

Canadian Industrial
Innovation Centre/Waterloo

1986-87
Annual Review



We Focus Innovation



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*“We Help Commercialize
Technological Innovation”*

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of Management

NOV 22 1993

Annual Report
McGILL UNIVERSITY

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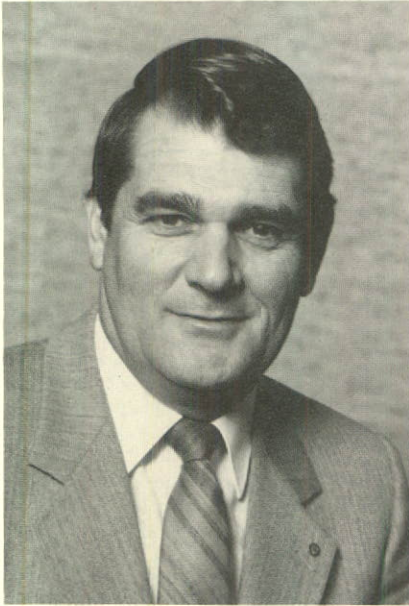
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1986-87 Highlights

- Total earned revenues from all clients were \$477,703.00, representing over 30% of total operating expenditures.
- 505 inventions were registered for a Critical Factor Assessment and 18 inventions were registered for the Custom Evaluation portion of the Inventor's Assistance Program.
- The Innovation Centre Inventor's Survey report was completed in 1987. Over 74% of responding inventors rated the Inventor's Assistance Program as excellent, good, or satisfactory. Survey results indicated that the Inventor's Assistance Program had potentially provided benefits well in excess of the cost of the program.
- The Innovation Centre's Education and Training Program, aimed at innovators and entrepreneurs, was launched on a limited basis in 1987. A complete market launch is planned in the first half of fiscal 1987-88.
- The Enterprise Planning System (EPS) was test marketed in London, Ontario in the spring of 1987, resulting in over 750 enquiries regarding the service. As a result of the test market and subsequent focus group analysis, further refinement of EPS was ongoing at the end of the fiscal year. A southwestern Ontario product launch is planned for fiscal 1987-88.
- Early in the year, the Entrepreneurship Institute of Canada was sold to The Entrepreneurial Community Corporation of Canada, headed by the former C.E.O. of the Innovation Centre, James McPherson.
- The premiere issue of Eureka! – The Canadian Inventors Newsletter, with an initial subscriber-ship of over 3500, was ready for distribution by the end of fiscal 1986-87.
- A major marketing effort was made in fiscal 1986-87 to increase the size of the Inventor's Assistance Program referral network. As a result, many new referral contacts, in government, education, and the private sector across Canada, now stock our promotional materials and refer inventors to our program.
- We continued to publish the Innovation Centre's newsletter, the Innovation Showcase, with distribution to over 6000 interested companies and individuals across Canada and around the world.

Chairman's Remarks



1987 was a year of review in preparation for the future. With the initial eight-year program of support from the federal government ending in 1988, efforts were concentrated on reviewing the need and viability of the services offered by the Canadian Industrial Innovation Centre/Waterloo. In response to the federal government's desire to have as much private sector support for the Centre as possible, studies were undertaken to ascertain the feasibility of establishing a private sector-based fund to support the commercial development of innovations that received positive evaluations from the Innovation Centre.

One specific action that resulted from this activity was a multi-phase study, undertaken by Venture Economics Canada, to explore the feasibility of such a fund.

The results of this investigation have proven invaluable to the Innovation Centre's ongoing planning process. The first phase of the study, completed in 1987, indicated that since the work being performed by the Innovation Centre was more socially than economically justifiable, private sector funding was unlikely but an excellent case could be made for continuing government support. The second phase of the study, which was started at the end of fiscal 1986-87, will investigate the nature and likelihood of ongoing government support. The report on the second phase will be ready in spring 1988.

Another recommendation made in the first phase of the study is that the Innovation Centre should move the focus of its spectrum. This coincides with the feedback that we have received from the federal government. As a result, work is currently underway examining new initiatives that will complement the technological support that the National Research Council provides to small and medium-sized enterprises with their Industrial Research Assistance Program.

Other initiatives that will address the needs of inventors and entrepreneurs who are commercializing new technology will also be included in our proposal to the federal government for ongoing funding under their Technology Outreach Program (TOP). The Innovation Centre's TOP proposal will be finalized in the spring of 1988 for support that will commence, if approved, in October 1988 when our present financing expires.

I would like to finish my Chairman's message by thanking the Board Members for their valuable time and efforts in addressing the questions of what needs to be done and how we should be doing it, in our pioneering efforts to improve Canada's record of commercializing technology-based inventions and innovations. I would like to also give thanks to Dr. Frank Maine and his staff at the Innovation Centre for their efforts through this difficult transitory period. We have learned much about the process during the past seven years and we know that we are much closer to solving the difficult problems involved.

A handwritten signature in cursive script that reads "Herbert H. LaPier".

Herbert H. LaPier
Chairman



Chief Executive Officer's Report



1986-87 was the seventh year of operation of the Canadian Industrial Innovation Centre/Waterloo. During the year, the next-to-last of our eight year start-up period, we examined all the programs and services of the Innovation Centre and instituted changes that, while resulting in significant reductions in our overhead during the year, nevertheless allowed us to deliver a range of services that are in concert with our primary mission of helping our clients to commercialize technological innovation.

As a result of these changes, there was a decrease in both expenses and revenues in 1987, but we maintained the ratio of earned revenue to expenses at approximately one-third. We continue to depend on federal government support for the remainder of our operating costs, and will likely continue to do so for the foreseeable future. This is due, in large part, to the fact that the clientele that we serve are not able to pay the full cost of the valuable services that we provide.

A review of the services that we have been providing over the past fiscal year shows that the service that continues to have the greatest impact among our various client groups is the Inventor's Assistance Program. Last year, we received 505 requests for our Critical Factor Assessment, the first stage evaluation that we provide, which represents an increase over the previous year of 4%.

In recognition of the need to assist innovators in the venture validation and business plan preparation stages, the Innovation Centre has developed the Enterprise Planning System, a correspondence self-help program which, on successful completion, results in a fundable business

plan. The Enterprise Planning System was test-marketed in 1987 and now has its first customers enrolled.

Although we only recover about 25% of the costs of the Inventor's Assistance Program, we are much closer to self-sufficiency with three of our other services: Market Research, Contracted Design & Development, and Education - all of which showed improvement in fiscal 1986-87.

One strategic implication of the analysis of our programs, is that we recognize that the services we have been providing have primarily been at the idea end of the innovation spectrum and that if we wish to improve our level of self-sufficiency, we will have to move our focus further towards the commercialization end of the spectrum. This shift will be reflected in our upcoming proposal to the federal government for ongoing funding through the Technology Outreach Program.

I feel very fortunate indeed to have such a dedicated staff who, along with the Board of Directors, are tackling a most difficult task that is so important to this country. In this age of rapid technological change, Canada's competitive future depends on her ability to transform new technologies into commercial practice for the economic benefit of all Canadians. We, at the Canadian Industrial Innovation Centre/Waterloo, have a crucial role to play in this transformation.

A handwritten signature in dark ink, reading "Frank W. Maine". The signature is fluid and cursive.

Frank W. Maine
Chief Executive Officer

Services for Inventors

Idea Evaluation

The Innovation Centre provides a two stage evaluation program for new product ideas or processes.

Critical Factor Assessment

The Critical Factor Assessment is an objective, affordable invention evaluation, designed specifically for the individual Canadian innovator.

The Critical Factor Assessment report includes:

A professional evaluation of the invention in terms of technical and production feasibility, potential competition and available protection.

A summary of the invention's key strengths and weaknesses.

Recommendations concerning the next stages of development should the idea appear feasible.

Custom Evaluation

If after completion of the Critical Factor Assessment the invention appears feasible, the Innovation Centre may suggest a Custom Evaluation. The Custom Evaluation is a more detailed,

customized review of the invention, tailored to the needs of the inventor and may include:

Preliminary market feasibility analysis.
Confidential review of the invention by outside evaluators who are experts in the relevant field.

A search of related technology through the Canadian Patent Office.

Technical evaluation which builds upon that which was done during the Critical Factor Assessment.

A development outline for continued work, should the idea appear feasible.

Idea Development

For those ideas that receive a favourable rating through the two stages of the Inventor's Assistance Program, the Innovation Centre may be able to help in further design and development, market research, networking with licensing professionals in other organizations or the co-ordination with patent attorneys for the protection of the idea.

Idea evaluation; a key step in the Commercialization process.





Good Ideas Properly Managed can become the Engine for Economic Growth!

Scott Smith, inventor and president of Proshred Security.



Molvan Enterprises Ltd., Frederick Vandergeest (front) inventor of The Doorbutler®, Joel Meyers - Operations Manager.



The Doorbutler®, an attractive, automatic door closer for residential use.

An Innovation Centre Client: Proshred – Mobile Document Shredder

A few years ago an inventor/entrepreneur with limited resources had an idea for an innovative service business.

Scott Smith, president of PROSHRED SECURITY, and inventor of the Mobile Document Shredder, identified a growing need for a mobile service for the complete and confidential destruction and compacting of records and files. He envisaged his custom built shredder contained within a truck and transported to the client's location on an as-needed basis.

Scott Smith approached the Innovation Centre in late 1984 seeking assistance with the engineering and costing for his mobile shredder. The Centre conducted both a Critical Factor Assessment and a Custom Evaluation of his idea. Based upon these evaluations, the Centre was able to offer suggestions regarding design, the disposal of shredded material and patenting. Subsequent to our recommendation to commercialize the technology, PROSHRED SECURITY was established in 1985.

PROSHRED SECURITY of Toronto, Ontario now employs 18 and anticipates 1988 sales to reach \$4 to \$5 million.

An Innovation Centre Client: Molvan Enterprises and The Doorbutler®

The successful inventor/entrepreneur identifies a need in the marketplace, designs a solution to that need, and then builds a successful business based on satisfying that need.

Frederick Vandergeest, the inventor of The Doorbutler® and president of Molvan Enterprises, describes his product as "a breakthrough; there is no door closer designed as a do-it-yourself product that is also aesthetically appealing." Molvan's Doorbutler® is a small, attractive, spring-loaded device that pushes a door shut with a plastic arm.

After inventing the concept of The Doorbutler®, Vandergeest approached the Innovation Centre requesting help in the areas of financial assistance, production and marketing. To help guide him in these areas, the Centre conducted a Critical Factor Assessment and a Custom Evaluation. Based upon the reports supplied by the Centre and the business judgement of the inventor, Molvan Enterprises was established to manufacture and market The Doorbutler®.

Joel Meyers, Operations Manager of Molvan Enterprises, says that the invention evaluation report is "the best thing I've seen", and he adds, "the assessment process used by the Innovation Centre is brilliant in its use of a grading system. The incorporation of comments from outside evaluators regarding the marketability of the products is excellent."

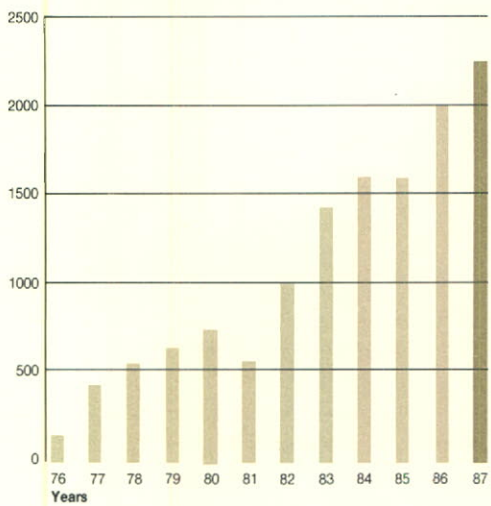
Vandergeest's invention is currently available in such stores as Sears, Cashway, and PRO-Hardware. A second product, which utilizes some of the same parts as The Doorbutler®, Viewtrac™, was successfully launched in April 1987, with a third product slated for launch in June 1988.

INVENTOR'S ASSISTANCE PROGRAM

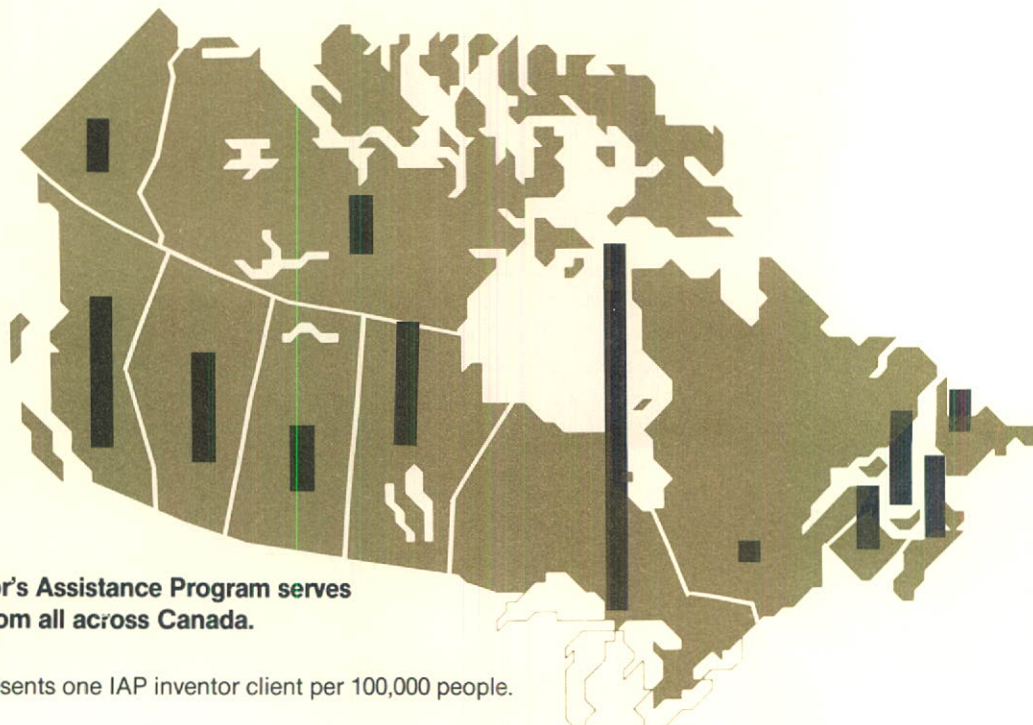
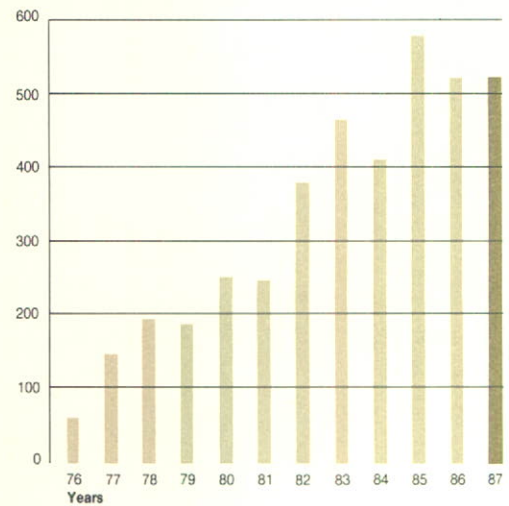
1986-87 Highlights

- Enquiries regarding the Inventor's Assistance Program increased by almost 10% to 2206.
- Registrations for Critical Factor Assessments and Custom Evaluations during the year totalled 523. 472 inventions were assessed by the Innovation Centre with 141 receiving a favourable Critical Factor Assessment rating. A Custom Evaluation was performed on 15 inventions, yielding six with a positive rating.
- During 1986-87, several agreements were established with external organizations to utilize the services of the Inventor's Assistance Program. Two of these agreements were with the University of Manitoba and the Saskatchewan Research Council.
- The Inventor's Assistance Program continues to receive much appreciated partial funding support from Canadian Patents and Development Limited.
- The primary method which the Innovation Centre utilizes to promote the Inventor's Assistance Program to its client base is through a network of interested individuals, companies, institutions and governments that share our interest in assisting Canadian innovators. The Innovation Centre undertook a successful program in fiscal 1986-87 to increase the size of this referral network. We greatly appreciate the support given to us by these individuals and organizations.

Enquiries, 1976-1987



Registrations, 1976-1987



The Inventor's Assistance Program serves inventors from all across Canada.

Each ■ represents one IAP inventor client per 100,000 people.



DEVELOPMENT AND LICENSING

The Innovation Centre has continued to assist inventors in the development of their products during the past year. Two projects which were ongoing throughout the year were:

Medical Limb Saver

The Limb Saver is a disposable medical aid designed for the transportation of severed human digits and limbs for eventual reattachment.

Applied research and product development continued through the year, resulting in the production of the first working model. This work has shown that the concept is feasible, and further refinement will provide a product that fulfills the needs of the marketplace. This additional product development is currently scheduled to be completed early in fiscal 1987-88.

Development of the Medial Limb Saver is being funded by a potential licensee, a major multinational corporation active in the health products field.

Invitro Lens Monitor

The Invitro Lens Monitor is designed as an alternative to live animal laboratory testing. This device utilizes a laser to illuminate an animal eye lens maintained in solution, a TV camera to sense refraction, and a personal computer to analyze the results and graph the properties of the lens.

The prototype continued to function as a research tool throughout the year. The development of the specimen container has continued, resulting in the completion of a new generation of container that is reuseable, sterilizable, and allows access to the specimen fluid during use. A professional industrial designer was employed for this activity.

The Innovation Centre continued to be involved in patenting and licensing activities during fiscal 1986-87. Three patent applications were made, while several allowances were expected early in 1987-88. Licensing consulting was also examined as a possible means of addressing the needs of the technology transfer marketplace.

TECHNOLOGY TRANSFER ADVISORY SERVICE

The National Research Council has continued to support Innovation Centre activities through its Industrial Research Assistance Program contributions to the technological development of some of the Centre's client companies. In addition, by supporting the position of a Technology Transfer Advisor at the Innovation Centre, the National Research Council has contributed to the strengthening of the ties between the Innovation Centre and the Canada-wide network of government research laboratories and "Centres of Excellence." We value our ties with the National Research Council.

Some of the companies that have been assisted during fiscal 1986-87 include:

- Canadian Posture and Seating Centre
- Conestogo Medical Electronics Inc.
- Eyelink
- Heron Cable Industries Ltd.
- Novatronics of Canada Ltd.
- Reuter-Stokes Canada Ltd.
- Spicer Computer Developments
- Tracon Engineering
- Waterloo Scientific Inc.

Services for Entrepreneurs

THE ENTERPRISE PLANNING SYSTEM

The Innovation Centre's Enterprise Planning System is a unique and innovative program which assists entrepreneurs in planning and establishing their business ventures.

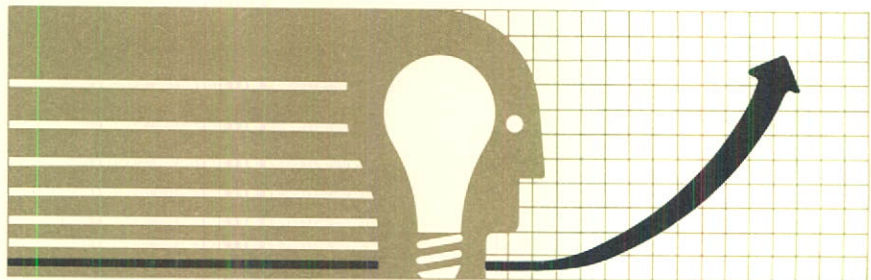
The Enterprise Planning System (EPS) is designed for start-up or would-be entrepreneurs and is delivered in a modular, distance education and consulting format. EPS consists of seven key steps:

- Orientation and Initial Venture Disclosure/Evaluation
- Entrepreneurial Skills Evaluation
- Venture Assessment
- Business Plan Preparation
- Business Plan Evaluation
- Professional Investor Critique
- Introduction to Financing Sources

At every stage of the Enterprise Planning System, educational materials are provided to assist the entrepreneur through each phase of development and planning.

1986-87 Highlights

- The Enterprise Planning System development program was essentially completed by the end of fiscal 1986-87.
- The EPS was test marketed in the London area during the fiscal year. Enquiries totalled over 750.
- Two additional market tests utilizing different marketing strategies are planned for fiscal 1987-88.





Services for Innovators and Small and Medium-Sized Enterprises

EDUCATION

The Innovation Centre provides seminars and workshops aimed at providing informative and educational materials to both innovators and entrepreneurs.

1986-87 Highlights

- During fiscal 1986-87 the Innovation Centre developed and test marketed five seminars relating to the topics of innovation and entrepreneurship. Feedback from attendees was quite positive.
- The Innovation Centre has been a supporter of the Ontario and Canadian Engineering Design Competitions since both were founded in

the early 1980's and sponsors two special innovation awards in the Entrepreneurial Design category. These competitions are annual events that challenge student teams to address real-world problems with sound engineering solutions.

- In fiscal 1986-87, the Innovation Centre participated in a new initiative designed to encourage and support innovators in Western Canada. Inventors are invited to display their ideas in a forum called the Inventors Showcase, which is held during Klondike Days in Edmonton. The Innovation Centre provided awards to the top three entries.

Canadian Industrial Innovation Centre/Waterloo



EUREKA
The Canadian Inventors Newsletter

Fall 1987 Volume 1, Issue 1

Canadians are innovators

By Gordon Cummer

All of us can be proud of the fact that Canadians are renowned as inventors and innovators.

In the field of space technology alone, we have many events to celebrate. First, there's the Canadarm, which has proved to be a solid performer in the space shuttle.

Then we should mention the Anik telecommunications satellites which have been providing Canadian telephone and television relay services for more than 11



years; also the Alouette scientific satellites, the first of which was launched in 1962, just five years after the space age began. Alouette 1 set a new standard of reliability when it continued to transmit useful data for more than ten years; it was designed to function for only one year.

Another example of Canadian innovation is the outstanding group of satellite component systems developed by Com Dev Ltd. of Cambridge, which have found their way into space on many different

Continued on Page 2

Welcome to EUREKA!

Why a Canadian Inventor's newsletter? At the Canadian Industrial Innovation Centre/Waterloo, we have had the privilege of helping almost 4,000 Canadian inventors with the evaluation and commercialization of their new product ideas through the Inventor's Assistance Program.

One of the most important insights we have gained over the years, is that Canadian inventors, without having significant access to outside resources, are nevertheless a major and yet largely untapped source of innovative ideas. The challenge, as we at the Innovation Centre see it, is to help in every way possible to give the private inventor a better chance

to move an idea forward — to even-up the odds. We want to use the experience that we and others have built up over the years in dealing with commercializing inventors for the benefit of all Canadians.

With this thought in mind, we have decided to publish a newsletter specifically for Canadian inventors. EUREKA! will contain information of vital interest to inventors, ranging from advice on how to commercialize your idea, to upcoming invention and technology transfer conferences and events, to reading lists on the "how-to's" and history of invention.

Most importantly, EUREKA! will provide a forum through which Canadian

inventors can share their experiences with each other. Through guest columns and published letters, EUREKA! will enable Canadian inventors to communicate with and help each other.

This premier issue of EUREKA! is being made available to all interested Canadian inventors, including the alumni of the Inventor's Assistance Program. We know that you, Canada's innovators, want and need an opportunity to reach out to each other. We invite you to use EUREKA! and we at the Innovation Centre look forward to working with you.

Gary Svoboda, Editor

THE INSIDE STORY	Books to help Canadian inventors..... Page 3	The Patent Office: it's there to help..... Page 7
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PAGE 1 EUREKA!

VOL. 5, NO. 1



The INNOVATION SHOWCASE

Newsletter of the Innovation Centre

Successful Canadian Inventors



Frederick Vandenberg - The Distributer
Approximately 12 years ago, Frederick Vandenberg was faced with the problem of high starting and air conditioning costs caused by his patented device being left open. His solution was a device he called The Distributer.

The Distributer is a small, spring loaded one which, with the use of a small plastic arm, ensures that doors are kept closed. The compression of the spring mechanism prevents moisture from the interior.

The Role of the Innovation Centre
Frederick Vandenberg first approached the Innovation Centre of Waterloo in 1975. He had his own business, Clear Tool and Die Inc., and had recently developed the idea for the Distributer. Specifically, Vanderberg needed assistance in the areas of production, marketing and financial assistance. To help him, we provided a Cultural Factor Assessment and then a Culture Evaluation.

Based upon the positive recommendations received by the Innovation Centre, Vanderberg continued to develop the Distributer. He was able to secure financing, develop a sales plan and commercialize the Distributer and subsequently formed a partnership with an entrepreneur, Joel

Michael Enterprises Ltd., Frederick Vandenberg (right), inventor of the Distributer, Joel Meyers - Operations Manager

• New Services for the Innovation Centre
 • Innovation Centre Expands Education Program
 • Ontario Engineering Design Competition
 • Idea Generation
 • SAE Competition

Inventors who joined the company as Operations Manager. The Distributer is the assessment process used by the Innovation Centre as being helpful in the use of a grading system. The incorporation of comments from outside evaluators regarding the marketability of the product is important. Vanderberg plans the Innovation Assistance Program for a 9 or a scale of 1 to 10, and has recommended the service for others.

Continued on page 4

The Innovation Showcase, the newsletter of the Innovation Centre, is read by more than 5000 subscribers across Canada.

Eureka! The Canadian Inventors Newsletter, launched in the fall of 1987, is the only publication of its kind in Canada.

CONTRACTED DESIGN AND DEVELOPMENT

The Innovation Centre offers a product development service to small and medium sized businesses who have new product ideas but do not have the necessary engineering capabilities to carry out a development program. Contracted Design and Development

incorporates early stage technical assessment and development activities, including value engineering, industrial design, production problem solving, prototype development, graphic design and applied scientific research.

Having a good idea is not enough!

An Innovation Centre Client Leverages Resources to Refine and Improve its Products - WAVEBLOCK™ - by Shoregard Inc.

Having a good idea is not enough. The successful inventor/entrepreneur must be able to leverage their resources, and access professionals for assistance when needed.

Each year many shoreline owners lose valuable property due to water erosion. Bill Haras, President of Shoregard Inc., of Guelph, Ontario, saw a definite need for a product which would solve this problem. WAVEBLOCK™ was his solution. WAVEBLOCK™ is a modularized, steel reinforced concrete structure, which, when placed offshore, absorbs the destructive energy of waves before they reach the shoreline.

In 1987, Mr. Haras contracted the Innovation Centre to conduct laboratory and field/product testing concerning ice loading on the WAVEBLOCK™ units and other physical properties. The Contracted Design and Development staff of the Innovation Centre managed the testing and provided Mr. Haras with conclusive results which provided much needed technical verification of the properties of his unit and guidance for further improvements.

Shoregard Inc., is now well positioned to begin commercializing WAVEBLOCK™.



Bill Haras (seated) inventor of Waveblock™, president of Shoregard Inc. Anthony Hiemstra, partner.



Waveblock™ by Shoregard Inc. - The solution to shoreline property erosion!



MARKET RESEARCH

The Innovation Centre provides contract industrial market research and market strategy planning to new and established companies. We address such questions as: What is the size of the potential market for the new product? What trends are apparent in the marketplace? What are the strengths and weaknesses of the competition? Based on the market research results, what is the optimal market strategy for this product?

1986-87 Highlights

- Contract market research revenues increased by 30% over 1985-86 revenue figures.
- Market research clients during fiscal 1986-87 included small and medium sized companies, as well as multinational corporations. Studies completed focussed primarily on the quantification of new industrial product market opportunities.
- The Innovation Centre Inventors Survey, which was sent to over 2300 past inventor clients of the Inventor's Assistance Program, was completed during fiscal 1986-87. Survey results indicated that the Inventor's Assistance Program has provided benefits which are likely well in excess of the cost of the program itself.

Canadian companies must become more competitive if they are to survive!



An Innovation Centre Client Maintains its Competitive Edge - Canadian Hardinge Machine Tools, Ltd.

In today's increasingly competitive markets, Canadian companies must become more competitive if they are to survive. Market research is a key tool that allows companies to sharpen their product focus and maintain their competitive edge.

Canadian Hardinge Machine Tools Ltd. of Stratford, Ontario, is the Canadian subsidiary of Hardinge Brothers Inc., one of the world's largest machine tool producers. Established in 1965, Canadian Hardinge, specializes in the production of collets.

To maintain their competitive advantage in the Canadian marketplace, Don Ward, President of Canadian Hardinge, identified a product line which would complement their current products. Prior to company involvement with this product line, Mr. Ward contacted the Innovation Centre's Marketing Services Group to obtain market data and product trends. A detailed Canadian and United States market analysis was conducted in fiscal 1986-87, including a survey of users of competitive products.

Financial Statements

AUDITORS' REPORT

To the Members of Canadian Industrial Innovation Centre/Waterloo

We have examined the consolidated balance sheet of Canadian Industrial Innovation Centre/Waterloo as at September 30, 1987 and the consolidated statements of financial activities and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Centre as at September 30, 1987 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles set out in the summary of significant accounting policies, applied on a basis consistent with that of the preceding year.

December 2, 1987

Thorne Ernst & Whinney

Chartered Accountants

Canadian Industrial Innovation
Centre/Waterloo
(Incorporated without share capital
under the laws of Canada)

CONSOLIDATED
BALANCE SHEET
AS AT SEPTEMBER 30, 1987

ASSETS	1987	1986
Current Assets		
Cash and term deposits	\$ 667,898	\$ 690,637
Trust account	17,111	53,615
Accounts receivable	58,898	99,638
Notes receivable from investee	25,000	25,000
Prepaid expenses	9,916	9,079
	<u>778,823</u>	<u>877,969</u>
Investments (note 2)	<u>143,978</u>	<u>153,978</u>
Equipment and Leasehold Improvements		
Equipment and leasehold improvements	-	19,867
Accumulated depreciation	-	18,953
	<u>-</u>	<u>914</u>
	<u>\$922,801</u>	<u>\$1,032,861</u>
	<u><u> </u></u>	<u><u> </u></u>
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 147,439	\$ 179,897
Unearned revenue	11,000	-
	<u>158,439</u>	<u>179,897</u>
Surplus	<u>764,362</u>	<u>852,964</u>
	<u>\$ 922,801</u>	<u>\$1,032,861</u>
	<u><u> </u></u>	<u><u> </u></u>

Commitments (note 3)

Approved by the Board:

Director

Herbert H. LaPier

Herbert H. LaPier
Chairman of the Board

Director

Frank W. Maine

Frank W. Maine
Chief Executive Officer



Canadian Industrial Innovation
Centre/Waterloo

**CONSOLIDATED STATEMENT
OF FINANCIAL ACTIVITIES
AND SURPLUS**

Year ended September 30, 1987

Revenue	<u>1987</u>	<u>1986</u>
Operating		
Service fees	\$ 167,505	\$ 187,906
Contract fees	132,223	158,293
Bank interest	65,940	91,485
Seminars and other revenue	12,571	5,516
The Entrepreneurship Institute of Canada	7,162	75,782
Royalties	1,000	5,000
Malaysian contract fees	-	68,998
Rental fees	-	38,182
Miscellaneous	-	5,258
	<u>386,401</u>	<u>636,420</u>
Gain on sale of portfolio investment	-	75,000
Grants and government contract		
Regional Industrial Expansion	1,000,000	1,000,000
National Research Council	75,752	117,500
Canadian Patents and Development Limited	15,550	6,500
	<u>1,091,302</u>	<u>1,124,000</u>
	<u>1,477,703</u>	<u>1,835,420</u>
Expenditures		
Salaries and benefits	686,639	844,400
General and administrative	403,361	431,123
External services	98,717	162,843
Operating	23,248	51,860
Depreciation and amortization	914	3,973
New product development	17,219	10,600
Write-off of investments	10,000	10,350
Program development	237,252	-
The Entrepreneurship Institute of Canada	88,955	432,333
Malaysian contract expenses	-	73,978
	<u>1,566,305</u>	<u>2,021,460</u>
Excess of operating expenditures over revenue	(88,602)	(186,040)
Recovery on investment	-	26,245
Excess of Expenditures Over Revenue	(88,602)	(159,795)
Surplus at beginning of year	<u>852,964</u>	<u>1,012,759</u>
Surplus at End of Year	<u>\$ 764,362</u>	<u>\$ 852,964</u>

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL
POSITION**

Year ended September 30, 1987

CASH PROVIDED BY (USED FOR):	<u>1987</u>	<u>1986</u>
Operations		
Excess of expenditures over revenue	\$ (88,602)	\$(159,795)
Items not involving cash		
Gain on sale of portfolio investment	-	(75,000)
Depreciation and amortization	914	3,973
Write-off of investments	10,000	10,350
Change in non-cash operating working capital	18,445	129,815
	<u>(59,243)</u>	<u>(90,657)</u>
Investments		
Increase in investments	-	(15,000)
Proceeds on sale of portfolio investment	-	100,000
	<u>-</u>	<u>85,000</u>
Decrease in Cash Position	(59,243)	(5,657)
Cash position at beginning of year	<u>744,252</u>	<u>749,909</u>
Cash Position at End of Year	<u>\$ 685,009</u>	<u>\$ 744,252</u>

Cash position is defined as cash and term deposits and trust account.

1. Summary of Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the wholly owned subsidiaries, Innovation Place Incorporated and Technology Development Incorporated.

These financial statements have been prepared in accordance with generally accepted accounting principles except for the method of accounting for equipment and leasehold improvements in the parent corporation as set out below.

b) Investments

Portfolio investments are recorded at cost and represent investments in which the Centre does not have control or significant influence over the investee.

Other investments include advances made to companies for which royalty agreements have been established. The advances are to be recovered from future royalty income.

The Centre makes additional investments in kind instead of cash, which are treated as period costs and not reflected in the carrying value of the investments.

c) Equipment and Leasehold Improvements

The parent corporation is a not for profit corporation and accordingly, charges all office furniture, equipment and leasehold improvement expenditures to operations in the year of acquisition. The subsidiaries record equipment and leasehold improvements at cost and provide depreciation on the straight line basis over five years.

During the year, all equipment and leasehold improvements owned by Innovation Place Incorporated were transferred to the parent corporation for nil proceeds. The cost of office furniture, equipment and leasehold improvements charged to operations when acquired by the parent corporation is \$330,561 as at September 30, 1987.

2. Investments

	1987	1986
Portfolio	\$123,134	\$123,134
Other	20,844	30,844
	<u>\$143,978</u>	<u>\$153,978</u>

The type of enterprises in which the Centre invests are generally in a development phase and are establishing new products and processes.

The recovery of these investments is dependent upon the successful development by the investees of their products and processes.

During the year, the Centre wrote off the other investment in Friedman, Young & Associates as it was determined that this investment no longer had value.

3. Commitments

The Centre leases its premises, telephone system and other office equipment under operating leases. The aggregate minimum rental payments under operating leases are as follows:

1988	\$ 96,275
1989	88,248
1990	<u>1,596</u>
	<u>\$186,119</u>

4. Related Party Transactions

During the year, the Centre paid consulting fees of \$82,412 (\$38,136 in 1986) to directors of the Centre. These fees were paid at less than normal rates that would have been charged for similar services from independent parties.



BOARD OF DIRECTORS



Dr. Frank W. Maine
Chairman (until
January 1987)
Chief Executive
Officer
Canadian Industrial
Innovation Centre/
Waterloo
(Effective January
1987)



Mr. Herbert H. LaPier
Vice Chairman (until
January 1987)
Chairman (effective
January 1987)
Vice-President/
Operations
Electrohome Ltd.



Dr. E.L. Holmes
Vice-Chairman
(effective January
1987)
Dean of Research
University of Waterloo



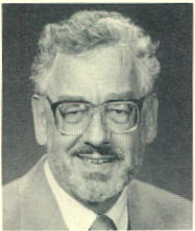
Mr. Burke A. Brown
President
Endowment Capital
Corporation Ltd.



Mr. Gordon F. Cummer
Acting Chief Executive
Officer
Canadian Industrial
Innovation Centre/
Waterloo
(November 1986 to
January 1987)



Mr. Leo R. Dorbeck
Valley Creek Inc.



Mr. Robert H. Grasely
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Kempdale Consultants



Dr. Gordon H. Laurie
Hatch Associates
(effective August
1987)



Dr. William Lennox
Dean of Engineering
University of Waterloo
(effective March 1987)



Mr. Roland Lussier
Department of
Regional Industrial
Expansion
(resigned August 1987)



Mr. James A. McPherson
Chief Executive Officer
Canadian Industrial
Innovation
Centre/Waterloo
(until November 1986)



Dr. Larry P. Milligan
Dean of Research
University of Guelph
(effective March 1987)



Mr. R. Patterson
Department of
Regional Industrial
Expansion
(effective August 1987)



Mr. C. Frank Phripp
Phripp Consulting Inc.



Dr. William E. Tossell
Dept. of Corn Sciences
University of Guelph
(resigned March 1987)

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available

Mr. Michael St. Amant
Director
Innovation Ontario
Corp.

MEMBERS

The Innovation Centre extends an offer of membership to individuals, institutions or organizations who exhibit an interest in and are willing to support the Centre's mandate of commercializing technological innovation in Canada.

Monsieur Guy Bertrand
*President et directeur
general
Centre de recherche
industrielle du
Quebec*

Dr. Andrew Bobkowicz
*President
Canadian Plastics
Institute*

Dr. Roy S. Boorman
*Executive Director
New Brunswick
Research and
Productivity Council*

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*Director
Burns Fry Limited*

Mr. Allen R. Buchanan
*President
Buchanan Consulting*

Mr. Wallace G. Chalmers
*President
Chalmers Automotive
Design Services Inc.
(resigned March 1987)*

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National Technical
Information Service
U.S.A.*

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Doyletech Corporation*

Dr. Norman Eaton
*P.Eng.
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Welding Institute of
Canada*

Mr. Ralph Fisher
*Senior Partner
Laventhol & Horwath*

Mr. Matthew Gaasenbeek
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Capital Corp.*

Mr. A. Bruce Gellatly
*Vice-President,
Finance
University of British
Columbia*

Mr. Keith Glegg
*V.P. - Technology
Transfer
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*Dean of Engineering
University of Victoria
(resigned March 1987)*

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Nova Scotia Research
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Manitoba Research
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Vice-President
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B. Gen. (Ret'd) Paul F. Peter
Consultant

Dr. Michael E.D. Raymont
*Director, Office of
Technology Transfer
University of Calgary*

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*Centre d'innovation
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**Dr. Marion
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*Associate
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Mr. Michael C. Volker
*Volker
Communications Ltd.*

Ms. Pauline Walsh
*Executive Director,
Innovations
Foundation
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Technology
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Mr. Roy Woodbridge
*President
Can. Advanced Tech.
Assoc.*

Dr. Douglas T. Wright
*President and
Vice-Chancellor
University of Waterloo*



MANAGEMENT



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*Chief Executive
Officer*



Mr. Gordon F. Cummer
Chief Operating Officer



Mr. John Cherry
*Manager-Technology
Validation Programs*



Mr. Ian Duncan
*Manager-Education
and Entrepreneurship
Development
Programs*



Ms. Susan Schmitt
Office Manager



Mr. Gary Svoboda
*Manager-Marketing
Services*



Looking to The Future ...

During fiscal 1986-87, the Innovation Centre and its team of professionals spent a great deal of time evaluating the impact that our organization has had in the areas of Canadian innovation and entrepreneurship. Since we were launched in 1981, the Innovation Centre has developed and delivered a range of services that have resulted in a tangible contribution to the Canadian business environment through the introduction of more than 100 innovative new products, the establishment of more than 30 successful new businesses and the creation of more than 200 new employment opportunities for Canadians. While this is an impressive record of achievement, there is still a great deal more that can be done.

There is ample evidence that, in Canada, innovative companies are the engine that drives the economy. These small and medium-sized enterprises (SME's) create the new jobs, the new industries and the high returns required for a country to maintain a competitive position internationally. While Canada has a strong economy which encourages Canadians to develop and pursue their good ideas, it will be necessary for many of these SME's to access larger international markets. The use of technology and the application of innovation at all levels of manufacturing and management will be a critical element to the survival and growth of all Canadian companies.

The Canadian Industrial Innovation Centre/Waterloo will play a vital role in the success of these companies as we continue to refine and expand our programs focusing on maximizing the innovative potential of Canadian firms, particularly SME's. Broadly stated, the Innovation Centre will continue to provide programs that identify and aid in the effective adoption of innovative products and processes by Canadian companies, that enhance the creation and survival of SME's and, will result in improved competitiveness for Canadian companies both nationally and internationally.

While the Innovation Centre has undergone a number of changes during the course of its evolution, the mandate of our organization has remained virtually unchanged.

The mission of the Canadian Industrial Innovation Centre/Waterloo is to help commercialize technological innovation through the delivery of new product idea evaluation, market research, engineering design and development, education, and business planning services to Canadian innovators, entrepreneurs, small and medium-sized enterprises and other organizations.

As the Canadian environment changes and provides new challenges in the areas of innovation and entrepreneurship, the Innovation Centre will continue to assist Canadian individuals and organizations to deal with these new challenges.

