



ANNUAL REPORT

2016-17



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Executive Summary

LAYING THE GROUNDWORK FOR TRANSFORMATIVE CHANGE

The province, and by necessity, Alberta Innovates (AI) is in a new era, where innovation is critical to building a diverse and globally competitive, 21st century Alberta economy.

As the achievements of the Corporation over the past year are assessed and used to set targets for the future, it is clear that two critical dates have changed the direction and momentum of Alberta's provincially funded innovation ecosystem.

The first date is October 22, 2015. The Government of Alberta (GOA) created the Ministry for Economic Development and Trade (EDT) with the specific objective of spurring economic growth amidst a backdrop of collapsing oil prices. Alberta, largely alone amongst its provincial counterparts, had not had a Ministry for economic development since 2006.

The second date is February 2, 2016, when the GOA approved the consolidation of the four former research and innovation corporations—Energy and Environment Solutions, Health Solutions, Bio Solutions and Technology Futures—into one provincial Corporation called Alberta Innovates with two subsidiaries focused on applied research (laboratory) services and the Alberta Foundation for Health Research. This decision addressed long-standing concerns and opened the door to new opportunities such as:

- The creation of a unified mandate and role for Alberta Innovates, aligned to government's key priorities of growth and diversification through new and existing sectors
- Provide single-door access to the programs and services offered by the legacy corporations; a single Corporation can more effectively connect innovators with the resources needed to accelerate good ideas into impactful application and economic growth
- Enable the province to take a more integrated and outcomes-focused approach to meeting the needs of innovators and researchers - whether they hail from academia, established sectors or small business
- Help to convene multi-party coalitions to create the right conditions for transformative change
- Allow for an assessment of gaps and redundancies within the province's current investment portfolio
- Support meaningful and regular review of the Corporation's consolidated suite of services and programs offered to ensure they deliver results aligned to the GOA's innovation agenda.

Year in Review

2016-17 was a year of significant change for Alberta Innovates, as the four legacy Corporations advanced their individual operational priorities, provided applied research services to a broad array of government and industry clients, supported the growth and achievement of innovative small businesses, and supported the creation of a 21st century workforce in partnership with Campus Alberta.

In addition, Alberta Innovates planned and successfully executed the November 1, 2016 consolidation. The Corporation and EDT successfully addressed the significant operational issues inherent with any large scale public consolidation. Project teams were created to ensure critical processes were completed. Highlights of these activities include:

- Integration of human resource policies, including differences in pension policies and union agreements for the four legacy corporations.
- Implementation of a streamlined interim organizational structure, contributing savings of approximately \$2.9M dollars in reduced overhead expenses.
- The transfer of thousands of contracts, and the formation of InnoTech Alberta Inc., a wholly-owned subsidiary focused on providing applied research services to a wide spectrum of industry and government clients.
- Roll out of a consolidated governance structure and the creation of one single board;
- The recruitment of AI's new CEO, Laura Kilcrease, a well-known and respected innovation leader from Austin, Texas.
- Role clarity through a new, unified Mandate and Roles document with EDT.

Post consolidation, the Corporation set its sights high; laying the groundwork for the development of three priority areas of focus—Health Innovation, Clean Energy and Smart Agriculture/Bio-Industrial. In each of these areas Alberta Innovates supported the creation of a Team Alberta approach, bringing together senior leaders in Alberta's post-secondary institutions, industry and entrepreneurs to initiate a path forward.

Looking Ahead

2017-18 will be a transformational year for Alberta Innovates, the first full-year of operation for the new Corporation. A priority area of focus is to strengthen engagement and communication with external stakeholders. First, AI will work with partners to build its long-term strategic plan. This collective approach to strategic planning is founded on the belief that by focusing on mutually desired outcomes, Alberta will achieve its economic growth and diversification with greater speed and success.

Second, AI will foster greater awareness of the successes and outcomes achieved by AI and its partners. Significant progress has been made in certain lines of business to communicate tangible outcomes, such as in AI's Entrepreneurial Investments' business line, which provides direct funding to small businesses. Over the past year, these companies experienced job growth of 11 per cent while the province experienced a decline of nearly one per cent. These companies added 890 net new jobs to the province, 85 per cent of which are full time. AI realizes the onus is on the Corporation to demonstrate continued value to its stakeholders, and work is underway to better track and communicate outcomes across all of AI's business lines. While this critical work is proceeding, AI will actively advance its change journey through the five distinct corporate goals identified in the 2017-18 Transitional Business Plan:

1. Nimble and responsive
2. Resource allocation tied to outcomes
3. Innovation culture
4. Coordinated single entity
5. Coalition building

The process of operationalizing these goals will be transparent, clear and realistic, and will involve all Alberta Innovates employees. Regular monitoring and reporting to AI's sole shareholder—the Government of Alberta—will demonstrate the Corporation's commitment to transparency and accountability. The increasing pace of innovation and the impact of disruptive technologies and processes on sustainable success is clear: it is no longer enough to simply keep up. The foundation laid today, will transform Alberta's economic future.

Accountability Statement

The Alberta Innovates Annual Report for the year ended May 30, 2017, was prepared under the Board's direction in accordance with the Alberta Research and Innovation Regulation, and the ministerial guidelines established pursuant to the Alberta Public Agencies Governance Act (APAGA) and the Fiscal Planning and Transparency Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report.

[Original signed by Judy Fairburn]

BOARD CHAIR

May 30, 2017

DATE OF APPROVAL OF FINANCIAL STATEMENTS

Message from the Board Chair

We are at a critical moment in our province's history. The Government of Alberta has set clear goals in response:

- Economic diversification and resiliency, to generate export growth and 21st century jobs for Albertans
- Climate leadership towards a green economy
- Healthcare transformation to strengthen quality and safety while also reducing costs, and leveraging our many strengths in this sector to generate new companies and jobs
- Partnership with our Indigenous peoples.

To accomplish these goals, a winning and inclusive innovation strategy will be required that offers value to Albertans. Innovation is about creating the solutions that address our biggest challenges. Innovation will thrive in our entrepreneurial and creative society, leading to a "start-up rich" province that will fuel job creation.

The consolidation of Alberta Innovates' legacy corporations (Bio Solutions, Energy and Environment Solutions, Health Solutions and Technology Futures) with its applied research subsidiaries, C-FER Technologies and InnoTech Alberta, and the Alberta Foundation for Health Research, is a bold step in the right direction.

Optimism for the Future

As the province's largest research and innovation agency, Alberta Innovates will be the catalyst of an environment where invention and innovation thrive, and partners work together in a deliberate way to produce meaningful outcomes in an agile, accelerated fashion.

This past year has seen a hum of activity across this province, and an acceptance that the economic drivers of the past are not those that will chart the course for the 21st century. Across the province there is widespread recognition that we are all in this journey together, and when Alberta is strong, we are all strong.

We are starting to see tangible results through the creation of a "Team Alberta" approach. Over the past year, Alberta Innovates has enabled coalitions of leaders in industry, small business, academia and our many critical institutions, in the areas of digital health transformation, clean resources and smart agriculture. While the approach differs from sector to sector, they share a similar objective: to develop and support Alberta in delivering impactful and globally-significant innovation.

Success will see leveraging of partnerships across Canada between industry, entrepreneurs, academia and innovation entities. These collaborations have the potential to materially contribute to the government's Economic Diversification, Climate Leadership and Healthcare Transformation goals.



Judy Fairburn
BOARD CHAIR

The Alberta Innovates Team

Our researchers and business professionals continue to be sought out as thought leaders regularly called upon throughout the year to present at conferences and workshops throughout Alberta and around the world.

The Board would like to thank the Alberta Innovates team for your contributions over the past year. This was a year of significant change, and your efforts to leveraging relationships with industry, entrepreneurs, academia and government have enabled us to continue to offer valuable services to advance a diverse and resilient economy. I look forward to the year ahead as we move beyond transition.

Sincerely,

[Original signed by Judy Fairburn]

BOARD CHAIR

May 30, 2017

Operational Overview

This past year, legacy programs from the four predecessor corporations were operated by the Corporation. Currently, AI invests in three broad industry sectors: Clean Energy, Bio and Health Innovation. A fourth focus area of the Corporation—Cross-Sectoral Innovation—supports the building blocks of the innovation ecosystem: industry, entrepreneurs, researchers and post-secondary institutions. The chart below highlights the four business lines inherited by the Corporation, and the desired outcomes from these business lines. These business lines may change as the Corporation develops a new Strategic Plan and goes through a comprehensive review of its current programs and services.

Cross-Sectoral Innovation

AI makes investments in cross-sectoral enablers to facilitate innovation. By offering research capacity, entrepreneurial know-how and business development infrastructure, researchers, entrepreneurs, small and medium-sized enterprises (SMEs) and industry are able to advance their ideas into application. This business line also includes the services offered by AI's two applied research focused subsidiaries—InnoTech Alberta and C-FER Technologies—who are on the front lines of de-risking industrial innovation for Alberta business. These cross-sectoral activities fell within the former Alberta Innovates Technology Futures.

Health Innovation

AI leverages Alberta's excellence in health research, a growing health technology sector and unique, unified health delivery system strengths. Health innovation includes investments in highly skilled people, provincial platforms and partnered activities formerly included in Alberta Innovates Health Solutions.

Clean Energy

AI builds on Alberta's natural advantages and experiences to lead the development of innovative energy and environmental technologies, to achieve a socially responsible, environmentally sustainable energy sector. Clean Energy includes funding related to advanced hydrocarbons, clean tech, tailings research and other water and land programs from the former Alberta Innovates Energy and Environment Solutions.

Bio Sector

AI makes research and innovation investments which leverage Alberta's food, fibre and forestry sectors, drawing on provincial expertise and natural resources for a growing global population in a carbon-constrained environment. Bio Sector includes the Alberta Prion Research Institute, sustainable production, bio-industrial innovation, ecosystem services and the biological greenhouse gas management program from the former Alberta Innovates Bio Solutions.

Reporting on Results

The 2016-17 Annual Report demonstrates accountability and transparency to the Government of Alberta (GOA) for the performance and key achievements of the four legacy Alberta Innovates (AI) corporations: Technology Futures (TF); Bio Solutions (Bio); Energy and Environment Solutions (EES); and Health Solutions (HS). Prior to consolidation, each of these four corporations had distinct approaches to setting performance measures, some of which were a challenge to objectively measure and articulate.

In some instances, performance measures that linked to the 2030 Innovation Targets have been removed as these targets fluctuated throughout the year, and still need to be formally approved by the GOA. Once that is done, AI will ensure that robust information systems are set up to demonstrate alignment to these or other equivalent GOA priorities. AI will continue to collaborate with EDT to ensure performance measures and goals are of high standard and align with the strategy of the Ministry.

Cross-Sectoral Innovation

I. ENTREPRENEURIAL INVESTMENTS

GOAL Accelerate commercial success for Alberta SMEs and entrepreneurs through an integrated commercialization system.

EXPECTED OUTCOMES & PERFORMANCE MEASURES

Expected Outcomes	Performance Measure
1. Effective deployment of commercialization initiatives	A. *Percentage of clients satisfied with the overall quality of AI's service delivery
2. Regionally accessible business mentorship expertise	A. Percentage of AI funded SMEs who found Technology Development Advisors (TDA) to be helpful B. Percentage of AI funded SMEs who received assistance from a TDA
3. Sustainable job creation and revenue growth by technology-based SMEs	A. Net jobs created by AI funded SMEs subsequent to AI funding B. Ratio of net revenue growth by AI funded SMEs subsequent to AI funding
4. AI funded SMEs are able to raise follow-on capital from private sources*	C. Ratio of net follow on funding raised subsequent to AI funding support

* This performance measure replaces the previous Net Promoter Score as it is more easily understood by users of AI's Annual Report.

ACTUAL PERFORMANCE

Below are the actual results achieved during the 2016-17 fiscal year. In some areas targets were not set by the business as the new Technology Commercialization Scorecard was developed for the first time last year. As such, insufficient trending existed to set a target for 2016-17.

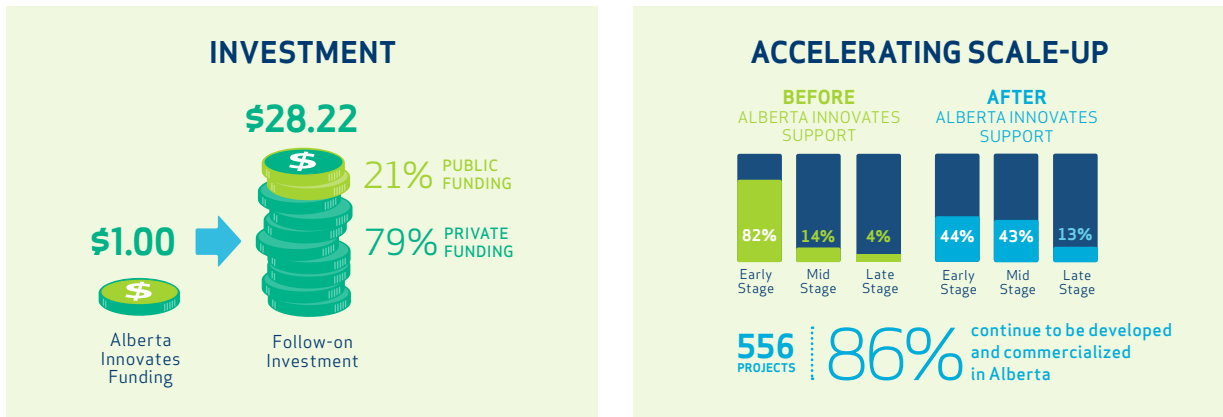
Performance Measure	Actual 2015-16	Target 2016-17	Actual 2016-17
1. Percentage of clients satisfied with overall quality of AI's service delivery	N/A	N/A	70%
2A. Percentage of AI funded SMEs who found TDA's to be helpful	93%	58%	83%*
2B. Percentage of AI funded SMEs who found TDA's to be helpful	53%	85%	85%
3A. Sustainable job creation by technology based SMEs	401 net new jobs	Target not set	890 net new jobs. 85% are full-time
3B. Ratio of net revenue growth by AI funded SMEs subsequent to AI funding	1 dollar of AI funding generated \$4.50 net revenue growth	Target not set	1 dollar of AI funding generated \$5.20 net revenue growth
4. Ratio of follow on funding raised subsequent to AI's funding support	1 dollar of AI funding generated \$9.50, 81% was from the private sector	Target not set	1 dollar of AI funding generated \$28.22 of follow on funding. 79% was from the private sector

* Current year actual is generated from 2016 annual customer service survey sent out to applicants regardless of whether funding was awarded - measured as overall client satisfaction with overall experience working with TDA.

** Private investments include the following: angel investment, strategic & foreign investment, loans and shareholder investment. AI investment is considered to be "follow-on", only if the investment came after AI's initial investment. Capital raised prior to AI support is not included.

KEY ACHIEVEMENTS

- As discussed above, AI released its second annual Technology Commercialization Scorecard, which reports on the results of providing direct funding to high-potential, high-growth, technology-based entrepreneurs and small businesses in the province. The scorecard is built upon a detailed methodology, and measures outcomes from \$28M in funding support through three programs for 556 projects completed between 2013 and 2016. Results are measured as the difference between the year prior to the first year of direct funding support and 2016.



- Entrepreneurial Investments launched the Alberta Entrepreneurship Incubator program. The \$10M, two-year pilot program will fund entrepreneur development and mentor support programs in existing or new incubator spaces for business creativity, collaboration and synergy. The first of seven incubators will be in Medicine Hat.
- Also launched was the Export Readiness Micro-Voucher Program, which will connect export experts with local businesses to develop strategic plans to enter new markets.

II. INNOTECH ALBERTA

GOAL

Accelerate the development of globally competitive businesses and enable government and academia to deliver on its critical priorities by de-risking the path to commercialization.

Expected Outcome	Performance Measure(s)	Actual 2015-16	Target 2016-17	Actual 2016-17
1. Strong collaborative partnerships with industry	1A. Number of clients supported	600	650	551
	1B. Leverage of internal investment*	1 : 2.54	Unavailable	1 : 2.41
2. Responsive, customer centric research organization	2A. Annual Client Retention	63%	60%	60%

Notes

C-FER Technologies results are not included. Looking ahead, Alberta Innovates will develop a performance reporting structure that includes its activities.

*Previous measure in the 2016 Business Plan was presented as a percentage; this calculation has been refined to better reflect the business.

InnoTech Alberta generates external contract revenue through its research and contract services with industry, government and not-for-profit organizations. This also includes work within consortia and multi-client programs, where there is a common problem to be solved for all clients involved. Additionally, InnoTech receives an annual operational grant of which a portion is used as leverage against this external contract revenue.

Year-over-year, there has been a decline in the number of clients supported and the total dollar value of external contract revenue generated. This is due mainly to the economic downturn in Alberta, as InnoTech's external contract revenue was significantly dependent on the energy sector, which in prior years represented over 60 per cent of its portfolio. In the current fiscal year, InnoTech has worked to diversify and build up its portfolio outside of the energy sector. For the fiscal year ending March 31, 2017, the concentration of InnoTech's external contract revenue in the energy sector has decreased to just over 40 per cent. Examples of this diversification can be found in the key achievements below.

Additionally, InnoTech's ability to generate projects that leverage its annual operational grant with external contract revenue has remained steady; with every dollar of internal funding that is put into a leveraged project, there is an external revenue contribution of \$2.41. This indicator validates the demand for InnoTech's services by the free market.

KEY ACHIEVEMENTS

- Working with industry, government and academia, InnoTech facilitates the profitability and sustainability of Alberta's \$4.4B crop industry, with an emphasis on canola, barley, flax and hemp crops. In particular, maintaining yield of those crops with the changing issues of abiotic stress (e.g., climate change) and biotic stress (e.g., plant disease, insects) and bio-safety. The primary goal of these activities are to strengthen and diversify the Alberta economy by creating direct savings and profit for Alberta agricultural producers and processors. Additionally, the Alberta Biomaterials Development Centre (ABDC) within InnoTech's Vegreville facility has been instrumental in creating new fibre processing SME's and in attracting multimillion-dollar plant investments in Alberta.
- InnoTech co-developed with Canadian National Railway Co. ("CN") a new technology (patent pending) that turns bitumen into a solid state by mixing and wrapping the bitumen with polymer. The resultant pellets do not leach, float, and are strong enough to withstand trans-loading and stacking storage capability. As such, these pellets can be transported using existing coal loading and transport equipment, and are less flammable than that of current methods of shipping bitumen. This technology is still being tested, however, this solution could be used by smaller producers that are not able to economically justify a dedicated pipeline to their facility. It is also anticipated that this technology could be used to reach international markets using freight transport.
- In partnership with the Government of Alberta, the Government of Canada, ENMAX, Capital Power Corporation and the Canada's Oil Sands Innovation Alliance (COSIA) in 2016-17, it was agreed that InnoTech will own and be the primary operator of the Alberta Carbon Conversion Technology Centre (ACCTC) to be built in Calgary. This will establish a commercialization and testing centre within Alberta that will be able to test and advance CO₂ capture and conversion technologies from emissions from a natural gas fired power plant in real-life conditions within a commercially-scaled environment. The goal of the ACCTC is to (i) accelerate the reduction of greenhouse gas emissions by the oil and gas sector, in addition to other sectors and (ii) the development of valuable products with the conversion of CO₂. Technology innovators all over the world said this type of test facility is needed to get vital greenhouse gas reduction technologies to market. It is believed ACCTC will draw researchers and companies from across the globe to come to Alberta to help build technology clusters focused on carbon capture and reuse.

III. HIGHLY QUALIFIED & SKILLED PEOPLE (HQSP) & CENTRE INVESTMENTS

GOAL

To make Alberta “future ready” by building research capacity, including highly-qualified and skilled people, infrastructure, and capital, which Alberta requires as a foundation for an innovative, diversified, and globally-competitive jurisdiction.

The future will provide the ability for humans to interact with not only others but also the environment and infrastructure around them in ways that were never before possible. The ever-increasing access to information will guide decision-making in almost every aspect of life, driven by sensors generating information, transferring data to devices and computer systems aiding, or sometimes leading, decision making based on this vast amount of knowledge of our surroundings and the world.

Alberta’s sustained investment over time in platform technologies, including nanotechnology, information and communications technologies (ICT) and ‘Omics’ has positioned it to lead, or at least actively participate in the global economy in some critical future-ready areas. In addition, Alberta has tremendous strength in the development of advanced materials, often utilizing materials from existing local traditional resources, that will lead to solutions to some of the world’s leading challenges.

The performance measures below have replaced those in the 2016 Business Plan due to the fact that the 2030 Innovation Targets are currently in development and subject to change. As such, the previous indicators which showed alignment of programs to the 2030 targets are not deemed to be meaningful due the fluid nature of these targets. Alberta Innovates was able to calculate the performance for the 2015-16 year in all instances to be able to compare the projected results by the HQSP & Centre Investments business line.

Performance Measures	Actual 2015-16	Target 2016-17	Projected 2016-17*
Leverage of HQSP funding**	1:3	1:3	1:3
Number of Active Campus Alberta Chairs	35	N/A	33
Number of Centres Supported	4	N/A	3
Number of HQSP Supported***	2,542	N/A	2,000

* Figures are projected due to the difference in timing between the Annual Report and when annual and final reports are received from award recipients.

** Ratio of Alberta Innovates dollars to non-Alberta Innovates dollars in Chairs and Centres.

*** Defined as senior researchers, post-doctoral fellows, research associates, and graduate students.

The ratio of dollars invested by Alberta Innovates for HQSP and Centres to external dollars remained steady at 1:3 as compared to the last fiscal year. The sources of external funding are other government ministries and agencies, and industry. The previous measure in the 2016 Business Plan excluded investment in Centres.

The number of Centres supported reduced by one as AMii (formerly Alberta Innovates Centre for Machine Learning) is now sustained through provincial and federal support.

The number of active Campus Alberta Chairs reduced from 35 to 33 Chairs, mainly resulting from budgetary constraints and a change to a focus on shorter-term strategic projects. The extent of these changes remains to be determined based on budgetary considerations and input from AI’s Campus Alberta partners.

KEY ACHIEVEMENTS

- In Q2 HQSP & Centres Investments launched the 2016-17 Strategic Research Projects (SRP) Initiative in support of research targeting Alberta innovation priority areas at Campus Alberta Research Institutions. Nine three-year projects were selected (total project funding of approximately \$6.5M). Projects include energy storage and CO₂ conversion to fuels using novel nanomaterials, molecular and nano-enabled electronic technologies development, and development of new pain therapeutics. Possible paths to commercialization have already been identified for five of the projects, either via InnoTech capabilities, or Alberta SMEs.
- HQSP & Centres Investments launched the Campus Alberta Small Business Engagement program (CASBE). The program supports Alberta academics to utilize their micro nanotechnology knowledge, facilities, students and specialized expertise to help Alberta SMEs, reducing the time it takes to innovate, providing academics more access to Alberta industrial challenges and opportunities for HQSP to connect and explore job opportunities with Alberta SMEs. Importantly, this program was developed in close collaboration with NSERC so that applicants can file one application, there is one efficient review process for both agencies and funding is leveraged with the funds from the federal government.

IV. BIO SECTOR

For the 2016-17 business plan submitted by Alberta Innovates Bio Solutions to the Government of Alberta, long-term goals were identified for each of the Corporation's six program areas:

- Sustainable Production
- Bioindustrial Innovation
- Food Innovation
- Ecosystem Services and Biodiversity
- Biological Greenhouse Gas (GHG) Management
- Alberta Prion Research Institute (APRI).

The legacy Corporation developed knowledge along the innovation adoption curve—long-term early research, mid/short-term applied research, and short-term market-ready research. The key investment criteria were:

- The strong possibility of high economic benefit and impact
- Strategic value to Alberta
- Maximizing opportunities to collaborate.

2016-17 OUTPUTS AND OUTCOMES BY PROGRAM AREA

PROGRAM AREA	PROJECTS' WITH OUTPUTS OR OUTCOMES	OUTPUTS			OUTCOMES			
		Knowledge management occurs with academia ²	Knowledge management occurs with industry, government & others ³	Highly qualified personnel are developed ⁴	Knowledge results in significant new directions in science or innovation ⁵	Knowledge is likely to lead to policy or regulation change	Knowledge leading to practice change	Knowledge is likely to lead to a new improved product/process/service, or improved market access
Sustainable Production	12	151	80	85	13	1	3	25
Bioindustrial Innovation	13	113	151	83	15	3	15	32
Food Innovation	16	27	12	39	8	3	5	19
Ecosystem Services	7	2	7	14	1	3	2	3
Biological Greenhouse Gas Management	18	324	11	84	16	2	10	7
Alberta Prion Research Institute	18	324	11	84	16	2	10	7
TOTAL	68	632	327	315	54	15	35	89

Output and Outcome Measure Definitions:

The above outputs and outcomes come from the Corporation's legacy approach to performance measurement and reporting. Below are further details on how these six measures are defined and reported.

1. Initiatives supported by Alberta Innovated Bio Solutions or the new Bio Sector in AI, where the final report was received in the calendar year or considered closed.
2. Number of published peer-reviewed papers, abstracts or book chapters, or scientific conference program or poster presentations etc., where the audience was mainly academia.
3. Number of seminars coordinated, presentations delivered, articles published in non-academic publications, newsletter editions issued, etc., where the audience was mainly from industry, government or other sectors.
4. Individuals involved who are supported by a grant or contract and who are undergraduate, graduate, postdoctoral fellows, or post-secondary graduates with a diploma or degree.
5. Confirmed proofs of concept, new avenues for exploration, new MOU, etc.
6. Actual patents, license agreements, registrations, etc.

Sustainable Production

GOAL Sustainable agriculture and forest production.

KEY ACHIEVEMENTS

- Alberta Innovates Bio Solutions partnered with the Alberta Barley Commission and others to fund research to improve barley varieties in Alberta to uptake nitrogen (N) more efficiently (nitrogen use efficiency, NUE) and yield more grain. Scientists cultivated 11 barley lines, with two ready for commercial release next year that increased grain yield by 10 per cent and nitrogen incorporation by eight per cent.
- In partnership with Agriculture and Agri-Food Canada, Nanogrande, La Coop Fédérée and several universities, research was undertaken to continue the development of an 'intelligent nanofertilizer' that has been tested in canola and demonstrated increased productivity and fertilizer-N use efficiency up to 87 per cent.
- Mountain Pine Beetle (MPB) has resulted in the mortality of over 19-million hectares of pine forest in Western Canada, with 1-million hectares in Alberta affected since 2006. Alberta Innovates invested in a project with University of Alberta, University of British Columbia, Alberta Environment, the Government of Ontario and others to understand the biological underpinnings of controlling MPB. Over the five-year term of this project, which finished in 2016-17 year, the project resulted in 14 publications and methods for improved efficacy in spread control.

Bioindustrial Innovation

GOAL New chemicals, materials, and energy from biomass.

KEY ACHIEVEMENTS

- Advanced Materials and Chemicals Program (AMCP) assists Alberta companies looking to use Alberta biomass to commercialize new products. By 2016-17, three of the five funding recipients under the AMCP had completed projects, with new processing facilities constructed and new products entering the marketplace.

Food Innovation

GOAL Growth and diversification of Alberta's food industry.

KEY ACHIEVEMENTS

- Partnership with the University of Alberta and CBF Systems to improve molecular diagnostics for detecting and amplifying E. coli contamination in meat. The technology is part of a larger series of food safety grants aimed at improving pathogen detection and is in the process of being licensed to an Edmonton start-up.
- Working with the Canadian Food Inspection Agency (CFIA) and investing in technology that will expedite trace back investigations of foodborne disease outbreaks.
- Collaboration between academia and industry through a bio program led to a new grain processing technology which resulted in the commercialization of a new food ingredient, Cerabeta™, a beta-glucan enriched fibre concentrate offered for sale at different concentrations.

Ecosystem Services and Biodiversity

GOAL Growth and diversification through integrated land use and management.

KEY ACHIEVEMENTS

- The Ecosystem Services and Biodiversity Network (ESBN) was formally launched in May 2016, to advance knowledge on the use of markets and market-based instruments for enhancing ecosystem services and biodiversity. An additional \$1M (five projects) was invested into key areas identified as gaps based on recommendations from an Expert Advisory Session held early in 2016.

Biological Green House Gas (GHG) Management Program

GOAL Effective management of greenhouse gas emissions arising from biological systems.

KEY ACHIEVEMENTS

- Emissions Reduction Alberta (ERA) and the Corporation continued to formulate plans for a new delivery model designed to reduce greenhouse gas emissions from managed biological industries such as agriculture, forestry and municipal waste management, which contribute approximately eight per cent of provincial emissions.
- In November 2016, the program hosted a very successful Bio Cleantech Forum in Ottawa with significant national and international participation. This conference served to position Alberta as a leader in the field of biological greenhouse gas management.

Alberta Prion Research Institute

GOAL Effective management of prion and prion-like neurological diseases

KEY ACHIEVEMENTS

- The Alberta Prion Research Institute (Prion Institute) committed \$6M over the next four years for 19 prion and prion-related research projects. This funding attracted an additional \$5M toward nine of the projects from funding partners for a total investment of \$11M.
- The Prion Institute co-hosted a regional workshop in September 2016, on chronic wasting disease (CWD) with researchers, policy-makers and wildlife managers from Alberta, Saskatchewan, Manitoba, Ottawa, Wyoming and Montana. The outcome was a group commitment to develop regional strategies to manage CWD in a more proactive and effective manner.

V. HEALTH INNOVATION SECTOR

KEY RESEARCH AND INNOVATION INITIATIVES

The legacy corporation Alberta Innovates - Health Solutions mandate was to support research and innovation which improves the health and wellbeing of Albertans and creates social, health and economic benefits for the province and its people.

To deliver on the 2016-17 Business Plan, the Corporation focused on three goals:

- Support strategic investments
- Develop platforms which support the provincial health ecosystem
- Strengthen collaboration between partners to accelerate results.

Strategic Investment

GOAL Support strategic investment in priority areas of health research and innovation.

Performance Measures	Actual 2015-2016	Target 2016-17	Actual 2016-17
# of investigators and other personnel funded (excluding trainees)	1,719	1,200	1,884
# of trainees funded	264	200	264
# of publications by AIHS funded researchers	1,128	525	1,175
# of engagement activities participated in by AIHS funded researchers	1,464	625	1,638
# of medical products, interventions and clinical trials by AIHS funded researchers	46	35	42
# of intellectual property or licensing outcomes for AIHS funded researchers	11	22	22
Evaluation, including recommendations, completed for 3 of the programs (number of programs evaluated)	3	3	3

KEY ACHIEVEMENTS

- Alberta Innovates and Alberta Health Services (AHS) launched the third cohort of the Partnership for Research and Innovation in the Health System (PRIHS) funding program. The four funded projects address health system issues across 10 of the existing 13 Strategic Clinical Networks (SCNs) to reduce or eliminate waste and inefficiencies in the health system using evidence-based approaches.
- Alberta Innovates partnered with the Canadian Institutes of Health Research and the Canadian Red Cross to develop and fund a research program aimed at understanding the health effects of the wildfires that ravaged the municipality of Wood Buffalo in 2016.
- In 2016-17 Alberta Innovates created the Alberta Precision Health Initiative Development Grant competition to enhance Alberta's competitiveness in national and international precision health funding opportunities.

Platforms

GOAL Facilitate, develop and support platforms that address strategic outcomes and promote Alberta internationally as a world-class destination for research, innovation and commercialization.

Performance Measures	Actual 2015-2016	Target 2016-17	Actual 2016-17
% completion of Integrated Secondary Use Health Data Platform	Phase 1 100% completed	70% of Phase 2	60% of Phase 2
% completion of people capacity development platform (target completion 2020)	In progress	In progress	In progress
# of Strategy on Patient Oriented Research (SPOR) platforms implemented	7	7	7
# of projects supported by SPOR	150	150	150

KEY ACHIEVEMENTS

- Phase 2 of the Secondary Use Data Project sponsored five demonstration projects to be completed by health system partners. The five projects examined Alberta's capabilities and challenges related to secondary data access and use. The findings helped develop a draft business case that details the needs of health system stakeholders related to data access and use. As well, they examine the feasibility and risk involved in pursuing additional infrastructure and services aimed at the enhanced and advanced use of secondary data.

Strategic Collaboration

GOAL Develop and strengthen relationships to increase and leverage research and innovation funding.

Performance Measures	Actual 2015-2016	Target 2016-17	Actual 2016-17
\$ leveraged funding secured by AIHS funded researchers	\$135M	\$30M	\$166M
\$ AIHS received through partnerships	\$13M	\$22M	\$19M*
# of new programs/activities co-developed with partners	10**	2	11

* Includes dollars received into deferred contributions/restricted funds at AI from partners during the period. In addition to the \$19M deferred contributions/restricted funds received for 2016-17, AI brokered partner contributions of \$5M that flowed directly to recipients from partners.

** This was reported in error as nil for 2015-16.

KEY ACHIEVEMENTS

- For each dollar invested in the internship by AI an additional \$2.75 is invested by Mitacs and industry partners (provided directly to recipients) to support the development of a high quality workforce in the province. In 2016-17, over 20 internships were funded in partnership with Mitacs.
- A new partnership with the Brenda Strafford Foundation (BSF) and Alberta Seniors and Housing was created to develop, implement and assess a new model of a Dementia Friendly Community (DFC).
- AIHS, Merck Canada, and Alberta Health Services launched a new program, "Innovation to Improve Access and Care Quality for Aboriginal Women in Alberta" to address maternal health needs in the Indigenous communities of Alberta. With a \$1M grant from Merck Canada and a \$300,000 grant from AI, AHS and the Maternal, Newborn, Child and Youth SCN, a collaboration to improve access to high quality-care for Aboriginal mothers was initiated.

VI. CLEAN ENERGY SECTOR

The activities of this business line come from the former Alberta Innovates - Energy and Environment Solutions (AI-EES) and consist of three portfolios, Advanced Hydrocarbons, Clean Tech, and Water and Land. In 2016-17 this business line continued its initiatives of engaging with the clean technology sector as well as departments within the provincial and federal governments on their environmental sustainability and climate change programs, and placing more emphasis on non-fossil fuel energy sources.

AI-EES historically used a methodology known as ProGrid in its Annual Reports and Business Plans to measure and report on the achievement of its long-term targets. This five-step methodology measures intangibles such as the results of long-term research and innovation programs, and provides a way to measure outcomes that do not necessarily appear on a balance sheet (e.g., the effectiveness of staff, their relationships, and the Corporation's strategies). With the consolidation of the business lines the 2016-17 period is the last year ProGrid will be used as a performance measurement tool.

ENVIRONMENT GOALS

AI will support projects and focus its partnership and coalition building efforts to improve Alberta's environment, resulting in:

- Enhanced biodiversity
- Reduced landscape disturbance intensity and accelerate the reclamation of disturbed lands to promote native habitat and species recovery
- Safe, secure, and reliable water resources, while enhancing the health of the aquatic ecosystems and improving overall water use efficiency.

ENERGY GOALS

- Contribute to Alberta's climate change goals by accelerating solutions to reduce methane emissions and ensure a dynamic portfolio of greenhouse gas emission reduction technologies
- Contribute to the successful commercialization of new value-added products to increase the market value of Alberta's oil and gas exports and expanding access to market
- Support Oil sands production efficiency and economics improvement through the decrease of fresh water use, greenhouse gas emissions, and supply cost of bitumen to be globally competitive
- Support Renewable sources, like wind and solar.

The progress towards the goals is measured by a composite percentage number based on ProGrid. As shown below, Clean Energy is moving forward in advancing its goals.

	Actual 2013-2014	Actual 2014-2015	Actual 2015-2016	Target 2016-17	Actual 2016-17
Progress shown as percent	56.8	57.6	61.1	61.0	62.5

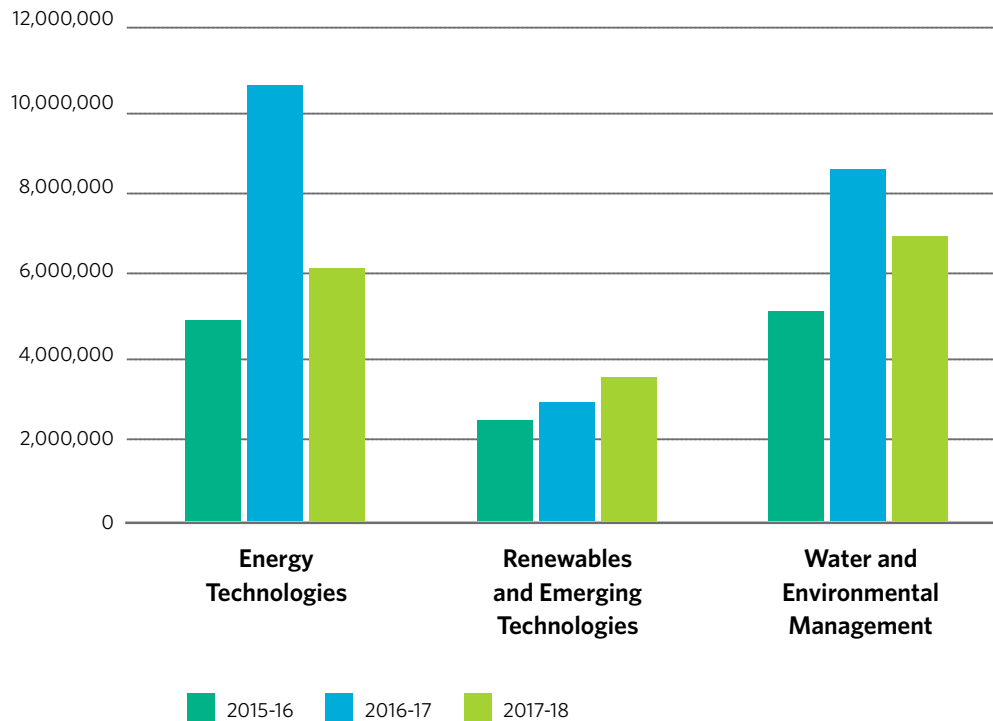
KEY ACHIEVEMENTS

- 2016-17 investment portfolio balance: 40 per cent for university research and studies, 30 per cent for technology development, 30 per cent for field and demonstration tests. This compares to the previous year portfolio balance of 70 per cent, 20 per cent, and 10 per cent respectively.
- While maintaining a diversified investment portfolio, over half the additional investment was in Advanced Hydrocarbons due to initiatives from the federal government, including a number of field and demonstration tests. The Advanced Hydrocarbons portfolio now has a better balance between university research, product developments by SMEs, and process development by oil sands companies.
- AI was a key contributor to Natural Resources Canada's (NRCan) \$50M Oil and Gas Clean Tech program. Co-invested \$9.6M, leveraging \$39M from NRCan and \$100M from industry.
- AI and Sustainable Development Technology Canada (SDTC) launched a joint call for Water Technology Projects in March 2016. Eligible projects had to advance pre-commercial water technology and come from a Small or Medium Enterprise (SME) business in Canada. Eight projects in the areas of hydraulic fracturing, oil sands, enhanced oil recovery and municipal water management were chosen. Total AI investment of \$3.5M, leveraging an additional \$8.9M.
- Represented AI and contributed to the formation of the industry-led Clean Resource Innovation Network (CRIN) supercluster.

Investment Across Technology Readiness Levels

Performance Measures	Number of Active Projects 2015-2016	Actual 2015-2016	Number of Active Projects 2016-17	Actual 2016-17
Research	39	\$4.9M (40%)	47	\$6.1M (28%)
Development	34	\$5.7M (46%)	51	\$7.5M (35%)
Field Pilot	4	\$1.0M (8%)	12	\$2.7M (12%)
Demonstration	4	\$0.6M (5%)	8	\$3.4M (16%)
Commercial	0	\$0.0M (0%)	2	\$2.0M (9%)
TOTAL	81	\$12.3M (100%)	120	\$21.7M (100%)

2015-17 Funding by Area



Management Discussion and Analysis

OVERVIEW

The results of the Alberta Innovates' consolidated financial statements reflect the objectives of the organization to support, for the economic and social well-being of Albertans, research and innovation activities aligned to meet Government of Alberta priorities. This includes, without limitation, activities directed at the discovery, commercialization and application of knowledge in the sectors of agriculture, energy, environment, forestry, health and other sectors determined by the regulations.

Effective November 1, 2016, the Alberta Research and Innovation Act was amended to dissolve the four corporations: Alberta Innovates Bio Solutions, Alberta Innovates Energy and Environment Solutions, Alberta Innovates Health Solutions, and Alberta Innovates Technology Futures and create one new research and innovation corporation, "Alberta Innovates." This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the combined entities. Accordingly, these consolidated financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the corporations had been combined since their inception.

Two wholly-owned subsidiary corporations C-FER Technologies (1999) Inc. and InnoTech Alberta Inc. along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates.

The Office of the Auditor General Alberta issued an unqualified audit report on the consolidated financial statements for the year ending March 31, 2017.

The Auditor General reported his finding as follows:

Management did not have a consistent process in place to analyze complex and unique transactions, resulting in a material error in the draft consolidated financial statements.

Management agrees with this finding and the associated recommendation. Management is presently taking corrective action on control processes that relate to complex transactions.

FINANCIAL POSITION

The Statement of Financial Position shows net financial assets of \$46.4M and cash of \$152.2M. Cash of \$152.2M includes restricted cash of \$95.8M. The restricted cash represents grant payments received for a specified restricted purpose. Funds are recorded as restricted cash and deferred revenue until such time that the resources are used for the purpose specified.

Alberta Innovates has \$228M of contractual obligations over the next five years (see note 12), which will become liabilities during this period of five years. The unrestricted cash balance of \$56.4M results from the delayed timing of these contractual obligations and future liabilities.

REVENUE

The base grant and unrestricted grants are recognized as revenue in the year the transfers are received or receivable. Externally restricted revenue, including restricted provincial grant revenue or industry restricted revenue, is recognized as revenue in the period in which the resources are used for the purpose specified.

Transfers from the Government of Alberta were \$206.7M, which is \$9.2M lower than budget. Restricted provincial grants were \$3.5M lower than budget. These funds were recognized as revenue when used for the purpose specified. Other grants from government of \$39M were \$5M lower than budget. Funds were received for the Edmonton Municipal Waste Project, and other projects, but these projects were delayed and resulted in lower expenditures. The associated revenue was not recognized and accordingly was recorded as deferred revenue.

Federal and industry grants of \$8.8M were \$2.2M higher than budget due to the recognition of deferred revenue for the Alberta SPOR Support Unit. Funds from the Canadian Institutes of Health Research (CIHR) received in this and prior years were recognized as revenue when related expenses were incurred during the year.

EXPENSE

The expenses categories during the transition period to a single corporation align with the sectors of the former Alberta Innovates corporations and the Government of Alberta. Cross sectoral enablers include the functions of the former Alberta Innovates Technology Futures. These enablers cut a cross sectoral programs that include basic research into commercialization. They are not specific to any sector. Health Innovation expenses are activities of the former Alberta Innovates Health Solutions. Clean Energy expenses are the activities of the former Alberta Innovates Energy and Environment Solutions. Bio Sector expenses are both the activities of the former Alberta Innovates Bio Solutions as well as the Food and Fiber division of Alberta Innovates Technology Futures.

Cross Sectoral Innovation Enablers report expenses of \$129.6M, which were \$7.9M lower than budget. Several programs, including ASBIRI, the Alberta Entrepreneurship Incubator and certain of the Global Partnership Programs, were delayed in their launches that resulted in expenditures being delayed into future fiscal years. The Industry Support Programs are multi-year programs and are based on achieved milestones. Funding is only expended once the appropriate milestones have been met. Due to varying start dates and milestone delays, expenditures were less than budget.

Health Innovation expenses of \$88.8M were \$7.4M higher than budget. Previously deferred spending, on multiple year projects such as CRIO (Collaborative Research and Innovation Opportunity) and the Alberta SPOR Support Unit (Strategy for Patient-Oriented Research), was recognized as expenditures this year.

Administration and Program Operations expenses were \$2.9M lower than budget as a result of synergies and efficiencies in overhead and staffing.

COMMITTED FUNDING

Alberta Innovates has funding commitments for specific purposes that are allocated over time. In addition, Alberta Innovates receives funding from third- parties, including partnerships that require Alberta Innovates to match the third- party funding. The funding grant must meet all eligibility criteria, the expenditure must be a contractual obligation and the grant must be approved before the expenditure is recognized as an expense in the financial statements. Other funding sources are allocated to Alberta Innovates by agreement. The agreement must be approved by the Alberta Innovates Board of Directors before the expenditure is incurred and recorded as an expense in the financial statements.

Alberta Innovates has \$228M of contractual obligations that will become liabilities over the next five years. These contractual obligations will be partially funded by available unrestricted cash of \$56.4M. Alberta Innovates will require addition sources of funding to satisfy the remaining contractual obligations.

Management's Responsibility for Reporting

Alberta Innovates management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report including the consolidated financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded. The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of Alberta, the corporation's external auditor appointed under the Auditor General Act, performs an annual independent audit of Alberta Innovates' consolidated financial statements in accordance with Canadian generally accepted auditing standards.

[Original signed by Laura Kilcrease]

[Original signed by Maureen Fromhart]

CHIEF EXECUTIVE OFFICER

VP FINANCE

May 30, 2017

Statutory Report

PUBLIC INTEREST DISCLOSURE ACT

Section 32 of the Public Interest Disclosure Act requires the corporation to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of disclosures; and
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2016-17 Alberta Innovates had no disclosures of wrongdoing filed with the Public Interest Disclosure Office.

Audited Financial Statements

Included in the following order:

Independent Auditor's Report

Consolidated* Statement of Operations

Consolidated* Statement of Financial Position

Consolidated* Statement of Change in Net Financial Assets

Consolidated* Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 - Expenses Detailed by Object

Schedule 2 - Salary and Benefits Disclosure

Schedule 3 - Related Party Transactions

Schedule 4 - Allocated Costs

Schedule 5 - Restatement of Comparative Figures



Independent Auditor's Report

To the Board of Directors of Alberta Innovates

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, 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 financial position of Alberta Innovates as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 30, 2017

Edmonton, Alberta

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017 Budget	2017 Actual	2016 Actual (Restated - Note 2 a)
Revenues			
Government Transfers			
Base Grant	\$ 115,517	\$ 115,517	\$ 116,747
Restricted Provincial Grants	43,232	39,690	43,800
Restricted Provincial Grants - Prior Year	13,051	12,482	6,867
Other Grants	44,060	39,019	43,343
Federal & Industry Grants	6,564	8,775	6,495
External Contract & Other Revenue	45,578	43,138	57,656
Contract Revenue from Province of Alberta	4,104	3,262	4,086
Investment Income	1,196	1,221	1,581
	<u>273,302</u>	<u>263,104</u>	<u>280,575</u>
Expenses - Directly Incurred (Note 2 (c) and Schedule 1)			
Cross Sectoral Innovation Enablers	137,489	129,561	139,531
Health Innovation	81,372	88,819	92,865
Clean Energy	22,361	22,567	13,360
Bio Sector	21,623	20,196	18,459
Administration/Program Operations	40,128	37,223	39,470
	<u>302,973</u>	<u>298,366</u>	<u>303,685</u>
Annual Deficit	(29,671)	(35,262)	(23,110)
Accumulated Surplus, Beginning of Year	113,085	113,085	136,195
Accumulated Surplus, End of Year	<u>\$ 83,414</u>	<u>\$ 77,823</u>	<u>\$ 113,085</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(dollars in thousands)

	2017	2016
		(Restated - Note 2 a)
Financial Assets		
Cash (Note 5)	\$ 152,183	\$ 210,595
Accounts Receivable (Note 6)	22,510	15,493
	174,693	226,088
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	27,961	26,822
Unspent Deferred Capital Contributions (Note 8)	258	554
Deferred Revenue (Note 8)	92,855	109,853
Deferred Contract Revenue (Note 8)	7,172	8,790
	128,246	146,019
Net Financial Assets	46,447	80,069
Non-Financial Assets		
Tangible Capital Assets (Note 9)	37,110	31,876
Prepaid Expenses	1,234	1,140
	38,344	33,016
Net Assets Before Spent Deferred Capital Contributions	84,791	113,085
Spent Deferred Capital Contributions (Note 8)	6,968	-
Net Assets		
Accumulated Surplus	\$ 77,823	\$ 113,085

Contingent Liabilities and Contractual Obligations (Notes 11 and 12).

The accompanying notes and schedules are part of these consolidated financial statements.

Approved by the Board of Directors

Originally signed by

Judy Fairburn
Board Chair

Tom Thompson
Audit Chair

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017 Budget	2017 Actual	2016 Actual (Restated - Note 2 a)
Annual Deficit	\$ (29,671)	\$ (35,262)	\$ (23,110)
Acquisition of Tangible Capital Assets	(6,435)	(10,838)	(5,080)
Amortization of Tangible Capital Assets	5,374	5,298	5,034
Writedown of Tangible Capital Assets	-	144	-
Loss on Disposal of Tangible Capital Assets	-	138	41
Proceeds on Sale of Tangible Capital Assets	-	24	22
Change in Prepaid Expenses	-	(94)	3,385
Change in Spent Deferred Capital Contributions	-	6,968	-
Decrease in Net Financial Assets in the Year	(30,732)	(33,622)	(19,708)
Net Financial Assets, Beginning of Year	80,069	80,069	99,777
Net Financial Assets, End of Year	<u>\$ 49,337</u>	<u>\$ 46,447</u>	<u>\$ 80,069</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017	2016
		(Restated - Note 2 a)
Operating Transactions		
Annual Deficit	\$ (35,262)	\$ (23,110)
Non-Cash Items:		
Amortization of Tangible Capital Assets	5,298	5,034
Deferred Revenue Recognized as Revenue	(99,947)	(100,636)
Writedown of Tangible Capital Assets	144	-
Loss on Disposal of Tangible Capital Assets	138	41
	(129,629)	(118,671)
(Increase) Decrease in Accounts Receivable	(7,017)	5,728
(Increase) Decrease in Prepaid Expenses	(94)	3,385
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,139	(529)
(Decrease) Increase in Deferred Contract Revenue	(1,618)	1,186
Contributions Restricted for Operating	82,922	94,037
Cash Applied to Operating Transactions	(54,297)	(14,864)
Capital Transactions		
Acquisition of Tangible Capital Assets	(10,838)	(5,080)
Proceeds on Sale of Tangible Capital Assets	24	22
Cash Applied to Capital Transactions	(10,814)	(5,058)
Financing Transactions		
Contributions Restricted for Capital	6,699	506
	6,699	506
Decrease in Cash	(58,412)	(19,416)
Cash, Beginning of Year	210,595	230,011
Cash, End of Year	\$ 152,183	\$ 210,595

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

NOTE 1 AUTHORITY AND PURPOSE

Alberta Innovates is a Provincial corporation, as defined in the *Financial Administration Act*. It was established effective November 1, 2016 under the *Alberta Research and Innovation Act*. The *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." Two wholly owned subsidiary corporations C-FER Technologies (1999) Inc. and InnoTech Alberta Inc. along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates.

The objectives of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities aligned to meet Government of Alberta priorities, including, without limitation, activities directed at the discovery, commercialization and application of knowledge in the areas of agriculture, energy, environment, forestry, health and other areas determined by the regulations.

The Corporation is exempt from income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Restatement of Financial Information

Effective November 1, 2016, the *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the combined entities. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the corporations had been combined since their inception. Schedule 5 includes details on the restatement of the comparative balances.

b) Reporting Entity and Method of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Corporation and its wholly owned subsidiaries; InnoTech Alberta Inc., C-FER Technologies (1999) Inc. and the Alberta Foundation for Health Research (AFHR). The AFHR operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to promote and support medical research. All inter-entity balances and transactions have been eliminated on consolidation.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

c) Basis of Financial Reporting

Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criteria are recorded as deferred revenue until the resources are used for the purpose specified.

Contract revenue is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Investment income includes interest income. Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

Government Transfers

Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recognized as deferred revenue or deferred capital contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

Donations and Non-Government Contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations and non-government contributions are recognized as revenue in the year received or in the year the funds are committed to the Corporation if the amount can be reasonably estimated and collection is reasonably assured.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts Receivable	Lower cost or net recoverable value
Accounts Payable and Accrued Liabilities	Cost

The Corporation has no assets or liabilities in the fair value category, has no significant foreign currency transactions and has no remeasurement gains or losses. Consequently, no statement of remeasurement gains and losses has been presented.

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash

Cash comprises of cash on hand and demand deposits.

The Consolidated Cash Investment Trust Fund (CCITF) is managed with the objective of providing competitive interest income to depositors while maintain appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum to maturity of three years.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Corporation at the year end
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of the operations.

Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for major systems enhancements is \$25,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Work in progress, which included facilities and improvements projects and development of information systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

Prepaid Expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial Risk Management

The Corporation's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation's financial instruments are exposed to credit risk, market risk and liquidity risk.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the corporation. The Corporation's accounts receivable are exposed to credit risk. Management manages this risk by continually monitoring the creditworthiness of counterparties and by dealing with counterparties that it believes are creditworthy.

b) Market Risk

Market risk is the risk of loss from unfavorable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of currency risk, interest rate risk and price risk. The Corporation's cash is exposed to interest rate risk. Management manages this risk by continually monitoring the Corporation's deposits in the Consolidated Cash Investment Trust Fund (CCITF) and their corresponding rate of return.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's accounts payable and accrued liabilities are exposed to liquidity risk. Management manages this risk by continually monitoring cash flows.

Employee Future Benefits

The Corporation participates in multi-employer defined benefit pension plans with related government entities that provide pensions for the Corporation's participating employees based on years of service and earnings. The Corporation does not have sufficient plan information on these pension plans to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension costs included in these consolidated financial statements are comprised of the cost of the employer contributions for the current service period of employees during the year and additional employer contributions for service relating to prior years.

The Corporation operates a defined contribution pension plan. Pension costs included in these consolidated financial statements are comprised of the cost of employer contributions for the current service of employees during the year.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

Measurement Uncertainty

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies.

NOTE 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**

PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the consolidated financial statements.

NOTE 4 BUDGET

(in thousands)

Four business plans with a combined budgeted deficit of \$29,671 were approved by the Board and the full financial plans were submitted to the Minister of Economic Development & Trade. The budget reported in the statement of operations reflects the \$29,671 deficit.

ALBERTA INNOVATES

NOTE 5 CASH

(in thousands)

Cash in the amount of \$152,183 (2016 - \$210,595) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta amounting to \$149,963 (2016 - \$205,796). The CCITF is managed with the objective of providing competitive investment income to depositors while maintaining appropriate security and liquidity of depositors' capital. As at March 31, 2017, \$95,753 of the cash balance is restricted as it represents grants received that have restrictions on their use (2016 – \$115,508).

As at March 31, 2017, securities held by the Corporation had a time-weighted rate of return of 0.9% per annum (2016 – 0.8% per annum). Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

NOTE 6 ACCOUNTS RECEIVABLE

(in thousands)

	2017			2016
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 2 a)
Accounts receivable	\$ 15,366	\$ 849	\$ 14,517	\$ 9,004
Alberta Government departments and agencies	5,725	-	5,725	2,248
Accrued income receivable	2,268	-	2,268	4,241
	\$ 23,359	\$ 849	\$ 22,510	\$ 15,493

Accounts receivable are unsecured, non-interest bearing and reported at their estimated net realizable value.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016 (Restated - Note 2 a)
Accounts payable and accrued liabilities	\$ 23,878	\$ 17,559
Alberta Government departments and agencies	4,083	9,263
	\$ 27,961	\$ 26,822

ALBERTA INNOVATES

NOTE 8 DEFERRED CONTRIBUTIONS

(in thousands)

	<u>2017</u>	<u>2016</u> (Restated - Note 2 a)
Unspent deferred capital contributions (a)	\$ 258	\$ 554
Spent deferred capital contributions (b)	6,968	-
Deferred revenue (c)	92,855	109,853
Deferred contract revenue	7,172	8,790
	<u>\$ 107,253</u>	<u>\$ 119,197</u>

(a) Unspent deferred capital contributions

	<u>2017</u>			<u>2016</u>
	Government of Alberta	Other	Total	Total Deferred (Restated - Note 2 a)
Balance, beginning of year	\$ 554	\$ -	\$ 554	\$ 48
Received/receivable during year	1,600	5,086	6,686	503
Interest income	13	-	13	3
Transferred to spent deferred capital contributions	(1,909)	(5,086)	(6,995)	-
Balance, end of year	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 554</u>

(b) Spent deferred capital contributions

	<u>2017</u>			<u>2016</u>
	Government of Alberta	Other	Total	Total Deferred
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Transferred from unspent deferred capital contributions	1,909	5,086	6,995	-
Less amounts recognized as revenue	(27)	-	(27)	-
Balance, end of year	<u>\$ 1,882</u>	<u>\$ 5,086</u>	<u>\$ 6,968</u>	<u>\$ -</u>

ALBERTA INNOVATES

NOTE 8 DEFERRED CONTRIBUTIONS (Con't)

(c) Deferred revenue	2017			2016
	Government of Alberta	Other	Total	Total Deferred (Restated - Note 2 a)
Balance, beginning of year	\$ 99,371	\$ 10,482	\$ 109,853	\$ 116,451
Cash contributions received/receivable during year	75,240	7,169	82,409	93,594
Interest income	513	-	513	443
Recognized as revenue:	-	-	-	
Grants	(91,178)	(8,516)	(99,694)	(100,323)
Interest income	(226)	-	(226)	(312)
Balance, end of year	<u>\$ 83,720</u>	<u>\$ 9,135</u>	<u>\$ 92,855</u>	<u>\$ 109,853</u>

NOTE 9 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Building & Improvements	Equipment (a)	Computer Hardware	2017 Total	2016 Total
						(Restated - Note 2 a)
Estimated Useful Life	Indefinite	25-30 years	3-20 years	3-5 years		
Historical Cost						
Beginning of year	\$ 566	\$ 10,014	\$ 62,703	\$ 9,773	\$ 83,056	\$ 84,240
Additions	-	5,242	4,517	1,079	10,838	5,080
Disposals including write-downs	-	(24)	(691)	(482)	(1,197)	(6,264)
	<u>\$ 566</u>	<u>\$ 15,232</u>	<u>\$ 66,529</u>	<u>\$ 10,370</u>	<u>\$ 92,697</u>	<u>\$ 83,056</u>
Accumulated Amortization						
Beginning of year	\$ -	\$ 4,031	\$ 41,982	\$ 5,167	\$ 51,180	\$ 52,347
Amortization expense	-	561	3,495	1,242	5,298	5,034
Effect of disposals including write-downs	-	(9)	(498)	(384)	(891)	(6,201)
	<u>\$ -</u>	<u>\$ 4,583</u>	<u>\$ 44,979</u>	<u>\$ 6,025</u>	<u>\$ 55,587</u>	<u>\$ 51,180</u>
Net Book Value at End of Year	<u>\$ 566</u>	<u>\$ 10,649</u>	<u>\$ 21,550</u>	<u>\$ 4,345</u>	<u>\$ 37,110</u>	
Net Book Value at Beginning of Year	<u>\$ 566</u>	<u>\$ 5,983</u>	<u>\$ 20,721</u>	<u>\$ 4,606</u>		<u>\$ 31,876</u>

(a) The cost of capital assets under construction that are not currently being amortized is \$6,239 (2016 - \$1,071).

ALBERTA INNOVATES

NOTE 10 ACCUMULATED SURPLUS

(in thousands)

	2017			2016
	Investments in Tangible Capital Assets	Unrestricted Surplus	Total	Total (Restated - Note 2 a)
Balance, beginning of year	31,876	81,209	113,085	136,195
Annual deficit	(5,604)	(29,658)	(35,262)	(23,110)
Investment in capital assets	10,838	(10,838)	-	-
Balance, end of year	37,110	40,713	77,823	113,085

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

The Corporation has been named as defendant in one (2016 - two) specific legal action. No specified amount has yet been claimed; the amount of the claim will be determined at trial. The resulting loss from this claim, if any, cannot be determined.

NOTE 12 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2017	2016
		(Restated - Note 2 a)
Obligations under:		
Operating leases	\$ 6,582	\$ 8,519
Grants/contracts	221,802	265,563
	\$ 228,384	\$ 274,082

NOTE 12 CONTRACTUAL OBLIGATIONS (Con't)

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases and Grants/Contracts

	Operating Leases	Grants/Contracts	Total
2017-18	\$ 1,961	\$ 134,611	\$ 136,572
2018-19	1,936	64,862	66,798
2019-20	940	15,390	16,330
2020-21	698	4,840	5,538
2021-22	698	1,866	2,564
Thereafter	349	233	582
	<u>\$ 6,582</u>	<u>\$ 221,802</u>	<u>\$ 228,384</u>

The Corporation did not have a Letter of Credit at March 31, 2017 (2016 – one Letter of Credit - \$908).

NOTE 13 BENEFIT PLANS

(in thousands)

- (a) The Corporation participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), the Public Service Pension Plan (PSPP), as well as, a Supplementary Pension Plan (SRP) for Public Service Managers. The Corporation does not have sufficient plan information on MEPP, PSPP or the SRP to follow the standards for defined benefit accounting and therefore follows the standard for defined contribution accounting. Accordingly, pension expense recognized for the PSPP/SRP/MEPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of \$402,033 (2015 – surplus \$299,051), the Public Service Pension Plan reported a surplus of \$302,975 (2015 – deficiency \$133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 – deficiency \$16,305). The Corporation is not responsible for future funding of the plan deficit other than through contribution increases.

- (b) A portion of the Corporation participated in a Defined Contribution Pension Plan until November 1, 2016. After November 1, 2016, these employees participate in the MEPP and PSPP. The expense for this pension plan is \$616 (2016 - \$610). The Corporation accounts for this plan on a defined contribution basis.

ALBERTA INNOVATES

NOTE 13 BENEFIT PLANS (Con't)

- (c) The Benefit Plans consists of the unfunded liability for the Corporation's supplemental retirement plan, the benefits under which are paid for entirely by the Corporation when they come due. There are no plan assets. There are no active members remaining in the plan and one retired member eligible for benefits.

At March 31, 2017 these plans have net accrued liability of \$148 (2016 - \$202).

	<u>2017</u>	<u>2016</u>
Benefit plans, beginning of year	\$ 202	\$ 328
Interest cost	-	3
Benefits paid	<u>(54)</u>	<u>(129)</u>
Benefits plans, end of year	<u>\$ 148</u>	<u>\$ 202</u>

NOTE 14 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

NOTE 15 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on May 30, 2017.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 1 - Expenses Detailed by Object

	2017 Budget	2017 Actual	2016 Actual
			(Restated - Note 2 a)
Grants	\$ 178,554	\$ 181,503	\$ 174,327
Salaries, Wages and Employee Benefits	80,637	77,477	82,390
Supplies and Services	38,408	34,088	41,934
Amortization of Tangible Capital Assets	5,374	5,298	5,034
	<u>\$ 302,973</u>	<u>\$ 298,366</u>	<u>\$ 303,685</u>

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 2 - Salary and Benefits Disclosure

	2017			2016	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total (Restated - Note 2 a)
Chair of the Board (4)	\$ -	\$ 31	\$ -	\$ 31	\$ 69
Board Members (4)	-	148	-	148	160
Chief Executive Officer (5)	284	37	23	344	-
Vice Presidents:					
Executive Vice President, Strategic Initiatives & Special Projects (6)	72	8	8	88	-
Vice President, Bio (acting) (7)	30	15	1	46	-
Vice President, Clean Energy (8)	228	4	75	307	257
Vice President, Finance & Corporate Secretary (9)	225	13	30	268	253
Vice President, Health (10)	225	13	29	267	252
Vice President, Investments (acting) (11)	81	-	23	104	-
Vice President, Provincial Platforms & SPOR	250	12	33	295	281
Pre-Transition:					
Chief Executive Officer (acting) - AIBIO (12)	139	5	47	191	287
Chief Executive Officer - AIEES (13)	70	57	3	130	363
Chief Executive Officer - AITF (14)	65	474	12	551	439
Chief Executive Officer (interim) - AIHS (15)	63	-	3	66	288
Vice President, Emerging Technologies - AITF (16)	122	222	31	375	-
Vice President, Finance - AITF (17)	119	51	32	202	417
Vice President, Food & Agriculture - AITF (18)	63	13	4	80	131
Vice President, Health - AITF (19)	-	175	-	175	367
Vice President, Investments & Legal - AITF (20)	125	37	5	167	313
Vice President, Oil & Gas - AITF (21)	122	-	4	126	245
Vice President, Organizational Effectiveness - AITF (22)	-	-	-	-	376
Executive Vice President - AITF (23)	-	-	-	-	482

(1) Base salary includes regular salary and retro active payments.

(2) Other cash benefits include honoraria for the Chair and Board Members. Other cash benefits for the Chief Executive Officer and Vice Presidents include vacation payouts, car and living allowance, payments in lieu of pension and lump sum amounts. Also included in other cash benefits for the year ended March 31, 2017 is \$714 in termination benefits paid as a result of termination agreements.

(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short term disability plan, CPP, EI, Workers Compensation Board premiums (estimated) and professional memberships.

(4) In 2016, there were four Boards, each Board with a separate Chair and Board Members. Effective, April 1, 2017, a new Board was created for Alberta Innovates with one Chair of the Board and Board Members.

(5) Chief Executive Officer (CEO) position was occupied by two different people this year. The transition CEO was effective May 2, 2016 to December 31, 2016. The Permanent CEO was effective January 1, 2017.

(6) Executive Vice President, Strategic Initiatives & Special Projects position was effective January 1, 2017. This position had delegated authority as interim CEO and received acting pay for this responsibility.

(7) Vice President, Bio (acting) was effective November 1, 2016 and vacated December 13, 2016.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 2 - Salary and Benefits Disclosure (Cont'd)

- (8) Vice President, Clean Energy position was effective November 1, 2016. This position was also Acting CEO-Energy & Environment Solutions until October 31, 2016.
- (9) Vice President, Corporate Services was reclassified as Vice President, Finance & Corporate Secretary on November 1, 2016.
- (10) Vice President, Initiatives and Innovation position was reclassified as Vice President, Health on November 1, 2016.
- (11) Vice President, Investment (acting) position was effective November 1, 2016. This position was performed by the General Manager, Entrepreneurial Investments.
- (12) Chief Executive Officer (acting) - AIBIO position was vacated October 31, 2016.
- (13) Chief Executive Officer - AIEES position was vacated July 1, 2016.
- (14) Chief Executive Officer - AITF position was vacated June 8, 2016.
- (15) Chief Executive Officer (interim) - AIHS position was vacated May 1, 2016. Retro active payments were issued in 2017 for the prior year.
- (16) Vice President, Emerging Technologies - AITF position was vacated on October 31, 2016.
- (17) Vice President, Finance - AITF position was vacated October 31, 2016.
- (18) Vice President, Food & Agriculture - AITF position was vacated September 30, 2016.
- (19) Vice President, Health - AITF position was vacated March 17, 2016.
- (20) Vice President, Investments & Legal - AITF position was vacated October 7, 2016. This position was also the Acting CEO - AITF effective June 9, 2016 to October 7, 2016.
- (21) Vice President, Oil & Gas - AITF position was vacated October 31, 2016.
- (22) Vice President, Organizational Effectiveness - AITF position was vacated March 18, 2016.
- (23) Executive Vice President - AITF position was vacated January 31, 2016.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 3 - Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect changes applicable to all users, and have been excluded from this Schedule.

The Corporation had the following transactions with related parties recorded in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2017	2016	2017	2016
	(Restated - Note 2 a)		(Restated - Note 2 a)	
Revenues				
Grants	\$ 195,206	\$ 195,642	\$ 11,502	\$ 15,115
Contract Revenue & Other	43	34	3,231	4,052
	<u>\$ 195,249</u>	<u>\$ 195,676</u>	<u>\$ 14,733</u>	<u>\$ 19,167</u>
Expenses – Directly Incurred				
Grants	\$ -	\$ -	\$ 130,769	\$ 129,573
Other Services	(83)	44	1,307	1,613
	<u>\$ (83)</u>	<u>\$ 44</u>	<u>\$ 132,076</u>	<u>\$ 131,186</u>
Receivable from	<u>\$ 54</u>	<u>\$ 535</u>	<u>\$ 5,670</u>	<u>\$ 1,713</u>
Payable to	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 3,070</u>	<u>\$ 9,263</u>
Unspent Deferred Capital Contributions	<u>\$ 258</u>	<u>\$ 363</u>	<u>\$ -</u>	<u>\$ 191</u>
Spent Deferred Capital Contributions	<u>\$ 1,702</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ -</u>
Deferred Revenue	<u>\$ 59,930</u>	<u>\$ 75,247</u>	<u>\$ 23,790</u>	<u>\$ 24,124</u>
Deferred Contract Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ 477</u>
Contractual Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,666</u>	<u>\$ 222,847</u>

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 3 - Related Party Transactions (Cont'd)

The above transactions do not include support service arrangement transactions disclosed below.

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the consolidated financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4.

Expenses – Incurred by Others (1)	Other Entities Outside of the Ministry	
	2017	2016 <small>(Restated - Note 2 a)</small>
Accommodation (2)	\$ 21,795	\$ 20,937
	\$ 21,795	\$ 20,937

(1) During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

(2) The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 4 - Allocated Costs

	2017			2016
	Expenses – Incurred by Others (b)			
	Accommodation			
Program	Expenses (a)	Costs	Total Expenses	Total Expenses
				(Restated - Note 2 a)
Cross Sectoral Innovation Enablers	\$ 129,561	\$ -	\$ 129,561	\$ 139,531
Health Innovation	88,819	-	88,819	92,865
Clean Energy	22,567	-	22,567	13,360
Bio Sector	20,196	-	20,196	18,459
Administration/Program Operations	37,223	21,795	59,018	60,407
	\$ 298,366	\$ 21,795	\$ 320,161	\$ 324,622

(a) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(b) During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 5 - Restatement of Comparative Figures

Effective November 1, 2016, the *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the combined entities. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the corporations had been combined since their inception.

	March 31, 2016 audit financial statements as previously published					Restated March 31, 2016
	Alberta Innovates - Bio Solutions	Alberta Innovates - Energy and Environment Solutions	Alberta Innovates - Health Solutions	Alberta Innovates - Technology Futures	Eliminations	Alberta Innovates
Financial Assets	23,108	59,291	57,248	86,461	(20)	226,088
Liabilities	14,304	22,612	37,573	71,901	(371)	146,019
Net Financial Assets	8,804	36,679	19,675	14,560	351	80,069
Non-Financial Assets	-	17	900	32,099	-	33,016
Net Assets						
Accumulated Surplus	8,804	36,696	20,575	46,659	351	113,085
Revenue	20,032	22,514	75,457	163,119	(547)	280,575
Expenses	19,867	18,696	103,482	162,258	(618)	303,685
Annual Surplus (Deficit)	165	3,818	(28,025)	861	71	(23,110)
Accumulated Surplus, Beginning of Year	8,639	32,878	48,600	45,798	280	136,195
Accumulated Surplus, End of Year	8,804	36,696	20,575	46,659	351	113,085