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BOLOGNA BARCELONA BELFAST BUCHAREST BRUSSELS BUDAPEST BOLOGNA BARCELONA BELFAST BUCHAREST BRUSSELS BUDAPEST

BEIRUT BELGRADE BERLIN BERN BOGOTA BOSTON BEIRUT BELGRADE BERLIN BERN BOGOTA BOSTON

BRISBANE BRUNEI CAPE TOWN CHICAGO COPENHAGEN DALLAS BRISBANE BRUNEI CAPE TOWN CHICAGO COPENHAGEN DALLAS

DARWIN DENVER FARGO FLORENCE GIZA DARWIN DENVER DENVER FARGO FLORENCE GIZA

HALIFAX HAVANA HOUSTON HONG KONG JERUSALEM JAKARTA HALIFAX HAVANA HOUSTON HONG KONG JERUSALEM JAKARTA

KARATCHI KIEV KUWAIT LAGOS LA PAZ LIMA LONDON KARATCHI KIEV KUWAIT LAGOS LA PAZ LIMA LONDON

LOS ANGELES MADRID MEMPHIS MIAMI MONTREAL MOSCOW LOS ANGELES MADRID MEMPHIS MIAMI MONTREAL MOSCOW

NAIROBI NASSAU NEW DELHI NEW ORLEANS NORTH BAY NAIROBI NASSAU NEW DELHI NEW ORLEANS NORTH BAY

NEW YORK ODESA OSAKA OSLO OTTAWA PANAMA PARIS NEW YORK ODESA OSAKA OSLO OTTAWA PANAMA PARIS

PHOENIX PITTSBURGH PRAGUE QATAR QUEBEC REGINA PHOENIX PITTSBURGH PRAGUE QATAR QUEBEC REGINA

RIO DE JANEIRO RIYADH ROME SAN DIEGO SAN FRANCISCO SARAJEVO RIO DE JANEIRO RIYADH ROME SAN DIEGO SAN FRANCISCO SARAJEVO

SASKATOON SEATTLE SEOUL ST PAUL ST PETERSBURG SASKATOON SEATTLE SEATTLE ST PAUL ST PETERSBURG

SYDNEY TAMPA TEHRAN THUNDER BAY TOKYO SYDNEY TAMPA TEHRAN THUNDER BAY TOKYO

TORONTO TULSA TUNIS VANCOUVER VENICE VICTORIA TORONTO TULSA TUNIS VANCOUVER VENICE VICTORIA

VIENNA WARSAW WASHINGTON WHITEHORSE WINNIPEG YELLOWKNIFE VIENNA WARSAW WASHINGTON WHITEHORSE WINNIPEG YELLOWKNIFE

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iCORE Annual Report

YEAR 2000 - 2001 FINANCIAL STATEMENTS

ALBERTA, CANADA

Auditor's Report

To the Board of Directors of iCORE Inc.

I have audited the statement of financial position of iCORE Inc. as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of iCORE Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of iCORE Inc. as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

original signed

FCA
Auditor General

Edmonton, Alberta
April 20, 2001

Statement of operations

For the year ended March 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

	(In thousands)		
	2001 Budget	2001 Actual	2000 Actual
REVENUES			
Contribution from Alberta Science and Research Authority	\$10,000	\$9,933	\$846
Interest income (Note 4)	-	71	10
Total REVENUES	<u>10,000</u>	<u>10,004</u>	<u>856</u>
EXPENSES			
Salaries, Wages and Employee Benefits	503	515	260
Supplies and Services	447	413	234
Research Grants	7,880	7,770	361
Graduate Student Grants	1,170	1,306	-
Total EXPENSES	<u>10,000</u>	<u>10,004</u>	<u>855</u>
NET OPERATING RESULTS	<u>\$-</u>	<u>\$-</u>	<u>\$1</u>

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



Statement of financial position

As at March 31, 2001

	(In thousands)	
	<u>2001</u>	<u>2000</u>
ASSETS		
Cash (Note 4)	\$43	\$6
Accounts Receivable (Note 5)	<u>50</u>	<u>66</u>
	<u>\$93</u>	<u>\$72</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>\$92</u>	<u>\$71</u>
NET ASSETS		
Net Assets at Beginning of Period	1	-
Net Operating Results	<u>-</u>	<u>1</u>
Net Assets at End of Period	<u>1</u>	<u>1</u>
	<u>\$93</u>	<u>\$72</u>

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

Approved by the Board of Directors



Dr. Roger Smith
Chair of the Board
iCORE Inc.



Mr. Scobey Hartley
Chair of the Audit Committee
iCORE Inc.

Statement of changes in financial position

For the year ended March 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

	(In thousands)	
	<u>2001</u>	<u>2000</u>
OPERATING TRANSACTIONS		
Net Operating Results	\$-	\$1
Decrease (Increase) in Accounts Receivable	16	(66)
Increase in Accounts Payable	<u>21</u>	<u>71</u>
NET CASH PROVIDED BY OPERATING TRANSACTIONS	<u>37</u>	<u>6</u>
CASH, BEGINNING OF PERIOD	<u>6</u>	<u>-</u>
CASH, END OF PERIOD	<u>\$43</u>	<u>\$6</u>

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



Notes to the financial statements

For the year ended March 31, 2001

Note 1 Authority

The Alberta Informatics Circle of Research Excellence (iCORE) commenced operations on July 1, 1999 and was established on September 23, 1999 as a not-for-profit corporation, iCORE Inc., in accordance with the Alberta Business Corporations Act, Chapter B - 15, Revised Statutes of Alberta 1980, as amended. Order-in-Council 105/2000 authorized the acquisition of iCORE by the Alberta Science and Research Authority. iCORE is exempt from the payment of income tax under section 149 of the Income Tax Act.

Note 2 Purpose

The mandate of iCORE is to attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other information and communications technology related disciplines. iCORE invests in the highest caliber research scientists and leaders who work on fundamental and applied problems in information technology. It aims to fund iCORE Chairs at Alberta universities, around which world-class research teams will be developed.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is iCORE, which is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its other wholly owned subsidiary, the Alberta Research Council, are part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science (the Department). The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Expenses

Directly Incurred

Directly incurred expenses are those costs that iCORE has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of iCORE are disclosed in Schedule 2.

Assets

Financial assets of iCORE include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by iCORE at fiscal year end.

Net Assets

Net assets represent the difference between the value of assets held by iCORE and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.



Schedules to financial statements

SCHEDULE 1

Salary and Benefit Disclosure

For the year ended March 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

	2001			2000
	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Chair of the Board ⁽³⁾	\$39,512	\$-	\$39,512	\$21,839
President and Chief Executive Officer ⁽⁴⁾	184,745	-	184,745	149,100
Director of Programs	80,000	16,677	96,677	62,043

NOTES:

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment.

(3) The Chair of the Board is seconded part-time from the University of Alberta and payment is made to the University of Alberta. The contract began September 1, 1999.

(4) The salary amount for the President and Chief Executive Officer includes \$76,397 (2000 - \$54,380) paid to Unger/Huntsinger and Associates and \$108,348 (2000 - \$94,720) paid to the University of Calgary for full-time secondment.

Note 4 Cash (In thousands)

Cash consists solely of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. The securities are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned on the cash balance in the amount of \$71 (2000 - \$10) is credited to iCORE's CCITF account, and is reflected in these financial statements.

Note 5 Accounts Receivable (In thousands)

Accounts receivable are unsecured and non-interest bearing and are from Alberta Government departments (2001 - \$50, 2000 - \$47) and the Federal Government (2001 - \$Nil, 2000 - \$19).

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Alberta government	\$50	\$-	\$50	\$47
Federal government	-	-	-	19
	<u>\$50</u>	<u>\$-</u>	<u>\$50</u>	<u>\$66</u>

Note 6 Commitments (In thousands)

iCORE has research grant commitments as at March 31, 2001 totaling \$7,600 (2000 - \$600).

Year	Committed
2002	\$3,100
2003	1,500
2004	1,500
2005	1,500
Thereafter	-
	<u>\$7,600</u>



SCHEDULE 2

Related Party Transactions

For the year ended March 31, 2001

with comparative figures for the period July 1, 1999 to March 31, 2000

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

iCORE and its employees paid certain taxes and fees set by regulation for permits, license and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

iCORE had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
REVENUES				
Grants from the Alberta Science and Research Authority	<u>\$9,933</u>	<u>\$846</u>	<u>\$-</u>	<u>\$-</u>
EXPENSES				
Payments to the Alberta Research Council Inc. for office administration	\$16	\$-	\$-	\$-
Grant to the Alberta Research Council Inc.	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>
	<u>\$16</u>	<u>\$12</u>	<u>\$-</u>	<u>\$-</u>

iCORE 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 financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
EXPENSES - INCURRED BY OTHERS				
Accommodation provided by the Alberta Research Council Inc.	<u>\$68</u>	<u>\$3</u>	<u>\$-</u>	<u>\$-</u>

