Ontario Centres of Excellence

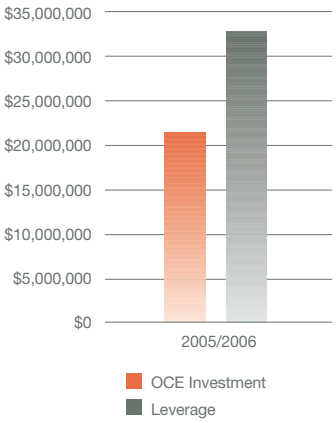
Where Next Happens

Annual Report 2005-2006

Ontario Centres of Excellence: At a Glance

Leveraging OCE's Investments

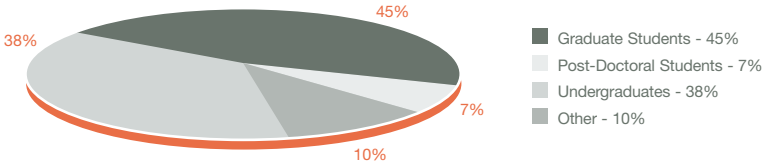
OCE supports research projects in Ontario's universities, colleges and research hospitals. Last year our investment was $21.4 million. This investment leveraged more than $33.3 million from industry and government partners, creating a total investment in research and development in Ontario's academic institutions of over $54.7 million.



Investing in Innovators

The foundation for innovation is talented people - people with great ideas and the talent to turn concepts into competitive products and services. During the past year, OCE supported the projects of 691 researchers, and an additional 3,081 individuals substantially enhanced their knowledge, training and skills through OCE supported projects.

Undergraduate students	1,182
Graduate Students	1,383
Other Research personnel	301
Post-Doctoral Fellows	215



OCE-supported research resulted in 17 new licenses, creating a total of 61 licenses currently in force.

OCE-supported research resulted in the establishment of 20 new Ontario companies and attracted more than $78 million in investment capital.

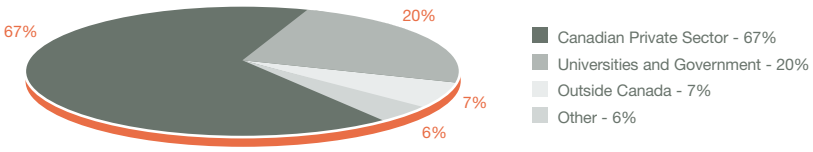
Currently, there are 73 companies in business as a result of OCE-funded research and they employ more than 560 individuals.

Moving Minds From the Laboratory to the Market

OCE programs help to connect the best qualified and brightest people with organizations looking for great talent. OCE helped 836 people who worked on OCE-supported research projects move into positions outside their academic institutions. These people bring innovative thinking to industry and will foster the transfer of new technologies into the workplace and marketplace.

Moved to positions in industry inside Canada	564
Moved to positions with significant operations in Ontario	391
Moved to positions with universities or government	164
Moved to positions outside the country	60
Moved to assume other types of positions	48

Where They Went



A message from the Chair of the Board

"Where Next Happens" is more than just a catchy tag line for the Ontario Centres of Excellence: it is both a commitment and a challenge. It points to our commitment to be on the leading edge of innovation. It also represents a challenge for us to work with Ontario's colleges, universities, research hospitals and business community to ensure that our province is at the forefront of developing and commercializing advanced technologies. These technologies are the foundation for Ontario's economic future.

Recognizing the critical importance of innovation to Ontario's economy, the province stepped up its commitment in 2006. OCE played an important role in this expanded innovation agenda. Landmark initiatives include the newly established Ontario Research and Innovation Council that is tasked to develop an innovation strategy for the province. OCE is honoured to participate as a council member and to contribute to the framework of this ambitious initiative. In the 2006 Ontario Budget, the government also announced significant funding to accelerate the commercialization of new technologies and the growth of start-up companies. OCE will be an active partner in the delivery of various of these initiatives. We are encouraged by the government's continued commitment to building a vibrant innovation-based economy.

OCE's 2006-2007 strategic plan focuses the organization on driving economic prosperity in Ontario through the transfer of new technology and innovation to the marketplace, and developing and fostering the next generation of innovators – the people who will enable Ontario companies to succeed in the knowledge-based global economy.

OCE extended its network and sphere of influence through the growing web of organizations engaged in research and innovation across the province. We increased our presence in public forums and the media as leaders in the advancement of innovation. We launched our new brand – which will see OCE become far more proactive and aggressive in its mission – and we started to spread our vital message of innovation from one end of the province to the other. Creating a new culture takes time and focused determination.

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I would like to thank and congratulate OCE's Board of Directors, its executive and all of OCE's staff for their passion and commitment, and for the important contribution they make toward creating a culture of innovation in Ontario. The numerous successes highlighted in the following pages speak to OCE's renewed vitality and relevance, and bode well for it living up to its promise to make Ontario Where Next Happens.

DAVID MCFADDEN
Chair, Board of Directors

A message from the President and CEO

This past year marked significant milestone achievements for OCE and also raised some exciting new challenges and opportunities in our mission to improve Ontario's competitiveness by nurturing innovation.

Introduced in spring 2005, the new Centre of Excellence for Energy became fully operational with a talented and experienced staff, backed by a strong Board of Management. The Centre's focus on energy markets, energy systems and emerging technologies responds well to the critical challenges this sector faces. The Centre has been quick off the mark, connecting industry need with research capability across the province, with a full portfolio of projects now underway.

In February 2006 we launched the new OCE brand, "Where Next Happens." The new brand presents a coherent vision for OCE as the premiere research to commercialization entity in Ontario. The launch was the highlight of our showcase event – *"Discovery 2006: Bridging the Innovation to Commercialization Gap"* – the first-ever joint conference of all five Centres.

To further strengthen OCE's cross-disciplinary approach to its activities, and to fully capitalize on best practises, we harmonized and streamlined OCE's three primary program areas: Research, Commercialization and Talent. Offered through each of the five Centres, the goal is to maximize leverage of our powerful networks of people, knowledge and business skills, and to increase our ability to transform research innovations into economic growth and prosperity.

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Internationally, OCE's unique operating model continues to attract interest. During the year we hosted delegations from Asia, Latin America, the Middle East and U.S.A. Being at the forefront of innovation in today's global economy requires thinking beyond geographic borders, and finding new forms of collaboration across multiple disciplines here at home. The opportunity to advance OCE's international presence over the coming year looks especially promising.

OCE has also entered into strategic partnerships with a number of key domestic organizations, such as the Health Technology Exchange (HTX), Precarn Incorporated and PARTEQ Innovations. In addition, we are partnering to develop next-generation talent through our support for entrepreneurship development programs at Ontario universities. Working collectively, we are able to make a greater impact on innovation in Ontario.

OCE has had a strong year. We engaged the business and research communities in greater numbers than ever before, forging powerful links between the two to enable the development and successful transfer of new technologies to the market. We effectively leveraged $21 million of investment in research to attract $33 million from industry and other levels of government. Our programs enabled hundreds of students to make the successful transition from academia to business, and our commercialization efforts led to 20 spin-off companies, attracting $78 million from the investment community. We are well positioned to make an equally strong contribution to the economic vitality of Ontario in the coming year.

MARK ROMOFF
President and CEO

Discovery 2006: Bridging the Innovation to Commercialization Gap

OCE is building a better economic future for Ontario by investing in today's brightest minds, best ideas, and most promising entrepreneurs. The past year was no exception. During 2005-2006 OCE achieved a number of critical milestones that will result in a more competitive market and greater opportunity for the province. Highlighted in this report are just a few of the ways OCE has contributed to the innovation agenda in Ontario. Taken together, they reflect the variety of avenues through which OCE works on a daily basis. Our organization is focused on creating productive partnerships, and seeking and supporting the kind of innovative thinking that will drive economic prosperity.

"The Community is the Technology... Pound for pound we are, without a doubt, the leading producer of technological innovation in the world, full stop."

LEONARD BRODY
Technology Entrepreneur, Venture Capitalist and best-selling author – Keynote Speaker, Discovery 2006

Discovering Next: OCE's First Annual Conference

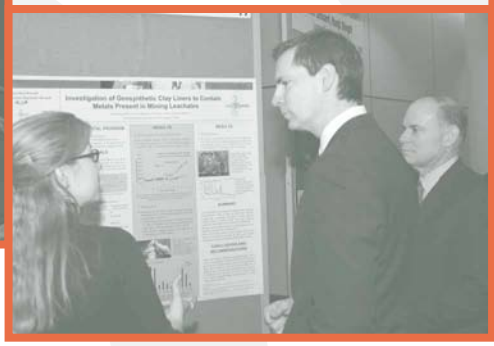
OCE is in the business of making next happen. But, next only happens with the right people – academic researchers, innovative business leaders of technology-driven companies, leaders in government and the investment community. Each has a part to play, and together they can turn a great idea into a solution that improves the way we work and live. These collaborations need fertile ground to take root: a trusted space where the expertise is positioned to forge connections that ignite innovation. OCE is that place.

The past year has seen OCE accelerate innovation in a variety of ways – from investing in research and commercialization collaborations to helping develop the next generation of innovators. That spirit of next was best exemplified during our *Discovery 2006: Bridging the Innovation to Commercialization Gap* conference, where every aspect of the innovation agenda came together in one place, at one time.

Creating a culture of innovation is what OCE's annual Discovery conference is all about. The first Discovery conference, a forum for leading-edge ideas and idea-makers, took place on February 7, 2006. This large and diverse networking opportunity brought together more than 1,200 business, academic and government leaders.

▼ OCE President and CEO, Mark Romoff

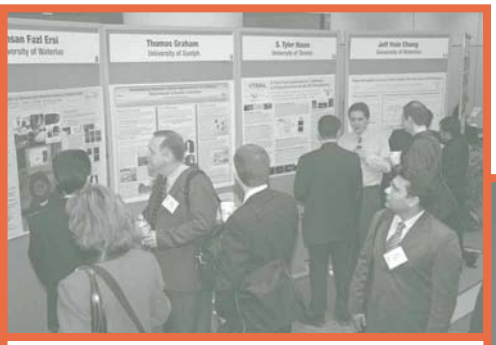
▼ Student Poster Award recipient Karina Lange



▲ Student Poster Award recipient Ahmad Rami Abu-El-Quran (centre) with Mark Romoff, OCE, and David Jaworsky, Research in Motion Limited

▼ Discovery Showcase

▼ Student Poster Award recipient Evelyn Ng



▲ Student Poster Competition

▼ Premier Dalton McGuinty, Keynote Speaker

▼ Discovery Showcase

Together they explored some of the critical factors for innovation in Ontario: emerging technology trends and opportunities in the next decade; the art of research and development; the risks and rewards of the disruptive company; and the recipe for creating an innovative workforce.

Part of that future workforce was represented at *Discovery* as OCE opened the floor to 50 students to showcase their research in a poster competition sponsored by Research In Motion Limited (RIM). Selected from more than 100 applicants, these bright young researchers supported by OCE had the chance to test their ideas and presentation skills before peers and decision-makers in their fields. Poster submissions outlining the students' work were reviewed by a panel of judges from industry, academia and government, and five outstanding student entries were awarded $2,000 each.

"Rather than just creating instances of innovation – we need to make innovation inevitable."

PREMIER DALTON MCGUINTY
Minister of Research and Innovation
Discovery 2006 Keynote

Student and Academic Institution	Research Topic
Anna Matvienko University of Toronto	*Biothermophotonic Method for the Diagnosis of Incipient Dental Caries*
Beau Standish University of Toronto	*Quantification of Microvascular Blood Flow During Photodynamic Therapy via Doppler Optical Coherence Tomography Provides Early Assessment of Therapeutic Efficacy*
Karina Lange Queen's University	*Investigation of Geosynthetic Clay Liners to Contain Metals Present in Mining Leachates*
Evelyn Ng University of Toronto	*Cathode Materials for Lithium Ion Batteries*
Ahmad Rami Abu-El-Quran Carleton University	*Audio Classification Using Microphone Arrays*

The heart of the event was the *Discovery Showcase* with over 100 exhibitors – including forward thinking researchers and pioneering companies. The Showcase provided a vibrant hub for people and ideas to come together throughout the day.

OCE's *Discovery* conference was a perfect stage to feature the powerful spirit of innovation alive in Ontario.

Encouraging Next: Rewarding Innovation

▲ 2006 Mind to Market Award - Millenium Biologix

Mind to Market Award

Discovery 2006 was also the launching platform for OCE's first annual *Mind to Market Award*. The award recognizes and celebrates an exceptional collaboration between an Ontario company and an Ontario researcher or team of researchers leading to the successful commercialization of a new technology.

From a pool of 60 submissions, six were selected for finalist consideration. A panel of senior industry and academic experts was recruited to evaluate the submissions based on criteria of collaboration and partnership, commercial success, and imagination and novelty – the "wow-factor."

AWARD FINALISTS

Company	Collaboration Initiative	Academic Institution
EnviroMetal Technologies Inc.	In-situ groundwater treatment	University of Waterloo
Rowan Williams Davies & Irwin Inc.	Advanced regional airshed modelling technology	York University
FOX-TEK	Optical fibre sensors for measuring strains in civil structures such as bridges and buildings	University of Toronto
PGI Fabrene	Simulation model that controls the parameters that will optimize polymer blends.	University of Western Ontario
Slipstream Data Inc.	Internet acceleration and optimization technology	University of Waterloo
Millenium Biologix Corporation	Artificial Bone Graft Material	Queen's University

The recipient of the inaugural OCE Mind to Market Award was Millenium Biologix.

The roots of Millenium Biologix go back almost as far as the history of OCE itself. In 1988, OCE provided the funding support to bring Dr. John Davis, a biochemist and recognized expert in bone growth, to the University of Toronto. The Centre supported Dr. Davis' research work that resulted in the successful growth of bone cells on thin films.

In 1993, industrialist Sidney Pugh and his partner Timothy Smith acquired the thin film technology that had been developed, and they co-founded Millenium Biologix. Millenium advanced this research to develop a material that could be used as a scaffold for orthopaedic use. OCE furthered its relationship with the company, assisting with the commercialization of Millenium Biologix products and helping drive them to market. OCE enabled the collaboration between Millenium Biologix and Dr. Reginald Smith at Queen's University that resulted in commercial application of the technology – the artificial bone graft substitute Skelite™. Since that time, the company has successfully received US FDA approval for clinical use of Skelite™ scaffolds. To date, there have been well over 2,000 successful Skelite™ implants.

OCE enabled the collaboration between Millenium Biologix and Dr. Reginald Smith at Queen's University that resulted in commercial application of the technology – the artificial bone graft substitute Skelite™.

To an aging and active population, the benefits of Skelite™ are clear. The product's resorbable, artificial bone product makes healing from breaks faster, significantly reduces the risk of infection and eliminates the risk of rejection.

The Mind to Market Award, sponsored by RBC Financial Group, was presented to Jason Hendry, Director, Biomaterials Development, Millenium Biologix; Dr. Reginald Smith, Professor Emeritus, Department of Mechanical and Materials Engineering; and Dr. Mark Harrison, Researcher, Human Mobility Research Centre and Professor of Orthopaedic Surgery.

2006 OCE AWARD PANEL MEMBERS

- Dr. Tom Brzustowski (Panel Chair) Royal Bank of Canada (RBC) Financial Group Professor in the Commercialization of Innovations, University of Ottawa
- Dr. Suhayya (Sue) Abu-Hakima, President and CEO, AmikaNow! Corporation & Director, OCE Board of Directors
- Len Crispino, President and CEO, Ontario Chamber of Commerce
- Dr. Anne Golden, President, Conference Board of Canada
- Dr. Feridun Hamdullahpur, Chair, Ontario Council on University Research (OCUR) & Vice President, Research and International, Carleton University
- Ian Howcroft, Vice President, Ontario Division, Canadian Manufacturers and Exporters
- Mark Romoff, President and CEO, Ontario Centres of Excellence Inc.

Investing in Next: The Martin Walmsley Fellowship for Technological Entrepreneurship

▲ Previous Martin Walmsley Fellowship Recipients

Dr. Martin Walmsley's vision of stimulating leading-edge research and development in Ontario was instrumental in the creation of the Ontario Centres of Excellence program in 1987. During his career with the Government of Ontario, Dr. Walmsley was also a keen advocate for joint industry and academic programs to support the province's innovation agenda.

To recognize – and encourage – this spirit, OCE created the Martin Walmsley Fellowship for Technological Entrepreneurship. The award facilitates the transition of an OCE-funded, university-based technology into an innovative new business venture. Candidates for the award are judged on a variety of criteria, including the commercial viability of their technology and the strength of their business plan.

This year's Martin Walmsley Fellow is Dr. Jamie Doran from the University of Guelph who proposed a new company - Glass Onion - to sell innovative technologies to the allium (onion and related bulbs) industry, starting in Ontario and eventually expanding across Canada and internationally. Glass Onion intends to be a leader in technologies and products that target contemporary challenges in the allium industry. Their first goal is to establish the first open-market production facility for virus and disease-free garlic seed in North America. Ultimately, Glass Onion wants to enable Ontario garlic producers to secure 30 per cent of the fresh garlic market, compete with world suppliers and eliminate the need for North American imports.

To accomplish these ambitious goals, Glass Onion is structured around two major divisions: greenhouse production and flavour chemistry. The greenhouse division will manage the year-round production of "clean garlic seed," working in cooperation with the New Liskeard Agricultural Research Station. The flavour chemistry division intends to market a device called the Pungometer which measures the flavour intensity of onions and garlic and will allow these alliums to be marketed according to their relative pungency.

The Fellowship, which provides $100,000 over two years, will help Mr. Doran establish his company and begin to market his technology.

PREVIOUS RECIPIENTS

- Anil Kumar & Kapil Sakariya – Nanodrivers Inc.
- Markus Latzel – Palomino System Innovations Inc.
- Alan Darlington – Air Quality Solutions Ltd.
- Jeffrey McIsaac – VMP Technologies Inc.
- Robert Good – isagn inc.
- Jeanette Ho – Interface Biologics Inc.
- Michael May – Rimon Therapeutics Ltd.
- David Barrow & Ted Petroff – Datec Coating Corporation

Next Opportunities

Bringing together the Centres under one OCE umbrella laid the foundation for a cross-disciplinary approach to opportunities with great potential for innovation. Typically in the research community, our partners work beyond discrete silos and OCE evolved to reflect the same multi-disciplinary approach. The result is more responsive service for both the research and business communities. Some of the stories reflected here are evidence of the ways different areas of expertise within the OCE group of Centres have come together to strengthen a project.

The founding of OCE's Centre for Energy extends that expertise into a new area for research and commercialization partnerships, and contributes more fully to strengthening Ontario's capabilities and competitiveness in this area of critical importance to the economy.

With the Centre of Energy well underway, OCE is expanding its expertise and network to explore new frontiers in emerging fields of innovation including nanotechnology, regenerative medicine, and advanced materials.

The first full year of operation of the Centre for Energy has been a demanding one: building an infrastructure and network enabling the Centre to deliver on an ambitious research and development agenda. The response has been immediate, and the quality and diversity of proposals from the sector very strong. The Centre currently has 43 projects in its portfolio with another 67 projects under review.

Being "Where Next Happens" means constantly looking for and engaging in the research and commercialization of early stage and often disruptive technology. With the Centre of Energy well underway, OCE is expanding its expertise and network to explore new frontiers in emerging fields of innovation including nanotechnology, regenerative medicine, and advanced materials. These are the places where the life-altering discoveries of the future will come from.

Next Issues: Making a Difference

OCE harnesses the expertise of its network to find answers to some of Ontario's most pressing challenges. This year three projects in particular revealed the range, effectiveness and foresight of the OCE network.

The Sustainable Water Well Infrastructure (SWWI) project was launched by the Ontario Ministry of the Environment (MOE) to improve the sustainability of the most fundamental of water sources: Ontario's water well infrastructure. There are approximately 750,000 wells in Ontario dating back to the early 1900s, with 10,000 to 20,000 new ones constructed each year. One third of Ontario's population drinks water from wells. A major concern is the number and location of abandoned wells with the potential to contaminate other sources of drinking water.

OCE, through the Centre for Earth and Environmental Technologies, was asked by MOE to assemble and support an independent, multidisciplinary expert panel to examine the issue and make recommendations. In March 2006, the panel released its report, "Water Well Sustainability in Ontario."

OCE, through the Centre for Earth and Environmental Technologies, was asked by MOE to assemble and support an independent, multidisciplinary expert panel to examine the issue and make recommendations. In March 2006, the panel released its report, "Water Well Sustainability in Ontario." The panel found that the water supply from wells was generally abundant and safe, but requires a range of ongoing safeguards. The report identified 44 recommendations addressing all aspects of water well sustainability, 10 of which were emphasized as critical. The panel recommended several actions to the province. OCE is following through on the recommendations concerning research and development.

OCE is also playing a central role in the critical field of information security and privacy. The costs associated with breaches of information security are growing rapidly, with recent data suggesting worldwide losses in excess of $100 billion per year. Increased public awareness of identity theft, access to financial and medical information and corporate records has heightened concerns around this issue for business and governments.

OCE's Centre for Communications and Information Technology joined Canadian leaders in industry and academia to launch the Forum for Information Security Innovation in Canada (FISIC), a national security forum to increase Internet security and privacy. Working with Bell Security Solutions Inc., OCE was also instrumental in the creation of the Privacy Centre of Excellence, a hub for research in this field. These initiatives are putting Ontario on the map as a global leader in privacy technology, and will enable the fast-track commercialization of research results.

Forward-looking collaborations such as these continue to be the focus of our work with innovators across the province and beyond. OCE's trusted network brings together the hearts and minds to address critical emerging issues like safety and security and to develop the technologies and innovative solutions that will strengthen Ontario's global competitiveness.

Success Stories

► CHil Semiconductor Corporation

In the last fifteen years we have witnessed a dramatic reduction in the size and cost of computers concurrent with their ability to do more and more. Innovative companies like Kingston start-up CHiL Semiconductor Corporation are responsible for these leaps forward. The CHil story is a model of the role OCE plays in helping develop leading-edge technologies for the marketplace. OCE's Centre for Communications and Information Technology first supported the power management research of Queen's University Professor Praveen Jain, Canada Research Chair in Power Electronics, and then helped launch the developed technology as a spin-off company through its Accelerator Investment initiative.

CHiL produces the next generation of intelligent power management chips for microprocessors. Set to transform the computer industry, CHiL's power chip eliminates the need for capacitors, leading to cost savings and size reductions in electronics, computers, and servers. The CHiL technology increases system reliability by a factor of ten. Working with CHiL on business development, hiring a temporary CEO, and marketing the company to venture capital firms, OCE helped position the company to attract significant investment from both Canadian and international venture capital firms in 2006. As it prepares to hit the market, CHiL is now set for rapid expansion in a sector where lower costs and greater miniaturization and reliability mean terrific potential.

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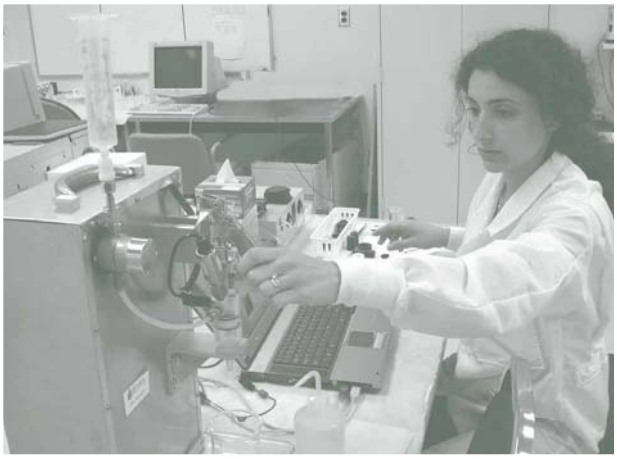
► EcoVu Analytics Inc.

In North America, up to 40% of gastrointestinal infections result from contaminated water. Incidents in Milwaukee, Wisconsin, and nearby in Walkerton, Ontario, indicate the serious consequences of water-borne contamination. These occurrences demonstrate the importance of the work that Ottawa-based EcoVu Analytics is doing to develop a technology that will help ensure the quality and safety of fresh water.

OCE's Centre for Earth and Environmental Technologies supported the collaboration of EcoVu with researchers at Carleton University and Algonquin College. This project set out to improve, test and verify EcoVu's water-testing technology, facilitating its transfer to market. The expertise and experience of OCE staff in the water and wastewater treatment industry played a valuable role with EcoVu, ensuring that their science was valid, their technology innovative and their business plan sound. EcoVu's platform technology can be used to dramatically improve monitoring, prevention and remediation of impaired waters. As a result, EcoVu's solution is faster, more sensitive and more comprehensive, making for earlier detection, less expensive remediation, and a safer water supply.



Continued

Success Stories continued

► Greencore Composites Inc.

What happens when a forward-thinking professor in the Faculty of Forestry is cross-appointed to the Department of Chemical Engineering and Applied Chemistry? Innovation happens. With research support from OCE's Centre for Materials and Manufacturing, Auto 21 and NSERC, Professor Mohini Sain of the University of Toronto developed a patent-pending process for the manufacture of natural fibre reinforced plastic pellets for automotive, building and consumer products materials. OCE has long been a supporter of research in this developing area. The project's goal was the creation of a high-quality light-weight polymer strong enough to withstand heat, cold and impact.

OCE has long been a supporter of research in this developing area. The project's goal was the creation of a high-quality light-weight polymer strong enough to stand the test of heat, cold and impact.

Results were so promising that OCE partnered with the Innovations at University of Toronto spin-off company, Greencore Composites Inc., to commercialize Dr. Sain's technology with application in the automotive and other industries. Green Inside™ composite pellets – recyclable, light-weight and with superior structural properties – will allow Ontario automakers to remain competitive and provide a more cost effective raw material to Ontario's vibrant plastic compounding and molding industry.

► Green Roof Technologies

Advocates have always been confident about the environmental benefits of green roof technologies. With the cost of energy rising and concerns over air quality growing each season, innovations in energy conservation have a real opportunity to seize the public imagination. And for municipalities facing new investments in stormwater infrastructure, green roofs are one way to offset the volume of stormwater already stretching the system. Despite this potential, the initial capital investment necessary to buy and install the technologies – anywhere from 36 to 82 per cent higher than conventional roofs – has stood in the way of their adoption by many but the most committed environmentalists.

In partnership with the City of Toronto and the Federation of Canadian Municipalities, OCE's Centre for Earth and Environmental Technologies engaged a team of Ryerson University researchers to find a clear way of determining the return on investment for the adoption of green roof technologies.

In partnership with the City of Toronto and the Federation of Canadian Municipalities, OCE's Centre for Earth and Environmental Technologies engaged a team of Ryerson University researchers to find a clear way of determining the return on investment for the adoption of green roof technologies. The report, released in October of 2005, revealed that hundreds of millions of dollars in savings could be realized by the city both in energy costs and in wastewater infrastructure. As a result of the partnership, green roofs form part of the new City of Toronto Act, and a $200,000 incentive program has been developed. The project envisions a Toronto of the future where, in specific areas of the city, every opportunity for green roof use is realized. The results include reduced direct energy use, decreased air pollution, storm-water flow reduction and more. All benefits for the environment and for taxpayers.

► Group IV

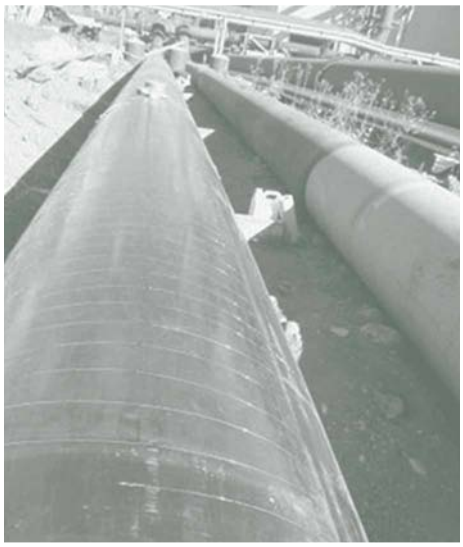
The cost of energy may be what is making the headlines but there is another price involved – the effect of its production on the environment. With the signs of climate change ever more apparent, and with growing concern over air pollution, governments across Canada are searching for better ways to promote energy conservation. To help address a key part of the problem – energy wasting light bulbs – OCE brought together researchers at McMaster and Carleton universities with industry partner Group IV Semiconductor Inc. to develop a radically more efficient lighting source.

Through OCE, Group IV was able to move toward pilot fabrication of a unique silicon nanocrystal solution – technology that offers the potential for high efficiency at very low cost.

The Group IV partnership fully engaged the OCE network of expertise, calling on the cross-disciplinary range of the Centres of Excellence for Materials and Manufacturing, and Photonics. Through OCE, Group IV was able to move toward pilot fabrication of a unique silicon nanocrystal solution – technology that offers the potential for high efficiency at very low cost. The venture capital community has recognized Group IV's promising commercial and environmental benefits, joining with the federal government to fund the exploitation of the technology. Since nearly 20 per cent of all generated electricity is used for lighting, highly efficient solid state lighting technology can have a dramatic effect on consumption and directly reduce the impact of power generation on the environment.

► Fiber Optic Systems Technology Inc. (FOX-TEK)

This year, BP p.l.c. was forced to shut down one of the largest producing oil fields in the United States – accounting for 8 per cent of domestic output – after finding severe corrosion along a transit pipeline. The economic and environmental costs of the spill are still mounting. One OCE partnership, through the Centres of Excellence for Photonics and Materials and Manufacturing, is working to make accidents like this a thing of the past. Fibre Optic Systems Technology Inc. (FOX-TEK) has developed a revolutionary technology that allows oil and gas companies to continuously monitor the structural integrity of their systems from remote locations.



OCE and FOX-TEK have shared several successes in the last few years, from helping to build the team that pursued initial research, to its establishment as a research spin-off company, through to its successful IPO. This year, FOX-TEK signed its first major commercial contract with Enbridge Pipeline Inc. to install optical sensor technology on a discrete section of Enbridge's largest pipeline in Canada. The non-intrusive monitoring system captures minute changes in pipeline thickness that can indicate the presence of corrosion, and allows for timely preventative maintenance. And in further applications of this technology, FOX-TEK, together with NASA, recently presented the promising results of an investigation into smart materials. That project, co-funded by OCE's Centre for Earth and Environmental Technologies, involved the design and testing of a new fibre optic impact damage detection system for spacecraft and other infrastructure.

Annual Summary Performance Reporting for the Ontario Centres of Excellence 2005/06

		Total
1	Investment leveraged from the following sources in the last year:	
	a. The federal government	**$5,933,575**
	b. The private sector, cash in-kind contributions	**$8,621,229**
	b. The private sector, in-kind contributions	**$16,668,961**
	c. International (e.g. foreign governments and foundations)	**$113,000**
	d. Other sources	**$1,952,283**
	Total	**$33,289,048**
2	Investment made by companies/capital markets in OCE Collaborative Agreements to commercialization intellectual property in the last year	**$78,000,000**
3	Number of OCE-funded projects initiated in the last year by primary sector *Count each project only once in the most applicable sector*	
	Life sciences	**26**
	Information and communications technology	**105**
	Energy technologies	**3**
	Materials and advanced manufacturing	**257**
	Environmental technologies	**91**
	Agriculture	**0**
	Other specify	**0**
	Total	**482**
4	Partnerships in which OCE plays a significant role	
	a. New consortia/alliances between universities and companies formed in the last year	**32**
	b. Total active consortia/alliances between universities and companies in the last year	**47**
	c. Total number of companies involved in active consortia/alliances in the last year	**311**
	d. Total number of researchers involved in active consortia/alliances in the last year	**501**
5	In the last year, the number of individuals who have substantively enhanced their knowledge, training or skills through their OCE support	
	Researchers (including the Principal Investigator)	**691**
	Post-doctoral fellows	**215**
	Graduate students (Ph.D., Masters)	**1,383**
	Undergraduate students or equivalent	**1,182**
	Others specify	**301**
	Total	**3,771**

Continued

Annual Summary Performance Reporting for the Ontario Centres of Excellence 2005/06 continued

6	The number of people that left OCE supported project/initiatives in the last year?	
	Of the people who left, the number that went to positions	
	With private sector firms	
	in Canada	**564**
	with significant operations in Ontario	**391**
	With universities and government	**164**
	Leaving the country to non-Ontario based companies	**60**
	Other	**48**
	Total	**836**
7	Number of companies/individuals receiving information from OCE in the last year	**27,596**
8	Number of OCE members (by Membership Category)	**3,378**
9	Number of universities/colleges/hospital carrying out an OCE Collaborative Agreement in the last year	**31**
10	Number of refereed publications by Centre Researchers in the last year	**1,757**
11	Number of technology transfer activities to Industry by Centre Researchers in the last year	**2,376**
12	Number of licences that were supported by OCE funding and established in the last year	**17**
13	Number of licences that were supported by OCE funding and active in the last year	**61**
14	Gross licensing revenue to OCE in the last year	**$2,500**
15	Number of spin-off firm(s) related to the research funded by OCE and estimated number of employees, in full-time equivalent (FTE) units (including permanent and contract employees), as of the date this form is completed:	
	Number of new firms created in the last year	**20**
	Estimated number of employees at new firms	**76**
	Total number of active firms spun off from OCE	**73**
	Total estimated number of Canadian employees	**564**

Financial Statements of

ONTARIO CENTRES OF EXCELLENCE INC.

Year ended March 31, 2006

KPMG LLP
Chartered Accountants Fax
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2
Canada

Telephone (416) 777-8500
(416) 777-8818
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Auditors' Report

To the Members of Ontario Centres of Excellence Inc.

We have audited the balance sheet of Ontario Centres of Excellence Inc. as at March 31, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Toronto, Canada
June 30, 2006

ONTARIO CENTRES OF EXCELLENCE INC.

Balance Sheet

March 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$10,381,228	$11,943,215
Funds held in trust (note 12)	221,761	401,918
Accounts receivable (note 2)	992,533	1,612,920
Grants receivable (note 3)	11,180,218	9,511,446
Prepaid expenses	37,571	111,714
	22,813,311	23,581,213
Loans receivable (note 4)	10	9
Investments (note 5)	82,963	34
Capital assets (note 6)	529,870	550,114
	$23,426,154	$24,131,370
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$15,232,402	$12,242,511
Trust funds payable (note 12)	221,761	401,918
Deferred grant revenue (note 7)	912,523	4,324,074
Deferred industry contributions (note 8)	1,444,877	2,144,638
Deferred other contributions (note 9)	90,783	294,791
	17,902,346	19,407,932
Deferred lease obligations (note 10)	198,308	193,837
Fund balances:		
Invested in capital assets	529,870	550,114
Unrestricted (note 13)	4,795,630	3,979,487
	5,325,500	4,529,601
Commitments and contingency (note 14)		
	$23,426,154	$24,131,370

See accompanying notes to financial statements.

On behalf of the Board:

DIRECTOR

DIRECTOR

ONTARIO CENTRES OF EXCELLENCE INC.

Statement of Operations

March 31, 2006, with comparative figures for 2005

		Joint Projects					2006	2005
	General fund	Emerging Materials Knowledge Program	Advanced Design and Manufacturing Institute	Centre for Microelectronics Assembly and Packaging	Photonics Education and Training for Critical Skills Shortages	Advanced Learning in Photonics for Manufacturing and Biotechnology Applications	Total	Total
Revenue:								
Grant	$37,711,551	$ –	$ –	$ –	$ –	$ –	$37,711,551	$32,305,397
Industry contributions	3,120,679	197,300	–	–	–	–	3,317,979	1,729,663
Other government contributions	–	937,856	–	469,477	12,228	695,069	2,114,630	2,532,858
In-kind equipment contributions	–	–	–	–	–	660,934	660,934	692,082
Other	1,257,738	26,033	218,252	155,451	1,153	5,792	1,664,419	1,241,458
	42,089,968	1,161,189	218,252	624,928	13,381	1,361,795	45,469,513	38,501,458
Expenses:								
Program expenditures:								
Research	24,521,384	1,552,508	–	417,823	–	–	26,491,715	21,169,100
Education and training	560,267	–	–	–	–	1,267,934	1,828,201	2,433,088
Network and knowledge transfer	1,236,409	–	43,321	–	–	–	1,279,730	858,985
Commercialization	3,343,383	–	–	–	–	–	3,343,383	2,700,343
New initiatives	15,000	–	–	–	–	–	15,000	25,000
	29,676,443	1,552,508	43,321	417,823	–	1,267,934	32,958,029	27,186,516
Program development	6,619,555	108,681	174,931	207,105	13,381	93,861	7,217,514	6,397,914
Program support and administration	4,498,071	–	–	–	–	–	4,498,071	4,323,233
Total expenses before appropriation of fund balance	40,794,069	1,661,189	218,252	624,928	13,381	1,361,795	44,673,614	37,907,663
	1,295,899	(500,000)	–	–	–	–	795,899	593,795
Appropriation	(500,000)	500,000	–	–	–	–	–	–
Excess of revenue over expenses	$ 795,899	$ –	$ –	$ –	$ –	$ –	$ 795,899	$ 593,795

See accompanying notes to financial statements.

ONTARIO CENTRES OF EXCELLENCE INC.

Statement of Changes in Fund Balances

Year ended March 31, 2006, with comparative figures for 2005

			2006	2005
	Invested in capital assets	Unrestricted	Total	Total
Fund balances, beginning of year	$550,114	$3,979,487	$4,529,601	$3,935,806
Excess of revenue over expenses (expenses over revenue)	(215,592)	1,011,491	795,899	593,795
Investment in capital assets	195,348	(195,348)	–	–
Fund balances, end of year	$529,870	$4,795,630	$5,325,500	$4,529,601

See accompanying notes to financial statements.

ONTARIO CENTRES OF EXCELLENCE INC.

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$795,899	$593,795
Items not involving cash:		
Depreciation and amortization of capital assets	215,592	202,083
Amortization of deferred lease obligations	(34,659)	(9,469)
Gain on disposal of capital assets	–	(2,925)
Gain on settlement of loans receivable	(499,998)	–
Write-down of loans receivable	1,099,997	1,224,995
Change in non-cash operating working capital (note 15)	(2,299,671)	(5,870,184)
	(722,840)	(3,861,705)
Financing and investing activities:		
Purchase of capital assets	(195,348)	(513,320)
Proceeds from disposition of capital assets	–	4,732
Proceeds on sale of marketable securities	–	551,010
Proceeds on settlement of loans receivable	500,000	–
Investments	(82,929)	(12)
Increase in loans receivable	(1,100,000)	(1,225,000)
Increase in deferred lease obligations	39,130	203,306
	(839,147)	(979,284)
Decrease in cash and cash equivalents	(1,561,987)	(4,840,989)
Cash and cash equivalents, beginning of year	11,943,215	16,784,204
Cash and cash equivalents, end of year	$10,381,228	$11,943,215

See accompanying notes to financial statements.

Notes to Financial Statements

Ontario Centres of Excellence Inc. ("OCE") was incorporated under the Corporations Act (Ontario) on July 3, 2003, as a not-for-profit corporation without share capital. OCE's principal objectives are to stimulate, promote, foster, sponsor and direct fundamental and applied research in support of the changing needs of, and challenges faced by, Ontario industries; facilitate the training and education of researchers, scholars, scientists and engineers in areas relevant to Ontario industries; and facilitate transfer, sharing and diffusion of learning, knowledge and technology between Ontario universities and industries.

Effective April 1, 2004, OCE amalgamated with Materials and Manufacturing Ontario and Photonics Research Ontario and, pursuant to Asset Transfer Agreements, acquired the assets of the Centre for Research in Earth and Space Technology and Communications and Information Technology Ontario (collectively, "The Predecessor Centres"). As a result of these transactions with The Predecessor Centres, OCE assumed all the liabilities and obligations of The Predecessor Centres.

OCE has continued the business and operations of The Predecessor Centres, which now operate as divisions of OCE.

On January 10, 2005, the Ministry of Economic Development and Trade ("MEDT") announced the creation of the Centre for Energy to be administered and managed by OCE. The Centre for Energy now operates as a division of OCE.

In June 2005, the Province of Ontario created the new Ministry of Research and Innovation ("MRI"), which included responsibility for OCE.

1. Significant accounting policies:

The accounting principles of OCE conform to accounting principles generally accepted for not-for-profit organizations. Significant accounting policies adopted by OCE are summarized as follows:

(a) Revenue recognition:
OCE funds various research projects and activities out of funds received as grant revenue from MRI and from industry and other contributions. OCE follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Expenses are first applied against MRI grant revenue based on budgeted project costs. Contributions for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

In-kind equipment donations are valued at their estimated fair value based on the information obtained from an independent appraiser. In accordance with the agreements for the joint projects, all equipment donated to the projects is the property of the universities. Therefore, in-kind equipment donations are recorded as a period expense.

(b) Cash and cash equivalents:
OCE considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash and cash equivalents. These cash and cash equivalents consist primarily of interest bearing deposits. Investments with maturities from greater than three months to one year are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost which approximates market value.

1. Significant accounting policies: (continued)

c) Loans receivable:
Loans receivable, including interest accrued, are carried at a nominal value due to the uncertainty in the future performance and viability of the underlying companies. An allowance against face value recognizes this uncertainty. Any funds that are collected as repayment of the principal or interest are recognized as an offset to program expenditures at the time of the repayment.

(d) Investments:
OCE receives shares of non-affiliated companies, representing either a recovery of OCE costs associated with a research project, or compensation to OCE under Technology Licensing Agreements concluded with such companies. These investments are in companies in which OCE has neither control nor the ability to exercise significant influence. They are recorded at nominal amounts due to the uncertainty in the future performance and viability of the underlying companies. Subsequent investments in non-affiliated companies as a result of rights granted to OCE are recorded at the lower of cost or market value. Proceeds from the sale of the investments are recognized as revenue at the time the investments are sold.

(e) Capital assets:
Purchased capital assets for the use by OCE are recorded at cost.
Depreciation and amortization are provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Term of lease

In accordance with the agreements with the universities, all research equipment purchased with OCE funds is the property of the university making the purchase. Therefore, research equipment purchased is recorded as a period expense.

(f) Deferred lease obligations:
Deferred lease obligations, including deferred lease inducements, are being amortized on a straight-line basis over the term of the lease as a charge to lease expense.

(g) Fair values of financial instruments:
The fair values of cash and cash equivalents, funds held in trust, accounts receivable, grants receivable, accounts payable and accrued liabilities and trust funds payable approximate the carrying values due to the short-term maturities of these amounts.

The fair values of loans receivable and investments are not practicable to determine due to lack of available comparable market information.

Notes to Financial Statements

1. Significant accounting policies: (continued)

(h) Income taxes:
OCE is a not-for-profit organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes under Section 149(l)(i) of the Income Tax Act (Canada).

(i) Use of estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable:

During the year, OCE recognized $330,250 related to industry bad debt expense which is reflected in research expenditures with an offsetting entry to industry contributions.

3. Grants receivable:

Grants receivable as at March 31, consist of the following amounts:

	2006	2005
MRI:		
General	$10,075,000	$8,150,000
Joint projects	755,500	614,330
Ontario Research and Development		
Challenge Fund ("ORDCF") - Joint projects	349,718	747,116
	$11,180,218	$9,511,446

4. Loans receivable:

Loans receivable are convertible secured debentures bearing interest at the prime lending rate set by HSBC Bank Canada plus 1% per annum, calculated daily, with a maturity date three years from the date of agreement. The principal and interest can be repaid at anytime. In the event of financing in excess of $500,000, the outstanding loans and interest shall be converted into common shares as per the terms of the debenture agreement.

4. Loans receivable: (continued)

During the year, OCE received repayment of outstanding loans in the amount of $500,000. The cash originally expended in connection with these loans was accounted for as a research expense in the period in which the transaction occurred. In the current year, the repayment of these loans has been accounted for as an offset to research expenses in the current period.

The unrecorded accrued interest receivable is $69,063 as at March 31, 2006 (2005 - $37,398).

As at March 31, OCE held debentures in the following companies:

	2006		2005	
	Face value	Book value	Face value	Book value
Ten XC	$150,000	$1	$150,000	$1
Handshake	–	–	150,000	1
Okulus	250,000	1	250,000	1
Hivva	250,000	1	250,000	1
Vital Sines	125,000	1	125,000	1
Intelwaves	250,000	1	150,000	1
Iplay Media	250,000	1	250,000	1
CHIL Systems	–	–	250,000	1
Geo Tango	–	–	250,000	1
Greencore Composites	250,000	1	–	–
L2 Learning	250,000	1	–	–
Namzak Labs	250,000	1	–	–
Serious Hack Inc.	250,000	1	–	–
	$2,275,000	$10	$1,825,000	$9

5. Investments:

Occasionally, OCE receives shares of non-affiliated companies, representing full or partial compensation to OCE under Technology Licensing Agreements concluded with such companies. These investments are recorded at nominal amounts. During the year, OCE exercised the warrants in Fibre Optic Systems Technology Inc. costing $82,929. These shares are valued at the lower of cost or market value.

Notes to Financial Statements

6. Capital assets:

			2006	2005
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Computer equipment	$668,351	$426,997	$241,354	$168,375
Furniture and fixtures	729,578	591,067	138,511	190,823
Leasehold improvements	219,943	69,938	150,005	190,916
	$1,617,872	$1,088,002	$529,870	$550,114

7. Deferred grant revenue:

Deferred grant revenue represents unspent government funds from MRI which are for externally restricted operations representing funding received during the current year that is related to subsequent years' operations.

	2006	2005
Deferred grant revenue, beginning of year	$4,324,074	$4,329,471
Grant revenue received	34,300,000	32,319,825
Amount recognized as revenue	(37,711,551)	(32,325,222)
Deferred grant revenue, end of year	$912,523	$4,324,074

8. Deferred industry contributions:

Deferred industry contributions include committed but unspent industry funds which are for externally restricted operations representing funding received during the current year that is related to subsequent years' operations.

	2006	2005
Deferred industry contributions, beginning of year	$2,144,638	$941,899
Contributions received	2,420,918	2,771,602
Contributions recognized as revenue	(3,120,679)	(1,568,863)
Deferred industry contributions, end of year	$1,444,877	$2,144,638

Year ended March 31, 2006

9. Deferred other contributions:

Deferred other contributions include committed but unspent government and other funds which are restricted for the joint university and college projects representing funding received during the current year that is related to subsequent years' operations.

	2006	2005
Deferred other contributions, beginning of year	$294,791	$1,271,647
Contributions received	3,675,536	2,780,023
Contributions recognized as revenue	(3,879,544)	(3,756,879)
Deferred other contributions, end of year	$90,783	$294,791

10. Deferred lease obligations:

Deferred lease obligations represent escalating lease payments and the value of the benefits obtained by OCE as a result of a rent-free period and leasehold inducements made by the lessor as inducements to enter into a long-term lease agreement.

The components of deferred lease obligations are as follows:

	2006	2005
Leasehold inducements	$165,480	$142,037
Rent-free period and escalating lease payments	76,956	61,269
	242,436	203,306
Less accumulated amortization	44,128	9,469
	$198,308	$193,837

11. Joint university and college projects:

(a) Emerging Materials Knowledge Program ("EMK"):
Effective April 1, 2002, OCE began administering EMK, as stipulated within an agreement set out between the Ministry of Enterprise, Opportunity and Innovation and OCE. EMK operates as a joint university/industry consortium for leading edge research in the field of emerging materials.

OCE has an agreement with the Province of Ontario (the "Province"), whereby the Province, through the ORDCF program will provide funds not to exceed $6,864,000 over a five-year period ending March 31, 2007. The EMK network currently consists of OCE, nine Ontario universities and nine companies dedicated to realizing the commercial potential of emerging materials.

Financial support totalling $2.5 million from sources other than provincial grants has been committed from OCE to the EMK program commencing April 1, 2002. The support is provided over five years in equal amounts of $500,000.

(b) Advanced Design and Manufacturing Institute ("ADMI"):
ADMI is an organization created through the partnership of five leading Ontario universities and OCE. ADMI assists these universities and industry to pool key academic and industrial resources to offer a program leading to a Masters Degree in Engineering, Design, Manufacturing and Management. Funding for the organization is provided partly by the participating organizations, and the remainder is generated via course fees.

(c) Centre for Microelectronics Assembly and Packaging ("CMAP"):
Effective August 1, 2003, OCE, on behalf of the CMAP, assumed from the University of Toronto the role of administrative institution. The original contract with the ORDCF was from August 1, 1999 to December 31, 2004 with total funds not to exceed $3,598,672. OCE has received approval to extend the project to January 31, 2007 under the same funding terms. CMAP operates as a joint university/industry consortium. The network currently consists of OCE, three Ontario universities and five companies.

(d) Photonics Education and Training for Critical Skills Shortages ("PET"):
PET is a joint venture formed on April 14, 2000 between OCE, the Algonquin College of Applied Arts ("Algonquin") and the Niagara College of Applied Arts and Technology ("Niagara"). OCE receives funds from MRI on behalf of PET and distributes these funds to the joint ventures.

Donations of equipment initiated by OCE for the PET program are recorded in the financial statements.

11. Joint university and college projects: (continued)

(e) Advanced Learning in Photonics for Manufacturing and Biotechnology Applications ("PAL"):
Effective November 13, 2003, a collaborative partnership was created between OCE, Niagara, Algonquin and the Province. The Province, represented by MRI, will provide funds not to exceed $2,660,325 over a five-year period. Niagara, Algonquin and OCE are collectively responsible for the establishment, management and operation of PAL that will provide training opportunities for photonics-related skills in Ontario.

OCE is to receive funds from MRI on behalf of PAL and distributes these funds to the partners. As of March 31, 2006, an outstanding instalment of $745,500 has been accrued as receivable and $607,000 has been accrued as a liability to the partners.

Donations of equipment initiated by OCE for the PAL program are recorded in the financial statements.

12. Canadian Energy Partnership for Environmental Innovation ("CEPEI"):

CEPEI is an OCE program that is financed by approximately a dozen firms in the natural gas industry. The companies govern the program through the Environmental Technology Advisory Group ("ETAG"), which is made up of representatives of the companies. OCE collects funds contributed by the companies, holds the funds in trust, and expends them under the direction of the ETAG. OCE retains JTU Consulting Inc. to manage the program on behalf of the ETAG. During 2006, no OCE funds were expended as part of the CEPEI program.

13. Unrestricted fund balances:

Unrestricted funds represent accumulated income (net) from other than government grants and industry contributions and include interest income and income from other miscellaneous sources. The unrestricted funds are dedicated to OCE's ongoing programs.

14. Commitments and contingency:

(a) Future minimum lease payments under operating leases are as follows:

2007	$655,308
2008	574,257
2009	193,144
2010	163,333
2011	63,535
	$1,649,577

14. Commitments and contingency: (continued)

(b) OCE receives funding from MRI. The agreement with MRI states that these funds be placed in an interest bearing account and that all interest earned on these funds shall be used only for the purposes authorized by MRI. Based on past practice, OCE has not deferred these funds, but rather taken them into income as earned, applying the income against current expenses.

(c) OCE has been named a defendant in a legal action claiming damages in the form of shares held by OCE in a non-affiliated company and in the form of cash. Management is of the opinion that there is a strong defense against the claim. Accordingly, no provision for losses has been reflected in the accounts.

15. Statement of cash flows:

The change in non-cash operating working capital consists of the following:

	2006	2005
Decrease in accounts receivable	$620,387	$430,959
Increase in grants receivable	(1,668,772)	(7,957,480)
Decrease in prepaid expenses	74,143	276,970
Increase in accounts payable and accrued liabilities	2,989,891	1,158,881
Decrease in deferred grant revenue	(3,411,551)	(5,397)
Increase (decrease) in deferred industry contributions	(699,761)	1,202,739
Decrease in deferred other contributions	(204,008)	(976,856)
	$(2,299,671)	$(5,870,184)

16. Pension plan:

OCE operates a defined contribution pension plan. The assets of the plan are held separately from those of OCE in an independently administered fund. The pension expense is equal to the contributions paid by OCE.

The contributions paid and expensed by OCE for the year amounted to $255,552 (2005 - $248,273).

Ontario Centres of Excellence

2005/2006 Board of Directors

David J. McFadden (Chair)
Partner, Gowling Lafleur Henderson LLP

Robert Moses (Vice-Chair)
President and CEO, PCI Geomatics

Suhayya (Sue) Abu-Hakima
President and CEO, AmikaNow! Corporation

Peter Annan
President, Sensors and Software Inc.

Ken Carpenter
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Burlington Technologies Inc.

Mark Chamberlain
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Queen's University

Paul Guild
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Department of Management Sciences,
University of Waterloo

Rebecca MacDonald
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Jim Orgill
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Mark Romoff
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Ontario Centres of Excellence Inc.

Executive Team

Mark Romoff
President and CEO

William Ballios
Vice President, Finance and Administration

Jocelyn Brodie
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Communications

Geoff Clarke
Managing Director
Centre of Excellence for Materials
and Manufacturing

Nancy Cowan
Managing Director
Centre of Excellence for Energy

Ronald Killeen
Managing Director
Centre of Excellence for Communications
and Information Technology

Gerard Lynch
Managing Director
Centre of Excellence for Photonics

Dan McGillivray
Managing Director
Centre of Excellence for Earth and
Environmental Technologies

Elaine Roper
Vice President, Human Resources

Ontario Centres of Excellence

Where Next Happens

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