BC INNOVATION COUNCIL

Annual Service Plan Report

Fiscal year 2004/05

Developing Innovation in British Columbia

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Message From The Chair To The Minister Responsible

The year 2004/05 ended with the laying of the foundation for our becoming a one-stop point of access and support to high technology companies, educational institutions, technology industry awareness groups, federal science and technology agencies and university research labs. A critical first step in the process was the formal merger of two premier technology organizations; the Innovation and Science Council of BC and the Advanced Systems Institute of BC, which led to the launch of the new Crown agency, the BC Innovation Council.

A substantial part of the year was devoted to working out the details of the merger and ensuring a smooth transition while meeting commitments to existing clients.

Further, in order to maintain easy access to and better complement existing technology organizations, we re-located to a new office at the Leading Edge Technology Centre in downtown Vancouver.

During this transition year, the Council adopted the targets set by the Innovation and Science Council of BC in its 2004/05 to 2006/07 Service Plan for fiscal year 2004/05. (Subsequent years' targets and measures are to be based on the 2005/06 to 2007/08 Service Plan recently submitted to the Province by the BC Innovation Council.)

We supported research projects in key sectors of the economy, prepared advisory reports on the application of science and technology in specific areas, and collaborated with other organizations that leverage resources for future projects that would enhance the competitiveness of British Columbia companies in the innovation sector. We maintained the level of activities in scholarships, science and technology awareness and public recognition of outstanding achievements in research and innovation.

The transfer of the province's Science and Technology Fund from the Ministry of Small Business and Economic Development enables the Council to support a network of organizations that will help accelerate research and innovation throughout the province. Increased emphasis will be placed on commercialization of innovation.

Transforming two leading organizations while maintaining the capacity to carry on existing commitments was a manifold task. I extend my thanks and appreciation to the Minister John Les and the staff of the Ministry of Small Business and Economic Development for their continued support during this exciting and challenging time of transition; our clients and partners for their cooperation; our board members for their enthusiasm and sincere desire to build a strong organization; and our staff for their commendable performance during this period of change as we reshape our vision and redirect our resources.

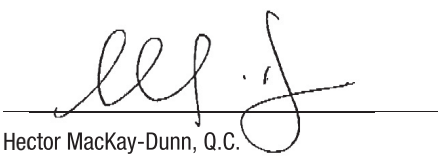
In addition, I wish to extend a special thanks to our outgoing Chair, Dr. Don Rix, for his vision on the unique role of the Council and his tireless effort in laying the foundation for the new organization.

The integration of the two organizations is almost complete and the strategic direction of the new organization is being finalized. The search for an inaugural Chief Executive Officer is nearing completion, which will set in motion the recruitment of a more comprehensive board.

This year will be a very exciting time as we aggressively implement an ambitious growth strategy that will see the Council fully develop into the pre-eminent organization on research and innovation to create greater value for the economic potential of the sector in the province.

The 2004/05 BC Innovation Council Annual Service Plan Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including the selection of performance measures and the reported results. The information presented reflects the actual performance for the twelve months ended March 31, 2005. All significant decisions, events and identified risks, as of March 31, 2005, have been considered in preparing the report.

The information presented is prepared in accordance with the BC Reporting Principles.



Hector MacKay-Dunn, Q.C.
Incoming Chair, BC Innovation Council

Organizational Overview

The BC Innovation Council ("Council") is a new Crown agency of the Province of British Columbia. The Council was publicly launched in October, 2004 as a result of a merger between two prominent technology organizations, the Innovation and Science Council of BC, a Crown agency, and the Advanced Systems Institute of BC ("ASI"), a non-profit organization. The two organizations were merged when it was identified that a unified organization would be able to serve the research and innovation community in the province more efficiently by providing a one-stop point of access and support to high technology companies, educational institutions, technology industry and awareness groups, federal science and technology agencies and university research labs.

As a Crown agency, the Council will operate under a future amendment of the Innovation and Science Council Act. The new mandate will focus on technology transfer and commercialization. The Council has adopted the operating name of the BC Innovation Council until legally amended in the Act and reports directly to the Minister of Small Business and Economic Development.

The Council operates with a staff of fourteen people.

Vision

The BC Innovation Council's vision is to be the province's lead organization that supports applied research and commercialization of science and technology to foster province-wide economic development.

Mission and Mandate

The Council's new mandate is to accelerate and expand science and technology-based economic development.

The Council has four strategic mandate areas:

1. Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets;
2. Capitalize and expand technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible;
3. Partner in the development and promotion of a province-wide strategy for science, innovation and technology development; and
4. Build public awareness for science and technology to recognize high achievement of the province's researchers, scientists and technology entrepreneurs and encourage the province's youth to consider pursuing research and technology-related careers.

Values

The values that guide the new Council are entrepreneurship, innovation and credibility.

The Council values:

Entrepreneurship

The Council is entrepreneurial in effectively identifying the needs of its primary market; the research, technology and innovation sector in the province. The Council has adopted a market driven approach to ensure that there is value in its activities.

Innovation

The Council is innovative and creative in how it addresses opportunities to ensure that resources are effectively leveraged and sustainable activities are developed.

Integrity

The Council is credible and accountable in its activities to ensure that results are efficient and transparent to benefit the broader economy.

Core Business Areas and Services

The Council's primary business area consists of:

1. Developing, supporting and encouraging technology transfer and commercialization opportunities for the research, technology and innovation sector in British Columbia; and
2. Positioning science and technology at the forefront of awareness in the province.

As outlined in the Council's 2005/06 to 2007/08 Service Plan, a strategic plan is scheduled to be finalized in fiscal 2005/06 that will outline the direction and implementation of the Council's new initiatives and business opportunities. Activities will centre on strategically enhancing the competitiveness of the sector through technology transfer and commercialization initiatives that will benefit the British Columbia economy.

The Council works with a number of volunteers, organizations and professionals to carry out its activities. Volunteers are an important resource to the Council and deserve special recognition. They include:

1. Scientists and research experts who give countless hours to review proposals, participate in workshops and discussions and provide expert advice on issues pertinent to research and scientific merit;
2. Government representatives who provide a broader perspective on the issues;
3. Representatives from public and private research institutions and labs; and
4. Prominent technology entrepreneurs who have started and developed some of British Columbia's most successful high-technology companies.

Principle Partners, Clients, Stakeholders and Market

The Council partners with a number of government agencies at the provincial and federal level, research institutions, industry and regional groups to carry out its activities under its core business area. The Council strives to approach issues in the innovation sector by building and maintaining relationships with various groups including industry, academia and government in managing processes, programs and general activities.

As an organization with a province-wide mandate, the Council serves a number of clients in its primary market defined as the research, technology and innovation sector in British Columbia. The Council's client-base includes high-technology companies, educational institutions, technology industry awareness groups, federal science and technology agencies and university research labs.

Funding

The Council's core operations are funded by the Province through the Ministry of Small Business and Economic Development. Additional funding is generated from program management contracts with other public and private organizations and other sources of revenue. A chart summarizing the Council's sources of funding for fiscal year 2004/05 is presented below.

Source	Amount (thousands)
Ministry of Small Business & Economic Development	$3,268
Crown Corporations & Government Organizations	683
Federal Government	670
Investment Earnings	20
Other	683
Total	**$5,324**

Location

The Council is located in downtown Vancouver at the Leading Edge Technology Centre. It is co-located with leading technology industry associations and other complementary organizations that support the research, technology and innovation sector in British Columbia.

These include:

1. Academy for Technology CEO's
2. BC BioProducts Association
3. BC Biotech
4. BC Technology Industries Association
5. BC Technology Social Ventures Partners
6. eLearning BC
7. Leading Edge BC
8. Leading Edge Endowment Fund
9. Lions Gate Learning Alliance
10. Japan External Trade Organization
11. Power Technologies Alliance
12. Wireless Innovation Network

2004/2005 Year in Review

Over the past year, the Council was challenged with the considerable task of merging the two original organizations, while honouring their numerous programs and initiatives commitments to their clients. Among the significant commitment areas include sector development, researcher and student support and science, technology and innovation awareness.

Sector Development

Over the past year, the Council has continued to facilitate sector development initiatives within the aquaculture, oceans and marine, health product and functional food and bioproducts industries.

The BC Aquaculture Research and Development Committee was established by the Innovation and Science Council of BC to coordinate and drive independent aquaculture research in British Columbia. The Committee continued to make funding decisions related to the Aquaculture and Environment Research Fund (Aqua E-Fund) by supporting 10 new research projects. The Committee also took the initiative to develop a national aquaculture research synopsis publication as well as begin the initial framework to develop a national on-line research database.

The Council's oceans/marine sector development work comprised of organizing workshops and sponsoring three key science and technology economic development reports related to offshore oil and gas, maritime and port security, alternative ocean energy and ocean science.

In the health product and functional food sector, the Council administered a research fund to support three new projects to further develop the sector.

The Ministry of Agriculture, Food and Fisheries approached the Council early in the fiscal year to assist with the development of a non-profit industry association for the bioproducts sector. A working group was formed to create the BC BioProducts Association in late 2004 to better serve the sector. The Council continues to provide financial administration support during the start-up phase.

Researcher and Student Support

The Council continued to provide support to the academic sector through several fellowship and scholarship programs.

A number of research fellowship positions were supported by the Council. Nine fellowship programs were administered that supported approximately 80 fellowship positions primarily at the University of British Columbia, Simon Fraser University and University of Victoria as well as one fellowship each to the BC Institute of Technology, University of Northern British Columbia and Malaspina University-College.

The Council is especially keen to ensure the next generation of scientists understand options for further education and career choice. To that end, the Council supported three high-school scholarship programs for grade 12 students entering science and this year, awarded 12 new scholarships and continued support for 30 other students in their studies.

Science, Technology and Innovation Awareness

The Council supported a number of science and technology initiatives that included awareness programs directed at students and the province's premier awards event to honour the achievements of British Columbia researchers, technology entrepreneurs and science communicators. Having celebrated its 24th year in 2004/2005 and held every fall, the awards event represents a culmination of effort as the Council bestows up to six awards to celebrate science and technology in the province.

As part of the award ceremony, the Council invited 50 Canada Wide Science Fair students from throughout the province to participate in a two-day career development event to provide them with exposure to the many career options in science and technology. The event culminated in their invitation to the annual awards gala event where they were able to network with some of British Columbia's high-technology leaders.

Merger Transition

Significant progress was made developing key foundational structures for the new Council as it undergoes the merger. They included:

1. Developing the initial framework for the new Council including governance, operational and financial systems and strategic direction;
2. Initiating the search for the Council's inaugural Chief Executive Officer; and
3. Taking over the management of the Science & Technology Fund from the Ministry of Small Business and Economic Development - a fund to support non-profit science, technology and innovation organizations including regional science councils, university-industry liaison offices and other support groups.

Current Business Environment and Challenges

Innovation has been widely acknowledged as a major driving force of economic and social development. Innovation creates new ideas and turns them into goods or services that can be sold, or processes that can provide firms with a competitive advantage[1]. There is a strong linkage between innovation and economic development. Most innovative industries are proven to have higher productivity, a faster growth rate and higher paying and quality jobs[2]. With increased productivity, society will be able to maintain and raise their standard of living.

While successful innovations have been commonly associated with the high technology sector, innovation is not exclusive to only this sector. Innovation can and should be applied to all sectors in the economy including the traditional goods-producing industries to create wealth and improve standard of living. As a matter of fact, more than 50% of patents granted by the US Patent and Trademark Office are for technologies in the non-high technology industries[3].

Planning Context

External factors indicate that the Council functions in a promising operating environment. It is of prime importance for the Council to stay focussed on its mandate to determine the unique role it plays within this ever-changing environment.

Government Policy and Direction

- Government support to become one of the world's top-ten technology centres by 2010;
- Recent changes in the Province's venture capital programs that encourage private investment via tax credits;
- Additional support and commitment from the Province to increase the number of science and engineering graduates;
- Recent announcement of Leading Edge Chairs in critical areas of research;
- Establishment of Leading Edge BC to market British Columbia as a technology destination; and
- Federal government establishment of an Expert Panel on Commercialization to advise on practical initiatives to encourage technology transfer and increase commercialization.

Technology Sector

- Economic indications of a technology sector recovery;
- A greater interest in industry collaboration for showcasing British Columbia as a destination for technology development;
- Increasing support from industry as demonstrated by the growing participation and attendance at networking and award recognition events; and
- Establishment of world-renowned research centres such as the Brain Research Centre at the University of British Columbia.

Economy

- British Columbia's economy is strong, vibrant and growing;
- Increasing venture capital investment from the Asia Pacific and United States in British Columbia-based companies; and
- Growing numbers of high-technology companies being established both within and outside of the Lower Mainland.

Client Preferences and Demand

- Greater interest from the technology industry to identify and address gaps hindering further growth of the sector such as funding, expertise and human resources;
- Support for the development of technology clusters in promising sectors in the province to reach a critical mass of companies, research centres and government support; and
- Identification by the Province that an opportunity exists to showcase British Columbia's technological capability at the 2010 Olympics.

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[1] The Conference Board of Canada, "Exploring Canada's Innovation Character: Benchmarking Against Global Best", June 2004, page i.
[2] Ibid, page 2.
[3] Andrew Reamer, Larry Icerman, Jan Youtie, "Technology Transfer and Commercialization: Their Role in Economic Development", US Department of Commerce, 2003, page vii-viii.

Challenges & Opportunities

Innovation is a complex and dynamic process. The innovation system, which encompasses knowledge creation, diffusion and transformation/commercialization, involves a mix of complementary organizations that play a unique function across the innovation pipeline[4] as shown in Figure 1.

As major performers of research, British Columbia's research institutions such as its universities are a powerhouse of knowledge and intellectual property. However, by itself, knowledge and intellectual property is simply a raw product. To yield real economic and social benefits, it needs to be adopted by the industry/marketplace that will then transform that knowledge into new products, services or processes.

British Columbia universities have a strong track record in securing patents and generating spin-off companies. The University of British Columbia, for example, is ranked first when compared among 15 Canadian universities in terms of numbers of US patents issued per million dollars of research. Simon Fraser University has spawned the most spin-off companies per million dollars of research expenditure from the 15 Canadian universities compared[5].

While these are encouraging facts, a greater support system to facilitate technology transfer would further translate the brainpower within our universities. British Columbia industries have access to a wealth of knowledge generated at universities to help solve business problems. Industry's linkage to academia could be stronger. Other than an ad hoc relationship between the two, no formal mechanism currently exists to facilitate collaboration. A stronger linkage between academia and industry would allow greater transfer of knowledge and technology, which, if leveraged properly, could increase industry competitiveness internationally. The Council sees one of its main roles as supporting this gap and encouraging an environment where greater linkages can be made.

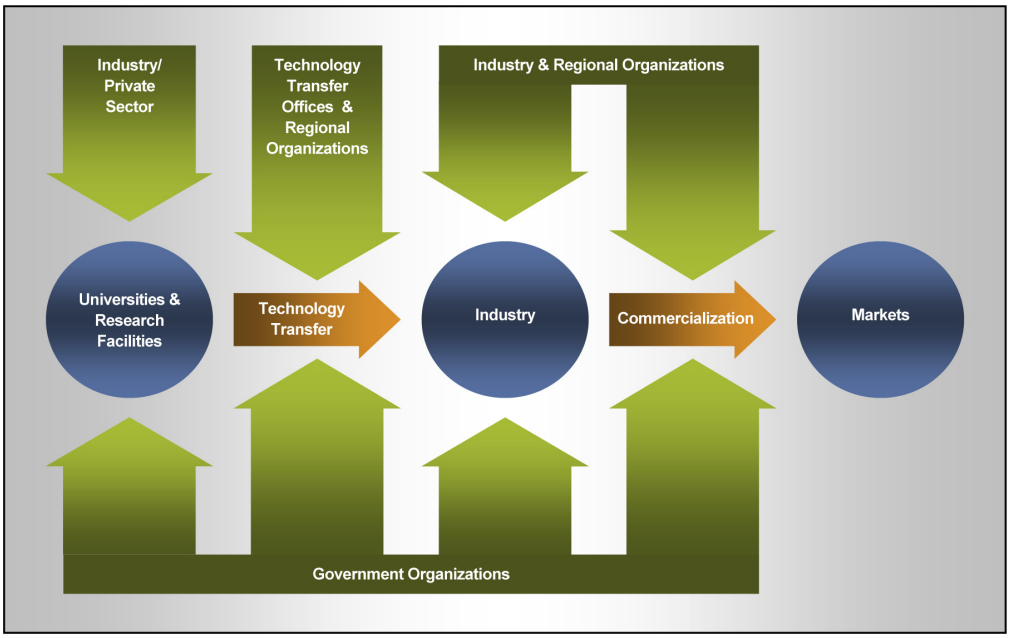

Figure 1: Innovation Pipeline

In addition, for innovation to flourish, a supportive environment needs to be in place. Government, industry and academia working collaboratively will further facilitate the development of an innovative economy.

Moving Forward

Key elements for British Columbia's innovation system are already in place. The province has strong research institutions, technology transfer organizations and a highly skilled, educated workforce.

With the dedication of the government as well as support from the industry and academia, the Council is strategically positioned to be the province's leading agency that will facilitate collaboration amongst academia, industry and government to move British Columbia to a globally recognized innovative economy.

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[4] The Conference Board of Canada, "Exploring Canada's Innovation Character: Benchmarking Against Global Best, June 2004, page 1.
[5] BC Progress Board, "Measuring BC's Performance. Reaching North Star 2010. Third Annual BC Progress Board Benchmarking Report - Volume I", December 18, 2003.

Report on Performance

Performance in 2004/05, which was a transition year for the Council, will be reported with reference to the 2004/05 to 2006/07 Service Plan for the Innovation and Science Council of BC. Note that subsequent years' annual reports will be based on the 2005/06 to 2007/08 BC Innovation Council Service Plan.

In April 2004, the merger of the Innovation and Science Council of BC and ASI was announced by the Province. The announcement began the complex process of setting direction for the new organization, finalizing governance, selecting leadership, and consolidating existing programs and services. The new BC Innovation Council was publicly launched in October 2004 coinciding with the 2004 Annual Awards Dinner that recognized and honoured the achievements of the province's top researchers and innovators.

The merger activities are expected to be finalized in fiscal year 2005/06 under the leadership of the Council's incoming chair. Once finalized, the Council intends to embark on a significant growth phase in order to develop the economic potential of the innovation sector in British Columbia.

Despite the additional demands of the merger and the transformation of the two original organizations, the Council sustained the capacity to meet the commitments of the two organizations. It adopted the 2004/05 goals and targets set out in the 2004/05 to 2006/07 Service Plan of the Innovation and Science Council of BC.

In several performance measures, actual results exceeded set targets including:

1. Research & development / science & technology funding process participated;
2. Instances of advice/recommendations provided; and
3. Events initiated to facilitate collaboration among science & technology organizations.

However, in two cases targets were either delayed or activities minimized due to the merger and change in mandate. Progress assessing and developing recommendations for improving technology transfer systems were delayed due to merger activities. It was determined that this activity would best be developed once the merger process is complete and the strategic plan for the Council finalized. Furthermore, international initiatives were minimized due to the change in the Council's mandate. In particular the Council regrettably withdrew from an international development initiative in the Philippines. The Council is pleased to have supported small-to medium-sized businesses in the country, which resulted in new business to support jobs for over 4000 individuals.

The Council is transitioning its operations from maintaining the commitments of the two original organizations to a focussed strategy to further developing the technology transfer and commercialization process in British Columbia. Goals outlined for the fiscal year 2005/06 in the Council's most recent Service Plan include:

1. effective and accountable management of science and innovation initiatives funding;
2. comprehensive programs and initiatives to develop the economic potential of the research and innovation sector in British Columbia; and
3. strong foundation and organizational structure.

The Council looks forward to reporting on results of its revised performance goals next year.

GOAL 1:
IMPROVED SCIENCE & TECHNOLOGY-BASED INNOVATION AND DEVELOPMENT

Objective 1.1 Increasing successful research, technology transfer and commercialization activities in key sectors of the economy

Performance Measure	Definition	2004/05 Target	2004/05 Result
Progress in the assessment and development of recommendations to improve technology transfer systems	Milestones in efforts to improve technology transfer systems and processes	Assessment completed and recommendations advanced	Put on hold. It was determined that recommendations would be brought forward once the new strategic plan is finalized.
Sectoral development priorities established for advancing science-based opportunities	Milestones in efforts to determine science and technology needs and opportunities in the development of key sectors of the economy	Sectoral priorities reviewed/ identified	Sectoral priorities reviewed/ identified in: - aquaculture - oceans/marine - health products & functional foods - bioproducts
		Projects selected & implemented; administrative support provided to BCARD Committee	10 Aqua-E Fund projects selected and implemented; administrative support to BCARD Committee provided
		Support for ocean technology cluster development continued and project priorities established; Ocean and marine sector development pilot projects identified and initiated; Project revenue/partner sources established	Four priority areas identified; Three proposals prepared with partners; Two reports on oil and gas development
Research and development/ science and technology program delivery contracts directly managed	Number of contracts entered with external funding for the management of specific research, or science and technology projects	2 contracts	2 contracts: Aqua E-Fund and IBM Scholarship
Research and development / science and technology funding processes participated	Number of funding programs where Council administers the project selection process using its competence and infrastructure	2 processes	4 processes: - Health products & functional foods - Bioproducts - TRIUMF Fellowship - Trussell Scholarship

Actions Taken

The Council led innovation development in key sectors in order to position the province for success in the global market. The Council reviewed and identified science and technology needs and opportunities in four sectors: aquaculture, oceans and marine, health product and functional food, and bioproducts.

In the aquaculture sector, the Council delivered the Aquaculture and Environment Research Fund (Aqua E-Fund) Program and supported 10 research projects on the environmental aspects of finfish and shellfish aquaculture. The Aqua E-Fund Program was managed through the BC Aquaculture Research and Development Committee (BCARDC).

BCARDC is a committee established under the auspices of the previous Innovation and Science Council of BC with representatives from government, academia and industry to encourage independent research to foster a fully sustainable aquaculture industry in British Columbia in conjunction with the stewardship of aquatic resources. The Council provides secretariat, administrative and strategic support to the Committee.

In the ocean and marine sector, activities were undertaken in four priority areas:

1. Offshore oil and gas;
2. Maritime and port security;
3. Alternative ocean energy; and
4. Ocean science.

The Council organized workshops, sponsored the preparation of key science and technology development reports, and supported provincial and federal government agencies in related economic development activities. The Council participated in the preparation of three key proposals that served as a basis for consideration of future initiatives:

1. Port security requirements and industrial opportunities for small- and medium-sized enterprises;
2. An ocean renewal energy action plan; and
3. A renewable ocean energy proposal for collaborative research and development.

In the health product and functional food sector, the Council administered the Health Product and Functional Food Program on behalf of four industry associations:

1. British Columbia Herb Growers Association;
2. Associated Ginseng Growers of British Columbia;
3. British Columbia Sea Buckthorn Growers Association; and
4. British Columbia Functional Food and Nutraceutical Network.

Three projects were approved for funding including:

1. A comprehensive website for the British Columbia Herb Growers Association;
2. A germplasm characterization and improvement program for natural health products grown in British Columbia; and
3. Hawthorn demonstration farm trials.

In the bioproducts sector, the Council was involved in the formation of a working group to champion the growing bioproducts sector in British Columbia and to connect with national and provincial organizations. The Council assisted the working group to establish the BC BioProducts Association, a non-profit industry association for the sector. The working group conducted an analysis of the bioproducts sector in the province and identified an organizational model for the sector. The British Columbia Ministry of Agriculture, Food & Fisheries provided seed money for this new organization which is administered by the Council.

In addition to the Aqua E-Fund, the Council was again contracted to manage the IBM Scholarships. Moreover, the Council's project selection competence and infrastructure were also utilized in the funding processes of four programs, two more than planned for the year. These were funding processes for:

1. Trussell Scholarship;
2. Health Products and Functional Foods Program;
3. TRIUMF Fellowship
4. Bioproducts industry development program.

The initiative to assess technology transfer systems and processes was put on hold during the merger process since the yet to be finalized strategic plan for the new Council would set the initial framework of such systems and processes.

Objective 1.2 Increasing access of British Columbia research and technology organizations and companies to new international science and technology opportunities

Performance Measure	Definition	2004/05 Target	2004/05 Result
British Columbia companies/ organizations involved in international science & technology initiatives	Number of BC companies which participated in science & technology initiatives such as missions, exchanges, briefings, seminars	500	Activities minimized to reflect changed mandate.
Foreign companies/ organizations involved in international science & technology initiatives	Number of foreign companies and organizations which participated in science & technology initiatives such as missions, exchanges, briefings, seminars	200	Activities minimized to reflect changed mandate

Actions taken

Significant international science and technology activities were minimized during the year due to the change in mandate. The Private Enterprise Accelerated Resource Linkage II (PEARL II) program is a development program for small- to medium-sized businesses in the Philippines, which the Council was jointly administering with the British Columbia Institute of Technology (BCIT). As of March 31, 2005, the Council withdrew from the program with regret as it no longer met the Council's mandate. The Council ensured continuity of the project by handing over sole administrative duties to BCIT with the full support of the project's funding agency, the Canadian International Development Agency.

However, during its involvement with the PEARL II program over the past year, the Council was able to accomplish a number of significant results including:

1. Developing relationships with 19 Business Support Organizations (BSO) in the Philippines representing 1,265 small- to medium-sized enterprises that directly employed 61,411 workers and 19,487 subcontractors;
2. Completing 21 State of Sector Reports and the results being disseminated to the BSO partners; and
3. Supporting BSO participation in domestic and international trade fairs which resulted in booked orders in excess of CDN$4 million providing employment for an estimated 4,135 individuals.

Objective 1.3 Increasing understanding of and benchmarking British Columbia performance in technology transfer and innovation

Performance Measure	Definition	2004/05 Target	2004/05 Result
Instances of advice/ recommendations provided to government (briefing/advisory notes, special reports)	Number of special reports, briefing notes prepared for the Council board, Ministry and others to provide advice on science & technology matters	4 reports	5 reports: 2 on offshore oil and gas development & 3 on bioproducts
Events initiated to facilitate collaboration among science & technology organizations	Number of roundtables, workshops and meetings initiated to encourage collaboration among science & technology organizations	4 events	5 events

Actions taken

Five reports, one more than planned, were developed during the year to make recommendations on strengthening British Columbia's position in specific areas through technology transfer and innovation.

Two reports pertained to the development of the offshore oil and gas industry prepared for the Ministry of Energy and Mines. The studies entitled, Industrial Development in British Columbia's Offshore Oil and Gas Industry and Future Human Resources Development in British Columbia's Offshore Oil & Gas Industry, reviewed the impact of offshore oil and gas development in other jurisdictions similar to British Columbia such as Newfoundland, Norway and Britain. The reports outlined broad based strategic plans for collaboration between governments, industry, community and education stakeholders in order for British Columbia to prepare itself to take maximum advantage of the opportunities that may result from offshore oil and gas development.

The three other reports pertained to the bioproducts sector. They were:

1. Bioresources, which identified a working definition of bioproducts and presented an inventory of resources available in British Columbia to the bioproducts-based industry;
2. Industry Description, which analyzed the bioproducts industry in British Columbia and identified opportunities and current activities in the sector; and
3. An Industry Development Model, which described the baseline parameters for developing an organization to advance and promote British Columbia's bioproducts industry and further explained how current models are used in research and commercialization.

Specific attention was given to the successes and risks related to the cluster model of development and innovation.

In 2004/05, the Council organized five events, one more than planned, to facilitate collaboration among science and technology organizations. These events were:

1. A sea lice principal investigators meeting;
2. An aquaculture waste management workshop;
3. An aquaculture wild/farmed fish interactions workshop;
4. A maritime and port security technology exploration workshop; and
5. An alternative ocean energy technology exploration workshop.

GOAL 2:
INCREASED STREAM OF STUDENTS PURSUING POST-SECONDARY EDUCATION IN SCIENCE & TECHNOLOGY

Objective 2.1 Supporting scholarships in science and technology

Performance Measure	Definition	2004/05 Target	2004/05 Result
Students supported	Number of students awarded scholarships for postsecondary education to support students pursuing studies in science and technology	12	12 new and 30 renewals
British Columbia high schools contacted to participate	Percent of schools with Grade 12 students which were sent information packages on science careers and support programs	100%	100%

Actions Taken

The Council supported 12 students for new and 30 for renewed scholarships from the three programs it administered. Ten new IBM Scholarships were awarded at $10,000 each for studies in an information technology discipline at a British Columbia post-secondary institution. IBM scholarships for 28 others were renewed.

One new Trussell Scholarship was awarded at $20,000 to a former Kootenay-Boundary area secondary school student who was pursuing a post-secondary education in natural or applied sciences. The winner will receive $5,000 per year for the last two undergraduate years of study and $5,000 per year for the first two graduate years of study. Two other Trussell Scholarships were renewed.

A grade 12 student was awarded the TRIUMF High School Fellowship for science excellence. Each annual fellowship includes an opportunity to take part in a six-week summer work term at the TRIUMF laboratory in Vancouver and a $3,000 research award.

Information on science careers and scholarship programs were disseminated to Grade 12 students in all 450-plus high-schools in British Columbia.

Objective 2.2 Promoting career decisions in research, science and technology

Performance Measure	Definition	2004/05 Target	2004/05 Result
Students invited to participate in career development program	Percent of students participating in the career development program out of all BC participants in the Canada-Wide Science Fair to encourage interest in science careers	100%	100%
Student value rating of career development program	Percent of students who responded positively that the program was valuable and effective in demonstrating career options in science and technology	80%	Survey returns did not facilitate a statistically accurate assessment.

Actions Taken

Every year, British Columbia's student representatives in the Canada Wide Science Fair are invited to participate in a career development program whose highlights include a tour of research facilities in the Lower Mainland, a networking opportunity with leading researchers and scientist and attendance at the Council's Awards Dinner. As in previous years, all British Columbia student representatives who participated in the Fair were invited to participate in this program.

As part of this program, students were invited to provide feedback on the value and effectiveness in demonstrating career options in science and technology. Past survey results have been very positive with greater than 80% satisfaction ratings. Survey results for 2004/05 however, did not facilitate a statistically accurate assessment due to a low survey return rate. To mitigate this situation in the future, a more diligent procedure to follow-up with those students who do not return survey results will be implemented.

GOAL 3:
INCREASED PUBLIC AWARENESS OF SCIENCE & TECHNOLOGY

Objective 3.1 Promoting science and innovation provincially

Performance Measure	Definition	2004/05 Target	2004/05 Result
Subscriptions to BCIC Newsletter (formerly eSynapse)	Number of subscribers to BCIC Newsletter which aims to address the information needs and interests of client groups	2,500	9,800
Council website visitors per month	Average number of visitors per month to the Council's Website, indicating interest and awareness in Council and science and technology programs/activities	5,000	13,000
Instances of supporting activities	Number of organizations sponsored or funded to pursue science and technology activities complementary to Council priorities	10	10
Individuals involved in other public science and technology awareness initiatives	Number of individuals participating in Council's public awareness initiatives	Target Set	Not applicable
General population survey on science and technology awareness and attitudes	Milestones in survey/results to measures public attitudes toward science and technology	No target set for 04/05	Not applicable

Actions Taken

A BC Innovation Council Newsletter was circulated to 9,800 subscribers from the combined contact list of the two original organizations. The newsletter announced the public launch of the Council and the 2004 Awards Winners and Annual Awards Gala. As an indicator of awareness and interest in the Council, the Council website logged an average of 13,000 visitors per month since the merger.

The Council supported 10 organizations for activities complementary to Council priorities. These organizations were:

1. BC Science Teacher's Association Science Achievement Awards;
2. BC T-Net;
3. BC Biotech Awards;
4. BC TIA Awards;
5. PMC Sierra Science Fair Fun Run;
6. Science Fair Foundation;
7. Monte Jade Western Canada;
8. Maritime Awards Society of Canada
9. University of Northern British Columbia; and
10. BC Bioproducts Association.

Over the past year, the Council determined that the planned target setting for the number of individuals participating in Council's public awareness initiatives was premature since the Council's public awareness initiatives were expected to change as a result of the new mandate.

As outlined in the 2004/05 Service Plan, the need for a follow-up general population survey on science and technology awareness and attitudes is assessed every two years and 2004/05 falls within the cycle for which a target is not set. The Council will revisit and determine the need to continue measuring this target next year.

Objective 3.2 Increasing public recognition of science excellence

Performance Measure	Definition	2004/05 Target	2004/05 Result
Nominations received for Innovation and Science Council Awards	Number of nominations received at deadline, reflecting overall awareness and prestige of the recognition program	35	31
Ticket sales for BC Innovation Council Awards Dinner	Percent of total tickets sold for the Awards Dinner, reflecting interest and support of the science and technology community	100%	100%
BC Innovation Council Awards Dinner final cost after ticket sales	Total cost of holding the awards dinner less ticket sales and cash contributions from sponsors	$0	$0
Students given special recognition for science achievement	Number of students who received the Council special awards to promote science awareness among students	300	325
General population survey on science and technology awareness and attitudes	Milestones in survey/results to measures public attitudes toward science and technology	No target set for 04/05	Not applicable

Actions Taken

Five champions of innovation were selected from 31 nominations received. The recipients were recognized at the BC Innovation Council Awards Dinner in front of a sold-out audience of more than 750 at the Fairmont Hotel Vancouver on October 18th, 2004. The 2004 award recipients included:

Award Title	Award Winner
BC Science & Technology Champion of the Year	Dr. Max Cynader Director, Brain Research Centre
Chairman's Award for Career Achievement	Dr. Robert Hancock Professor, Department of Microbiology/Immunology, The University of British Columbia
New Frontiers in Research Award	Dr. Terrance Snutch Vice-President & Chief Scientific Officer, Neuromed Technologies Inc. and Professor, Biotechnology Laboratory, The University of British Columbia
Solutions Through Research Award	Dr. Brett Finlay Professor, Biotechnology Laboratory and Departments of Biochemistry, Molecular Biology and Microbiology/Immunology, The University of British Columbia
Young Innovator Award	Dr. Andre Marziali Assistant Professor, Department of Physics and Astronomy, The University of British Columbia

As in the previous year, there was no net cost to holding the Council Award Dinner; ticket sales and sponsorships equal the cost of the event.

The Council also recognized students for notable achievement in science. A greater number of students, a total of 325, received the following Council Awards:

1. Headed for Success, which recognizes the top grade 12 science student graduating from each high school in British Columbia;
2. Science Fair Winners Recognition, which recognizes British Columbia's science fair winners in each region who participate in the Canada Wide Science Fair; and
3. Turning Ideas Into Solutions, which provides a $100 award to the student (and $100 to the supporting teacher for materials used in the student's science fair project) in each region in British Columbia whose science fair project demonstrates and investigates the application of science and technology for the economic development and for the improvement of quality of life in the province.

Alignment with Government's Strategic Plan

Council's activities in 2004/05 were aligned with the government's strategic plan. Council accomplishments that support government's goals are highlighted below.

Government Economic Objectives	Council Accomplishment Areas
A strong and vibrant economy	• Identified science and technology needs and opportunities in key economic sectors • Supported research and innovation projects • Promoted collaboration among science and technology organizations and industry to address specific needs
A supportive social fabric	• Provided scholarships in information technology and natural or applied sciences • Promoted careers in research, science and technology • Promoted awareness of science and technology • Recognized excellence in research and innovation
Safe, healthy communities and a sustainable environment	• Researched environmental aspects of aquaculture • Developed alternative ocean energy • Developed health products and functional foods

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

As at March 31, 2005 board members include:

- Hector MacKay-Dunn, Q.C., Incoming Chair
- Dr. Don Rix, Outgoing Chair
- Michael Calyniuk, Vice Chair*
- Lonny Frydenlund*
- Cindy Lum, CEO (Pro Tem) & COO
- Colleen Pennington*
- Dr. Tim Walzak

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. Members of the Audit Committee include.

- Hector MacKay-Dunn, Q.C., Incoming Chair
- Dr. Don Rix, Outgoing Chair

Senior Management Team

The Council's senior management team consists of:

- Chief Executive Officer
- Chief Operating Officer
- Director of Finance & Administration
- Director of Business Development
- Communications Manager
- Programs Manager

*OIC to be finalized

FINANCIAL REPORT

Management Discussion & Analysis

The Council's financial statements for 2004/05 reflect the growth of the organization. The chart below provides a summary comparison of actual and budgeted revenues and expenditures.

(thousands)	2003/04 Actual	2004/05 Actual	2004/05 Budget	Variance
Revenue				
Ministry of Small Business & Economic Development	$1,300	$3,268	$1,300	$1,968
Interest	34	20	10	10
Other	3,241	2,036	175	1,861
Total Revenues	**$4,575**	**$5,324**	**$1,485**	**$3,839**
Expenses				
Award Expenditures	$100	$100	$100	-
Internal Programs	260	228	185	$43
Other Programs				
Other Scholarship	20	2	-	2
Sector Development	1,461	946	-	946
International	861	1,613	-	1,613
Salaries & Benefits	997	970	910	60
Rent	206	220	170	50
Other Operating	398	562	120	442
Interest	4			
Total Expenditures	**$4,307**	**$4,641**	**$1,485**	**$3,156**
Excess (Deficiencies)	$268	$683	-	$683

The following charts summarize revenues and expenses by core business area.

Revenues (thousands)	
Technology Transfer & Commercialization	$5,199
Public Awareness in Science & Technology	125
Total	**$5,324**

Expenses (thousands)	
Technology Transfer & Commercialization	$4,526
Public Awareness in Science & Technology	115
Total	**$4,641**

Previous Year Comparison

Overall revenue for the Council increased in 2004/05 due to an increase in its base budget (funds provided by the Ministry of Small Business and Economic Development for operations) resulting from the merger between the Innovation and Science Council of BC and ASI. Revenues from other sources decreased due to a decrease in sector development activities related to funded aquaculture research projects.

To summarize the expenses, the Graduate Research Engineering and Technology (GREAT) Scholarship was reported in the previous Service Plan as being wound down as it no longer met the policy framework of the Province and therefore the decrease in Other Scholarships represents remaining commitments paid to award winners in the current fiscal year. The decrease in Sector Development expenses represent a decrease in funding commitments from the Aqua-E Fund as well as special expenses related to amounts from the Science and Technology Infrastructure Program (STIP), which is being cleared from the accounting records. As previously noted, the International expenses are related to the PEARL II project as it entered into an accelerated phase of funding subsequent to start-up of the program. However, the Council withdrew from the program at the end of the fiscal year due to the change in mandate and therefore, expects only wind-down costs to be incurred in the following year, for which the Council has allocated expected funds. The increase in Other Operating costs from the previous year is related to relocation costs of the Council's offices.

Staffing positions remained stable at the same level for the past two years at 14 FTEs.

Actual to Budgeted Comparison

The Council's base budget increased for fiscal year 2004/05 as a result of the merger. The Council looks forward to establishing future budgets that are in-line with actual expenditures once its strategic and operational plan is finalized.

As noted in the 2004/05 to 2006/07 Service Plan, the 2004/05 budget does not include expenses for several support programs that represent a flow-through of funds directly from funders to successful applicants, since they do not impact the Council's net income. However, with the change in financial reporting structure, the Council has chosen to include in the above summary these support programs to more accurately reflect the activities of the Council from a financial perspective. These support program expenses are included under "Other Programs".

Conclusion

The Council's financial position continues to be strong as indicated by the current ratio (ratio of current assets to current liabilities) of 2.38. The cash position increased compared to the prior year due to the merger.

The most significant change for the new Council as a result of the merger was the affect of the new budget on the financial operations of the organization. With support from the Province, the Council is working on two fronts. The first is continuing the program and initiative commitments of the two original organizations and second, moving the organization forward in the merger process and establishing a strong foundation for change and growth

This change represents an opportunity for the Council to leverage resources to attract greater sources of funding, including the federal government, to fulfill its vision and mandate.

The future outlook for the Council is very promising as the merger to create the BC Innovation Council is being finalized. The Council's board, management and staff are looking forward to executing its new mandate to accelerate commercialization and increase technology transfer to expand the innovation-based economy in British Columbia.

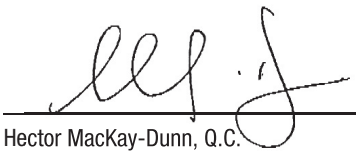
Statement of Management's Responsibility

The financial statements of the Innovation and Science Council of British Columbia (operating as BC Innovation Council) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at April 15, 2005. The financial statements have also been reviewed by the Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Council's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.



Hector MacKay-Dunn, Q.C.
Incoming Chair

Cindy Lum
Chief Executive Officer (Pro Tem)
Chief Operating Officer

2004/05 Audited Financial Statements

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Operating as BC Innovation Council)

FINANCIAL STATEMENTS

31 MARCH 2005

ROLFE, BENSON
CHARTERED ACCOUNTANTS

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA

(Operating as BC Innovation Council)

Financial Statements

For the Year Ended 31 March 2005

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ROLFE, BENSON

CHARTERED ACCOUNTANTS

ROLFE, BENSON CHARTERED ACCOUNTANTS*

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*a partnership of incorporated professionals

AUDITORS' REPORT

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

We have audited the statement of financial position of the Innovation and Science Council of British Columbia (Operating as BC Innovation Council) as at 31 March 2005 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 2005 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
15 April 2005

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Operating as BC Innovation Council)
Statement of Financial Position
31 March 2005

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2005	Total 2004
	$	$	$	$	$	$
Assets						
Current						
Cash and short-term investments (Note 9)	3,852,642	-	-	-	**3,852,642**	2,257,608
Accounts receivable	333,984	-	-	-	**333,984**	403,835
Awards and contributions receivable	147,542	-	-	-	**147,542**	696,871
Interest receivable	-	-	-	-	**-**	1,597
Prepaid expenses	16,251	-	-	-	**16,251**	3,530
Due from programs	145,810	-	154,948	-	**300,758**	291,109
	4,496,229	-	154,948	-	**4,651,177**	3,654,550
Property and equipment (Note 3)	-	-	-	109,653	**109,653**	88,497
	4,496,229	-	154,948	109,653	**4,760,830**	3,743,047
Liabilities						
Current						
Accounts payable and accrued liabilities	620,704	-	-	-	**620,704**	234,793
Accrued awards and projects	874,448	5,000	154,948	-	**1,034,396**	1,094,499
Due to programs	-	300,758	-	-	**300,758**	291,109
	1,495,152	305,758	154,948	-	**1,955,858**	1,620,401
Commitments (Note 4)						
Appropriations						
Invested in property and equipment	-	-	-	109,653	**109,653**	88,497
Unrestricted (Note 1 (e))	3,001,077	(305,758)	-	-	**2,695,319**	2,034,149
	3,001,077	(305,758)	-	109,653	**2,804,972**	2,122,646
	4,496,229	-	154,948	109,653	**4,760,830**	3,743,047

APPROVED BY THE COUNCIL:

.....Member

.....Member

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

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Operating as BC Innovation Council)
Statement of Appropriations
For the Year Ended 31 March 2005

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total **2005**	2004
	$	$	$	$	**$**	$
Appropriations - beginning of year	2,034,149	-	-	88,497	**2,122,646**	1,854,156
Excess (deficiency) of revenue over expenditures after reductions	1,155,491	(300,758)	(136,348)	(36,059)	**682,326**	268,490
Transfers (Note 1(e))	(188,563)	(5,000)	136,348	57,215	**-**	-
Appropriations - end of year	3,001,077	(305,758)	-	109,653	**2,804,972**	2,122,646

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

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Operating as BC Innovation Council)
Statement of Operations
For the Year Ended 31 March 2005

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2005	2004
	$	$	$	$	**$**	$
Revenue						
Contributions from the Ministry of Small Business and Economic Development						
Base budget	3,268,000	-	-	-	**3,268,000**	1,300,000
Aquaculture (Note 7)	579,647	-	-	-	**579,647**	1,278,291
BC Bioproducts (Note 8)	273,100	-	-	-	**273,100**	-
ECO-Efficiency	-	-	-	-	**-**	52,277
Forestry Innovation Investment	-	-	-	-	**-**	97,400
Health Product & Functional Food	-	-	12,397	-	**12,397**	185,930
I.B.M. Development Scholarship	115,069	-	-	-	**115,069**	102,500
International	669,868	-	-	-	**669,868**	1,257,408
Oceans, Marine and Energy	37,000	-	-	-	**37,000**	-
Science Fair Recognition	5,000	-	-	-	**5,000**	-
Special projects	-	-	-	-	**-**	4,033
Triumf Scholarships	5,000	-	-	-	**5,000**	-
Interest	19,864	-	-	-	**19,864**	33,701
Other income	338,975	-	-	-	**338,975**	263,970
	5,311,523	-	12,397	-	**5,323,920**	4,575,510
Expenditures						
Human Resource Award Programs						
GREAT	2,568	-	-	-	**2,568**	20,000
Aquaculture (Note 7)	457,338	-	-	-	**457,338**	1,214,300
B.C. STIP	(14)	-	-	-	**(14)**	-
Communications and recognition	209,068	-	-	-	**209,068**	168,171
ECO-Efficiency	18,346	-	-	-	**18,346**	12,000
Forestry Innovation Investment	-	-	-	-	**-**	109,483
Health Product & Functional Food grants	-	-	142,816	-	**142,816**	176,300
I.B.M. Development Scholarship	100,000	-	-	-	**100,000**	100,000
International	1,613,125	-	-	-	**1,613,125**	861,321
Science Fair Recognition	10,241	-	-	-	**10,241**	41,978
Special projects	6,105	-	-	-	**6,105**	44,541
Triumf Scholarships	2,554	-	-	-	**2,554**	5,741
Oceans, Marine and Energy	26,321	-	-	-	**26,321**	-
Operations	1,710,380	-	5,929	36,059	**1,752,368**	1,601,042
Interest expense	-	-	-	-	**-**	3,738
Bad debt expense	-	305,758	-	-	**305,758**	-
	4,156,032	305,758	148,745	36,059	**4,646,594**	4,358,615
Excess (deficiency) of revenue over expenditures	1,155,491	(305,758)	(136,348)	(36,059)	**677,326**	216,895
Reduction in commitments and refunds	-	5,000	-	-	**5,000**	51,595
Excess (deficiency) of revenue over expenditures after reductions	1,155,491	(300,758)	(136,348)	(36,059)	**682,326**	268,490

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

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Operating as BC Innovation Council)
Statement of Cash Flows
For the Year Ended 31 March 2005

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2005	2004
	$	$	$	$	**$**	$
Cash provided for (used in):						
Operating activities						
Excess (deficiency) of revenue over expenditures after reductions	1,155,491	(300,758)	(136,348)	(36,059)	**682,326**	268,490
Add (deduct) transfers	(188,563)	(5,000)	136,348	57,215	**-**	-
Excess (deficiency) of revenue over expenditures after reductions and transfers	966,928	(305,758)	-	21,156	**682,326**	268,490
Add (deduct) non-cash transactions						
Amortization	-	-	-	36,059	**36,059**	74,681
Changes in non-cash working capital balances						
Accounts receivable	69,851	-	-	-	**69,851**	(172,439)
Awards and contributions receivable	243,571	305,758	-	-	**549,329**	(242,363)
Interest receivable	1,597	-	-	-	**1,597**	6,997
Prepaid expenses	(12,721)	-	-	-	**(12,721)**	679
Accounts payable and accrued liabilities	385,911	-	-	-	**385,911**	(73,778)
Accrued awards and projects	(121,002)	(9,649)	70,548	-	**(60,103)**	441,728
	1,534,135	(9,649)	70,548	57,215	**1,652,249**	303,995
Investing activities						
Purchase of equipment	-	-	-	(57,215)	**(57,215)**	(18,062)
Net increase (decrease) in cash	1,534,135	(9,649)	70,548	-	**1,595,034**	285,933
Cash - beginning of year	2,257,608	-	-	-	**2,257,608**	1,971,675
Transfers	60,899	9,649	(70,548)	-	**-**	-
Cash - end of year	3,852,642	-	-	-	**3,852,642**	2,257,608
Supplemental Cash Flow Information:						
Interest received	-	-	-	-	**21,461**	36,960

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.

During 2004, the Innovation and Science Council of British Columbia merged with the Advanced Systems Institute of BC ("ASI") to operate under the name of BC Innovation Council ("Council"). This was a merger of both organizations' resources as they have not yet legally merged. The Council and ASI operate functionally under one management team. The Council, together with ASI, operates under the name of BC Innovation Council. The assets and liabilities of ASI will not be reflected in these financial statements until the legal merger has been effected.

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 Council.

The Council's mandate is to provide economic development and enhance the quality of life in British Columbia by supporting the transfer of leading-edge research into industry and accelerating the commercialization of BC-based world-class technologies into international markets. The following funds are represented in the financial statements:

(a) Base Funding

Base Funding accounts for the Council's general program delivery and administrative activities, including the Private Enterprise Accelerated Resource Linkage Project II (PEARL II) and the Aquaculture Research Grants, 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.

1. Statement of Purposes - Continued

(d) Property and Equipment

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

(e) Cancelled Programs

The following programs were cancelled or phased out as at or before 31 March 2005:

- ECO-Efficiency
- Forestry Innovation Investment
- PEARL II

Final disbursements for the above programs have been made in fiscal 2005. There will be no further activity in these funds after 31 March 2005. Any surpluses or deficits from the cancelled programs have been transferred to Base funding as at 31 March 2005 (refer to the Statement of Appropriations).

2. Summary of Significant Accounting Policies

(a) Operations

The 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 Council as a "going concern".

In the Council's normal course of operations, it receives funding from government agencies and private corporations to carry out various programs. Funding is restricted to each respective program and the Council performs regular reviews to ensure it is in compliance with the program mandates. Funding bodies may have an independent audit performed on program expenditures to ensure that they are in accordance with the program mandates. These financial statements do not include a provision for expenditures that may not meet the program mandates which have not been independently audited by the funding bodies.

(b) Financial Instruments

The 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 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 due to their short maturities.

2. Summary of Significant Accounting Policies - Continued

(b) Financial Instruments - Continued

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

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

The 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 revenue is accounted for in the year the government organization commits to disburse the award amounts to the Council.

Full provision is made for all accrued liabilities at 31 March 2005, 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	60	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, revenue and expenditures 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 2005	Net Book Value 2004
Furniture, fixtures and equipment	$ 54,569	$ 38,669	$ 15,900	$ 9,049
Computer hardware and software	435,568	364,749	70,819	79,448
Leasehold improvements	25,482	2,548	22,934	-
	$ 515,619	$ 405,966	$ 109,653	$ 88,497

4. Commitments

The Council is committed to lease its office premises until 29 November 2009 at a variable monthly rental rate.

The 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 2006 at a quarterly rental of $252.

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

2006	$ 143,627
2007	144,362
2008	137,697
2009	141,185
2010	94,123
	$ 660,994

5. Letter of Guarantee

The Council has deposited with the Canadian International Development Agency (CIDA), a federal government agency, 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 Council default on its obligations under the project contract. As at 31 March 2005, the Council is not in default of its obligations under the project.

6. International Program (PEARL II)

The PEARL II project is a development project in the Philippines previously jointly delivered by the Council and the British Columbia Institute of Technology (BCIT), and is being funded by CIDA. 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 allowed for the initial advance of funds from CIDA to the Council prior to their expenditure. Project disbursements and expenses were paid by the Council and billed to CIDA on a monthly basis. CIDA's payment of the monthly billings included a deduction for partial repayment of the advance. Payments totalling $858,176 (2004 - $955,260) were received from CIDA in the year. At 31 March 2005, the CIDA advance balance was $Nil (2004 - $65,020) and the amount receivable from CIDA was $265,243 (2004 - $292,187).

Effective 31 March 2005, the Council terminated (Termination Agreement) its contract with BCIT to jointly deliver the PEARL II project and withdrew from the project.

During the fiscal year, CIDA performed an audit of the monthly billings for the period 16 August 2002 to 31 July 2004. As a result, mainly due to an error in interpretation in billing certain personnel on the project, $294,936 (net of GST) of billings was determined to be ineligible and repayable to CIDA. This amount, together with an estimated amount of $134,280 for the period 1 August 2004 to 31 March 2005 has been accrued as a liability in the financial statements.

7. Aquaculture and Environment Research Fund Program

The purpose of the Aquaculture and Environment Research Fund Program is to provide support for 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 Council. A total of $Nil (2004 - $1,204,300) was committed to during the year. Payments totalling $456,846 (2004 - $1,006,948) were received from UBC in the year. The remaining balance of $Nil (2004 - $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 2005 is $1,938,854 (2004 - $2,395,700).

8. BC Bioproducts

The BC Bioproduct program is funded by the BC Ministry of Agriculture, Food & Fisheries. The purpose of this program is to provide:

- a focal point for developing products and companies;
- support industry in the shift from bio-based feedstocks and materials;
- encourage value-added production; and
- provide access to information and encourage networking.

9. Restricted Cash

Cash restricted from normal operations is as follows:

	2005	2004
BC offshore oil and gas	$ 36,000	$ -
Aquaculture R & D	30,000	-
Cash jointly held by the Council and BCIT for the PEARL II project	64,685	216,708
Various miscellaneous funds	-	6,359
	$ 130,685	$ 223,067

In accordance with the Termination Agreement with BCIT (Note 6), an accounting of the cash jointly held by the Council and BCIT for the PEARL II project is being performed for confirmation by both parties. As at fiscal year end, the accounting has not been completed. Management expects BCIT will confirm that all remaining funds in the account belong to the Council. Therefore, 100% of the joint cash account is reflected in these financial statements.

10. Subsequent Event

Subsequent to the year end, the Council received $3,500,000 as a grant towards implementing a Science and Innovation Fund. It is expected that the purpose of the fund will be to provide the British Columbia agriculture, food, beverage, and agri-biotechnology sectors with the opportunity to move innovative ideas through the research and commercialization process, resulting in economic growth for the province.

During the coming year, the Council will take over the administration of the Province's Science and Technology Fund from the Ministry of Small Business and Economic Development. The purpose of the fund is to support eligible organizations with their core operating expenses to administer projects and initiatives that complement the Council's mandate.

GLOSSARY

(Most definitions adopted from Statistics Canada)

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's 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 and the commercial use in the marketplace.

Science and Technology - systematic activities which are closely concerned with the generation, advancement, dissemination and application of scientific and technical knowledge in all fields of science and technology. These include such activities as research and development (R&D), scientific and technical education and training, and scientific and technical services.

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

Research and Development - creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of people, culture and society, and the use of this stock of knowledge to devise new applications.

Commercialization - three main interpretations are:

- Research-oriented: The commercialization of research was often portrayed as a linear chain of events beginning with research and ending with the commercial success of a product. This approach neglects the convergence of technologies that is often required to create new products.

- Innovation-oriented: The commercialization of innovation focuses on the contribution to the economy of new and significantly improved products. Although many innovations have a research component, not all do.

- Competitiveness-oriented: This is the broadest perspective and includes knowledge generation (R&D and education), innovation and productivity. The perception is that improving all aspects of the system of commercialization will increase the nation's competitive advantage.

Technology Transfer - movement along a path wherein discovery, idea or invention leads into an operational system, product or service.

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.