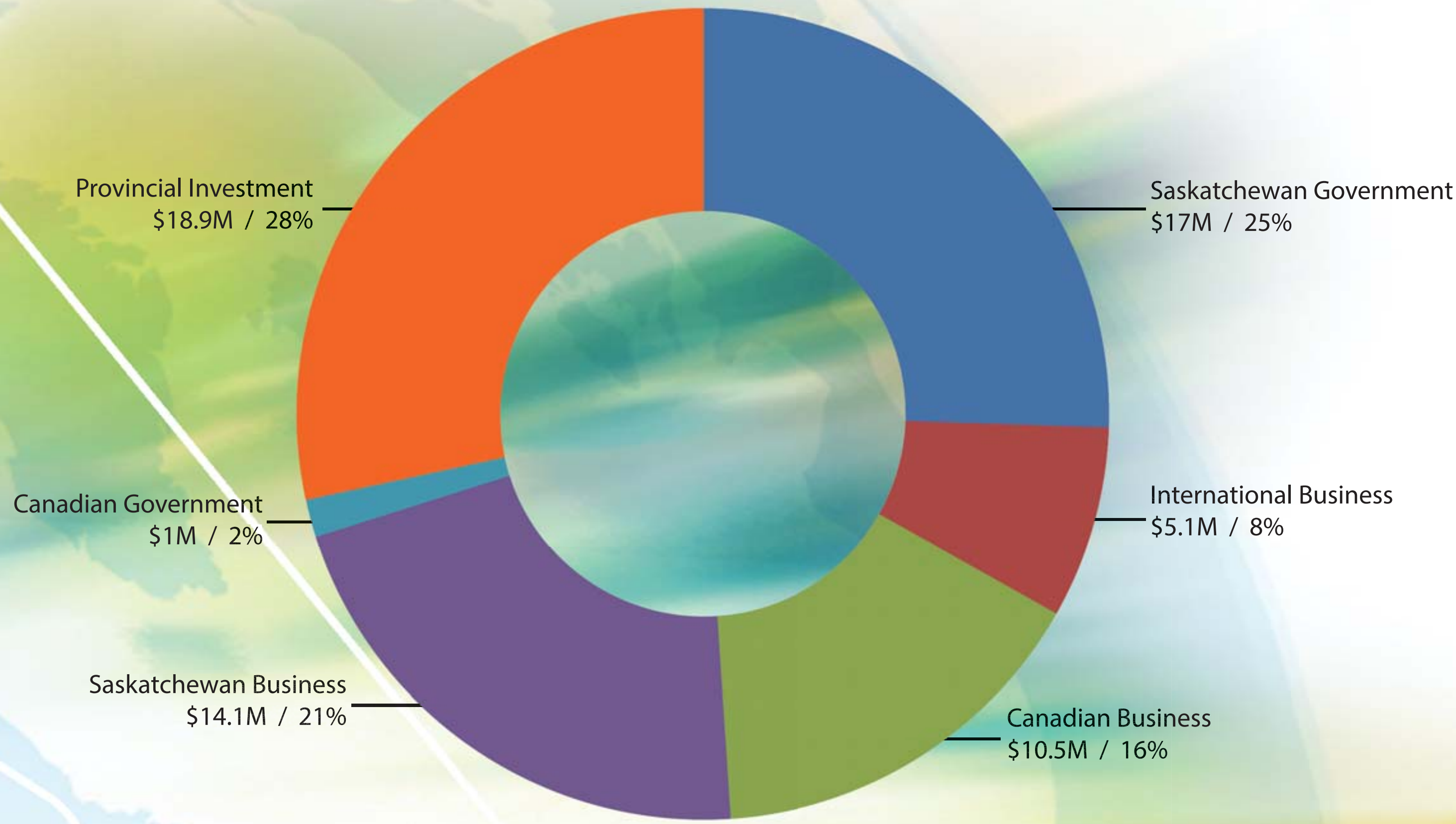
Provincial investment

Provincial investment from the Government of Saskatchewan made up 28 per cent of SRC's total revenue. For every dollar the province invested in SRC, our work contributed to at least a 29-times return to the growth of the Saskatchewan economy.

Invest in our future

SRC invested $7,849,000 in training and development, capability-enhancing programs and capital investments.

Revenue Sources 2012-2013



KEY PERFORMANCE INDICATORS

Goal 1: Economic Impact

Grow our economy in a socially and environmentally responsible manner, through the responsible application of science and technology.

OBJECTIVE	MEASURE	ACTUAL RESULTS
ECONOMIC IMPACT Achieve enhanced economic impact targets, expanding the horizon to include rest-of-Canada and rest-of-world impacts, while developing and testing methodologies for assessing the extent to which such impacts are achieved in socially and environmentally responsible manners.	**1.1** Achieve economic impacts of $600 million, comprising impacts in Saskatchewan of at least **$500 million** (measure the actual breakdown by Saskatchewan, rest-of-Canada (RoC) and rest-of-world (RoW)).	>$559M for Saskatchewan
	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).	66%
	Tactic: Document the positive socio-environmental aspects of every significant project that we do at SRC, and indicate for each project: • Whether our work is being done in a socio-environmentally responsibly manner • The extent to which it has significant positive socio-environmental impacts as expected outcomes - a measurement scale for this has to be developed	Projects to advance the tactics are established and continuing.

Goal 2: Best Employer

Become a 'best' employer with highly engaged employees.

OBJECTIVE	MEASURE	ACTUAL RESULTS
BEST EMPLOYER Achieve a high level of employee engagement.	**2.1** Achieve a minimum of **50%** engagement in the Hewitt Best Employers survey.	51%
	Tactic: Develop and implement human resource systems to address employee feedback in the areas of: training and development, performance management and evaluation and compensation philosophy and practices.	Projects to advance the tactics are established and continuing.

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	MEASURE	ACTUAL RESULTS
BEST RESEARCH AND TECHNOLOGY ORGANIZATION Achieve enhanced client satisfaction, improved employee satisfaction with SRC's positioning and increased brand awareness.	**3.1** Achieve a minimum of 98% satisfaction levels on the most important client satisfaction survey measures.	98%
	3.2 Achieve a 50% satisfaction level on the extent to which our employees believe SRC is North America's premium "Go-To" and "One-Stop-Shop" science-solutions company.	48%
	Tactic: Focus on our core competencies and develop measures for brand awareness, reputation and the meaning of premium-quality "Go-To" and "One-Stop-Shop."	Projects to advance the tactics are established and continuing.
	3.3 Develop and test methodologies for boosting and measuring brand awareness and reputation among potential clients, partners and peers (including SK, RoC and RoW).	Projects to advance the tactics are established and continuing.

Goal 4: Financial Management

Provide a positive financial return, utilize Provincial Investment appropriately, and invest in our future.

OBJECTIVE	MEASURE	ACTUAL RESULTS
FINANCIAL MANAGEMENT Achieve an increase in overall average margin, and invest appropriately in people, programs and infrastructure.	**4.1** Achieve average margin of **>10%** on R&T Division operations and positive net income overall.	R&T: 11.3% SRC Net: $799K
	4.2 Grow SRC's non-CLEANS external revenue base by **>$1 million**.	$2,532K
	4.3 Invest **>$6 million** in training and development, capability-enhancing programs and capital investments.	$7,849K
	Tactic: For KPIs 4.1 and 4.3, develop the specific desired outcomes and measures, stretch targets and the appropriate tracking mechanisms for the future.	100% complete

Goal 5: Corporate Social Responsibility

Conduct business in a socially and environmentally responsible manner.

OBJECTIVE	MEASURE	ACTUAL RESULTS
CORPORATE SOCIAL RESPONSIBILITY Become more visibly active in demonstrating Corporate Social Responsibility (CSR).	**5.1** Address and report on 50% of the additional reporting indicators required to achieve a Level B Global Reporting Initiative (GRI) check.	100% complete
	Tactic: Define SRC's approach to CSR, including moving toward Level A reporting.	100% complete
	5.2 Conduct two significant, proactive CSR initiatives in the communities within which we live and work.	100% complete

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 12 members with a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community.

Eleven directors, including the Chair, are independent of SRC management. The one related director is the President and CEO of the corporation.

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.

2020 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

Report of Management
Year Ended March 31, 2013

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.

The Provincial Auditor of Saskatchewan has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and her report follows.

Laurier Schramm
President and CEO

Crystal Nett, CA
Chief Financial Officer and Vice-President, Finance, Safety & Risk

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying consolidated financial statements of the Saskatchewan Research Council, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in province's equity and consolidated statement of cash flows for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Saskatchewan Research Council as at March 31, 2013, and the results of its consolidated operations and its consolidated cash flows for the year ended March 31, 2013 in accordance with International Financial Reporting Standards.

June 19, 2013
Regina, Saskatchewan

Bonnie Lysyk, MBA, CA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
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Statement 1

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

	March 31, 2013	March 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,356	$ 12,555
Accounts receivable (Note 12)	6,944	8,018
Prepaid expenses	1,131	1,316
	14,431	21,889
Non-current assets:		
Restricted investment (Note 5)	697	651
Trust investment (Note 9)	2,080	2,074
Property, plant and equipment (Note 6)	32,780	30,605
	$ 49,988	$ 55,219
LIABILITIES AND PROVINCE'S EQUITY		
Current liabilities:		
Accounts payable	$ 4,375	$ 5,016
Unearned revenue	3,618	9,843
Deferred revenue (Note 8)	1,018	783
Salaries, wages and vacation payable	2,218	2,019
	11,229	17,661
Non-current liabilities:		
Accrued pension benefit liability (Note 4)	17	67
Sick leave benefits payable	177	177
Decommissioning provision (Note 9)	6,593	6,186
Deferred revenue (Note 8)	5,680	5,635
	23,696	29,726
Province's equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	24,673	23,920
Retained earnings - appropriated	697	651
	26,292	25,493
	$ 49,988	$ 55,219

Statement 2

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

	2013	2012
Revenue:		
Contracts	$ 47,856	$ 59,916
Transfer from General Revenue Fund	18,983	18,133
	66,839	78,049
Expenses:		
Salaries and benefits	30,682	28,258
Contract services	16,293	29,411
Accommodation charges	7,943	8,026
Supplies	5,680	5,212
Depreciation of property, plant and equipment	4,192	3,978
Travel, training and education	1,593	1,595
	66,383	76,480
Net income from operations	456	1,569
Other income:		
Interest revenue	247	347
Change in restricted investment (Note 5)	46	(14)
Defined benefit pension plan valuation adjustment	32	38
	325	371
Net income	781	1,940
Other comprehensive income (deficit):		
Defined benefit pension plan actuarial gain (loss)	18	(258)
Total comprehensive income	$ 799	$ 1,682

Statement 3

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

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, March 31, 2011	$ 22,224	$ 665	$ 922	$ 23,811
Net income	1,940	-	-	1,940
Other comprehensive deficit	(258)	-	-	(258)
Change in appropriated amount during year	14	(14)	-	-
Balance, March 31, 2012	23,920	651	922	25,493
Net income	781	-	-	781
Other comprehensive income	18	-	-	18
Change in appropriated amount during year (Note 5)	(46)	46	-	-
Balance, March 31, 2013	$ 24,673	$ 697	$ 922	$ 26,292

Statement 4

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

(Thousands of dollars)

		2013		2012
Cash flows from operating activities:				
Cash receipts from contracts	$	42,481	$	71,749
Cash receipts from General Revenue Fund		18,983		18,133
Cash paid to suppliers and employees		(62,627)		(74,331)
Interest received		154		189
Cash flows (used in) from operating activities		(1,009)		15,740
Cash flows used in investing:				
Purchase of property, plant and equipment		(6,472)		(5,397)
Cash flows used in investing activities		(6,472)		(5,397)
Cash flows from financing:				
Capital grants		1,282		2,611
Cash flows from financing activities		1,282		2,611
Net (decrease) increase in cash and cash equivalents		(6,199)		12,954
Cash and cash equivalents (bank indebtedness), beginning of year		12,555		(399)
Cash and cash equivalents, end of year	$	6,356	$	12,555

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

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 body corporate which receives monies appropriated by the Legislature for these purposes and is owned by the Province of Saskatchewan. 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 of Saskatchewan. 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 June 19, 2013.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value.

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.

Key estimates within the financial statements include the allowance for accounts receivable, accrued pension benefit liability, property, plant and equipment depreciation and decommissioning provision.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

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.

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, 2013 or later periods. These include:

- IFRS 7, Disclosures – effective January 1, 2015
- IFRS 9, Financial Instruments – effective January 1, 2015
- IFRS 10, Consolidated Financial Statements – effective January 1, 2013
- IFRS 11, Joint Arrangements – effective January 1, 2013
- IFRS 12, Disclosure of Interests in Other Entities – effective January 1, 2013
- IFRS 13, Fair Value Measurement – effective January 1, 2013
- IAS 1, Presentation of Financial Statements – effective January 1, 2013
- IAS 19, Employee Benefits – effective January 1, 2013
- IAS 27, Separate Financial Statements – effective January 1, 2013
- IAS 28, Investment in Associates and Joint Ventures – effective January 1, 2013
- IAS 32, Financial Assets and Financial Liabilities – effective January 1, 2014

The Council anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Council except for additional disclosures.

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. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

3. Summary of Accounting Policies *(continued)*

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 cash and cash equivalents, the restricted investment, and trust 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 accounts receivable from related and non-related parties.

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:

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

3. Summary of Accounting Policies *(continued)*

b) Financial Instruments (continued)

impairment on a collective basis. 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.

c) Revenue Recognition

Revenue from contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses. Profit is recognized over the life of the contract, at the expected margin. Losses from cost overruns are recognized in the year they occur.

Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.

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

The Fermentation Facility Upgrade, Capital Enhancements, Wheat DNA Project, Microanalysis Centre and Pipe Flow Expansion grant revenues are recognized 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.

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

d) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with financial institutions and investments in redeemable guaranteed investment certificates (GICs) with a Canadian bank, which have a term to maturity of one year or less at time of purchase.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

3. Summary of Accounting Policies *(continued)*

e) 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
Fermentation and GenServe Equipment	10 years
Leasehold Improvements	2 -12 years

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.

f) 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 an asset or 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.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

3. Summary of Accounting Policies *(continued)*

f) Impairment (continued)

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.

g) 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 fair value through profit and loss (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.

h) Trust Investment

The trust investment is comprised of GICs held by a trust company. 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.

i) Accrued Pension Benefit Liability

The Council maintains a pension plan for its employees. 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.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

3. Summary of Accounting Policies *(continued)*

j) 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.

k) Capital Grants

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Council recognizes a portion of the capital grants as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

4. Accrued Pension Benefit Liability

Defined Contribution

The defined contribution pension plan assets had a market value of $20,577,000 (2011 - $18,391,000) at December 31, 2012. 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 was $1,261,000 (2012 - $1,186,000).

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, 2012 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2013 by Mercer. A discount rate of 3.20% (2012 - 3.25%) was used in the calculation of the extrapolation. The pension plan has been valued using management’s best estimates.

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 Aon Consulting Inc. as at December 31, 2010 was filed with the Superintendent. The 2012 valuation disclosed a solvency deficiency of $149,000 (2011 - $81,000) and a funding deficiency of $9,000

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

4. Accrued Pension Benefit Liability *(continued)*

Defined Benefit (continued)

(2011 - $82,000 surplus). This actuarial valuation has not been filed with the Superintendent.

A 1% increase in the interest rate assumption would result in a $65,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $72,000 increase to the pension liability.

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

	March 31, 2013 (000's)	March 31, 2012 (000's)
Defined benefit asset expected market value, April 1	$ 1,351	$ 1,631
Expected return on plan assets	75	91
Benefits paid	(213)	(222)
Experience gain (loss)	39	(149)
Asset at market value, March 31	1,252	1,351
Defined benefit obligation at April 1	1,418	1,478
Interest on accrued benefits and benefit payments	43	53
Benefits paid	(213)	(222)
Experience losses	5	59
Pension increase	10	-
Assumption changes	6	50
Obligation, extrapolated to March 31	1,269	1,418
Accrued pension liability, March 31	$ (17)	$ (67)

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 recovery of $18,000 (2012 - $258,000 deficit) is the year-over-year change in the accrued benefit asset and obligation. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

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:

	2013 (000's)	Change (000's)	2012 (000's)
Capital contributions	$ 504	$ -	$ 504
Investment earnings	429	46	383
Technology grants, fund expenses	(236)	-	(236)
Total	$ 697	$ 46	$ 651

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.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

6. Property, Plant and Equipment

(000's)	Building	Leaseholds	Computers	Equipment	Automotive	SLOWPOKE	Construction in Progress	Total
Cost								
Balance, March 31, 2011	$ 675	$ 13,747	$ 2,777	$ 39,657	$ 496	$ 3,077	$ 2,278	$ **62,707**
Additions	-	1,218	320	2,968	53	1,212	686	**6,457**
Disposals/transfers	-	-	(293)	(1,598)	(17)	-	-	**(1,908)**
Balance, March 31, 2012	675	14,965	2,804	41,027	532	4,289	2,964	**67,256**
Additions	-	3,018	559	2,305	2	243	921	**7,048**
Disposals/transfers	-	-	(881)	(317)	(44)	-	-	**(1,242)**
Balance, March 31, 2013	**675**	**17,983**	**2,482**	**43,015**	**490**	**4,532**	**3,885**	**73,062**
Accumulated Depreciation								
Balance, March 31, 2011	604	7,618	1,785	21,931	357	837	-	**33,132**
Current year depreciation	4	1,007	349	2,952	52	160	-	**4,524**
Disposals	-	-	(278)	(711)	(16)	-	-	**(1,005)**
Balance, March 31, 2012	608	8,625	1,856	24,172	393	997	-	**36,651**
Current year depreciation	4	1,160	397	3,055	46	132	-	**4,794**
Disposals	-	-	(877)	(243)	(43)	-	-	**(1,163)**
Balance, March 31, 2013	**612**	**9,785**	**1,376**	**26,984**	**396**	**1,129**	**-**	**40,282**
Net Book Value								
March 31, 2013	**$ 63**	**$ 8,198**	**$ 1,106**	**$ 16,031**	**$ 94**	**$ 3,403**	**$ 3,885**	**$ 32,780**
March 31, 2012	**$ 67**	**$ 6,340**	**$ 948**	**$ 16,855**	**$ 139**	**$ 3,292**	**$ 2,964**	**$ 30,605**

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

6. Property, Plant and Equipment *(continued)*

Included in the net book value of equipment is $160,000 (2012 - $233,000) of assets that were not depreciated in the last two fiscal years as they are held for sale.

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 the Bank of Montreal prime rate.

As at March 31, 2013, 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 based on the depreciation of the related assets.

a) Fermentation Facility Upgrade

The Fermentation Facility Upgrade was funded under the Western Economic Partnership Agreement by the Saskatchewan Ministry of the Economy (formerly Energy and Resources) and Western Economic Diversification Canada. All purchases were fully funded.

b) Capital Enhancements

The Council received specific funding from the Province to replace aging equipment and acquire enhanced equipment. All purchases were fully funded.

c) 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.

d) 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.

e) 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.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

8. Deferred Revenue *(continued)*

f) 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.

Deferred revenue consists of:

		March 31, 2013 (000's)		March 31, 2012 (000's)
Current Portion				
Fermentation Facility Upgrade	$	30	$	30
Capital Enhancements		299		299
Wheat DNA Project		153		150
Microanalysis Centre		265		265
Pipe Flow Expansion		144		39
Mineral Processing Pilot Plant		127		-
		1,018		783
Long Term Portion				
Fermentation Facility Upgrade		11		42
Capital Enhancements		834		1,137
Wheat DNA Project		946		1,073
Microanalysis Centre		1,746		2,011
Pipe Flow Expansion		1,451		1,372
Mineral Processing Pilot Plant		692		-
		5,680		5,635
Total Deferred Revenue	$	6,698	$	6,418

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

		March 31, 2013 (000's)		March 31, 2012 (000's)
Fermentation Facility Upgrade	$	30	$	30
Capital Enhancements		303		299
Wheat DNA Project		153		150
Microanalysis Centre		265		248
Pipe Flow Expansion		14		-
Total Capital Grants	$	765	$	727

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

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 fair value of legal obligations to retire the SLOWPOKE reactor is recorded as a provision with a corresponding increase in the carrying amount of the related assets. The recorded provision increases over time through interest expense charges. The interest expense is calculated using an interest rate that equates to a rate adjusted for current market assessments of the time value of money and the risks specific to the provision and is included in property, plant and equipment depreciation.

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 (2012 - $8,713,000) calculated by utilizing current information regarding decommissioning costs, a 20% contingency and an inflationary factor of 3% (2012 - 3%). The provision at year-end is $6,593,000 (2012 - $6,186,000). The Council increased the provision by $242,000 (2012 - $1,212,000) and recognized interest expense of $165,000 (2012 - $178,000) 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 2.35% (2012 - 2.67%).

The Council conducted a sensitivity analysis and determined that a 1% decrease in the discount rate would increase the provision by $824,000 (2012 - $839,000) and decrease the recognized interest expense by $55,000 (2012 - $50,000). A 1% increase in the discount rate would decrease the provision by $726,000 (2012 - $732,000) and increase the recognized interest expense by $42,000 (2012 - $38,000). A five-year reduction in the estimated decommissioning date would result in an increase of the provision by $812,000 (2012 - $871,000) and an increase in the current year interest expense by $19,000 (2012 - $24,000).

At March 31, 2013, the Council has invested $2,080,000 (2012 - $2,074,000) 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 year and is in the process of providing contributions for fiscal years 2011, 2012 and 2013 totaling $1,033,000. 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.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

10. Related Party Transactions

Included in these 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").

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

During the year, the Council paid $7,165,000 (2012 - $6,577,000) to the Ministry of Government Services and Saskatchewan Opportunities Corporation (SOCO) for accommodation charges on buildings.

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

2014	$4,432,000
2015	4,158,000
2016	507,000
2017	17,000
2018	-

In 2013, the Council purchased supplies and services for $1,238,000 (2012 - $1,505,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $17,018,000 (2012 - $31,054,000) with related parties.

The Council received $18,983,000 (2012 - $18,133,000) in funding from the General Revenue Fund.

As at March 31, the Council had $845,000 (2012 - $813,000) in related party accounts receivable.

The Council has $4,050,000 (2012 - $4,238,000) of deferred revenue from related parties as at March 31, 2013. Of the $4,050,000, $21,000 (2012 - $36,000) is related to the Fermentation Facility Upgrade funding, $1,132,000 (2012 - $1,436,000) is related to the Capital Enhancements funding, $648,000 (2012 - $735,000) is related to the Wheat DNA Project funding, $1,006,000 (2012 - $1,138,000) is related to the Microanalysis Centre funding, $1,118,000 (2012 - $893,000) is related to the Pipe Flow Expansion funding and $125,000 (2012 - $Nil) is related to the Mineral Processing Pilot Plant funding.

The Council has $1,732,000 (2012 - $7,925,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31, 2013.

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

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

10. Related Party Transactions *(continued)*

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

	March 31, 2013 (000's)	March 31, 2012 (000's)
Salaries and benefits	$ 2,296	$ 2,178

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

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

11. Comparison of Planned and Actual Results

A comparison of actual to budgeted results for each line item on the consolidated statement of comprehensive income follows:

	Actual 2013 (000's)	Budget 2013 (000's)	Actual 2012 (000's)	Budget 2012 (000's)
Revenue:				
Contracts	$ 47,856	$ 47,089	$ 59,916	$ 65,468
Transfer from General Revenue Fund	18,983	18,983	18,133	18,133
	66,839	66,072	78,049	83,601
Expenses:				
Salaries and benefits	30,682	29,677	28,258	29,731
Contract services	16,293	11,988	29,411	27,500
Accommodation charges	7,943	7,987	8,026	8,102
Supplies	5,680	9,090	5,212	9,607
Depreciation of property, plant and equipment	4,192	4,679	3,978	5,306
Travel, training and education	1,593	2,123	1,595	2,749
	66,383	65,544	76,480	82,995
Net income from operations	456	528	1,569	606
Other income:				
Interest revenue	247	100	347	100
Change in restricted investment	46	-	(14)	-
Defined benefit pension plan valuation adjustment	32	-	38	-
	325	100	371	100
Net income	781	628	1,940	706
Other comprehensive income (deficit):				
Defined benefit pension plan actuarial gain (loss)	18	-	(258)	-
Total comprehensive income	$ 799	$ 628	$ 1,682	$ 706

12. Financial Instruments

The Council's significant financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, salaries, wages and vacation payable, sick leave benefits payable, and the trust and restricted investments.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

12. Financial Instruments *(continued)*

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 and cash equivalent balances.

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

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. At March 31, 2013, the Council had an allowance for doubtful accounts of $252,000 (2012 - $437,000).

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

	March 31, 2013 (000's)	March 31, 2012 (000's)
Current	$ 6,093	$ 5,426
31 - 60 days	555	703
61- 90 days	206	549
Over 90 days	342	1,777
	7,196	8,455
Allowance	(252)	(437)
	$ 6,944	$ 8,018

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 cash equivalents 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.

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

12. Financial Instruments *(continued)*

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

March 31, 2012	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
Accounts payable	$ 5,016	$ 5,016	$ -
Salaries, wages and vacation payable	2,019	1,842	177
	$ 7,035	$ 6,858	$ 177

March 31, 2013	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	$ 4,375	$ 4,375	$ -
Salaries, wages and vacation payable	2,218	1,990	228
	$ 6,593	$ 6,365	$ 228

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and cash equivalents and the Trust Investment. The Council's cash and cash equivalents include highly liquid redeemable investments with a term of one year or less that earn interest at market rates. 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% increase in the interest rate of the Trust Investment would result in a $21,000 increase in interest revenue. A 1% decrease in the interest rate of the Trust Investment would result in a $21,000 decrease 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% increase in the market value of the Restricted Investment would result in a $70,000 increase in the return from the Restricted Investment. A 10% decrease in the market value of the Restricted Investment would result in a $70,000 decrease in the return from the Restricted Investment.

Fair Values:

The fair values of the cash and cash equivalents, 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

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

12. Financial Instruments *(continued)*

instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3(g). 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.

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

			March 31, 2013 (000's)		March 31, 2012 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	FVTPL	1	$ 6,356	$ 6,356	$ 12,555	$ 12,555
Accounts receivable	L&R	N/A	6,944	6,944	8,018	8,018
Restricted investment	FVTPL	1	697	697	651	651
Trust investment	FVTPL	1	2,080	2,080	2,074	2,074
Financial Liabilities						
Accounts payable	OFL	N/A	4,375	4,375	5,016	5,016
Unearned revenue	OFL	N/A	3,618	3,618	9,843	9,843
Salaries, wages and vacation payable	OFL	N/A	2,218	2,218	2,019	2,019
Sick leave benefits payable	OFL	N/A	177	177	177	177

[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.

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Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

13. Commitments

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

2014	$318,000
2015	302,000
2016	317,000
2017	224,000
2018	224,000
Greater than 5 years	243,000

14. 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.

15. Funds Held in Trust

At March 31, 2013, the Council holds $1,141,000 (2012 - $990,000) 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.

16. Comparative Figures

Certain 2012 financial statement balances have been reclassified to conform with the presentation of the 2013 figures.

17. 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 income, expenses and profit is as follows:

		March 31, 2013 (000's)		March 31, 2012 (000's)
Contract revenue	$	56,710	$	44,958
Expenses		56,020		44,374
Profit	$	690	$	584

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