



 **innovation**  
SASKATCHEWAN 

2012-13 annual report



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# letter of transmittal

• • • from the minister  
and the board chair



Her Honour, the Honourable  
Vaughn Solomon Schofield  
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

For three years, Innovation Saskatchewan (IS) has been providing direction to the Government of Saskatchewan's innovation agenda. Its leadership, support and co-ordination have been integral in diversifying and growing this province's economy, and it will continue to play a key role as we build the

future economy of this province through increased innovation capacity and expertise.

One of the goals of the Government of Saskatchewan is to be an economic leader today, and into the year 2020. That is why in October 2012, we took significant steps in solidifying this objective by releasing the *Saskatchewan Plan for Growth*. This economic paper highlights priorities for the province's economy moving forward, including the steps necessary to continue advancing our innovation agenda. Just as it was in developing a provincial innovation strategy, IS will be the driving force in building upon these priorities, particularly as they relate to innovation in the natural resources and agriculture sectors. The creation and support for the International Minerals Innovation Institute (IMII), the Canadian Centre for Nuclear Innovation (CCNI) and the Global Institute for Food Security (GIFS) demonstrates this commitment.

During the 2012-13 fiscal year, the agency has commissioned an innovation survey. The results of the survey, which will be reported in the next fiscal year, will provide the agency with a read on the innovation orientation and culture among Saskatchewan businesses while offering greater insight into the innovation drivers in Saskatchewan.

The future of this province will be determined by the strength of those who are supporting it today. IS has proven its commitment in fostering innovation in this province and all of the advantages that come as a result. New ideas generate new opportunities and, in turn, help to support a better quality of life. This is something we like to call *The Saskatchewan Advantage* and we are fortunate to have IS supporting this great benefit for all citizens of this province.

On behalf of IS and the IS Board of Directors, I have the honour to submit herewith the Annual Report of Innovation Saskatchewan, together with the financial statements, for the fiscal year ending March 31, 2013.

A handwritten signature in black ink, reading "Bill Boyd" with a period at the end. The signature is written in a cursive, flowing style.

Honourable Bill Boyd  
Minister Responsible for Innovation Saskatchewan  
Innovation Saskatchewan Board Chair

# letter of transmittal

• • • from the chief  
executive officer



The Honourable Bill Boyd  
Minister Responsible for Innovation Saskatchewan

Dear Sir:

I have the honour of submitting the Annual Report of Innovation Saskatchewan for the fiscal year ending March 31, 2013. This report has been prepared and carefully reviewed under my direction, and accurately represents the activities and accomplishments of our agency during the past year.

A handwritten signature in blue ink, appearing to read 'Jerome', with a long horizontal flourish extending to the right.

Dr. Jerome Konecsni  
Chief Executive Officer  
Innovation Saskatchewan

# board of directors • • •

Innovation Saskatchewan (IS) is led by a Board of Directors who have strong backgrounds in innovation. They collectively have knowledge and experience in the industrial sectors important to Saskatchewan and bring a perspective from inside and outside the province. The board provides oversight and strategic direction to IS. Key in its responsibilities is the hiring and supervision of a chief executive officer to manage the affairs and business of the agency, review/approval of its annual budget, and review/approval of projects seeking funding through funds held by the agency for that purpose. The members of the IS Board of Directors are:

**Honourable Bill Boyd (Chair)**

Minister Responsible for  
Innovation  
Minister of the Economy

**Honourable Tim McMillan  
(Vice-Chair)**

Minister Responsible for Energy  
and Resources

**Mr. Daniel Halyk**

President and CEO  
Total Energy Services Ltd.  
Calgary AB

**Dr. Janusz Kozinski**

Dean of Science and Engineering  
York University  
Toronto ON

**Ms. Pamela Schwann**

Executive Director  
Saskatchewan Mining  
Association  
Regina SK

**Mr. Trevor Thiessen**

President  
Novozymes BioAg  
Saskatoon SK

**Ms. Eva Lee Kwok**

Chair and CEO  
Amara International  
Investment Corporation  
Vancouver BC

# introduction ● ● ●

This annual report presents activities and results of Innovation Saskatchewan (IS) for the fiscal year ending March 31, 2013. It reports key accomplishments of the agency.

As the Government of Saskatchewan's central agency supporting innovation in the province, IS works directly with industry and other stakeholder groups to encourage the commercialization of technology and increased productivity for economic benefit to the province. It also plays an important coordinating role with other ministries and Crown corporations to ensure that policies and priorities across government are aligned with the innovation agenda.

IS was proclaimed on November 2, 2009, and began independent operations as an agency on April 1, 2010.



# agency overview ● ● ●

Innovation Saskatchewan (IS), located at Innovation Place in Saskatoon, is the Government of Saskatchewan's key agency supporting innovation in the Province. IS works directly with industry and other stakeholder groups to encourage the commercialization of technology and increase productivity for the economic benefit to the province. Under *The Innovation Saskatchewan Act*, we have a mandate to:

- Facilitate the co-ordination and strategic direction of the Government of Saskatchewan's support for research and development and science and technology with the objective of fostering the development of new ideas, products and processes to ensure the long-term sustainable growth of Saskatchewan's economy;
- Provide advice and guidance to the Government of Saskatchewan with respect to science and technology policy, and to establish, measure, monitor and report on the Government of Saskatchewan's strategies and goals for advancing innovation in Saskatchewan;
- Coordinate and support the establishment and maintenance of science, research and development infrastructure in Saskatchewan;



- Provide recommendations to the Government of Saskatchewan respecting research, development, demonstration and the commercialization of new technologies and innovative processes in Saskatchewan. IS also advises on policies that may better co-ordinate, support, foster, promote and facilitate research, development, demonstration and the commercialization of technology;
- On request of the Lieutenant Governor in Council, to undertake any program or activity for the purposes of achieving the objectives described above; and
- Undertake any other prescribed programs and activities.

# creation of the ... innovation strategy

## in·no·va·tion:

The creation and transformation of knowledge and ideas into new products, processes and services that meet market needs.

In more practical terms, innovation can be viewed as the process of converting knowledge into wealth. To be innovation, new knowledge must be implemented to provide an economic or social benefit.

## mission statement:

To be an innovation catalyst serving the needs of individuals, companies and institutions.

Ultimately, the goal of Innovation Saskatchewan is to encourage the existence of sustainable, globally competitive business in the province.

# focus • • •

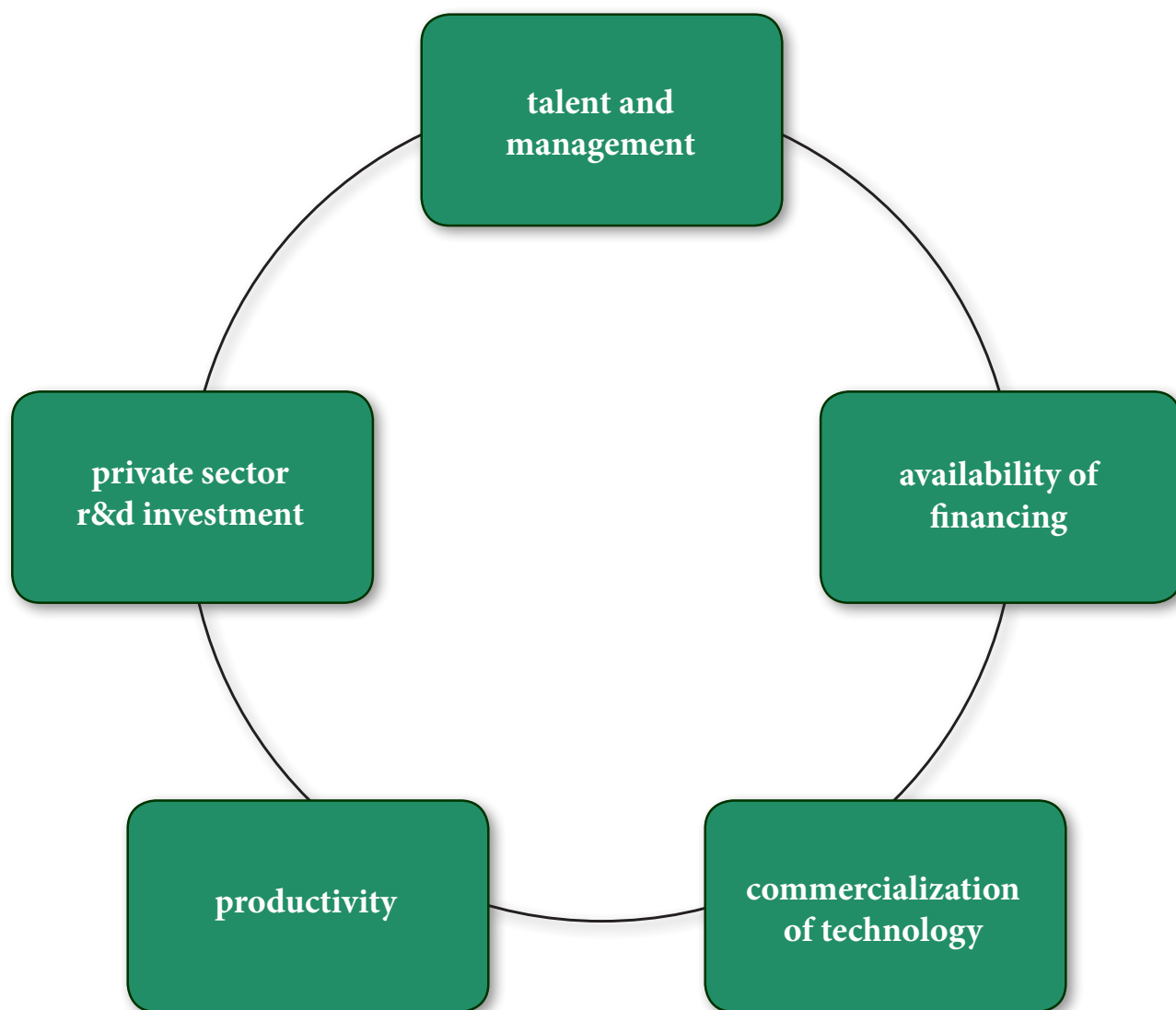


## GOVERNMENT SUPPORT FOR INNOVATION IN MOST JURISDICTIONS FOCUSES ON TWO AREAS:

1. Assuring that the environment for innovation exists within the jurisdiction; and
2. Working to enhance the productivity of companies within the jurisdiction.

Many factors influence the provincial innovation system and therefore need to be included in an innovation strategy. These included, among others are:

- The financial capacity of Saskatchewan companies to transfer technology, commercialize research or implement new technology in production or service, and the availability of funding or investment;
- The willingness, or lack thereof, by Saskatchewan companies to invest in research and development and the capacity of Saskatchewan companies to integrate new technologies into their existing products, product lines and/or processes;
- Human capital - the need for a skilled workforce and the impact of changing demographics in the workforce, including the management capabilities within Saskatchewan companies; and
- Research, technology transfer and commercialization entities and their capabilities.



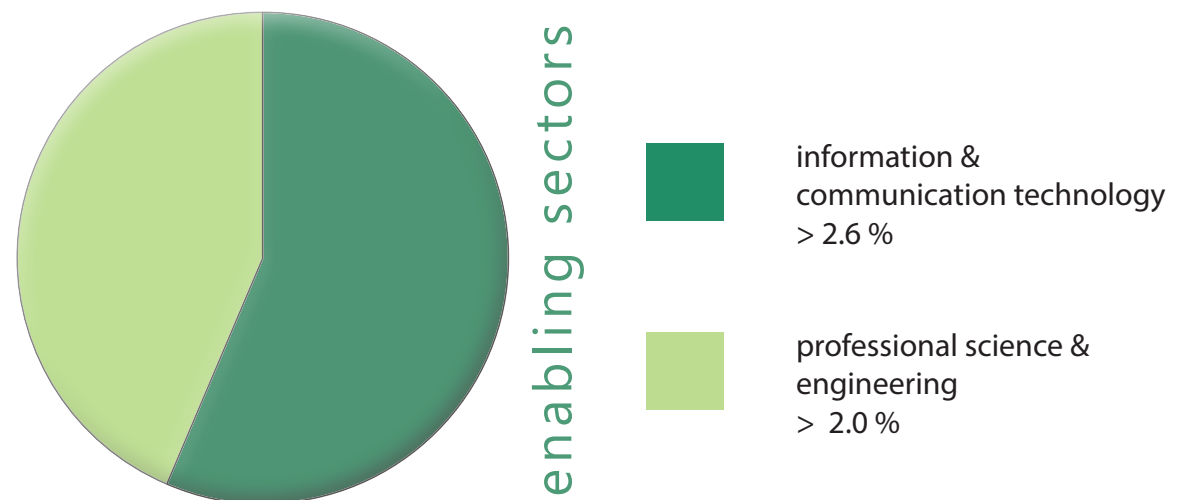
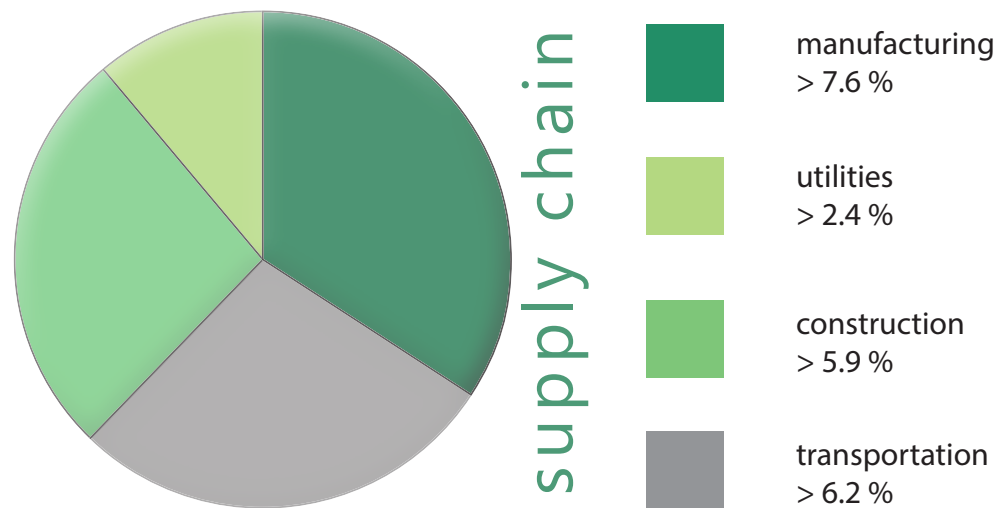
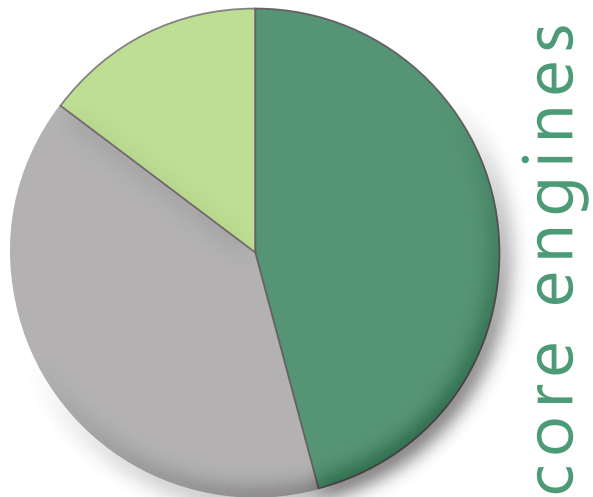
# jurisdictional • • • advantage assessment

In 2010, Innovation Saskatchewan (IS) conducted a Jurisdictional Advantage Assessment (JAA), concluding that the province's economy is driven by three core engines: agriculture, oil and gas, and mining and minerals.

These industries give the province a distinct competitive advantage because of our rich natural resource base, the primary production companies that access the resources, and the many companies and institutions interacting with these sectors by providing inputs (products, services and technology) or processing (value-adding) the outputs.

IS's strategy is to first strengthen and increase the sustainability of Saskatchewan's core engines through support for innovation in the core and in the value-added and enabling sectors that support the core and the industrial ecosystems surrounding the core, and then to encourage diversification from this strength into new but related areas. We describe this as "Diversification through our economic strengths, not away from them."

It is important to note that while the JAA provides a context for evaluating innovation opportunities, it is not intended as a filter to include or exclude specific projects. What the JAA does is help to understand the context within which IS can assess projects – i.e.: it is easier to assess the potential of a project that is consistent with the JAA model. Projects that do not fit the model will require greater diligence to understand the opportunity and its benefits to the province.



**Note:** Data in graphs is an average of 2006 to 2010 sector contributions to GDP.

# our innovation strategy • • •

The intersection of the core economic engines – *The Saskatchewan Advantage* – and the goal of creating sustainable, globally competitive businesses supported by a focus on productivity improvement and a supportive innovation environment form the innovation agenda for Innovation Saskatchewan (IS).

For example, a life science project that develops technology to increase the output from Saskatchewan heavy oil wells would benefit one of the core economic engines of the province while developing new products or services produced by another. Focusing on the core economy provides a natural “at home” customer base into which a new technology can be launched. Once proven, it can be extended to new markets outside the province. New product development focused on serving *The Saskatchewan Advantage* sectors is much more likely to be sustainable in the marketplace.



# project management roadmap ● ● ●

Innovation Saskatchewan (IS) has developed a Body of Practice, described in our Project Management Roadmap which enhances our ability to evaluate opportunities, manage contracts and measure impact.

It provides a means of accountability for IS investments, while at the same time creating a continuous improvement model allowing us to become more efficient and accountable as we learn from prior experience. Please refer to Appendix A for a copy of the roadmap.

The process begins with establishment of the strategic objectives IS is trying to achieve through its investments, as described in the Jurisdictional Advantage Assessment, the *Saskatchewan Plan for Growth* and our understanding of the environment necessary to encourage innovation in the province. These together inform the criteria to be used in evaluating project proposals. IS has chosen to use the ProGrid framework and methodology. Project proponents are informed of the criteria and a lead person within IS works with the proponent to understand and, if necessary, refine the project to meet our objectives.



Once a project meets internal thresholds it is recommended to the IS Board of Directors. Assuming board approval, the IS lead begins discussion of contract details with the proponent, based on an established contract template. The contract reflects the timelines, deliverables, milestones, reporting, payment schedules and other details agreed to by the proponent during the earlier discussions. The project is managed according to this contract over its lifetime by IS.

Upon completion of the contract, an independent third party performs an evaluation of the outcomes and impacts to determine whether IS achieved its stated objectives or had the desired outcomes from the investment. The impact analysis and report form a continuous improvement feedback which informs ongoing relations with the client, while at the same time providing information that may be used to improve IS's contract management and project evaluation methods. It may also provide insight into the design of the underlying strategy.

# progress in 2012-13

## jurisdictional advantage assessment:

The preliminary Jurisdictional Advantage Assessment (JAA) conducted in 2010 identified *The Saskatchewan Advantage* and created an evidence-based guideline for innovation project decision-making.

In 2010-11, this preliminary work became an important pillar in Innovation Saskatchewan's (IS) work overseeing cross-government innovation initiatives. It has become a key element in the development of the *Saskatchewan Plan for Growth*.

A second JAA project, titled *Industrial Ecosystems of Saskatchewan - The Mining & Minerals and Oil & Gas Sectors*, was completed in 2011-12. This project sought to better understand the ecosystem surrounding these two economic engines. In both sectors, the project identified the opportunity to encourage the increased development of local businesses that provide goods and services to the core sectors and to conduct value-addition to its outputs.

A third project that took the first step of delving into the workings of the agriculture industrial ecosystem was completed in 2012-13.

This project assessed the availability of data and identified key sector issues. It found that of the 16 indicators needed for a good evidence-based result, 13 are assessable. The project identified 15 issues: six that were critical to industry and government executives, six that were less critical and more easily handled, and three that were not in the purview of government. The six top-tier issues that need further investigation in order to develop a strategy to address them are: value chain (the need to strengthen the links between firms that create value for customers); sector competitiveness; transportation; access to highly skilled labour; regulations; and understanding, co-ordination of, and access to sector-related research.

IS uses the JAA results as a framework for evaluating priorities, to provide the government and the IS board with the basis for informed, fact-based decisions. Innovation-driven economic development initiatives grounded in or supporting the sectors driving Saskatchewan's economy—the sectors where Saskatchewan has inherent and created advantages—are more likely to be sustainable and therefore should receive serious consideration and priority in an innovation strategy.



## opportunity assessment tool:

Innovation Saskatchewan (IS) has adopted ProGrid—a tool to assist in a rigorous, fact-based assessment of innovation opportunities.

ProGrid has a national reputation as the software of choice for Canadian organizations needing to assess diverse opportunities against organizational priorities. IS licensed ProGrid's framework that enables fair comparison and evaluation of potential projects. ProGrid was modified into the Innovation Saskatchewan Opportunity Evaluation Tool by developing IS-specific evaluation matrix and evaluation criteria. The eleven criteria provide a quantifiable evaluation of an opportunity's strategic alignment and impact.

IS has successfully used ProGrid in evaluating programs and projects that have been recommended and received approval for funding by the IS Board.

## saskatchewan advantage innovation fund:

Innovation Saskatchewan (IS) has a fund called the Saskatchewan Advantage Innovation Fund (SAIF), to be used for strategic innovation investments.

Projects need to be aligned with Saskatchewan's jurisdictional advantages, have the potential for significant impact in the province, have a clear path to commercialization and have intellectual property agreements that are not an impediment to successful implementation. Innovation is only innovation if it is implemented for benefit. Therefore, SAIF projects generally require a private-sector partner that can apply the learnings of research and development efforts in the field and are willing to share in the financial risk associated with the project.

IS staff have developed a pipeline of projects that are in various stages, from initial consultation with the proponents, to ProGrid evaluation, project improvement based on ProGrid results, recommendation for funding under SAIF by the board and management of approved projects according to terms outlined in the project funding agreements. In 2012-13, funding was provided to the International Minerals Innovation Institute (IMII) (\$700,000) and approved for TRTech (\$480,000). The board also granted conditional approval for an additional \$500,000 for IMII, \$480,000 for TRTech and \$500,000 for carbon capture, utilization and storage pending approval of IS's 2013-14 budget.

Please refer to Appendix B for a copy of the pipeline.



## sylvia fedoruk canadian centre for nuclear innovation:

In the early 1950s, scientists at the University of Saskatchewan (U of S) pioneered the use of Cobalt 60 for cancer treatment.

Saskatchewan was an international leader in nuclear medicine. Years later, we are striving to regain that international leadership in nuclear medicine, research in materials science and small reactor design.

During the 2011-12 fiscal year, Innovation Saskatchewan (IS) took responsibility for the management of the province's nuclear file. Initiated within the Crown Investments Corporation, the file was transitioned to IS where several nuclear initiatives have been implemented.

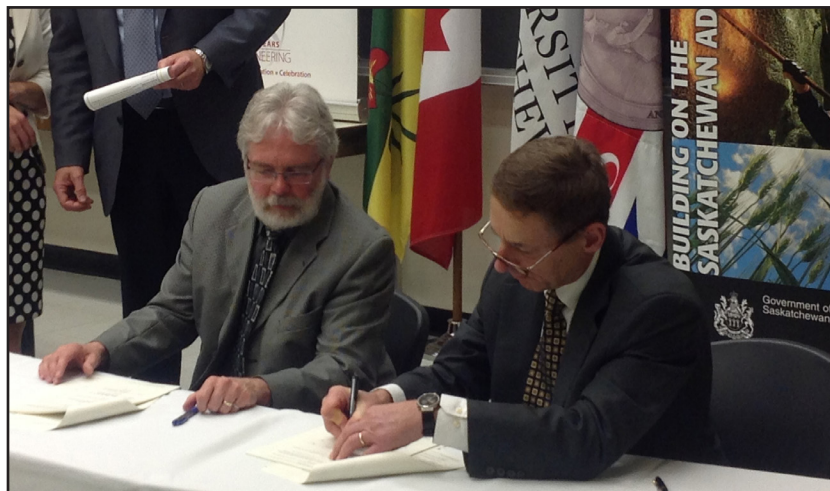
The Sylvia Fedoruk Canadian Centre for Nuclear Innovation (CCNI) is the cornerstone of the Government of Saskatchewan's innovation and nuclear agenda.

In December 2011 the U of S Board of Governors formally approved its creation and in February 2012, the minister responsible for innovation signed a multi-year funding agreement to provide funding for the new \$30 million centre. The CCNI will be a world-class research centre at the U of S to host, facilitate and collaborate on research and development in nuclear medicine, materials science, small reactor technology and nuclear safety.

The CCNI is one element of the provincial nuclear strategy which also includes the purchase and installation of the first in-province Positron Emission Tomography – Computed Tomography (PET-CT) scanner to be used for diagnosis and research; the purchase and installation of a cyclotron at the U of S to produce radioisotopes for use at PET-CT; and a Memorandum of Understanding with Hitachi/General Electric on joint research projects.

These exciting initiatives combined with the existing facilities at the Canadian Light Source are helping us rebuild our capacity.





## international minerals innovation institute:

The Jurisdictional Advantage Assessment found the mining and minerals sector to be one of the three sectors driving economic growth in Saskatchewan.

However, studies identified that the sector had important issues that required attention. It was concluded that the province needed a world-class centre to facilitate the accelerated development of trained individuals for the sector and industry-driven research and development activities to address the sector's significant technical challenges.

A three-year consultation process led to the design of a new entity, the International Minerals Innovation Institute (IMII), that would be jointly funded by industry and government and would fund industry-defined education and training (E&T) programs and research and development (R&D) projects in support of the minerals industry.

IMII began operations in February 2012 in the Innovation Saskatchewan (IS) offices with the acting executive director and acting executive assistant positions being filled by IS employees. In addition to this in-kind support, IS provided \$700,000 to IMII during 2012-13.

During its first year, IMII formed a 12-member organization board (representatives from six companies, the Saskatchewan Mining Association, three institutions, IS and the Ministry of Advanced Education) chaired by the former Lieutenant Governor of Saskatchewan, and attracted a five-year commitment for \$200,000 per year from each of five major mining companies, established E&T and R&D panels and overall governance and operational processes. It also committed \$1.68 million to the University of Saskatchewan (U of S) to implement mining options in three existing engineering programs and to work toward the establishment of a mining engineering program at the U of S. As well, IMII searched for and found its permanent executive director who took up his role at the end of March 2013.



## enhanced oil recovery:

Heavy oil wells in the Lloydminster area and lighter crude wells in southern Saskatchewan are suspended and often abandoned when production becomes uneconomic.

This happens with more than 92 per cent of the heavy oil and 70 per cent of light oil still in the formation. As the oil and gas sector is one of the three engines driving the province's economy, and provides \$1.4 billion per year to the provincial treasury, it is imperative that new technologies be developed that increase access to significant resources that are currently unrecoverable.

In 2011-12, Innovation Saskatchewan (IS) staff investigated three potential enhanced oil recovery (EOR) projects, one of which - a microbial EOR project - was provided \$200,000 from the Saskatchewan Advantage Innovation Fund (SAIF). The project, conducted in 2012-13, explored the use of microbial-based technologies to improve recovery rates in light oil reserves.

A consortium of an oil production company operating in Saskatchewan, a technology company and a provincially-based research institution found that oil recovery rates improved a small amount, while water use dropped to one third, making an uneconomic well profitable. While success on one well is encouraging, it is not significant. A project with a broader scope is being explored for consideration in 2013-14. Initial investigation of three other potential EOR projects began in 2012-13. One will develop and test sensors that will help understand what is happening underground in oil fields, another will look at using radio frequency for EOR and another will investigate in-situ combustion EOR. All three will be submitted to IS's ProGrid evaluation process and, if found satisfactory, will be presented to the board for consideration in 2013-14.



## global institute for food security:

The global population is expected to reach more than 9 billion by 2050. In less than forty years, this growing and, in some countries, affluent population will require an increase of 70 per cent in food production mainly from existing land and natural resources.

The growing demand for food cannot be met with existing capacity. Major increases in research and development investments are needed by both developing and developed countries to ensure a safe, secure and sustainable supply of food for future generations.

With a strategic investment in transformative infrastructure, knowledge and technology, Saskatchewan, with more than 40 per cent of Canada's arable land, has potential to double its crop production by 2050 on existing agricultural land, and enhance its position as a preferred and reliable supplier of food for the domestic and international markets while creating economic opportunities for our highly efficient producers and businesses.

Over the years, Saskatchewan has strategically and systematically built an excellent agricultural research and development cluster. The establishment of a global institute for food security builds on Saskatchewan's natural, intellectual and infrastructure resources to simultaneously benefit from the increasing global demand for agricultural products and meet its social and moral responsibilities as a global citizen.

The Ministry of Agriculture and Innovation Saskatchewan are working closely with the University of Saskatchewan and industry in the early stages of the development of this initiative. Agriculture was identified as one of the three drivers of Saskatchewan's economy—sectors in which the province has an inherent advantage—by the Jurisdictional Advantage Assessment process. The institute is an excellent fit with current government priorities of investing in the innovation and knowledge economy to create sustainable growth.



## carbon capture, utilization and storage:

Saskatchewan's resource base includes a 300 year supply of lignite coal, which is currently being value-added to electricity at a relatively low cost. However, burning coal comes at a significant cost to our environment because it releases greenhouse gas mainly CO<sub>2</sub> into the environment.

CO<sub>2</sub>, when injected into oil reservoirs near the coal resource, has been proven to enhance oil recovery. Development of economic CO<sub>2</sub> capture technology will enable Saskatchewan to continue to convert its abundant coal resource to electricity without damaging the environment while utilizing it for the production of additional oil.

Saskatchewan leads the world in the use of CO<sub>2</sub> to increase oil production. It has now embarked on a \$1.2 billion carbon capture storage project at Boundary Dam Unit 3, which is projected to reduce that unit's CO<sub>2</sub> emissions by 90 per cent by 2014. Innovation Saskatchewan is chairing a committee of SaskPower, SaskEnergy and resources personnel to develop an outcome-oriented strategy for carbon capture, utilization and storage.





## trtech:

Innovation Saskatchewan (IS) manages the province's relationship with TRLabs: a non-profit, pre-competitive consortium working in the area of information and communication technology.

During the past year, IS has continued to work with TRLabs, now operating as TRTech, to focus its efforts in areas of application of information and communication technology related to the *Saskatchewan Plan for Growth*.



# board • • • representation

The Government of Saskatchewan was represented by Innovation Saskatchewan on the following Boards of Directors:

- > International Minerals Innovation Institute (IMII)  
<http://imii.ca/>
- > Canadian Center for Nuclear Innovation (CCNI)  
<http://www.ccni.nu/>
- > Canadian Light Source Synchrotron (CLS)  
<http://www.lightsource.ca/>
- > Saskatchewan Research Network (SRnet)  
<http://www.srnet.ca/>
- > SpringBoard West Innovations Inc.  
<http://www.springboardwest.ca/>
- > Ag-West Bio Inc.  
<http://www.agwest.sk.ca/>
- > Saskatchewan Health Research Foundation (SHRF)  
<http://www.shrf.ca/>
- > Vaccine and Infectious Disease Organization (VIDO)  
<http://www.vido.org/>

# external • • • committees

In 2012-13, Innovation Saskatchewan (IS) represented the province on the following external committees:

> **Provincial/Territorial Ministers Responsible for Innovation**

IS took part in deputy minister and working group level meetings. The Provincial/Territorial Ministers Responsible for Innovation are also responsible for reporting back to the Council of the Federation on innovation related issues assigned to it. IS was involved in the collection of data and the review of the report. In the past year, Saskatchewan has been responsible for coordinating the Provincial/Territorial Ministers Responsible for Innovation activities at the ministerial, deputy minister and working group levels.

> **Pacific North West Economic Region (PNWER)**

IS participates as Saskatchewan's member of PNWER's Innovation and Technology Working Group. This work has led to a framework for enhanced regional economic development and the creation of an Innovation Assets Inventory for the PNWER region, with efforts now underway to develop an innovation map for the region. This tool will help to identify natural collaboration links across the region. Co-ordination of the Innovation Assets Inventory was led by the IS representative at PNWER.

> **Western Senior Officials Forum on Innovation**

The Western Senior Officials Forum on Innovation provides a roundtable at which representatives from Manitoba, Saskatchewan, Alberta, British Columbia and the Yukon meet with their federal counterparts under the auspices of Western Economic Diversification (WED) to discuss the common challenges and opportunities for innovation in western Canada. The forum has provided western provinces with direct, unified input into planning by WED, Industry Canada and other federal departments.

> **Natural Sciences and Engineering Research Council of Canada (NSERC)-Regional Offices-Advisory Committee**

IS is a member of the NSERC Regional Offices-Advisory Committee. The mandate of this advisory committee is to provide advice on how NSERC can enhance academic-industry partnerships in research, innovation and advanced training. It provides input on the offices' activities and priorities, particularly efforts to strengthen collaboration between post-secondary institutions and the private sector. It also provides opportunities to exchange information, build consensus and enhance collaboration between post-secondary institutions, the private sector, federal and provincial departments and other organizations active in regional innovation systems.

# 2012-13 • • • financial overview

Innovation Saskatchewan  
Report of Management  
for the Twelve Month Period Ended March 31, 2013

The accompanying financial statements are the responsibility of the management of Innovation Saskatchewan. They have been prepared in accordance with generally accepted accounting principles for the public sector, using management's best estimates and judgements, 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 Office of the Provincial Auditor has audited the Agency's financial statements in accordance with generally accepted auditing standards and their report follows.



Dr. Jerome Konecsni  
Chief Executive Officer  
Innovation Saskatchewan  
July 24, 2013

**INNOVATION SASKATCHEWAN**

**FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2013**



## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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 financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2013, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan  
July 24, 2013

Bonnie Lysyk, MBA, CA  
Provincial Auditor

# statement 1 • • •

**Innovation Saskatchewan  
Statement of Financial Position  
March 31, 2013**

	<i>(thousands of dollars)</i>	
	<b>2013</b>	<b>2012</b>
<b>Financial Assets</b>		
Due from General Revenue Fund (Note 3)	\$ 5,305	\$ 7,387
Accounts Receivable	15	28
	<u>5,320</u>	<u>7,415</u>
 <b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	<u>635</u>	<u>4,574</u>
 <b>Net Financial Assets (Statement 3)</b>	<b>4,685</b>	<b>2,841</b>
 <b>Non-financial Assets</b>		
Prepaid Expenses	<u>1</u>	<u>1</u>
 <b>Accumulated Surplus (Statement 2)</b>	<u><u>\$ 4,686</u></u>	<u><u>\$ 2,842</u></u>
 Designated Assets (Note 9)		

*(See accompanying notes to financial statements)*

# statement 2 • • •

**Innovation Saskatchewan  
Statement of Operations and Accumulated Surplus  
for the Year Ended March 31, 2013**

		<i>(thousands of dollars)</i>	
	<b>Budget</b>	<b>2013</b>	<b>2012</b>
	<b>(Note 4)</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Grants from the General Revenue Fund	\$ 6,769	\$ 6,769	\$ 3,467
Other		80	105
	<u>6,769</u>	<u>6,849</u>	<u>3,572</u>
<b>Expenses (Note 7)</b>			
Administration	1,987	2,043	1,348
Program Grants			
Nuclear Strategy	3,300	2,008	7,000
SAIF (Note 9)	1,000	700	700
Other	482	254	480
	<u>6,769</u>	<u>5,005</u>	<u>9,528</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ -</u>	1,844	(5,956)
<b>Accumulated Surplus, Beginning of Year</b>		<b>2,842</b>	<b>8,798</b>
<b>Accumulated Surplus, End of Year (Statement 1)</b>		<u><u>\$ 4,686</u></u>	<u><u>\$ 2,842</u></u>

*(See accompanying notes to financial statements)*



# statement 3 ...

**Innovation Saskatchewan  
Statement of Change in Net Financial Assets  
for the Year Ended March 31, 2013**

	<i>(thousands of dollars)</i>	
	<b>2013</b>	<b>2012</b>
<b>Annual Surplus (Deficit)</b>	\$ 1,844	\$ (5,956)
Increase in Prepaid Expenses	-	(1)
<b>Increase in Financial Assets</b>	1,844	(5,957)
<b>Net Financial Assets, Beginning of Year</b>	2,841	8,798
<b>Net Financial Assets, End of Year (Statement 1)</b>	<u>\$ 4,685</u>	<u>\$ 2,841</u>

*(See accompanying notes to financial statements)*

# statement 4 ● ● ●

**Innovation Saskatchewan  
Statement of Cash Flows  
for the Year Ended March 31, 2013**

	<i>(thousands of dollars)</i>	
<b>Cash Provided by Operating Activities</b>	<b>2013</b>	<b>2012</b>
Cash Receipts from General Revenue Fund	\$ 6,854	\$ 3,550
Cash Receipts from Other Operating Activity	8	-
Cash Paid to Suppliers and Employees	<u>(8,944)</u>	<u>(5,250)</u>
 <b>(Decrease) in Due From General Revenue Fund</b>	 (2,082)	 (1,700)
 <b>Due from General Revenue Fund, Beginning of Year</b>	 <u>7,387</u>	 <u>9,087</u>
<b>Due from General Revenue Fund, End of Year</b>	<u><u>\$ 5,305</u></u>	<u><u>\$ 7,387</u></u>

*(See accompanying notes to financial statements)*

# **Innovation Saskatchewan**

## **Notes to the Financial Statements**

### **for the Year ended March 31, 2013**

#### **1. Status of Innovation Saskatchewan**

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act*.

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan. Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes.

#### **2. Significant Accounting Policies**

These financial statements are prepared using Canadian generally accepted accounting principles appropriate for the public sector and reflect the following significant accounting principles:

##### **a) Revenue**

Revenue is recognized in the period in which the transactions or events occurred that give rise to the revenue. Grants from the General Revenue Fund are unrestricted in nature and are recognized as they are received or receivable.

##### **b) Expenses**

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the period during which the transfer is authorized and eligibility criteria are met.

##### **c) Non-financial Assets**

Non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

##### **d) Measurement Uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses

during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the period in which they become known.

#### e) Adoption of New Accounting Standards

The Public Sector Accounting Board (PSAB) issued four new accounting standards effective April 1, 2012. PS 1201, Financial Statement Presentation; PS 2601, Foreign Currency Translation; PS 3410, Government Transfers; and PS 3450, Financial Instruments. Innovation Saskatchewan's adoption of these new standards had no impact on Innovation Saskatchewan's financial statements other than minor changes to the financial statement presentation and disclosure.

### **3. Due from the General Revenue Fund**

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2012-13 was 1.09% (2011-12 was 1.05%). Interest earned during the year was \$71,543 (2011-12 – \$105,000).

### **4. Budget Approval**

The 2012-13 budget was reviewed and approved by the Innovation Saskatchewan Board on July 23, 2012.

### **5. Related Parties**

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, Innovation Saskatchewan is related to non-Crown corporations and enterprises that the Government jointly controls or significantly influences.

Related party transactions to March 31, 2013 include the following:

*(thousands of dollars)*

<b>Expense</b>	<b>2012-13</b>	<b>2011-12</b>
Ministry of Central Services	\$ 15	\$ 6
University of Saskatchewan	34	31
Sasktel	8	13
Saskatoon Regional Health Authority	-	4,000
Canadian Centre for Nuclear Innovation - Grant	2,000	3,000
Crown Investments Corporation of Saskatchewan	14	-
Innovation Place	123	-
Accounts Receivable	15	27
Accounts Payable	53	4,002

*(thousands of dollars)*

<b>Contractual Obligations</b>	<b>Leases</b>	<b>Programming</b>
2013-14	\$ 173	\$ 5,000
2014-15	18	4,000
2015-16		4,000
2016-17		4,000
2017-18		4,000
Total	<u>\$ 191</u>	<u>\$ 21,000</u>

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

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

## 6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable and Accounts Payable and Accrued Liabilities. The carrying amount of these

instruments approximates fair value due to their short-term nature. These instruments have no material interest or credit risk.

## 7. Expense by Object

(thousands of dollars)

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<b>Expenses</b>		
Goods and Services	\$ 536	\$ 359
Grants and Transfers	2,962	8,269
Pension and Benefits	203	107
Salaries and Benefits	1,173	705
Travel	131	88
	<u>\$ 5,005</u>	<u>\$ 9,528</u>

## 8. Contractual Obligations

Innovation Saskatchewan has a non-related party programming and operational obligations in future years.

(thousands of dollars)

	<u>Programming</u>	<u>Operational</u>
2013-14	\$ 1,992	\$ 274
2014-15	2,500	54
2015-16	1,000	54
	<u>\$ 5,492</u>	<u>\$ 382</u>

## 9. Designated Assets

Innovation Saskatchewan is holding \$3,872,000 as designated assets to be spent as follows:

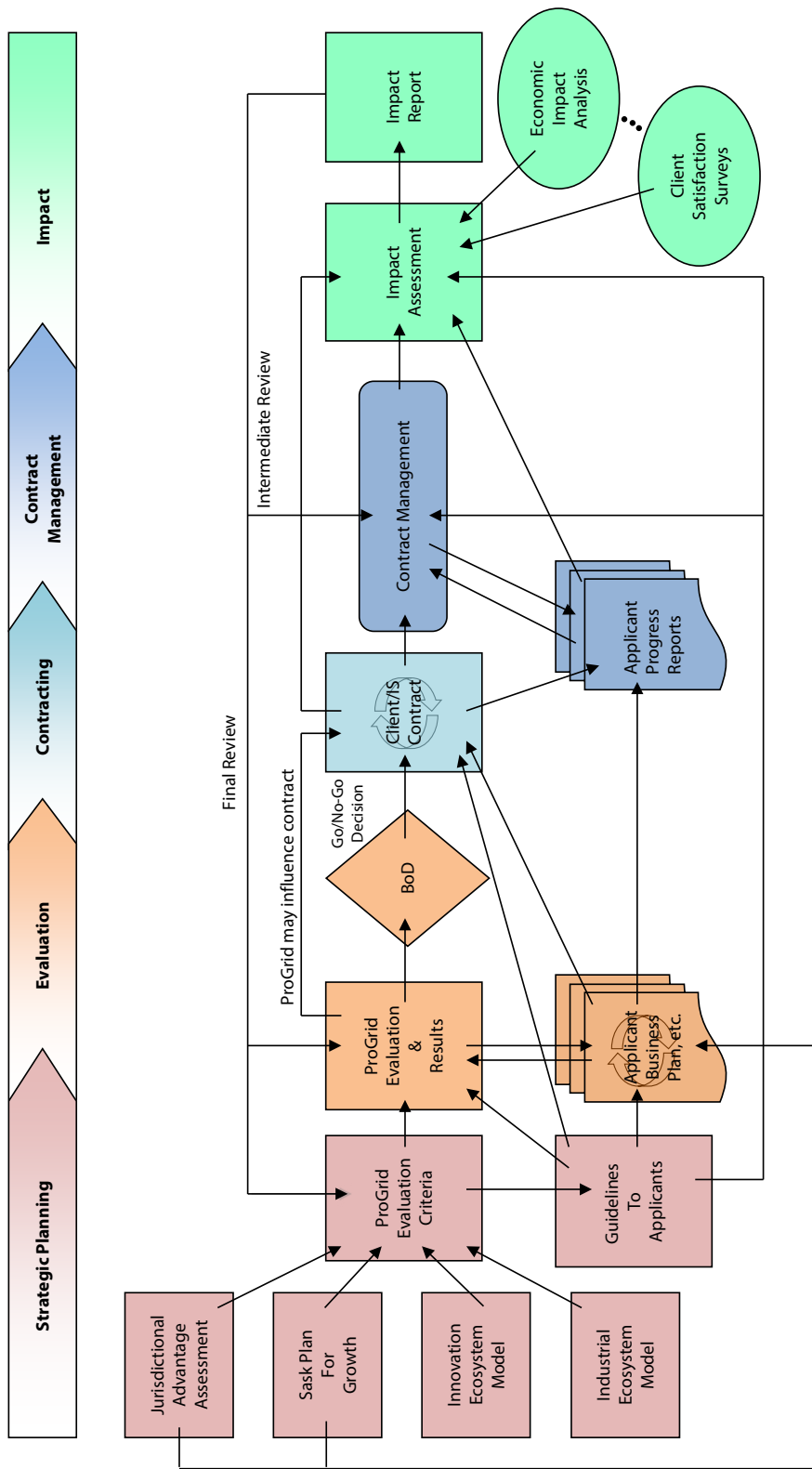
(thousands of dollars)

<u>Designated Assets</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<b>Nuclear Strategy Program</b>	\$ 2,792	\$ 1,500
<b>SAIF</b>	<u>1,080</u>	<u>300</u>
	<u>\$ 3,872</u>	<u>\$ 1,800</u>

Innovation Saskatchewan maintains an internal fund called the Saskatchewan Advantage Innovation Fund (SAIF) for the purposes of providing support for innovation activities in areas such as research and development, demonstration, commercialization and education consistent with the IS mandate. Decisions on projects funded by SAIF are based on a rigorous project evaluation criteria used to vet all projects and are recommended to the IS Board of Directors for approval.

Due to delays in planning and negotiations, Innovation Saskatchewan also has retained funds for its Nuclear Strategy Program for purposes of supporting the construction of the Saskatchewan Centre for Innovation in Cyclotron Science (SCI-CS) cyclotron facility and associated nuclear substances laboratory, and for joint research projects undertaken under the auspices of the Memorandums of Understanding with Hitachi, Ltd.

# appendix a . . .

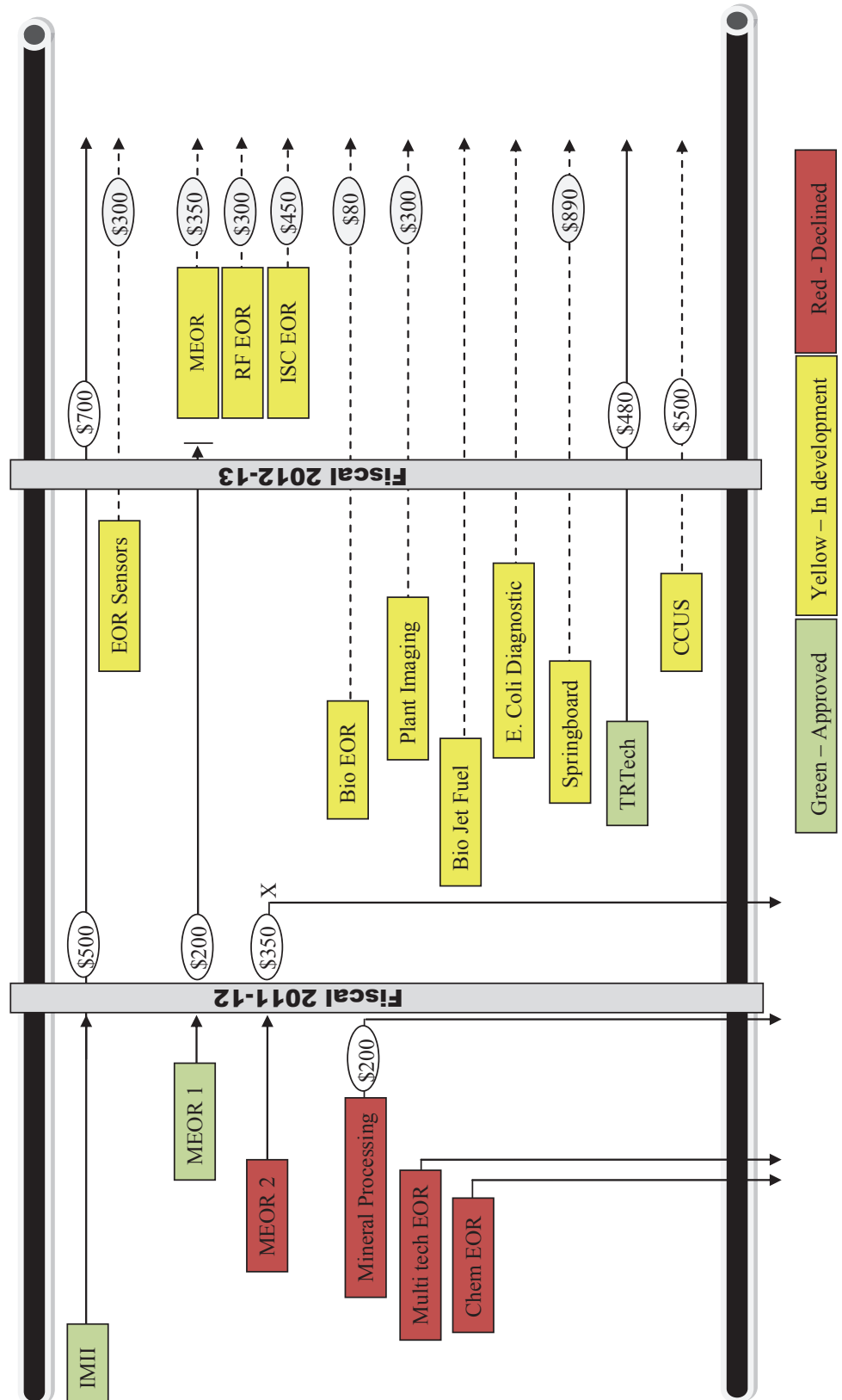




# appendix b . . .



## Saskatchewan Advantage Innovation Fund (SAIF) Pipeline









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