INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA

2003/2004 ANNUAL SERVICE PLAN REPORT

Contents

Innovation and Science Council of British Columbia
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Chair's Message

2003/2004 was a year of challenges. The board was watchful as overall science and technology rationalization resulted in cabinet shuffles, new organizations and new mandates. Despite these challenges, the Innovation and Science Council of British Columbia – one of the oldest science and technology organizations in the province – was the "calm at the eye of the storm".

The Council marked its 25th anniversary this year and although the organization has changed since its founding in 1978, it retains an unflagging commitment to improving the economic future of British Columbia through the application of science and technology. This year saw a stabilization of the Council's operations. Externally, the Council was re-positioned in the new provincial innovation, science and technology portfolio under the Ministry of Small Business and Economic Development.

Rationalization has eliminated much of the middle-management at the Ministry. This, combined with an impending merger with the BC Advanced Systems Institute, means that the Council will soon be the *de facto* premier organization for innovation, commercialization and technology transfer in British Columbia.

The hard work of Council staff has allowed this organization to navigate through mandate and name changes and will continue to drive this organization into the future. Performance against goals laid out in the 2003-2006 Service Plan is a testament to the Council's determination to deliver on its mission.

The achievements of this organization could not have been made without the support of both government and the partner organizations that support the Council. I would like to recognize former Minister Rick Thorpe and the staff at the Ministry of Competition, Science and Enterprise for their continued support of the Council throughout their own rationalization.

I'd also like to thank the Honourable John Les and the Ministry of Small Business and Economic Development, whose relationship with the Council is just beginning. The government's continued commitment to innovation, science and technology and recognition of the Council's achievements over the past 25 years is appreciated. Finally, thank you to the many academic, government, NGO and private sector partners that have supported us throughout these transitional times.

Science and technology opportunities are gaining momentum once again as financial shock from the 2001 high tech market crash wears off. Life sciences, information technology, energy, ocean/marine sectors, and resource-based industries continue to be important sectors in the BC knowledge-based economy. The Council continues to play a role in supporting and encouraging technology-based economic development in British Columbia.

In 2004/2005, we will formalize our merger with the BC Advanced Systems Institute and become the BC Innovation Council. This change will strengthen an already strong set of core services at the Innovation and Science Council by adding new competencies, more responsibilities and new blood to the organization. I am looking forward to the year ahead as the Council increases its profile as an agency that encourages economic development though science and technology.

Dr. Don Rix, Chair
Innovation and Science Council of British Columbia

Accountability Statement

The 2003/04 Innovation and Science Council of British Columbia Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. The board and management are accountable for the contents of the report, including the selection of performance measures and the reported results. All significant decisions, events and identified risks, as of March 31, 2004, have been considered in preparing the report.

Don Rix
Chair

Organizational Overview

The Innovation and Science Council of British Columbia (the Council) is a Crown agency created in 1978 under the *Science Council Act*[1]. The Act mandates the Council to promote economic and social development through innovative applications of science and technology. The Council performs a broad range of functions pertaining to research, science, technology and innovation.

Put simply, the Council is a bridge between government and the research-based organizations that drive innovation in British Columbia. Research-based organizations, students and individual researchers receive funding or non-monetary assistance through the granting programs and request for proposals the Council administers. Related scientific activities ensure that BC is creating an environment where research-based companies and knowledge workers flourish.

Vision

Through its past successes and future potential, The Innovation and Science Council of British Columbia's vision is to be the province's pre-eminent organization on scientific and technological matters to promote economic development.

The Council promotes the development and application of science and technology in order to achieve economic and social benefits for the people of British Columbia. It addresses important science and technology factors that lead to a successful knowledge-based economy in British Columbia.

It draws upon a strong base of supporters and works in a collaborative and complementary manner with other organizations. The Council uses its unique position as an organization external to government, academia, and business/industry to fulfill its roles and responsibilities.

For more than 25 years, the Innovation and Science Council of British Columbia has built a reputation for efficiently executed and effective work. It also has a solid record of success and goodwill with science and technology community stakeholders – a fact that allows the Council to leverage partnerships with other agencies and government offices, maximizing its impact in the community.

Mission and Mandate

The Innovation and Science Council of British Columbia's mission is to promote economic development, which in turn enhances the quality of life for residents across British Columbia through innovative applications of science and technology.

The mission statement is a reflection of the following mandated activities, as defined in the *Science Council Act*:

- *Encourage development and application of advanced technology to meet the needs of industry in BC including the implementation, administration and funding of programs, and the organization and management of projects and initiatives that further the objectives set out in this section.*
- *Consider all matters brought to its attention by the minister and if required report its findings to the minister.*
- *Formulate recommendations to the government respecting the acquisition, development and dissemination of scientific, technological and scholarly knowledge to promote the industrial, economic and social development of BC.*
- *Advise the government on implementation of science policy.*
- *Gather and organize information on scientific research.*
- *Facilitate discussions on science policy with Canada, a province or with an interested person.*
- *Recommend to the government the establishment and awarding of fellowships, scholarships, exhibitions, bursaries, grants and prizes to encourage development of improved technology and retention of skilled research personnel in BC.*
- *Evaluate R&D proposals and make recommendations to the government respecting funding of these proposals.*

Values

The values that guide the Council are accountability, credibility, creativity, effectiveness and flexibility.

Accountability: The Council is accountable to the province's residents both for the quality of work that it carries out and for the responsible use of public funds.

Credibility: The Council will fulfill its responsibilities to British Columbia as defined in the Science Council Act and with the support of government.

Creativity: The Council will seek out innovative approaches and new opportunities to better serve the public interest.

Effectiveness: The Council will anticipate and respond to issues related to science and technology that affect the province.

Flexibility: The Council will adapt to changing circumstances in carrying out its science and technology mandate.

Core Business Areas and Services

As an agency of the Crown, the Council endeavors to ensure that its activities contribute effectively towards the achievement of government priorities for science and technology. The Council's two core business areas are:

1. *Technology transfer and commercialization*
2. *Public education in science*

The Council uses its experience in assisting early-stage companies and in promoting university-industry collaboration to assist technology transfer and commercialization in BC. With existing competencies and experience in delivering scholarships and public science and technology awareness programs, the Council is well positioned to focus on public education in science.

The core services provided by the Council are:

1. *Support for initiatives related to science, innovation and human resources development. This includes facilitating technology transfer, implementing science and technology scholarships and other career development initiatives.*
2. *Development of public and corporate awareness of scientific and technological opportunities. This includes building interest and support for science, research, and innovation in the public, media and investment community.*
3. *Analysis and assessment of science, research, and technology matters. This includes conducting studies on a range of topics, providing advice to government, and promoting and coordinating the application of science and innovation in key sectors of the economy.*

Funding

The Innovation and Science Council of British Columbia's core operations and activities are funded by the province through the Ministry of Small Business and Economic Development. However, the Council may also undertake activities that are funded under contract with other public and private organizations, especially where these activities leverage the resources of other organizations towards the achievement of the Council's mandate.

Location

The Council's office is located in Burnaby and serves all residents of British Columbia.

Year in Review

The Innovation and Science Council of British Columbia's 2003/2004 fiscal year was characterized by internal stability in the midst of external uncertainty. Following a major restructuring in 2001/2002, the Council successfully met the majority of its targets as laid out in the 2003-2006 Service Plan. Copies of the 2003-2006 Service Plan are available online at www.iscbc.org or by request from the Council.

With newly revised core services and a streamlining of the operation, the 2003/2004 fiscal year was a very stable year. The 2003/2004 Annual Service Plan Report presents performance against the goals and objectives identified in the 2003-2006 Service Plan.

The Council's base budget remained at $1.3 million, contributing to relatively stable operations, activities and finances. The base budget was applied toward ongoing science awareness programs, research and assessment projects, and international trade development initiatives, in addition to the overall operation.

Following reorganization in cabinet in January, 2004, the Innovation and Science Council of British Columbia began reporting to the newly created Ministry of Small Business and Economic Development (formerly the Ministry of Competition, Science and Enterprise) under the Honourable John Les. At this new ministry, the Innovation and Science Council of British Columbia reports to Deputy Minister Dr. Andrew Wilkinson.

Also in April of 2004, it was publicly announced that the Council will merge with the BC Advanced Systems Institute (ASI). This new organization will take responsibility for administering funding for more than 30 publicly funded science and technology organizations in addition to the traditional activities of the Council and BC ASI. Effective September 1 2004, the merged organization will be known as the British Columbia Innovation Council.

Council highlights for 2003/2004 fiscal year include better than anticipated results from the BC Ocean Technology cluster initiative and excellent performance by all communications initiatives. International set targets for the next fiscal year and the Programs department continued to manage several excellent initiatives for sector development and exposing BC students to careers in the sciences.

Report on Performance

Following organizational restructuring in the year 2002/2003, the Innovation and Science Council of British Columbia realigned itself to an operational context that emphasizes related scientific activities, innovation, and human resource development, increasing awareness of S&T opportunities, and providing analysis and assessment services. It also rebalanced its activities to address its new core business areas.

The 2003/2004 Annual Service Plan Report shows performance against goals, activities, and measures published in the 2003-2006 Service Plan. However, where applicable, performance areas affected by organizational changes are presented and explained.

In the 2003/2006 Service Plan, three strategic goals for the Council were outlined as follows:

1. *Improved science and technology-based innovation and development*
2. *Increased stream of students pursuing post-secondary education in science and technology*
3. *Increased public awareness of science and technology*

These re-stated goals provided a solid foundation upon which the Council continues to redefine itself and performance against targets set in the 2003-2006 Service Plan were excellent overall.

Goal 1

Improved science and technology-based innovation and development

Increase successful research, technology transfer and commercialization activities in key sectors of the economy

Efforts to initiate a technology transfer assessment through partnerships with stakeholder organizations were not successful in this fiscal year. The reason for this shortfall is not clear as initial stakeholder interest was high. It is noteworthy that the provincial and federal partners approached with this proposal recently underwent cabinet shuffles that may have decreased their interest in starting a major new undertaking such as this. Targets for this measure have been modified from the 2004-2007 Service Plan to facilitate a re-tooling of the proposal.

Sectoral development in BC has been advanced by identifying and assessing key industries. This year, the Council surpassed its targets in assessing the potential of BC's ocean technology cluster. The Council, in partnership with government(s), industry and academia has produced *Canada's Pacific Ocean Technology Cluster Development Action Plan* which outlines actions to be taken to facilitate technology transfer in the ocean technology sector.

In order to secure funding from external sources, the Council managed a number of programs including the Aquaculture & Environment (Aqua E) Fund and the IBM Scholarships. Similarly, the Council helped other organizations by participating in external funding processes such as TRIUMF Fellowships and Trussell Scholarships.

Increase access of BC research & technology organizations and companies to new international science and technology opportunities

One of the Council's goals is to increase awareness of the advantages of doing research in BC. The Council has set targets based on this year's performance in contacting foreign companies and technology organizations interested in investing in BC. Similarly, efforts to consolidate and grow science and technology linkages for local businesses resulted in a number of BC companies participating in incoming trade missions.

Increase understanding of and benchmark BC performance in technology transfer and innovation

In order to benchmark BC's technology transfer and innovation performance against competing jurisdictions, the Council built upon its initial benchmarking report, completed in fiscal year 2002-2003. Reader usefulness feedback on the benchmarking report met targets, as expected.

The new core services and goals defined in 2002/2003 have led to increased Council involvement in initiatives that make recommendations to government with regard to science and technology. The instances of advice/recommendations provided to government exceeded targets this year and the number of collaborative projects initiated by the Council far exceeded targets due to a massive push on the ocean technology front. Interest in the ocean technologies cluster initiative has been unprecedented. The initiative has received funding from both the Federal and Provincial governments to develop a number of projects.

The Council's involvement in the BC aquaculture sector accelerated in 2003/2004 with the continued development of the BC Aquaculture Research and Development (BCARD) Committee and the administration of the Aqua E Fund. To-date, seven RFPs have been issued and over 15 research projects have been initiated. Similarly, the Health Product and Functional Food Program, administered on behalf of the BC Functional Food and Nutraceutical Network, has garnered seven new projects in support of the program.

Goal 1		Results			Targets			
	Measures	01/02	02/03	03/04	03/04	04/05	05/06	06/07
Increase successful research, technology transfer and commercialization in key sectors of the economy	Progress in the assessment and development of recommendations to improve technology transfer systems and processes	New measure for 02/03	Proposal on technology transfer study prepared and submitted	No interest from potential partners on this. No assessment initiated	Assessment initiated	***Proposal re-evaluated***[2]	***Assessment initiated***	***Assessment completed***
	Sectoral priorities identified/reviewed	New measure for 02/03	Sectors identified	Sectors identified	Sectors identified	Sectors identified	Sectors identified	Sectors identified
			Aquaculture assessment completed, priorities set, R&D funding secured	Projects selected & implemented; administrative support provided to BCARD[3] Committee	Projects selected & implemented; administrative support provided to BCARD Committee	Projects selected & implemented; administrative support provided to BCARD Committee	Projects selected & implemented; administrative support provided to BCARD Committee	Projects selected & implemented; administrative support provided to BCARD Committee
			Ocean and marine sector assessment initiated	*Cluster Development Action Plan*, ocean & marine (sector assessment is a subset of this report)	Ocean & marine sector assessment completed	Recommendations implemented		
	R&D/S&T program delivery contracts directly managed	New measure for 02/03	4	4[4]	4	4	4	4
	R&D/S&T funding processes participated		3	3[5]	3	3	3	3
Increase access of BC research & technology organizations and companies to new international science and technology opportunities	BC companies/ organizations involved in international science/technology initiatives	New measure for 02/03	Baseline Established	Targets set at 500	Targets set	500	500	500
	Foreign companies/ organizations involved in international science/technology initiatives		Baseline Established	Targets set at 200	Targets set	200	200	200
Increase understanding of and benchmark BC performance in technology transfer and innovation	Innovation benchmark reports published	New Measure for 02/03	One report	Update report[6]	Update report	Update report	Update report	Update report
	Reader usefulness rating (benchmark report)		75%	75%	75%	75%	75%	75%
	Instances of advice/ recommendations provided to government (briefing/ advisory notes/special reports)		7	5[7]	4	4	4	4
	Event initiated to facilitate collaboration among science and technology organizations		6	17[8]	6	6	6	6

[1] The Science Council Act is available at http://www.qp.gov.bc.ca/statreg/stat/S/96415_01.htm
[2] Note: Targets have changed from the Service Plan to reflect the fact that the target for 2003/2004 was not met.
[3] BC Aquaculture R&D Committee.
[4] Aqua E-Fund; EEP; IBM Scholarship; BC STIP (wind-down)
[5] TRIUMF Fellowship; Trussell Scholarship; HPFF
[6] Development Indicators for Benchmarking Innovation in BC, May 2003. Available at www.iscbc.org
[6] Development Indicators for Benchmarking Innovation in BC, May 2003. Available at www.iscbc.org
[7] International science and technology companies (2); A Growing Gap in High Tech Company Building Capacity; BC Ocean Technology cluster development; Economic Multiplier Effect on TechBC Investments.
[8] Ocean Technology Opportunity meetings (12); Student Career Development Program (2); BIRC Corp Early Stage Life Sciences Analysis; Community Science Celebrations; 2003 Science and Technology Survey.

Goal 2

Increased stream of students pursuing post-secondary education in science and technology

Support scholarships in science and technology
The Council administered three scholarship programs in 2003/2004 that benefited 12 students enrolled in post-secondary science education. Ten students received IBM Scholarships at $10,000 that go towards studies in an information technology discipline at a BC post-secondary institution. The Trussell Scholarship provides $20,000 to one student who will be pursuing a post-secondary education in natural or applied sciences. Finally, one BC student received the TRIUMF High School Fellowship – a $3,000 award in which the student works closely with the UBC TRIUMF lab over the summer prior to starting post-secondary studies.

In all cases, every BC high school that was eligible to nominate students for these scholarship programs was contacted.

Promote career decisions in research, science and technology
Encouraging students to explore career opportunities in science is becoming an increasingly important objective for the Council.

In line with expectations, 85 percent of the 50 students who participated in the Student Career Development Program, which provides students with practical career development and networking skills, rated the event as valuable. The number of students involved in the Career Development Program fell just short of the target, as it has in past years, due to the unavoidable withdrawal of several students from the program.

Goal 2		Results			Targets			
	Measures	01/02	02/03	03/04	03/04	04/05	05/06	06/07
Support scholarships in science and technology	Students supported	66	71	12[9]	11	11	11	11
	BC high schools contacted to participate	100%	100%	100%	100%	100%	100%	100%
Promote career decisions in research, science and technology	Students involved in career development program	95%	96%	94%	100%	100%	100%	100%
	Student value rating of career development program	80%	80%	85%	80%	80%	80%	80%

[9] IBM Scholarships (10); Trussell Scholarship; TRIUMF High School Fellowship

Goal 3

Increased public awareness of science and technology

Promote science and innovation provincially
As part of the Council's ongoing communications plan, increased traffic to the Innovation and Science Council of British Columbia website and subscriptions to eSynapse were targeted for this year. These targets were exceeded in both cases. One issue of eSynapse was published in August 2003, focusing on cluster development. The intended re-launch of this quarterly publication has been postponed.

The website attracted unique page views that far exceeded this year's target and serves as a good benchmark for increased targets in the 2004/2005 fiscal year. Instances of supporting activities met targets and the Council's involvement in these activities led to the creation of the new measure for the 2003-2006 Service Plan – individuals involved in public science and technology awareness initiatives, excluding Council publications. The baseline for this fiscal year is approximately 6800 individuals and a target based on this fiscal year and the next will have to be set for the 2005-2008 Service Plan.

In partnership with Science World, the Council reviewed the need for a follow-up general population survey on science and technology awareness and attitudes. The review indicated that a follow-up survey would be advisable and one was completed in 2003, in partnership with Science World.

Increase public recognition of science excellence
The 2003 Innovation and Science Council Awards Dinner marked the 25th anniversary of the Council. It was well attended and all measures for the success of the event met or exceeded targets. As a stand-alone event, the Awards Dinner was a success but the real value of this particular event was the public exposure it generated for the Council.

Former presidents, board members and technology stakeholders came out in large numbers to recap 25 years worth of achievements behind the Council. Media coverage was excellent and at an operational level, ticket sales were 100% and no deficit was incurred.

The number of students recognized for science achievement in this fiscal year exceeded targets, as in previous years, reflecting a strong commitment to science excellence at BC public schools in partnership with the Council.

Goal 3		Results			Targets			
	Measures	01/02	02/03	03/04	03/04	04/05	05/06	06/07
Promote science and innovation provincially, nationally and internationally	Subscriptions to eSynapse	1781	1700	3200	2000	2500	2500	3000
	Council website visitors per month	5600	5000	5800	3300	5000	5000	5000
	Instances of supporting activities	New measure for 02/03	10	11[10]	10	10	10	10
	Individuals involved in other public science and technology awareness initiatives	New measure for 03/04		Baseline set at 6800[11]	Baseline established	Target set	Target met	Target met
	General population survey on science and technology awareness and attitudes		1994 & 1999 baseline reviewed	Follow-up survey conducted[12]	Need for follow-up survey assessed		Need for follow-up survey assessed	
Increase public recognition of science excellence	Nominations received for Innovation and Science Council Awards	33	34	39	35	35	35	35
	Ticket sales for Awards Dinner	108%	100%	100%	100%	100%	100%	100%
	Awards Dinner deficit incurred	$0	$0	$0	$0	$0	$0	$0
	Students given special recognition for science achievement	New Measure for 02/03	330	325[13]	300	300	300	300

[10] PricewaterhouseCoopers BC Techmap 2003; Community Science Celebration; BC Science Teachers' Association Science Achievement Awards; AceTech Symposium; BC T-Net; BC TIA Awards; Celebrate BC; Association of University Research Parks Conference; ASI Exchange; Opening the Next Door at the ASI Exchange; PMC-Sierra Science Fair Fun Run

[11] Number generated from estimated exposure to the public at the following events: Innovation and Science Council Awards Dinner; Community Science Celebration; Celebrate BC; AURP Conference; ASI Exchange.

[12] Survey results are available on the Council website. www.iscbc.org

[13] Science Fair winners (53); Turning Ideas into Solutions award (13); Headed for Success (259)

Corporate Governance

Board Duties

The board serves in the following capacities:

- Setting the strategic direction
- Recruiting, empowering and monitoring the President and senior management
- Shepherding/safeguarding the corporation's resources including approving major financial decisions
- Measuring corporate performance and accounting regularly to the stakeholder including complying with applicable laws

Members of the Council board are appointed by the government through Order-in-Council. The government also designates the chair from among the board members. The board members are appointed for a term of not more than three years. No board member may serve more than six consecutive years.

The chair is the head of the board, and reports to the board and, through the Minister of Small Business and Economic Development, to the British Columbia legislature. The lead management position at the Council is the President and Chief Executive Officer, whose role encompasses both personnel and operational issues.

As at March 31, 2004

Active Board Members | Date appointed

Dr. Don Rix, Chair
MDS Metro | 02.2003

Mr. Monty Little, Vice Chair
Syndel Laboratories | 02.2003

Mr. Hector MacKay-Dunn
Farris, Vaughan, Wills & Murphy | 02.2003

Ms. Cindy Lum
Innovation and Science Council of British Columbia | 09.2003

Dr. Tim Walzak
Innovation and Development Corp. University of Victoria | 02.2003

Former Board Members | Date retired

Dr. Jim Reichert
Innovation and Science Council of British Columbia | 08.2003

Board Committees

The Audit Committee reviews and recommends the acceptance of annual financial statements and the Auditor's Report. The Audit Committee helps to ensure that internal controls are properly designed and performed and that the external audit function has been effectively carried out. The Committee also appoints the Council's auditors.

Mr. Hector MacKay-Dunn, Chair
Farris, Vaughan, Wills & Murphy | 02.2003

Dr. Don Rix
MDS Metro | 02.2003

Glossary

Benchmark :: A standard by which something can be measured or judged.

Economic Development :: efforts to increase employment opportunities by getting new businesses to relocate in a community or existing businesses to expand. Differs from job development in the sense that it seeks to increase the pool of available work rather than soliciting employers to post openings for jobs that already exist.

Innovation :: refers both to the outcome and the creative process of applying knowledge to the development of new products and services or to new ways of designing, producing or marketing an existing product or service for public and private markets. As an outcome, there is the characteristic of newness in innovations — a world first, new to Canada or simply new to the organization that applies them. As a process, there is the existence of many and important links which connect the prototype of a product or service with the marketplace.

Knowledge-based Economy :: an economy whose primary source of wealth creation is knowledge and innovation. Growth in a knowledge-based economy is not limited by capital or labour but is sustained by the ability to generate new ideas and translate them into highly valued outputs.

Leverage :: matching funds or in-kind contributions made by Council partners in joint activities.

Participant or Client Ratings :: participants' or clients' satisfaction with events or initiatives measured through a survey. It reflects the effectiveness or success of the event or initiative.

Rationalization :: to make an organization or way of working more effective, usually by combining or stopping particular activities, or to become more effective.

Related Scientific Activities :: major activities are education support, information services, special services and studies, technical surveys, statistical surveys, and museum services.

Science and Technology :: includes two distinct but linked sets of activities, namely, research and development and related scientific activities.

Science and Technology Awareness :: attitudes and predisposition towards science and technology which are based on beliefs and feelings and are manifest in a series of skills and behavioural intentions from a desire to access scientific and technological knowledge, confidence to explore ramifications of that knowledge, understanding of key ideas/products and how they came about, to evaluation of the status of scientific and technological knowledge and its significance for personal, social and economic life.

Unique Website Visitors :: persons visiting the website for the first time in any given day; and indicates interest in and awareness of the Council's website and activities.

Financials

Management Discussion and Analysis

The Innovation and Science Council's financial statements for 2003/04 now reflect the internal stability of having its base budget (funds provided by the Ministry for operations) at the same level for the past two years.

Overall revenue for the Council increased in 2003/04 due to the increased activity levels of two of Council's programs. The aquaculture research and development program, funded by the Aqua-E fund, had its first full year of awards made to various research projects. In the International department, the Pearl2 project moved out of the inception phase and into the implementation phase. Corresponding expenditures for these two programs also increased.

Actual spending against operating budgets, having been pared down from previous years, came in as budgeted. Staffing positions remained constant compared to the previous year at 13.

Council's financial position continues to be strong as indicated by the current ratio (ratio of current assets to current liabilities) of 2.26. The cash position compared to the prior year is almost the same. Capital expenditures in the year were relatively minor at $18,000.

The future outlook for the Council is very promising. Council's board, management and staff are looking forward to the announced merger with ASI that will form the BC Innovation Council. Under the new entity, Council will potentially have increased scope and added responsibilities.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)

FINANCIAL STATEMENTS

31 MARCH 2004

ROLFE, BENSON

CHARTERED ACCOUNTANTS

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA

(Previously Science Council of British Columbia)

Financial Statements

For the Year Ended 31 March 2004

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ROLFE, BENSON

CHARTERED ACCOUNTANTS

ROLFE, BENSON | CHARTERED ACCOUNTANTS*

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AUDITORS' REPORT

To the Board of Directors of the Innovation and Science Council of British Columbia and
to the Minister of Small Business & Economic Development
(Previously Science Council of British Columbia)

We have audited the statement of financial position of the Innovation and Science Council of British Columbia (Previously Science Council of British Columbia) as at 31 March 2004 and the statements of operations and appropriations, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson

CHARTERED ACCOUNTANTS

Vancouver, Canada
7 May 2004

AGN INTERNATIONAL

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Financial Position
31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	$	$	$	$	$	$
Assets						
Current						
Cash and short-term investments (Note 5)	2,257,608	-	-	-	2,257,608	1,971,675
Accounts receivable	403,835	-	-	-	403,835	231,396
Awards and contributions receivable	391,113	305,758	-	-	696,871	454,508
Interest receivable	1,597	-	-	-	1,597	8,594
Prepaid expenses	3,530	-	-	-	3,530	4,209
Due from programs	206,709	-	84,400	-	291,109	135,669
	3,264,392	305,758	84,400	-	3,654,550	2,806,051
Property and equipment (Note 3)	-	-	-	88,497	88,497	145,116
	3,264,392	305,758	84,400	88,497	3,743,047	2,951,167
Liabilities						
Current						
Accounts payable and accrued liabilities	234,793	-	-	-	234,793	308,571
Accrued awards and projects	995,450	14,649	84,400	-	1,094,499	652,771
Due to programs	-	291,109	-	-	291,109	135,669
	1,230,243	305,758	84,400	-	1,620,401	1,097,011
Commitments (Note 4)						
Appropriations						
Invested in property and equipment	-	-	-	88,497	88,497	157,116
Externally restricted	-	-	-	-	-	15,401
Unrestricted (Note 1 (e))	2,034,149	-	-	-	2,034,149	1,681,639
	2,034,149	-	-	88,497	2,122,646	1,854,156
	3,264,392	305,758	84,400	88,497	3,743,047	2,951,167

APPROVED BY THE COUNCIL:

.....Member

.....Member

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Appropriations
For the Year Ended 31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	$	$	$	$	$	$
Appropriations - beginning of year	1,681,639	-	15,401	157,116	1,854,156	3,673,441
Excess (deficiency) of revenue over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)
Transfers (Note 1(e))	18,111	(23,088)	(1,085)	6,062	-	-
Appropriations - end of year	2,034,149	-	-	88,497	2,122,646	1,854,156

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Operations
For the Year Ended 31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	$	$	$	$	$	$
Revenue						
Contributions from the Ministry of Small Business and Economic Development						
Base budget	1,300,000	-	-	-	1,300,000	1,300,000
Aquaculture	1,278,291	-	-	-	1,278,291	364,403
B.C. STIP	-	-	-	-	-	164,905
ECO-Efficiency	52,277	-	-	-	52,277	20,000
Fisheries Renewal B.C.	-	-	-	-	-	(23,456)
Forestry Innovation Investment	97,400	-	-	-	97,400	81,600
Health Product & Functional Food	-	-	185,930	-	185,930	20,000
I.B.M. Development Scholarship	102,500	-	-	-	102,500	95,000
International	1,257,408	-	-	-	1,257,408	113,987
Special projects	4,033	-	-	-	4,033	6,000
Interest	33,701	-	-	-	33,701	90,442
Other income	263,970	-	-	-	263,970	207,314
	4,389,580	-	185,930	-	4,575,510	2,440,195
Expenditures						
Human Resource Award Programs						
GREAT	20,000	-	-	-	20,000	963,951
Aquaculture	1,214,300	-	-	-	1,214,300	176,573
B.C. STIP	-	-	-	-	-	176,904
Communications and recognition	168,171	-	-	-	168,171	141,036
ECO-Efficiency	12,000	-	-	-	12,000	47,407
Forestry Innovation Investment	109,483	-	-	-	109,483	66,631
Forest Renewal B.C.	-	-	-	-	-	1,258,450
Health Product and Functional Food grants	-	-	176,300	-	176,300	-
I.B.M. Development Scholarship	100,000	-	-	-	100,000	112,300
International	861,321	-	-	-	861,321	332,587
Science Fair Recognition	41,978	-	-	-	41,978	39,185
Special projects	44,541	-	-	-	44,541	39,000
Triumf Scholarships	5,741	-	-	-	5,741	
Operations	1,495,659	6,756	23,946	74,681	1,601,042	1,870,599
Interest expense	-	3,738	-	-	3,738	1,397
	4,073,194	10,494	200,246	74,681	4,358,615	5,226,020
Excess (deficiency) of revenue over expenditures	316,386	(10,494)	(14,316)	(74,681)	216,895	(2,785,825)
Reduction in commitments and refunds	18,013	33,582	-	-	51,595	966,540
Excess (deficiency) of revenue over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Cash Flows
For the Year Ended 31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	$	$	$	$	$	$
Cash provided for (used in):						
Operating activities						
Excess (deficiency) of revenues over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)
Add (deduct) transfers	18,111	(23,088)	(1,085)	6,062	-	-
Excess (deficiency) of revenues over expenditures after reductions and transfers	352,510	-	(15,401)	(68,619)	268,490	(1,819,285)
Add (deduct) non-cash transactions	-	-	-	74,681	74,681	94,967
Changes in non-cash working capital balances						
Accounts receivable	(172,439)	-	-	-	(172,439)	(120,508)
Awards and contributions receivable	(242,363)	-	-	-	(242,363)	1,361,888
Interest receivable	6,997	-	-	-	6,997	26,548
Prepaid expenses	679	-	-	-	679	35,947
Accounts payable and accrued liabilities	(73,778)	-	-	-	(73,778)	206,913
Accrued awards and projects	512,768	(155,440)	84,400	-	441,728	(5,654,442)
	384,374	(155,440)	68,999	6,062	303,995	(5,867,972)
Investing activities						
Purchase of equipment	-	-	-	(18,062)	(18,062)	(47,892)
Net increase (decrease) in cash	384,374	(155,440)	68,999	(12,000)	285,933	(5,915,864)
Cash - beginning of year	1,971,675	-	-	-	1,971,675	7,887,539
Transfers	(98,441)	155,440	(68,999)	12,000	-	-
Cash - end of year	2,257,608	-	-	-	2,257,608	1,971,675
Supplemental Cash Flow Information:						
Interest received	-	-	-	-	40,698	115,592

The accompanying notes are an integral part of these financial statements.

1. Statement of Purpose

The Science Council of British Columbia was established in 1978 under the Science Council of British Columbia Act. In 1989, the Science Council of British Columbia and the Secretariat on Science, Research and Development were amalgamated pursuant to the Science Council Act, Chapter 77, and continued as the Science Council of British Columbia. The Council's name was changed from Science Council of British Columbia to Innovation and Science Council of British Columbia ("Innovation and Science Council") through Royal Assent on 12 March 2003.

Under Section 13 of the Science Council Act, directors, officers and employees have certain immunities in the exercise of their duties carried out in connection with the Innovation and Science Council.

The Innovation and Science Council's mission is to promote economic development and enhance the quality of life in British Columbia through innovative applications of science and technology. The following funds are represented in the financial statements:

(a) Base Funding

Base Funding accounts for the Innovation and Science Council's general program delivery and administrative activities, including GREAT scholarships, Aquaculture Research Grants and the PEARL II International Project, on behalf of the Ministry of Small Business and Economic Development.

(b) Health Product and Functional Food Program

The purposes of the Health Product and Functional Food Program is to foster growth and development of the health product and functional food industry in British Columbia, by funding projects that further the growth and expansion of the BC industry. The program is administered on behalf of the British Columbia Functional Foods and Nutraceuticals Network.

(c) B.C. Science & Technology Infrastructure Program (B.C. STIP)

This program provides funds to institutions in order to assist them in the preparation of proposals for funding to the Canada Foundation for Innovation (CFI). Successful applications are required to have CFI funds matched by income from other sources, and this program also provides a portion of those funds, sourced by Discovery Foundation.

(d) Property and Equipment

This fund accounts for property and equipment acquired by the Innovation and Science Council.

(e) Cancelled Programs

The following programs were cancelled or phased out as of or before 31 March 2004:

- Fisheries Renewal BC
- Forest Renewal BC
- GREAT

1. Statement of Purposes - Continued

(e) Cancelled Programs

Final disbursements for the above programs have been made in fiscal 2004. There will be no further activity in these funds after 31 March 2004. Any surpluses or deficits from the cancelled programs have been transferred to Base funding as at 31 March 2004 (refer to the statement of appropriations).

(f) Aquaculture and Environment Research Fund Program

The purpose of the Aquaculture and Environment Research Fund Program is to provide support for the research on the environmental aspects of the finfish and shellfish aquaculture relevant to the province of British Columbia. Such research will enable adoption of sustainable management and operational practices as well as address questions of public interest and policy.

The program's original seed amount of $3.75 million was provided by the Ministry of Agriculture, Food and Fisheries and is being held by the University of British Columbia (UBC) on behalf of the Innovation and Science Council of British Columbia. A total of $1,204,300 was committed to during the year. Payments totalling $1,006,948 were received from UBC in the year. The remaining balance of $197,532 was recorded as receivable at the fiscal year end. The total amount of funding still held by UBC and available as at 31 March 2004 is $2,395,700.

2. Summary of Significant Accounting Policies

(a) Operations

The Innovation and Science Council's operations are dependent upon the continued funding from the various governmental agencies to carry out its programs. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which contemplate the continuation of the Innovation and Science Council as a "going concern".

(b) Financial Instruments

The Innovation and Science Council's financial instruments consist of cash and short-term investments, accounts receivable, awards and contributions receivable, accounts payable and accrued liabilities and accrued awards and projects payable. Unless otherwise noted, it is management's opinion that the Innovation and Science Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Innovation and Science Council invests surplus funds in accordance with the BC Financial Administration Act (RSCBC 1996) Chapter 138.

2. Summary of Significant Accounting Policies - Continued

(c) Basis of Accounting for Revenues, Expenditures and Appropriations

The Innovation and Science Council follows the restricted fund method of accounting for contributions under which separate details of the financial statement elements are reported as either restricted or unrestricted.

Award revenues are accounted for in the year the government organization commits to disburse the award amounts to the Innovation and Science Council.

Full provision is made for all accrued liabilities at 31 March 2004, including outstanding Program commitments payable within the future, which are accrued when committed

(d) Restricted and Unrestricted Appropriations

No provision has been made for future operational expenses required for normal delivery of existing programs.

(e) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(f) Property and Equipment

Property and equipment expenditures with a value greater than $1,000 are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Furniture, fixtures and equipment	20%	declining balance
Computer hardware and software	33 1/3%	declining balance
Leasehold improvements	70	months straight-line

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from those estimates.

3. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Furniture, fixtures and equipment	$ 44,945	$ 35,896	$ 9,049	$ 11,311
Computer hardware and software	413,458	334,010	79,448	96,594
Leasehold improvements	-	-	-	37,211
	$ 458,403	$ 369,906	$ 88,497	$ 145,116

4. Commitments

The Innovation and Science Council is committed to lease its office premises until 31 August 2005 at a monthly rental of approximately $5,200 plus its share of monthly operating costs of approximately $5,800.

The Innovation and Science Council leases office premises in the Philippines at a monthly rental of approximately $2,100. This lease expires 19 November 2005.

The Innovation and Science Council is also committed to lease a photocopier until 31 March 2007 at a quarterly rental of $2,974 and a fax machine until 31 March 2007 at a quarterly rental of $252.

Total lease commitments for the next three years are as follows:

2005	$ 169,723
2006	84,840
2007	11,896
	$ 266,459

5. Letter of Guarantee

The Innovation and Science Council has deposited with the Canadian International Development Agency (CIDA) a Bank Guarantee in the amount of $500,000. This letter of guarantee is to provide assurance to CIDA as to repayment of certain amounts funded by CIDA on the PEARL II project in the Philippines should the Innovation and Science Council default on its obligations under the project contract.

6. International Program (PEARL II)

The PEARL II project is a development project in the Philippines being jointly delivered by the Innovation and Science Council of British Columbia and the British Columbia Institute of Technology, and is being funded by the Canadian International Development Agency (CIDA), a federal government agency. The contract with CIDA was signed on 16 August 2002 and provides for up to $8,632,505 in funding over a five year period. The arrangement with CIDA allows for the advance of funds from CIDA to the Innovation and Science Council. Project disbursements and expenses are paid by the Innovation and Science Council and billed to CIDA on a monthly basis. CIDA's payment of the monthly billing includes a deduction for partial repayment of the advance. Payments totalling $955,260 were received from CIDA in the year. At 31 March 2004, the CIDA advance balance was $65,020 and the amount receivable from CIDA was $292,187. The total amount of funding still held by CIDA and available at 31 March 2004 is $7,260,385.

7. Subsequent Event

On 23 April 2004, it was announced that the Advanced Systems Institute of BC will be merged into the Innovation and Science Council of British Columbia, to be known as the British Columbia Innovation Council. The merger is expected to be completed by September 2004.