

INCUBATION | MENTORING | INVESTMENT



**innovacorp**

ACCOUNTABILITY REPORT  
2010/2011

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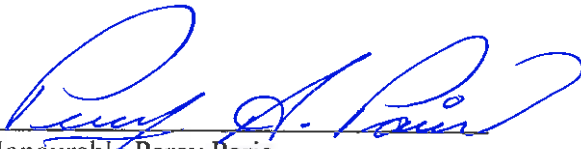
## Table of Contents

<b>ACCOUNTABILITY STATEMENT</b> .....	3
<b>INTRODUCTION</b> .....	4
<b>INNOVACORP PROGRESS AND ACCOMPLISHMENTS</b> .....	5
<b>FINANCIAL RESULTS</b> .....	15
<b>PERFORMANCE MEASURES</b> .....	16

## Accountability Statement

Innovacorp's accountability report for the year ended March 31, 2011, is prepared pursuant to the Provincial Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against Innovacorp's business plan for the fiscal year 2010-2011. The reporting of Innovacorp's outcomes necessarily includes estimates, judgments and opinions by Innovacorp management.

We acknowledge that this accountability report is the responsibility of Innovacorp management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Innovacorp's business plan for the year.



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Honourable Percy Paris  
Minister, Economic and Rural Development  
and Tourism



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Jacquelyn Thayer Scott, PhD  
Chair, Innovacorp Board of Directors



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Clifford M. Gross, PhD  
President & CEO, Innovacorp

## Introduction

This accountability report covers the Innovacorp business plan for 2010-2011 and therefore should be read in conjunction with that plan. Visit [www.innovacorp.ca/about-us/corporate-publications](http://www.innovacorp.ca/about-us/corporate-publications) to download a copy of the plan. The report reviews the goals and priorities set in the spring of 2010 and reports on the accomplishments and progress achieved during the period ending March 31, 2011. Financial results are provided with an explanation for any significant budget variances.

Innovacorp helps early stage Nova Scotia companies commercialize their technologies and succeed in the global marketplace. Our High Performance Incubation (HPi)<sup>TM</sup> business model incorporates incubation infrastructure, business mentoring, and seed and venture capital investment. We focus on the clean technology, information technology, and life sciences industries.

In 2010-2011, Innovacorp strengthened its role in driving the knowledge economy and innovation capital markets in Nova Scotia. More than ever before, Innovacorp's work is benefiting early stage technology companies across the province. Last year, the companies that have benefited from our HPi business model generated about \$280 million in export revenues and directly employed about 1,455 people, resulting in a payroll of over \$64 million, most of which was in the form of high value jobs.

At fiscal year end, Innovacorp's incubation facilities, including the Technology Innovation Centre in Dartmouth and the BioScience Enterprise Centre in Halifax, stood at 81 per cent occupancy. Innovacorp's annual client satisfaction survey, conducted in February 2011, demonstrated that 84 per cent of clients are satisfied with Innovacorp's services.

While our economic, client satisfaction, and leading indicator metrics demonstrate success, we also benchmark ourselves against "best in class" organizations around the world. After a competitive process last year, Innovacorp's HPi business model won the National Business Incubation Association (NBIA) 2010 Incubation Program of the Year award. Based in the United States, NBIA represents more than 1900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008, 2009), and Paris, France (2007). Subsequently, Innovacorp was honoured with the 2010 Merit Award from the Canadian Association of Business Incubation (CABI).

While we have made good strides, we are not satisfied with our 2010-2011 results. There is much more that needs to be done. In 2011-2012, Innovacorp will further adapt our business model so we can deliver the highest value assistance to our clients and play a key role in ensuring Nova Scotia knowledge-based companies are positioned for global success. We view it as essential that we increase both the pipeline of investment opportunities and the number of quality investments that we make. These targets will necessitate several operational and organizational changes, including but not limited to the following efforts:

1. Implement refinements to our business model to better integrate investing and mentoring activities into a seamless, unified offering.
2. Implement staff changes to enhance the organization's effectiveness.
3. Increase investment training for our senior business advisors.
4. Expand the investment team to prepare for the Clean Technology Fund, which will become operational in late 2011.
5. Establish a Science and Technology Advisory Council to enhance our capability to perform due diligence on prospective and existing clients.
6. Expand our footprint throughout the province to build relationships with clients outside Halifax, without increasing capital expenditures.
7. Launch a regional venture capital fund to make Series B financing available for promising companies in our portfolio.
8. Expand functional relationships with other agencies and companies in Nova Scotia that are able to assist our clients.
9. Refine the go-to-market strategies of prospective clients prior to investment decisions.
10. Develop a strategy and supportive role for the establishment of a centre for excellence focused on facilitating a tidal power industry in Nova Scotia.

## **Innovacorp Progress and Accomplishments 2010-2011**

Innovacorp's core business offering is its High Performance Incubation (HPi)<sup>TM</sup> business model. Recognized internationally as a best practice approach to technology commercialization, HPi incorporates three interwoven resources – incubation infrastructure, business mentoring, and seed and venture capital investment – to help entrepreneurs overcome traditional hurdles to business growth.

As stated in our 2010-2011 business plan, our performance for that year can be measured against two goals and six priorities.

**Goal 1: *To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.***

Nova Scotia's ability to compete – regionally and globally – is increasingly reliant on the success of its knowledge-based companies. These high growth companies positively affect the province's prosperity more than any other part of the economy.

Innovacorp's focus is to create, develop, and grow globally competitive knowledge-based companies.

**Goal 2: *To collaborate with private and public partners to build a dynamic high-growth entrepreneurial culture in Nova Scotia.***

Innovacorp continually collaborates with entrepreneurs, private sector organizations, professional services firms (i.e. legal, accounting, marketing and human resource services), angel and venture capital investors, academia, industry associations and public sector agencies to help create a dynamic high growth entrepreneurial culture in Nova Scotia.

### **Priorities**

#### **1. Ensure Quality-Focused Client Pipeline Management**

*Innovacorp's HPi<sup>TM</sup> business model is recognized as a best practice technology commercialization approach. Innovacorp's proactive pipeline building outreach activities, including the I-3 Technology Start-Up Competition and the Early Stage Commercialization Fund, are attracting dozens of prospective clients each year. To maintain the client engagement quality of the 2010-2011 pipeline, Innovacorp focused a minimum of 75 per cent of mentoring and investment human resources to our top 25 clients.*

- To further improve management of the existing client pipeline and continue to dedicate 75 per cent of its resources to its highest potential clients, Innovacorp operationalized its client relationship management system, a valuable tracking tool intended to keep client plans current. Top 25 client action plans with milestones were developed, tracked and executed. This change helped Innovacorp refine senior management engagement and decision-making governance, to ensure client plans were current and moving forward. The management team also continued its bi-weekly client pipeline meetings to help provide clients with timely, high value feedback.
- In November 2010, the Nova Scotia government released jobsHere, the plan to grow our economy. Innovacorp was pleased to be part of the strategy's development, and has started to proactively implement relevant action items. Innovacorp's positive contribution to Nova Scotia's economic development was highlighted by the Savoie report published in July 2010 and the O'Neill report published in September 2010.
- To further improve its visibility and capacity outside the Halifax Regional Municipality, in 2010-2011, Innovacorp entered into an MOU with the Colchester Regional Development Agency (CORDA). The primary intent of the partnership with CORDA was to watch for promising early stage entrepreneurs who fit with and could benefit from Innovacorp's HPi business model.
- In 2009-2010, Innovacorp held its second provincial I-3 Technology Start-Up Competition to identify and support high potential early stage Nova Scotia companies, and help fuel entrepreneurial activity across the province. In 2010-2011, our focus was on reviewing all I-3 business plan submissions to determine whether there were other opportunities, in addition to the competition's winners, we could help advance. Each I-3 participant received a call to discuss our suggested improvements for their business plan. As a result of this outreach, we were able to add two new companies to our client roster.
- The quality of Innovacorp's Business Over Breakfast series was maintained in 2010-2011. Held at Innovacorp's Technology Innovation and BioScience Enterprise Centres, the info-rich events bring together resident and non-resident clients from across Nova Scotia, business professionals, industry representatives, university students and other key stakeholders. The sessions in 2010-2011 featured topics such as protecting your intellectual property, media relations tips, and bringing medical technologies to market.
- To increase our reach to students and entrepreneurs, several of Innovacorp's Business Over Breakfast sessions in 2010-2011 were also held off site, at the NSCC Waterfront campus in Dartmouth and at the NSCC Burrige campus in Yarmouth. Innovacorp continues to audio record all Business Over Breakfast sessions and post the recordings on our website to share with clients and others who may be unable to attend in person. We also started offering a live video stream of the gatherings to a

site in Cape Breton. The Business Over Breakfast series continues to receive extremely positive feedback from clients and other attendees.

- Innovacorp continues to expand its network of third-party private sector advisors across the province, the region, the country, and beyond. As a result, we have increased the depth of services provided to clients. For example, in 2010-2011, Innovacorp engaged online marketing, angel investment and go-to-market experts to assist clients with business development.
- Innovacorp proactively evaluates the health of its HPi business model from multiple internal and external dimensions. For example, in addition to the feedback we get from day-to-day informal and formal client interactions, we also conduct an annual client satisfaction survey. In February and March 2011, Innovacorp conducted its sixth such survey. The anonymous survey was conducted over the phone by an objective third party, who also assisted with analysis of the results. The study indicated that 84 per cent of clients are satisfied with Innovacorp's services overall, and 97 per cent of clients indicated that they would recommend Innovacorp services to a colleague.
- Online marketing and social media have become key to doing business globally. Social media continues to be an integral part of Innovacorp's outreach strategy. Innovacorp maintains an active Facebook page with over 330 members from around the globe, and a Twitter account which is updated multiple times a day. Innovacorp staff uses the latest online techniques to engage existing and prospective clients. Innovacorp also encourages its clients to explore the potential business benefits of social media.
- While Innovacorp's performance metrics clearly demonstrate success, it is important to benchmark ourselves against "best in class" organizations around the world. After a competitive process last year, Innovacorp's HPi business model won the National Business Incubation Association (NBIA) 2010 Incubation Program of the Year award. Based in the United States, NBIA represents more than 1900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008, 2009), and Paris, France (2007).
- Subsequent to being awarded international recognition from NBIA, Innovacorp was honoured with the 2010 Merit Award from the Canadian Association of Business Incubation (CABI).
- In 2010-2011, Innovacorp continued to collaborate with industry partners, including BioNova, Nova Scotia's biotechnology and life sciences industry association, and ITANS, the information technology industry alliance of Nova Scotia, to help strengthen these sectors in Nova Scotia. Innovacorp also continued to work with other like-minded organizations such as Entrepreneurs' Forum, the university and college industry liaison offices, the provincial network of Regional Development Authorities, and Springboard Atlantic, to help strengthen entrepreneurship in Nova Scotia and

improve the commercialization of knowledge-based products and services from post-secondary institutions.

- Innovacorp supported the early stage technology commercialization efforts in post-secondary institutions through the Early Stage Commercialization Fund (ESCF). (See page 12 for more details about our ESCF work in 2010-2011.)
- Innovacorp's pipeline of high potential clients increased in 2010-2011. Staff worked with more than 185 Nova Scotia early stage companies and helped advance the efforts of 68 university research-level projects.
- At the end of 2010-2011, Innovacorp's incubation facilities, including the Technology Innovation Centre in Dartmouth and the BioScience Enterprise Centre in Halifax, stood at 81 per cent occupancy.
- In late 2010-2011, Innovacorp conducted a seamless transition of existing BioScience Enterprise Centre clients to the new Innovacorp Enterprise Centre, and recruited additional clients for the new facility.

## **2. Maximize the Economic Impact of the Nova Scotia First Fund**

*Innovacorp plays a key role in improving Nova Scotia's innovation capital markets. The organization's key assets include the Nova Scotia First Fund (NSFF) combined with seed and venture capital investment expertise. The fund's investment strategy targets emerging venture-grade technology companies with high growth potential and attractive risk-return prospects. Innovacorp's strategy has been to strengthen the goodwill and credibility for the region and to build the return track record of the asset class, thereby driving and supporting the attraction of more capital here. A priority in 2010-2011 was to maximize the economic impact of the NSFF through engagement with partner funds to increase the venture capital pool necessary to build and monetize competitively capitalized venture-grade opportunities in our region.*

- In 2010-2011, Innovacorp co-developed, with other potential fund limited partners, an investment thesis for an Atlantic Canada-based venture fund. At the 2010 Power of Green Conference in November, Premier Darrell Dexter announced that Nova Scotia was exploring forming a privately-operated venture capital fund, targeting opportunities throughout Atlantic Canada.
- The Province of Nova Scotia made a long-term commitment to the NSFF in 2009-2010. Specifically, with the goal to further leverage the fund's impact and capitalize on its performance to date, the Province committed an additional \$30 million over 10 years to the fund. In 2010-2011, Innovacorp made a proposal to the Department of Finance on how to structure and operationalize the additional funding commitment.

- The NSFF provides early stage high growth potential companies with timely venture investments that range from \$100,000 up to \$3 million over the investment's life cycle. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy. The investment capital raised by leveraging the fund has surpassed \$106 million. Since its recapitalization in 2003-2004, the fund has leveraged \$35.1 million of investment (\$13.7 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early stage high growth companies.
- Innovacorp worked to increase the size of venture capital rounds in Nova Scotia on a deal-by-deal basis by leveraging its capital, maximizing syndicate partner network, and identifying partners for pending investments.
- Innovacorp continued to proactively look to invest in opportunities that offer the best chance for commercial success and financial sustainability. The organization tracked and strengthened several high potential companies, helping them become investment-ready.
- Innovacorp continued to position and develop two Nova Scotia companies as potential clean technology venture capital financing opportunities for Cycle Capital. Innovacorp, through the NSFF, became a limited partner in the Cycle Capital fund in 2009, to increase the probability of Nova Scotia clean technology companies accessing capital.
- In July 2010, Innovacorp invested in Seaforth Energy Inc., a leading wind turbine manufacturer and renewable energy integrator. The company secured \$2 million in that round of financing, from Innovacorp, the Business Development Bank of Canada, Seaforth Engineering Group, and private investors.

### **3. Operationalize the New Innovacorp Enterprise Centre**

*Innovacorp and its life sciences resident clients vacated the BioScience Enterprise Centre on the Halifax Waterfront in March 2011 and relocated to the newly constructed Innovacorp Enterprise Centre. Part of the Life Sciences Research Institute (LSRI), the facility is located on the Dalhousie campus, at the corner of Summer and College Streets. It is close to universities, hospitals and the National Research Council, maximizing synergies between industry, academic, and institutional research activities.*

- The new Innovacorp Enterprise Centre was opened in spring 2011, on time and within 2 per cent of the budget. Costs in excess of the budget were due to higher than anticipated construction costs and were substantially mitigated by not fully fitting up the premises.
- BioScience Enterprise Centre resident clients were smoothly transitioned to the new location, and two new clients were secured.

- Innovacorp secured other funding sources to fit up additional space in the facility.
- Innovacorp developed and is executing an operational plan for the facility, as well as a recruitment plan to ensure appropriate staffing, client mix and occupancy level.

#### **4. Ensure Globally Competitive Go-to-Market Expertise**

*Knowledge-based companies seeking to compete require globally competitive business expertise. The required expertise ranges from finance to product management, to business development, to sales and marketing. While Atlantic Canada is home to several globally competitive companies, there is a shortage of relevant, proven state-of-the-art business building skills available for early stage knowledge-based companies. The majority of local early stage knowledge-based companies possess relevant technical expertise. Most also have at least a high level of industry expertise, but few have the required relevant business building capabilities. The result is that start-up companies are unable to successfully commercialize their products and services.*

- In February 2011, Innovacorp welcomed Dr. Clifford M. Gross as our new president and CEO. He arrived with more than 20 years of experience in technology and product commercialization, intellectual property and entrepreneurship.
- Innovacorp continued to collaborate with local executive recruitment firms to explore the skills gaps among our clients and share company profiles and talent leads. Innovacorp also began to maintain an active database of talent prospects.
- Innovacorp continued to enhance its clients' skills and knowledge around addressing the challenges of running a start-up. As part of this activity, in July 2010 Innovacorp launched an Entrepreneur in Residence (EIR) program. The EIR, Jevon MacDonald, a founder and business developer of several software and services companies, served as a resource and advisor for early stage technology entrepreneurs.
- In 2010-2011, Innovacorp played an active role in assisting several clients with securing senior information technology, marketing, and sales talent.
- Innovacorp remained deeply involved in the development of the Dalhousie Corporate Residency MBA program. In January 2010, Innovacorp welcomed a second student from the program for an eight-month placement. The student has worked closely with the mentoring and investment teams to help Innovacorp's early stage clients overcome hurdles to business growth.
- Innovacorp continued to proactively assist in matching co-op students from across all disciplines with its clients, bringing value to the client and the student. In September 2010, Innovacorp engaged clients in a session entitled Grow Your Business, Grow Your Talent. The session was designed to share information on the programs available for student employment as well as the process for hiring co-op students.

- Innovacorp secured guest speaker opportunities to share with students the stories of innovative Nova Scotia knowledge-based businesses and to discuss support infrastructure available to local start-ups. Several Innovacorp team members presented at a variety of post-secondary institutions, including Saint Mary's University, Acadia University, NSCC, Kings, Dalhousie University, and Cape Breton University.

### **5. Engage University and College System to Maximize Commercialization Potential of Applied Research**

*Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. More than \$130 million in research is conducted across these institutions each year. While the local economy certainly benefits from the education of students, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Innovacorp has intensified its engagement with post-secondary institutions over the past several years and is now supporting and tracking dozens of projects with high commercialization potential.*

- Through our Early Stage Commercialization Fund (ESCF) initiative, Innovacorp reviewed and advised 68 university research-level projects last fiscal year.
- We received 34 submissions to the 2010-2011 edition of ESCF, and approved 17 projects for funding.
- In the fall 2010 round of ESCF, Innovacorp, in partnership with the Medical Technologies Development Initiative (MTDI) of the Capital District Health Authority, and the Atlantic Canada Opportunities Agency, offered additional funding specifically for the commercialization support of medical technologies.
- Innovacorp continued to leverage the database of research projects in post-secondary institutions, allowing us to proactively reach out to those involved in highly commercializable projects. Using the database, a Saint Mary's University student mapped areas of emerging interest in Nova Scotia's research community.
- Innovacorp published two new Atlantic Canada-oriented business case studies and used them in classes with university and college students.
- Innovacorp continued to work with its existing university-based clients, and it engaged with two new ones.

## 2010-2011 Financial Results (Combined results for Innovacorp and the BioScience Enterprise Centre\*)

Summary By Section	Budget 2010-2011 (\$ thousands) <sup>(1)</sup>	Actual 2010-2011 (\$ thousands)	Variance 2010-2011 (\$ thousands)
<i>Revenue</i> – NS Funding, Operating Revenue, and consolidated venture investment	\$6,426	\$6,955	529 <sup>(2)</sup>
<i>Operating Expenses</i> – Investment, Incubation and Mentoring.	3,602	4,085	(483) <sup>(3)</sup>
<i>Corporate Expenses</i> - corporate services, administration, facilities management	1,874	1,947	(73) <sup>(4)</sup>
<i>Minus Net Non Operating Items</i> – investment income, interest on long-term debt, post-retirement benefits, amortization,	1,225	1,226	(1) <sup>(5)</sup>
<i>Minus</i> – impairment of related party receivable		742	(742) <sup>(6)</sup>
<b>Net Income (Loss)</b>	<b>(\$275)</b>	<b>(\$1,045)</b>	<b>(770) <sup>(7)</sup></b>

\* Innovacorp combines the results of its operations with those of a sister corporation, the BioScience Enterprise Centre, for planning and reporting purposes. Innovacorp manages the BioScience Enterprise Centre and operationally that entity's activities are considered an integral part of Innovacorp's incubation activity.

### Explanation of Variance

<sup>(1)</sup> Certain budget line items have been adjusted to align with their presentation in the actual results to enhance comparability of this information.

<sup>(2)</sup> Revenues were greater than budget due to:

- \$765k capital grant funding for Innovacorp's contribution to the cost of the Mt. Hope connector road.
- Operating revenue \$122k higher than budgeted as follows: Investment - \$61k; Mentoring - \$50k; and Incubation - \$11k.

Partially offset by:

- Net funding deferred re capital assets was \$356K less than plan.

<sup>(3)</sup> Operating Expenses were higher than budget due to:

- \$765k capital grant to HRM toward the cost of constructing the Mt. Hope connector road.
- Incubation costs were \$65k higher than budgeted primarily due to expenses related to the relocation of the BioScience Enterprise Centre.

Partially offset by:

- \$348k under spent in Investment and Mentoring due to unfilled vacancies (\$153k) and lower spending in Mentoring due to the fiscal year not being one in which the I-3 business start-up competition is run.

<sup>(4)</sup> Corporate Expenses were higher than budgeted primarily due to higher than anticipated internet and communications technology, salary (due to parental leave) and marketing costs. These costs were partially offset by reduced spending on outside services.

<sup>(5)</sup> Although non-operating expenses were the same as budgeted, following are the significant variances among the components making up this amount:

- Expenses – interest (\$62k), amortization (\$38k) and post retirement benefits (\$38k) -were \$138k less than budgeted.
- Net Investment returns were \$31k higher than budgeted.

Offset by:

- Investment impairments (\$80k) provisions for uncollectible amounts (\$50k) and the loss on discontinued operations (\$28k) were a total of \$158k more than budgeted.

<sup>(6)</sup> This write-down related to an Innovacorp receivable deemed unrecoverable arising from intercompany advances made to the BioScience Enterprise Centre over the twelve years of its operation. This write-down has no impact on the

consolidated accounts of the Province as both Innovacorp and the BioScience Enterprise Centre are part of the Provincial consolidated entity.

<sup>(7)</sup> The net loss is primarily attributable to non-cash items such as write downs, amortization and post retirement benefits.

## **Performance Measures**

Below is an assessment of Innovacorp's progress towards the performance measures outlined in our 2010-2011 business plan. Our metrics focus on the areas of economic impact, client satisfaction and leading indicators of client-related statistics.

### **Performance Measure: Client company revenue growth**

*What does this measure tell us?*

This measure tracks the annual revenue generated by Innovacorp's client companies. An increase in revenue is a key indicator of a company's productivity and overall health.

*Where are we now?*

In 2010-2011, Innovacorp's current and graduate companies generated \$280 million in revenues; less than the \$300 million target, which is not surprising given that the companies were still experiencing the after effects of what was the most severe global recession in decades. The vast majority of these revenues (98+ per cent) were earned through exports of products and services outside Atlantic Canada.

*Where do we want to go in the future?*

As the world emerges from the global recession, we forecast that client revenue will increase to \$310 million in 2011-2012.

### **Performance Measure: Employment generated by client companies**

*What does this measure tell us?*

This measure follows the annual employment generated by Innovacorp's client companies – a standard measure in the economic impact of a business. The ability of Innovacorp's clients to create sustainable employment (and the resulting payroll) is a contributor to Nova Scotia's economy and an indication of a company's progress along the commercialization continuum. Because Innovacorp clients are Nova Scotia-based and owned, the prosperity created by employment is reinvested back into the local economy.

*Where are we now?*

In 2010-2011, employment generated by Innovacorp's current and graduate client companies decreased from 1467 in 2009-2010 to 1455, but the companies maintained \$64 million in payroll. The results were less than the employment target numbers of 1600 people and \$70 million in payroll, as the world was still trying to recover from the

recession.

*Where do we want to go in the future?*

In 2011-2012, we expect that existing and new Innovacorp clients will employ approximately 1611 people with a \$72 million payroll.

### **Performance Measure: Amount of Nova Scotia First Fund (NSFF) leveraged investments**

*What does this measure tell us?*

Innovacorp invests in promising early stage knowledge-based companies through management of the Nova Scotia First Fund (NSFF) to ensure new businesses have the required capital to achieve their full potential. The leverage metric provides an overall evaluation of Innovacorp's investment strategy by assessing the magnitude by which the corporation's investment capital is leveraged with other investors. Innovacorp tracks the cumulative amount of investment made by the NSFF investees, calculating it both as a ratio and in millions of Canadian dollars.

*Where are we now?*

Since its recapitalization in 2003-2004, the fund has leveraged \$35.1 million of investment (\$13.7 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early stage high growth companies. In 2010-2011, the cumulative investment capital raised by leveraging the NSFF surpassed \$106 million, less than the target of \$110 million.

*Where do we want to go in the future?*

In 2011-2012, the target amount of cumulative investment in client companies in which investments were made by the NSFF is \$110 million. Our goal is to maintain a leverage ratio of 1:3.

### **Performance Measure: Client satisfaction**

*What does this measure tell us?*

Innovacorp seeks feedback from clients about our performance and value to them through an annual client survey, conducted by an objective third party. The satisfaction of our clients is an important measure of the High Performance Incubation (HPi)<sup>TM</sup> business model's success. Clients are asked to indicate their satisfaction level with Innovacorp's services and whether they would recommend Innovacorp to a friend or colleague. These two metrics are considered key indicators of Innovacorp's work.

*Where are we now?*

In the client satisfaction survey conducted in spring 2011, 84 per cent of clients indicated they were satisfied with Innovacorp's overall services, and 97 per cent said they would recommend Innovacorp to a friend or colleague. The 84 per cent satisfaction rate was less than the 91 per cent target, however Innovacorp was slightly higher this year on our

target of 91 per cent for clients who said they would recommend Innovacorp to a friend or colleague.

*Where do we want to go?*

In our 2010-2011 client satisfaction survey, our goal is for 90 per cent of clients to be satisfied with Innovacorp's services overall and 90 per cent to be willing to recommend our services to others.

**Performance Measure: Number of active and new engagements with Nova Scotia companies**

*What does this measure tell us?*

Innovacorp's clients reflect the success and effectiveness of its High Performance Incubation (HPI)<sup>TM</sup> business model. We continually try to build our client pipeline of high potential Nova Scotia companies. When reviewing this performance measure, it should be remembered that each year it is natural for some clients to leave the Innovacorp business model and new ones to take their place.

*Where are we now?*

In 2010-2011, Innovacorp provided advisory and relationship management support services to 185 early stage companies, just slightly above our target of 175. Of these engagements, Innovacorp has formal agreements and ongoing relationships with 51 active HPI clients, slightly less than our target of 55. In addition to the 185 companies assisted, Innovacorp provided value added guidance to the 133 companies that made submissions to the provincial I-3 competition.

*Where do we want to go in the future?*

In 2011-2012, we forecast having 55 active HPI clients and expect 10 new engagements with Nova Scotia companies. Further, we are targeting 120 submissions to the upcoming provincial I-3 competition.

**Performance Measure: Number of new clients**

*What does this measure tell us?*

As described above, our client base tells us about the effectiveness of our services and business model. The number of new clients that we form formal relationships with indicates how many early stage companies we are advancing towards commercial success.

*Where are we now?*

In 2010-2011, Innovacorp welcomed eight new client companies. This number does not meet the target of 13 new clients, and so this year Innovacorp will closely examine our pipeline and how to improve for 2011-2012.

*Where do we want to go in the future?*

In 2011-2012, we expect to have 10 new companies added to our roster.

### **Performance Measure: Incubation occupancy levels**

*What does this measure tell us?*

Innovacorp's business incubation clients pay market rates for the services we provide and the space they lease in our facilities. Increased occupancy in our incubation facilities results in a larger return on the Province of Nova Scotia's allocation of resources to Innovacorp. However, at any given time, space will be available in our facilities as we achieve our goal of graduating clients into commercial space. While we strive to maintain a high occupancy rate, the turnover of our clients is a significant measure of our performance.

*Where are we now?*

In 2010-2011, Innovacorp's occupancy rate was 81 per cent. This is below 90 per cent, which is considered to be the "best practice" rate for incubation facilities in order to have space available for new clients and existing companies that are ready to expand.

*Where do we want to go in the future?*

Our goal is to increase our occupancy rate to 90 per cent in 2011-2012. In addition, we will expand our incubation efforts outside the Halifax area to better serve clients across Nova Scotia. To this end, we plan to partner with existing organizations that have commercial leasing facilities that are underutilized and could benefit from an alliance with Innovacorp. These will be capital expenditure neutral partnerships and should not impact Innovacorp's balance sheet, although a small number of additional staff members will be recruited to handle the anticipated additional client flow. The current estimate for additional staff members is two to three for 2011-2012.

### **Performance Measure: Number of clients exporting products/services internationally**

*What does this measure tell us?*

In a fairly small economy such as Nova Scotia, the ability of the private sector to produce and export quality products and services is vital and heavily influences the province's economic success.

*Where are we now?*

In 2010-2011, 47 of Innovacorp's clients (i.e. a significant majority) were exporting their products and services, slightly less than the target of 51.

*Where do we want to go in the future?*

Next year, our target is to have 51 current and graduate client companies exporting their products and services.