

2002-03 ANNUAL REPORT

FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2003

CONNECT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDING MARCH 31, 2003

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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, 2003 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, 2003 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
May 9, 2003

STATEMENT OF OPERATIONS

FOR THE YEAR ENDING MARCH 31, 2003

(IN THOUSANDS)

	2003 Budget	2003 Actual	2002 Actual
REVENUES			
Contribution from Alberta Science and Research Authority	\$ 10,000	\$ 6,022	\$ 9,558
Industry Funding	-	100	-
Other Income	-	59	202
Total REVENUES	<u>10,000</u>	<u>6,181</u>	<u>9,760</u>
EXPENSES- Directly Incurred (Note 2)			
Salaries, wages and employee benefits	600	581	581
Supplies and service	375	366	375
Research Grants	7,750	6,979	3,632
Graduate student grants	1,275	2,153	1,272
Total EXPENSES	<u>10,000</u>	<u>10,079</u>	<u>5,860</u>
NET OPERATING RESULTS	<u>\$ -</u>	<u>\$ (3,898)</u>	<u>\$ 3,900</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2003

(IN THOUSANDS)

	2003	2002
ASSETS		
Cash (Note 3)	\$ 53	\$ 179
Restricted cash (Note 3)	-	100
Accounts Receivable (Note 4)	11	11
Advances (Note 5)	-	3,900
	<u>\$ 64</u>	<u>\$ 4,190</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 61	\$ 189
Deferred Contributions (Note 6)	-	100
	<u>61</u>	<u>289</u>
NET ASSETS		
Net Assets, Beginning of Year	3,901	1
Net Operating Results	(3,898)	3,900
Net Assets, End of Year	<u>3</u>	<u>3,901</u>
	<u>\$ 64</u>	<u>\$ 4,190</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 CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDING MARCH 31, 2003

	(IN THOUSANDS)	
	2003	2002
OPERATING TRANSACTIONS		
Net Operating Results	\$ (3,898)	\$ 3,900
Decrease in Accounts Receivable	-	39
Decrease (Increase) in Advances	3,900	(3,900)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(128)	97
Increase (Decrease) in Deferred Contributions	(100)	100
NET CASH PROVIDED BY OPERATING TRANSACTIONS	(226)	236
INVESTING TRANSACTIONS		
Decrease (Increase) in Restricted Cash	100	(100)
NET CASH PROVIDED BY INVESTING TRANSACTIONS	100	(100)
NET CASH PROVIDED	(126)	136
CASH, BEGINNING OF YEAR	179	43
CASH, END OF YEAR	\$ 53	\$ 179

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING MARCH 31, 2003

Note 1 Authority and Purpose

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 caliber 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. 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. These financial statements are prepared in accordance with the following accounting policies:

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 method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

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.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

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 Inc.'s 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.

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

Net Assets - Net assets represent the difference between the 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 Cash and Restricted Cash

(In thousands)

a) Cash

Cash consists primarily of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

b) Restricted Cash

Restricted cash of Nil (2002- \$100) represents unspent contributions that are subject to externally imposed restrictions related to specific research programs.

Note 4 Accounts Receivable

(In thousands)

	2003			2002
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Alberta Government Departments and Agencies	\$ 11	\$ -	\$ 11	\$ 11

Accounts receivable are unsecured and non-interest bearing.

Note 5 Advances

(In thousands)

iCORE Inc. provides grants to researchers and graduate students in order to attract them to Alberta and develop their research in Alberta. In 2002, iCORE provided payments on some awards prior to all eligibility criteria for recording grant expenses being met. These prepayments of grants were expensed in 2003 as eligibility criteria have been satisfied. No advances were made in 2003.

Note 6 Deferred Contributions

(In thousands)

Deferred contributions represent unspent resources externally restricted under the Industrial Chair Establishment grant program. Amounts will be recognized as revenue to the extent of expenses incurred under the program during the current period. Changes in the deferred contributions balance are as follows:

	2003	2002
Contributions received during year	\$ -	\$ 100
Less: Amounts recognized as revenue	(100)	-
Increase (decrease) during the year	(100)	100
Balance at beginning of year	100	-
Balance at end of year	\$ -	\$ 100

Note 7 Commitments

(In thousands)

iCORE Inc. had research grant commitments as at March 31, 2003 totaling \$11,000 (2002- \$9,100).

Year	Committed
2004	\$ 3,400
2005	4,050
2006	2,600
2007	950
Thereafter	-
	\$ 11,000

Note 8 Comparative Figures

The comparative figures have been reclassified where necessary to conform with current year's presentation.

Note 9 Approval of Financial Statements

These financial statements have been reviewed by the iCORE Inc. Audit Committee and approved by the iCORE Inc. Board of Directors.

SCHEDULE 1
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
 FOR THE YEAR ENDING MARCH 31, 2003

	2003			2002
	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Chair of the Board ⁽³⁾	\$ 31,483	\$ -	\$ 31,483	\$ 29,985
President and Chief Executive Officer ⁽⁴⁾	\$ 203,907	\$ -	\$ 203,907	\$ 196,649
Director of Programs	\$ 88,200	\$ 25,942	\$ 114,142	\$ 106,269

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 retirement savings plan, health care, dental coverage, vision coverage, and professional development allowance.
- (3) During the year the Chair of the Board was paid \$31,483. During the previous year he was seconded part time from the University of Alberta and iCORE paid \$29,985 to the University.
- (4) The salary amount for the President and Chief Executive Officer comprises \$82,961 (2002 - \$82,824) for consulting services and \$120,946 (2002 - \$113,825) paid to the University of Calgary for full-time secondment.

SCHEDULE 2
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
 FOR THE YEAR ENDING MARCH 31, 2003

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

iCORE Inc. 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	
	2003	2002	2003	2002
REVENUES				
Grants from the Alberta Science and Research Authority	<u>\$ 6,022</u>	<u>\$ 9,558</u>	<u>\$ -</u>	<u>\$ -</u>

EXPENSES - DIRECTLY INCURRED

Payments to the Alberta Research Council Inc.	<u>\$ 25</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>
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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.

(IN THOUSANDS)

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
EXPENSES - INCURRED BY OTHERS				
Accommodation from the Alberta Research Council Inc.	<u>\$ 38</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>