

2004-05
ANNUAL REPORT

CONTACT

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FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

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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, 2005 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the 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 the iCORE Inc. as at March 31, 2005 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.



FCA
Auditor General

Edmonton, Alberta
April 22, 2005

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2005

	(IN THOUSANDS)		
	2005		2004
	Budget	Actual	Actual
REVENUES			
Internal Government Transfers	\$ 10,000	\$ 10,129	\$ 9,555
Other Revenue	100	77	175
	<u>\$ 10,100</u>	<u>\$ 10,206</u>	<u>\$ 9,730</u>
EXPENSES - Directly Incurred			
Research Grants	7,000	7,024	7,249
Graduate Student Grants (Note 5)	2,000	1,988	1,492
Salaries, Wages and Employees Benefits	560	565	514
Communications	300	444	261
Supplies and Services	240	179	221
	<u>\$ 10,100</u>	<u>\$ 10,200</u>	<u>\$ 9,737</u>
NET OPERATING RESULTS	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ (7)</u>

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

STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31, 2005

	2005	2004
ASSETS		
Cash	\$ 746	\$ 99
Accounts Receivable	\$ 9	\$ -
	<u>\$ 755</u>	<u>\$ 99</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 753	\$ 103
	<u>753</u>	<u>103</u>
NET ASSETS		
(Net Liabilities) Net Assets at Beginning of Year	(4)	3
Net Operating Results	6	(7)
Net Assets (Net Liabilities) at End of Year	<u>2</u>	<u>(4)</u>
	<u>\$ 755</u>	<u>\$ 99</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.



Dr. Peter Flynn
Chair of the iCORE Audit Committee
iCORE Inc.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2005

	(IN THOUSANDS)	
	2005	2004
OPERATING TRANSACTIONS		
Net Operating Results	\$ 6	\$ (7)
(Increase) Decrease in Accounts Receivable	(9)	11
Increase in Accounts Payable and Accrued Liabilities	650	42
Cash Provided by Operating Transactions	647	46
INCREASE IN CASH	647	46
CASH, BEGINNING OF YEAR	99	53
CASH, END OF YEAR	\$ 746	\$ 99

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

NOTE 1 AUTHORITY

iCORE Inc. was established as a not-for-profit corporation in accordance with the Alberta Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000, as amended. iCORE Inc. is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its wholly owned subsidiaries are exempted from the payment of income tax under Section 149 of the Income Tax Act.

The mandate of iCORE Inc. 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 Inc. invests in the highest calibre research scientists and leaders who work on fundamental and applied problems in information and communications technology. It aims to fund iCORE Chairs at Alberta universities, around which world-class research teams will be developed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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. These financial statements are prepared in accordance with the following accounting policies that have been established by government for Provincial Corporations.

(a) Reporting Entity

The reporting entity is iCORE Inc., 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 Inc., 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 activities of the Department of Innovation and Science and the consolidated activities of the Alberta Science and Research Authority are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

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 recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred

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

Grants are recognized when authorized and eligibility criteria are met.

Incurred by Others

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

Assets

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

The threshold for capitalizing new systems development is \$100,000 and the threshold for all other tangible capital assets is \$5,000 (2004 - \$15,000).

Liabilities

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

Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the carrying value of assets held by iCORE Inc. 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.

NOTE 3 CONTRACTUAL OBLIGATIONS

	(IN THOUSANDS)	
	2005	2004
GRANT AGREEMENTS	\$ 11,811	\$ 11,212

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	GRANT AGREEMENTS
2006	\$ 4,425
2007	3,638
2008	2,469
2009	1,279
Thereafter	-
	\$ 11,811

NOTE 4 TRANSFER OF OWNERSHIP

As approved by the iCORE Board of Directors, the Alberta Science and Research Authority (ASRA), and the Government of Alberta via Order in Council 103/2005, all shares in iCORE Inc. will be transferred from ASRA to the Ministry of Innovation and Science, effective April 1, 2005.

NOTE 5 CHANGES IN GRANT PROGRAMS

Beginning during fiscal 2005-2006, the Graduate student grants program will be managed by iCORE Inc. and funded by the Ministry of Advanced Education.

NOTE 6 COMPARATIVE FIGURES

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

SCHEDULE 1
SALARY AND BENEFITS DISCLOSURE
 YEAR ENDED MARCH 31, 2005

	2005			2004
	Base Salary ¹	Other Benefits ²	Total	Total
CHAIR OF THE BOARD	\$ 20,182	\$ -	\$ 20,182	\$ 19,085
PRESIDENT AND CHIEF FINANCIAL OFFICER ³	\$ 202,316	\$ -	\$ 202,316	\$ 203,187
VICE PRESIDENT, PROGRAMS	\$ 92,609	\$ 31,810	\$ 124,419	\$ 121,384

Prepared in accordance with Treasury Board Directive 03/2004.

- (1) Base salary includes regular base pay.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement savings plan, health care, dental coverage, vision coverage and professional development allowance
- (3) The position was occupied by two individuals in the year. The salary amount (including benefits paid by the University) for the former President and Chief Executive Officer, whose term ended December 31, 2004, is comprised of \$79,163 (2004 - \$108,178) paid to the University of Calgary for 80% secondment and \$60,000 (2004 - \$95,000) for consulting services. The salary amount (including benefits paid by the University) for the new President and Chief Executive Officer, whose term started January 1, 2005 is \$63,153 (2004 - \$0) paid to the University of Alberta for 100% secondment.

SCHEDULE 2
RELATED PARTY TRANSACTIONS
 YEAR ENDED MARCH 31, 2005

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in iCORE Inc.

iCORE Inc. and its employees paid or collected certain taxes and fees set by regulation for permits, licences 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 Inc. had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(IN THOUSANDS)			
	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
REVENUES - Internal Government Transfers				
Grant from Alberta Science and Research Authority	\$ 10,028	\$ 9,555	\$ -	\$ -
Grant from Department of Innovation and Science	101	\$ -	\$ -	\$ -
	<u>\$ 10,129</u>	<u>\$ 9,555</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENSES - Directly Incurred				
Payments to Alberta Research Council Inc.	<u>\$ 8</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>

iCORE Inc. 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.

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
EXPENSES - Incurred by Others				
Accommodation from the Alberta Research Council Inc.	<u>\$ 38</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ -</u>