

INCUBATION

MENTORING

INVESTMENT

Annual

Accountability Report

2006/2007

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Accountability Statement

The accountability report for InNOVAcorp for the year ended March 31, 2007, 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 2006-2007. The reporting of InNOVAcorp's outcomes necessarily includes estimates, judgements 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.

Honourable Angus MacIsaac
Minister, Economic Development

Colin Latham
Chair, InNOVAcorp Board of Directors

Dan MacDonald
President & CEO, InNOVAcorp

Introduction

This accountability report covers the InNOVAcorp business plan for 2006-2007 and therefore should be read in conjunction with that plan. Visit <http://www.innovacorp.ca/corporate/bp/> to download a copy of the plan. The report reviews the goals and priorities set in the spring of 2006 and reports on the accomplishments and progress achieved during the period ending March 31, 2007. Financial results are provided with an explanation for any significant budget variances.

This is InNOVAcorp's sixth accountability report since the Government of Nova Scotia extended its requirement of annual accountability reports to include crown corporations.

Every day, InNOVAcorp staff engages high potential early stage technology companies to provide hands-on business guidance, customized to address specific business challenges.

In February 2007, InNOVAcorp's High Performance Incubation (HPi)TM business model was formally recognized as a best practice technology commercialization approach by the National Business Incubation Association (NBIA). Based in the United States, NBIA is the world's leading organization advancing business incubation and entrepreneurship, and represents over 1600 members from 40 countries. This recognition is another important step towards realizing our vision of becoming "the most effective technology commercialization practice in North America."

The HPi business model comprises three interwoven resources – incubation infrastructure, business mentoring and seed and venture capital investment – designed to move at the speed of business to help high potential Nova Scotia-based knowledge companies overcome traditional hurdles to business growth. The numbers show the HPi business model is working.

In 2006-2007, InNOVAcorp staff worked with more than 106 Nova Scotia-based early stage companies and helped advance the efforts of 30 university research-level projects. At fiscal year end, our incubation facilities, the Technology Innovation Centre in Dartmouth, and the BioScience Enterprise Centre in Halifax, reached 91 per cent occupancy. InNOVAcorp's annual client satisfaction survey, conducted in February 2007, demonstrated that 92 per cent of clients are satisfied with InNOVAcorp's services and that more than 90 per cent would recommend our services to other Nova Scotia entrepreneurs.

Nova Scotia-based companies raised \$7 million in venture capital financing in 2004. In 2005, they raised \$17 million, and in 2006 that number further increased by 40 per cent to reach \$24 million (*Source: Thomson Financial, 2007*). InNOVAcorp continues to play a key role in this "access to capital" turnaround. Through the management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture

capitalist. Since the fund was recapitalized in 2003-2004, InNOVAcorp has approved and invested more than \$5.5 million in promising early stage companies based in Nova Scotia. Over the last four years, the corporation helped attract more than \$20 million from angel and strategic investors, financial institutions, and other seed and venture capital funds, with \$10 million of this investment originating outside Atlantic Canada.

Beyond delivering on the organizational objectives, three achievements stand out as they clearly demonstrate the power and potential of InNOVAcorp's HPi business model.

1. The highly successful Canadian Association of Business Incubation (CABI) conference hosted by InNOVAcorp, which led to NBIA recognizing HPi as a best practice technology commercialization approach.
2. The I-3 technology start-up competition, which led to the discovery of seven new high potential companies based in Cape Breton.
3. The \$4 million venture capital financing raised by our client Medusa Medical Technologies Inc., which demonstrated InNOVAcorp's ability to leverage its investment dollar, in this case at a ratio of 1:7.

We are proud of our 2006-2007 achievements, which clearly reflect the high value our clients receive from our services on a daily basis. In 2007-2008, InNOVAcorp will further strengthen its products and services to fuel sustainable economic growth.

InNOVAcorp Progress and Accomplishments 2006-2007

InNOVAcorp's core business offering is its High Performance Incubation (HPi)TM 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.

As stated in our 2006-2007 business plan, our performance for that year can be measured against two goals and seven priorities.

Goal 1. To accelerate Nova Scotia technology companies through the start-up and early-development stages of the commercialization process.

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

The rapid pace of globalization is both an opportunity for and a threat to Nova Scotia. Nova Scotia-based companies have every opportunity to compete and serve global markets. InNOVAcorp's HPi business model enables Nova Scotia-based technology companies to accelerate through the commercialization process. Every day, InNOVAcorp staff engages high potential early stage technology companies to provide hands-on business guidance, customized to address specific business challenges.

Goal 2. *To collaborate with public and private partners to build a dynamic and stable 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 build a dynamic and stable entrepreneurial culture in the province.

By leveraging InNOVAcorp's corporate knowledge base and expanding network of private sector advisors, and through partnerships with organizations across the province, the region, the country and beyond, we help clients find more direct and cost effective paths to success.

We work diligently to build a vibrant entrepreneurial culture across the province by being an active partner and knowledgeable consultant on activities and initiatives that boost technology industry development.

Priorities

1. Scale up InNOVAcorp HPI business model

Nova Scotia's ability to compete – regionally and globally – is increasingly reliant on the success of Nova Scotia-based knowledge companies. InNOVAcorp's core business offering is its High Performance Incubation (HPI)™ business model. A major priority in 2006-2007 was to scale up the InNOVAcorp HPI business model to efficiently handle the increased number of clients and to achieve maximum benefit for clients and return on investment for Nova Scotia.

During 2006-2007, InNOVAcorp refined its approach to engaging new clients to achieve higher scalability.

- We formalized our client definition and outlined formal client criteria to ensure we efficiently attract the highest potential early stage Nova Scotia companies and are able to focus on helping those high potential early stage companies develop and work towards commercialization.
- We developed a succinct formal InNOVAcorp client agreement that outlines all pertinent terms and conditions necessary for a successful client relationship, including what services InNOVAcorp will provide and the responsibilities of both parties. The client agreement must be understood and thoroughly discussed before a new client engagement begins. This official documented client agreement enables InNOVAcorp

to successfully work one-on-one with clients, understand their needs, and work with them to evolve their start-up ventures.

- InNOVAcorp created an online self-qualification system for potential clients. The self-qualification provides potential clients with the information they need to assess whether or not they meet our specific criteria. It presents prospective clients with a series of questions to consider before the first phone call or meeting with InNOVAcorp, so the first engagement is more beneficial for both parties.
- A plan was developed and implemented to help the InNOVAcorp team refine the optimum time spent with individual clients, considering their various stages of development.
- InNOVAcorp expanded its network of private sector advisors and partnerships with organizations across the province, the region, the country and beyond. 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 industries in Nova Scotia. InNOVAcorp also continued to work with other significant industry organizations such as Entrepreneurs' Forum, the provincial Industry Liaison Office (ILO) Network, the provincial network of Regional Development Authorities (RDAs), NovaKnowledge and Springboard Atlantic, to help strengthen entrepreneurship in Nova Scotia and help further the commercialization of knowledge-based products and services at the university and community levels.
- InNOVAcorp supported the early stage technology commercialization efforts in rural Nova Scotia and in post-secondary research institutions through the Nova Scotia Proof-of-Concept Fund and the Early Stage Commercialization Fund, respectively.
- InNOVAcorp further extended its reach across Nova Scotia by collaborating and developing working relationships with Nova Scotia's 13 Regional Development Authorities, helping to spur entrepreneurial growth and activity province-wide.
- In September 2006, InNOVAcorp co-hosted the Canadian Association of Business Incubation's 15th annual conference. Several InNOVAcorp team members contributed their expertise as presenters, moderators and panelists for various sessions. InNOVAcorp's HPi business model was presented to business incubation creators and managers from across Canada and around the world. InNOVAcorp spearheaded the conference's organizing committee and helped make the conference an immense success.
- InNOVAcorp's pipeline of high potential businesses increased, staff worked with more than 106 Nova Scotia-based early stage companies and helped advance the efforts of 30 university research-level projects.

- At fiscal year end, InNOVAcorp's incubation facilities, the Technology Innovation Centre in Dartmouth, and the BioScience Enterprise Centre in Halifax, reached 91 per cent occupancy.
- InNOVAcorp's annual client satisfaction survey, conducted in February 2007, demonstrated that 92 per cent of clients are satisfied with InNOVAcorp's services and that more than 90 per cent would recommend our services to other Nova Scotia entrepreneurs.

InNOVAcorp's refined approach resulted in an increase in the number of clients assisted, improved the depth and quality of service provided, increased the level of client satisfaction and the ability to develop and manage a sustainable pipeline of clients, and increased InNOVAcorp's ability to achieve maximum benefit for clients and return on investment for Nova Scotia.

2. Strengthen InNOVAcorp brand awareness in Nova Scotia

Building a strong, recognizable and credible brand is critical to helping InNOVAcorp realize our vision of becoming "the most effective technology commercialization practice in North America." In 2006-2007, InNOVAcorp focused on strengthening its brand to help recruit the best entrepreneurs, partners and employees.

In 2006-2007, several brand base-lining and brand building initiatives were developed and implemented, resulting in positive and increased brand awareness for InNOVAcorp in Nova Scotia, Canada and beyond.

- InNOVAcorp's integrated marketing and communications plan for the year consisted of public relations, traditional and online marketing, advertising and tailored communications initiatives intended to further InNOVAcorp brand awareness.
- InNOVAcorp received an increasing amount of positive media coverage in 2006-2007, both from a corporate and client perspective, in local and national newspapers and online news sites, in various business publications such as Open to the World and Progress magazines, and on radio.
- InNOVAcorp team members presented at various local and national conferences, and industry events as subject matter experts, presenting the value and success of our HPi business model. For example, members of the InNOVAcorp team presented at the Canadian Association of Business Incubation's 15th annual conference and BioPort Atlantic, an annual conference hosted by BioNova.
- Communications messages and materials were enhanced in 2006-2007. A new print brochure was created to help communicate the value of HPi. The brochure was carefully crafted using language and images to reflect the InNOVAcorp brand, including who we are, what we do, and most importantly, what we can do for Nova Scotia entrepreneurs. The print brochure clearly communicates the value of HPi,

describes our client criteria, gives client examples and testimonials, and urges people to visit our website or call us for help or to learn more. This print piece has been a valuable tool to help build InNOVAcorp's brand awareness and was distributed province-wide in the March 2007 edition of Progress magazine, reaching relevant stakeholders across Nova Scotia.

- The InNOVAcorp website was enhanced to become more dynamic, user-friendly and brand-focused. The website's homepage was revamped to make it more dynamic and attractive, providing visitors with the most up-to-date, relevant InNOVAcorp news items, adding video testimonials from several successful InNOVAcorp clients, and adding the online pre-qualification section to demonstrate to prospective clients what types of business start-ups fit InNOVAcorp's business model. These improvements have increased the value of our website for clients, prospective clients, InNOVAcorp staff and stakeholders.
- An additional marketing and communications staff member was recruited to ensure both InNOVAcorp and client marketing commitments are met, and to contribute to further enhancing our brand.
- InNOVAcorp was increasingly looked to as a subject matter expert on the region's venture capital environment.
- In the spring of 2006, InNOVAcorp launched the first I-3 technology start-up competition, which targeted Cape Breton innovators. The initiative was designed to encourage and support entrepreneurial activity in Cape Breton. The competition generated more than 75 inquiries and 18 formal submissions. Entries ranged from medical devices, to information and communications technologies, to industrial and energy innovations.

The activities undertaken to strengthen the InNOVAcorp brand resulted in an increased awareness of InNOVAcorp's service offering among entrepreneurs across Nova Scotia, as well as increased client satisfaction and awareness of services, enhanced website presence and a rise in visitor traffic, and increased profile with media and stakeholders.

3. Implement Phase I of the InNOVAcorp Knowledge Park

Following the official announcement of the Knowledge Park and the subsequent start of construction for Ocean Nutrition Canada's (ONC) new manufacturing plant, a priority for 2006-2007 was to work to ensure the remainder of the Park can be developed.

- InNOVAcorp completed Phase I of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada (ONC) micro-encapsulation facility.
- A best practice concept and operational plan for the remaining properties has been completed.

- In 2007-2008, InNOVAcorp will continue to facilitate the development of the Mount Hope extension in Dartmouth. The completion of this valuable link will allow InNOVAcorp to recruit additional businesses to Knowledge Park, maximizing cluster synergies.

4. Increase return on investment in post-secondary research through collaboration with universities and colleges

A priority in 2006-2007 was to collaborate with Nova Scotia's universities and colleges to increase the return on investment in post-secondary research.

- In conjunction with Nova Scotia Economic Development, InNOVAcorp manages the Early Stage Commercialization Fund (ESCF). The purpose of the ESCF is to provide funding for projects demonstrating readiness to advance a technology that has achieved, or is close to achieving, a prototype/proof-of-concept stage and is approaching market readiness with a possibility of attracting industrial partners and/or investment. The prospect of generating a revenue stream must be apparent. In 2006-2007, 17 applications from eight universities were assessed, and ultimately 12 university research-level projects were funded through the ESCF.
- InNOVAcorp worked closely with several Nova Scotia universities and the community college system to positively influence post-secondary curriculum development in the areas of business planning and commercialization strategies.
- The corporation collaborated with Nova Scotia universities, including Acadia University, Dalhousie University, Saint Mary's University and Saint Francis Xavier University, to name a few, to help further post-secondary innovation programs.

5. Implement leading edge IT services for clients and staff

InNOVAcorp's 2005-2006 client survey revealed that 35 per cent of clients consider quality of technology infrastructure to be very important and felt that it could be improved at InNOVAcorp. Therefore, a priority in 2006-2007 was to provide advanced IT services to clients and staff.

- The Halifax Regional Municipality dark fibre ring was built and operationalized for the benefit of HPi clients. This fully integrated voice and data IP network enables early stage companies located at InNOVAcorp's incubation facilities to access high-end IT infrastructure and therefore speed time to market and facilitate integrated communications transactions with customers and suppliers.
- In fall 2006, InNOVAcorp pilot tested enhanced IT data and voice infrastructure and services with several client companies at our Technology Innovation Centre and BioScience Enterprise Centre which rely heavily on IT to serve their customers, interface with suppliers, and conduct day-to-day business activities. The results of the

pilot initiative were positive and led to the successful migration of all InNOVAcorp clients to the new network.

- A full-time permanent IT services manager was hired. This individual has been significantly engaged with IT upgrade projects for clients at staff at InNOVAcorp and will continue to work one-on-one with clients to help address and fulfill their distinctive IT needs.
- During the changes, InNOVAcorp's IT services manager met with representatives from each client migration company to discuss and assess their unique needs and develop the appropriate migration plan.
- By consolidating both the forward looking needs and current ICT expenditures for InNOVAcorp and for our clients, we are now able to provision high end ICT infrastructure and services to our employees and clients.
- InNOVAcorp's new, robust infrastructure delivers state-of-the-art, highly reliable and flexible IT services to clients that will speed time to market and facilitate integrated communications/transactions with customers and suppliers.

The improvements to the IT infrastructure and support resulted in a higher level of client and staff satisfaction with InNOVAcorp's technology infrastructure and support and enhanced voice and data services.

6. *Ensure continuity of the BioScience Enterprise Centre*

InNOVAcorp's BioScience Enterprise Centre provides specialized facilities, infrastructure and services that are critical to the growth and success of its resident life sciences clients. Located on the Halifax Waterfront, the facility offers specialized scientific infrastructure otherwise unavailable in the commercial real estate market, and is minutes from universities, teaching hospitals and other research facilities. It is a premier destination for early stage life sciences companies. The proposed future development plans for the Halifax waterfront could potentially displace the BioScience Enterprise Centre. A priority in 2006-2007 was to ensure the continuity of the BioScience Enterprise Centre and its positive impact on the life sciences industry.

- To accommodate the Waterfront Development Corporation's "Queens Landing Project" plans, a comprehensive strategy and business case was developed supporting the construction of a new BioScience Enterprise Centre.
- Based on the analysis of over 10 years of experience at the existing BioScience Enterprise Center and InNOVAcorp's best practice HPi business model, we partnered with local engineering, architectural, real estate and property development firms to devise a relocation plan and recommendations based on location attributes, industry and economic attributes, and recruiting attributes and amenities.

- Based on this analysis, a detailed comprehensive proposal was presented to the Government of Nova Scotia.
- Authorization was obtained from the Province of Nova Scotia Cabinet to begin negotiations to relocate the BioScience Enterprise Centre to a new location in metro Halifax.

The relocation of the BioScience Enterprise Centre will positively impact InNOVAcorp, BioScience Enterprise Centre clients and the life sciences industry in Nova Scotia. Further, InNOVAcorp will work diligently to ensure a seamless, one-move transition into the new facility with minimum disruption for existing tenants. InNOVAcorp welcomes existing and future BioScience Centre resident clients and affiliates to the new facility which will provide the same high level of business incubation services and be equipped with specialized scientific infrastructure.

7. Maximize the economic impact of the Nova Scotia First Fund

InNOVAcorp's Nova Scotia First Fund (NSFF) and other investments are managed to provide maximum benefit for the Nova Scotia economy and to ensure investees benefit from InNOVAcorp's full HPi business model, including capitalizing on incubation and mentoring resources. A priority in 2006-2007 was to maximize the economic impact of the Nova Scotia First Fund and play a key role in improving the province's Capital Innovation markets.

- Nova Scotia-based companies raised \$7 million in venture capital financing in 2004. In 2005, they raised \$17 million, and in 2006 that number further increased by more than 40 per cent to reach \$24 million (*Source, Thomson Financial, 2007*). InNOVAcorp continues to play a key role in this “access to capital” turnaround. We have invested in 10 companies participating in 20 transactions in the past three years through our High Performance Incubation (HPi)™ business model.
- One of InNOVAcorp's key assets is the Nova Scotia First Fund (NSFF) combined with seed and venture capital investment expertise. Through the management of the NSFF, InNOVAcorp is an active and effective venture capitalist, managing seed and early stage investments in emerging venture-grade technology companies with high growth potential.
- Investments are designed to provide return on investment and cash-on-cash monetization on exits. Investee companies benefit from InNOVAcorp's overall due diligence and mentoring services, and are therefore well prepared to approach other investors. InNOVAcorp aims to maximize the leverage of its investment by helping to secure investments from other institutional investors.
- Since the fund was recapitalized in 2003–2004, InNOVAcorp has approved and invested more than \$5.5 million in promising early stage companies based in Nova Scotia. Over the last four years, the corporation helped attract more than \$20 million

from angel and strategic investors, financial institutions, and other seed and venture capital funds. Ten million of this investment capital originated outside Atlantic Canada. For every \$1 investment made by the Nova Scotia First Fund, at least \$3 was invested by syndicated investors. As of March 31, 2007, the cumulative amount of investment made in client companies in which investments were made by the NSFF was \$93 million.

This priority resulted in an improved investment process at InNOVAcorp and new investment transactions.

2006-2007 Financial Results

(Combined results for InNOVAcorp and the BioScience Enterprise Centre*)

Summary By Section	Budget 2006-2007 (\$ thousands)	Actual 2006-2007 (\$ thousands)	Variance 2006-2007 (\$ thousands)
<i>Revenue</i> – NS Funding, Operating Revenue, and consolidated venture investment	\$5,651	\$6,238	\$587 ¹
<i>Operating Expenses</i> – Investment, Incubation, Mentoring, Product Engineering and consolidated venture investment	2,983	3,404	421 ²
<i>Corporate Expenses</i> - corporate services, administration, facilities management	1,637	1,773	136 ³
<i>Minus Net Non Operating Items</i> – investment income, interest on long term debt, post retirement benefits, amortization, restructuring, discontinued operations, unusual items	1,306	1,472	166 ⁴
Net Loss	\$275	\$411	136 ⁵

*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 Centre and operationally that entity's activities are considered an integral part of InNOVAcorp's incubation activity.

Explanation of Variance

1. Revenues were greater than budget due to:

- Consolidation of 83% owned venture investment (\$317K)
- Provincial funding received for Knowledge Park land servicing costs (\$250K)
- Deferred government funding related to capital expenditures recognized being higher than budgeted (\$83K)

Offset By

- Operating revenue was less than budget (\$64K). Increased Mentoring revenues of \$126K were offset by a combined shortfall of \$190 in the Incubation and Product Engineering areas.

2. Actual Expenses were greater than plan due to:

- Consolidation of 83% owned venture investment (\$330K)
- Operating Expenses were greater than budget (\$91K) primarily because of higher operating costs in Incubation. This increase was partially offset by lower costs in Product Engineering as budgeted sales were not realized.

3. Actual Expenses were greater than plan due to:

- Increased IT costs arising from the implementation of enhanced voice and data services for clients and staff. The costs related to client services will be recovered in subsequent years.

4. Actual non-operating expenses had a negative variance due to:

- Writedowns (NSFF, Other and Goodwill Impairment) were more than budgeted (\$41K)
- The net gain on disposal of Land and Assets Held for Resale were less than anticipated (\$88K)

Mitigated by

- Investment income (NSFF & Other) higher than budgeted (\$317K)

5. 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 2006-2007 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 assesses the annual revenue generated by InNOVAcorp's client companies. Revenue generation is a key indicator of economic growth and prosperity. It is also indicative of a company's productivity, maturity and overall health. When InNOVAcorp's client companies achieve increases in revenue, it is an indication that they are thriving.

Where are we now?

In 2006-2007, our client companies generated \$174 million in revenues, greatly exceeding the target of 15 per cent growth over the 2005-2006 fiscal year. More than 98 per cent of these revenues were export driven, which helped boost Nova Scotia's productivity and wealth. The revenue from InNOVAcorp client companies is typically reinvested back into the province.

Where do we want to go in the future?

In the years to come we expect client companies' revenue to continue to grow. Specifically, in 2007-2008, we anticipate a 15 per cent growth in client revenues over 2006-2007.

Performance Measure: Employment generated by client companies

What does this measure tell us?

This measure tracks the annual employment generated by InNOVAcorp's client companies. Employment generation is a standard measure of a company's economic impact. Our clients' ability to create sustainable employment year over year and the resulting payroll has been a substantial contributor to the Nova Scotia's economic health. The employment created by our clients is also an indication of how the companies are progressing along the commercialization continuum.

Where are we now?

In 2006-2007, our client companies employed 1183 people, representing \$52 million in employment payroll, exceeding the target projected in the 2006-2007 business plan. It is important to note that the jobs created by our client companies are considered to be high-quality with strong salaries. Because the client companies are Nova Scotia-based and owned, the wealth and prosperity the jobs create is reinvested back into the province, further strengthening the local economy. Additionally, since the client companies'

business functions – from marketing and product development, to finance, production and customer support – are conducted in the province, the breadth of employees’ skill, knowledge and career development is extensive, resulting in long-term benefits for the province.

Where do we want to go in the future?

In 2007-2008, we expect our client companies will employ 1300 people, with an employment payroll of \$60 million.

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

What does this measure tells us?

Through our management of the Nova Scotia First Fund, InNOVAcorp invests in promising early stage technology companies to ensure they have the required capital needed 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. We track the cumulative amount of investment made in NSFF investees, calculating it both as a ratio and in millions of Canadian dollars.

Where are we now?

The Nova Scotia First Fund was recapitalized in 2003-2004, and as of March 31, 2007, InNOVAcorp has approved and invested more than \$5.5 million in promising early stage Nova Scotia-based companies. In that time, the corporation helped attract more than \$20 million from financial institutions, strategic and angel investors, and other seed and venture capital funds. More than \$10 million of this investment originated from outside Atlantic Canada. As of March 31, 2007, the cumulative amount of investment made in NSFF investee companies since 1996 was \$92.8 million. This met our projected target of an increase of \$9 million over the restated amount of \$83.8 million for the fiscal year 2005-2006.

Where do we want to go in the future?

In 2007-2008, the targeted range of cumulative amount of investment made in client companies in which investments were made by the NSFF is from \$98 to \$100 million.

Our restated goal is to achieve a leverage ratio of 1:3, meaning that for every \$1 invested by the NSFF, \$3 would be invested by syndicated investors. This goal has been revised from the 2006-2007 business plan to reflect the reality of the current marketplace. Of this additional capital, we aim to attract a significant portion from outside the province.

Performance Measure: Client satisfaction

What does this measure tell us?

Client satisfaction is an important measure of the success of InNOVAcorp's High Performance Incubation (HPi)TM business model. Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value add. Clients were specifically asked how satisfied they are with the services provided by InNOVAcorp and whether they would recommend the services of InNOVAcorp to a friend or colleague. These two metrics are considered key indicators of the organization's value add.

Where are we now?

In the client satisfaction survey completed in February 2007, 92 per cent of clients were satisfied with InNOVAcorp's services and 93 per cent of clients said they would recommend our services to a friend or colleague, meeting the targets projected in the 2006-2007 business plan.

Where do we want to go in the future?

In our 2007-2008 client satisfaction survey, our goal is for 91 per cent of clients to be satisfied with InNOVAcorp's services overall and 91 per cent to be willing to recommend our services to others.

Performance Measure: Number of clients

What does the measure tell us?

Our client base is a testament to the effectiveness of our business model. We are continually seeking to attract high potential client companies in Nova Scotia. Through our specialized services and state-of-the-art facilities, InNOVAcorp's High Performance Incubation (HPi)TM business model serves a wide variety and growing number of clients. We aim to further strengthen our suite of services offerings and encourage Nova Scotia companies to commercialize their technologies, supporting improved productivity, competitiveness in global markets, and Nova Scotia's overall prosperity.

Where are we now?

In 2006-2007, InNOVAcorp engaged with more than 106 early stage Nova Scotia companies and more than 30 university research-level projects, providing targeted advice and guidance, exceeding the target of 90 companies projected in the 2006-2007 business plan. Further, during 2006-2007 InNOVAcorp refined the formal definition of a client which resulted in formal agreements and ongoing relationships with 38 active HPi clients. When looking at this performance measure, it should be noted that it is natural for some clients to leave the InNOVAcorp business model and new ones to come in.

Where do we want to go in the future?

In 2007-2008, we forecast having 45 companies as active HPi clients and expect 116 new engagements with Nova Scotia based companies.

Performance Measure: Number of new clients

What does this measure tell us?

As explained above, our client base demonstrates the effectiveness of our business model. The number of new clients indicates how many early stage companies we are advancing towards commercial success.

Where are we now?

In 2006-2007, we welcomed 15 new client companies to our High Performance Incubation (HPi)TM business model, meeting the target projected in the 2006-2007 business plan.

Where do we want to go in the future?

In 2007-2008, we forecast adding 18 companies to our client roster.

Performance Measure: Incubation occupancy levels

What does the measure tell us?

InNOVAcorp's business incubation clients pay market rates for the services we provide and the space they lease. There is a direct link between our occupancy levels and our revenue generation. Increased occupancy in our incubation facilities therefore results in a larger return on the Province of Nova Scotia's allocation of resources to InNOVAcorp. However, InNOVAcorp's goal of graduating clients into commercial space means that at any given time space will be available in our facilities. While we aim to achieve a high occupancy rate, the turnover of clients in our facilities is also an important measure of our performance.

Where are we now?

In 2006-2007, we maintained an average occupancy rate of 91 per cent at our two incubation facilities, exceeding the projected target of 87 per cent. It is important to note that this occupancy level is considered to be a "best practice" rate for incubation facilities. The goal is not to have a facility that is filled to capacity, but rather to have space available for incoming new clients and expanding existing clients.

Ocean Nutrition Canada, one of the province's most prominent life sciences companies, continues to occupy InNOVAcorp's facility at 101 Research Drive, and is in the process of expanding to adjacent property to meet production demands.

Where do we want to go in the future?

Our goal is to maintain the average occupancy rate at the Technology Innovation Centre and the BioScience Enterprise Centre at 91 per cent into 2007-2008.

Performance Measure: Number of clients exporting products/services internationally

What does this measure tell us?

Trade is vital in a relatively small economy like Nova Scotia. The private sector's ability to produce and export competitive, world-class products and services ultimately determines our economic success.

Where are we now?

In 2006-2007, 47 of our client companies were exporting products and services, slightly below the target of 50 companies.

Where do we want to go in the future?

In 2007-2008, our target is to have 52 client companies exporting products and services.