

INCUBATION

MENTORING

INVESTMENT

Annual

# Accountability Report

2005/2006

# **InNOVAcorp**

Accountability Report for Fiscal Year  
2005 – 2006

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## **Accountability Statement**

The accountability report of InNOVAcorp for the year ended March 31, 2006, 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 2005-2006. 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 Richard Hurlburt  
Minister, Economic Development

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Colin Latham  
Chair, InNOVAcorp Board of Directors

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Dan MacDonald  
President & CEO, InNOVAcorp

## Introduction

This accountability report covers the InNOVAcorp business plan for 2005-2006 and therefore should be read in conjunction with that plan. The report reviews the goals and priorities stated in the spring of 2005 and reports on the accomplishments and progress achieved during the period ending March 31, 2006. Financial results are provided with an explanation for any significant budget variances.

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

In 2005-2006, InNOVAcorp re-emerged as Nova Scotia's "go to" organization for technology commercialization.

InNOVAcorp serves a wide array of high potential early stage technology companies, with the majority of our clients based in the information and communications technology (ICT) and life sciences sectors.

Daily, InNOVAcorp staff engages these early stage companies to provide hands-on business guidance, customized to address specific business challenges.

These challenges vary, but typically include: fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash flow management, human resource strategies, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, sales and distribution channel strategies, and obtaining seed and venture capital.

The InNOVAcorp High Performance Incubation (HPi)<sup>TM</sup> business model is recognized locally and internationally as a "best practice" technology commercialization approach. This model incorporates three interwoven resources – incubation infrastructure, business mentoring, and seed and venture capital investment – to help entrepreneurs overcome traditional hurdles to business growth.

The numbers show the HPi approach is working.

In 2005-2006, InNOVAcorp's mentoring group advanced the efforts of more than 70 early stage Nova Scotia companies and reviewed more than 32 university research-level projects. At fiscal year end, our incubation facilities topped 85 per cent occupancy. InNOVAcorp's annual client survey, conducted in January 2006, demonstrates that 89 per cent of clients are satisfied with InNOVAcorp's services and that more than 90 per cent would recommend our services.

Through our management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture capitalist. The First Fund was recapitalized in 2003-2004, and as of March 31, 2006, InNOVAcorp approved and invested more than \$4 million in promising early stage companies based in Nova Scotia. In that time, the corporation helped attract more than \$14 million from angel and strategic investors,

financial institutions, and other seed and venture capital funds. More than \$8 million of this investment originated outside Atlantic Canada.

In addition to working one-on-one with early stage technology companies, InNOVAcorp collaborates with public and private partners to further develop the climate – whether it is through policies, programs or infrastructure – necessary to foster innovation, commercialization and entrepreneurship in Nova Scotia.

We are proud of our 2005-2006 results; however we continuously strive to increase the value we add to client companies. In 2006-2007, InNOVAcorp will focus on maximizing the impact of our HPi business model. Strengthening our suite of services for clients, we will enhance the ability of Nova Scotia companies to commercialize research and innovation, supporting improved productivity, competitiveness in global markets, and Nova Scotia's overall prosperity. Further, to improve our ability to track and measure our future outcomes, we have refined our metrics, as outlined in our 2006-2007 business plan, particularly in the key areas of economic impact, client satisfaction and leading indicators of client-related statistics.

## **InNOVAcorp Progress and Accomplishments**

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 address and overcome traditional hurdles to business growth.

As stated in our 2005-2006 business plan, our performance for that year can be measured against three goals and five priorities.

**Goal 1. *Collaborate with public and private partners to champion and implement Nova Scotia’s innovation strategy by providing leadership on matters related to technology commercialization.***

In the face of an ever-expanding and ever-changing world market, the Government of Nova Scotia understands innovation drives wealth and is therefore actively trying to maximize the impact of innovation across the province. InNOVAcorp plays an integral role in Nova Scotia’s innovation strategy.

***Priority***

***Support the implementation of Nova Scotia's innovation strategy.***

In 2005-2006, InNOVAcorp continued to support the Province's commitment to maximizing the impact of innovation in Nova Scotia in part by working one-on-one with individual companies to help them commercialize their innovative products and services for export.

Further, drawing on its extensive history of working with technology entrepreneurs, the corporation also provided strategic advice to provincial decision makers about how to cultivate innovation, entrepreneurship and technology commercialization in the province, whether it is through policies, physical infrastructure or special programs.

A portion of this advising was done through InNOVAcorp's continued role with the Premier's Council on Innovation, as well as through its active participation with the Canada / Nova Scotia Innovation Team, and with the Canada / California Think Tank to increase economic activities between innovative technology-based companies in the two regions. In these various roles, the InNOVAcorp team shared its expertise on topics such as improving access to capital, retention and recruitment of human capital, intellectual property policies, and balancing public sector funding between core research versus product development.

We also collaborated with private and public sector partners on activities and initiatives to create a focused innovation system that builds on the region's strengths and capabilities in research, education, incubation, commercialization and industry.

For example, in cooperation with the Office of Economic Development (OED) and post-secondary institutions across Nova Scotia, InNOVAcorp supported the early stage commercialization efforts of research through managing the Early Stage Commercialization Fund. The funding helps fill the gap that exists at the beginning of the commercialization process, when researchers need to prove their concepts in order to attract more funding from other partners.

Further, InNOVAcorp worked with Springboard and the provincial Industry Liaison Office (ILO) Network to further encourage the commercialization of technology at the university and community levels. The organization also collaborated with BioNova – the Nova Scotia biotechnology and life sciences industry association – on several activities to promote growth of the province's life sciences sectors, with Entrepreneurs' Forum to foster the development of innovative and knowledge-based companies, and with ITANS, the information technology association of Nova Scotia.

In addition to the public sector entities referenced above, InNOVAcorp regularly interfaces with the private sector both within Nova Scotia and beyond to ensure its ongoing value add and relevancy. Many of these engagements with private sector players result in InNOVAcorp garnering increased support needed to help us fill our charter. For example, we regularly collaborate with chartered banks on issues such as small business financing instruments.

**Goal 2. *Enhance the growth of knowledge-based industry sectors by accelerating technology companies through the startup and early development stages of the commercialization process.***

Innovation extends beyond researching and developing new or improved products, services and processes. Rather, the value of innovation comes from commercialization – successfully taking products and services to market.

InNOVAcorp’s High Performance Incubation (HPi) model enables Nova Scotia 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.

***Priority***

***Enhance our delivery of tailored business advisory services to entrepreneurs.***

InNOVAcorp’s hands-on mentoring activities enable entrepreneurs to find a faster and less expensive path to success by leveraging the corporate knowledge base developed by InNOVAcorp and the expertise and experiences of others in the business community.

Every company has its own distinct needs for business assistance. These needs change as the company grows. The challenges companies face vary, but typically include: fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash flow management, human resource strategies, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, sales and distribution channel strategies, and obtaining seed and venture capital.

In 2005-2006, InNOVAcorp provided more targeted advice and guidance to an increased number of clients. In fact, we advanced the efforts of more than 70 early stage Nova Scotia companies and reviewed more than 32 university research-level projects.

To achieve these results, we increased the size of our pool of venture advisors, consultants and mentors, as well as ensured this group had the expertise in particular science and technology fields relevant to our clients.

In addition, our senior venture advisor in Cape Breton improved the assistance we provided to companies in that region, working side-by-side with more than 12 companies. We further extended our reach into other geographic areas, particularly rural communities, in part through partnerships with universities and colleges, with private sector groups such as the Nova Scotia Co-operative Council, with federal agencies such as the National Research Council and ACOA, and with the provincial network of Regional Development Authorities (RDAs).

Our relationship with the Nova Scotia Co-operative Council is particularly noteworthy. We worked with the Council to create the Nova Scotia Co-operative Innovation Fund, an investment fund to seed innovative ideas from rural Nova Scotia at the proof-of-concept stage. We also continued to work one-on-one with some of the most promising projects from the Council's membership, bringing business guidance to the table in the early stages of the commercialization process.

Not only did we reach more client companies with more relevant assistance, but we received an overwhelmingly positive endorsement from the companies we helped. In fact, InNOVAcorp's annual client survey, completed in January 2006 by a third party, demonstrated that 89 per cent of clients are satisfied with InNOVAcorp's services and that more than 90 per cent of clients would recommend our services to a friend or colleague.

***Priority***

***Identify new opportunities for equity investment in Nova Scotia knowledge-based companies in the early stages of commercialization, and make follow-on investments in existing portfolio companies.***

InNOVAcorp is an active venture capital investor, managing seed and early stage investments in emerging Nova Scotia technology companies with high growth potential. Through the Nova Scotia First Fund, we consider initial equity investments up to \$1 million.

The First Fund was recapitalized in 2003-2004, and as of March 31, 2006, InNOVAcorp approved and invested more than \$4 million in promising early stage companies based in Nova Scotia. In that time, the corporation helped attract more than \$14 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. More than \$8 million of this investment originated outside Atlantic Canada. As of March 31, 2006, the cumulative amount of investment made in client companies in which investments were made by the NSFF was \$93 million.

InNOVAcorp's stated goal is to achieve a leverage ratio of 1:4, meaning that for every \$1 invested by the NSFF, \$4 would be invested by syndicated investors.

***Goal 3. Build a dynamic and stable entrepreneurial culture by providing the environment where entrepreneurs can grow and prosper through shared experience and strategic relationships.***

The term “*environment*” can be considered on at least two levels. First, there is the province of Nova Scotia as a whole. Second, there are the micro-environments that exist within a physical structure or a community of business contacts. InNOVAcorp contributes to the development of both environments. As described earlier, the corporation builds an entrepreneurial culture across the province by being an active partner and trusted consultant on activities and initiatives that boost technology industry

development. As well, InNOVAcorp's network of business incubators provides an innovative, flexible and supportive environment needed to cultivate client growth.

InNOVAcorp manages two technology incubators. The Technology Innovation Centre in Dartmouth targets companies in the information and communications technology and engineering industries. The BioScience Enterprise Centre in downtown Halifax focuses on companies in the life sciences industry. In addition to the hands-on business advisory services and assistance with becoming venture capital ready that InNOVAcorp provides, these facilities also offer clients a comprehensive mix of other products and services that includes flexible leasing of lab, industrial and office space and shared administrative support.

A third site, the former Nova Scotia Research Foundation at 101 Research Drive in Dartmouth, was recently transformed into a grow-out facility for Ocean Nutrition Canada (ONC), a company which had its beginnings at InNOVAcorp's BioScience Enterprise Centre, and in fact was the facility's first client when it opened its doors on the Halifax waterfront in 1999. ONC has since advanced beyond early stage incubation.

The value of InNOVAcorp's incubation facilities goes far beyond the space and other tangible infrastructure they provide. The facilities offer an atmosphere where entrepreneurs can share experiences, knowledge, concerns, successes and contacts with others who face similar challenges. It is also an environment that encourages collaboration and partnerships among entrepreneurs and with universities, public institutions and prominent firms. The sites truly are hubs of activity, with an average of 520 meetings being held at each facility every year; close to 250 visitors to each facility every month; a Toastmasters International Club based out of the Technology Centre, and dozens of BioNova and Entrepreneurs' Forum gatherings happening at the facilities every year.

### **Priority**

#### **Optimize occupancy within the incubators and grow-out facility.**

Incubation facility clients pay market rates for the services we provide and the space they lease from us. The more space leased in the incubation facilities, the higher our revenues are, resulting in a larger return on the Province of Nova Scotia's allocation of resources to InNOVAcorp. Of course, revenue generation is not the sole motivation for maintaining a high occupancy rate at our facilities. A high occupancy rate also means we are assisting a large number of clients, providing them with the environment, services and other opportunities necessary to accelerate them through the commercialization process.

It should be noted, however, that maintaining a high occupancy rate must be balanced with a healthy turnover of clients. InNOVAcorp's goal is to "graduate" clients out of our facilities and into commercial space, meaning that at any given time, there could be vacant space at a facility. For example, in late 2004, a major resident client at the BioScience Enterprise Centre graduated from the facility, freeing up 13,000 sq.ft. of lab space and dropping the building's occupancy rate to about 50 per cent. Within 18 months, the InNOVAcorp team had successfully recruited new life sciences clients to the facility,

bringing the occupancy rate back up to 85 per cent. Clearly, the turnover of clients in our facilities is an important measure of our performance.

At the end of 2005-2006, our two incubation facilities topped 85 per cent occupancy. 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 recruiting new clients and the expansion of existing clients.

### **Priority**

#### **Assess Nova Scotia’s incubation capacity.**

InNOVAcorp is the long-time leader of business incubation activities in the province and is seen by experts across the country and beyond as advancing the field. For years, we have been sharing our commercialization and business development expertise with other entities across this continent and others. We continued these efforts in 2005-2006, particularly in Nova Scotia. This work not only improves the cost-effectiveness of other initiatives and leads them to adopt industry best practices; it also positions us well to help evaluate the provincial incubation capacity, identifying existing gaps and future opportunities.

InNOVAcorp’s assessment is that there is some requirement for increased capacity with respect to the amount of space available for business incubation in certain rural areas and for some industry sectors. However, the organization also determined that operational best practices – not just space, but the products and services to go with the space, such as tailored, hands-on business guidance from experts – are critical to improving Nova Scotia’s incubation capacity.

As a result of its findings, InNOVAcorp has embarked on formalizing an offering to help several sector groups and community organizations follow incubation best practices and thereby improve the assistance provided to early stage entrepreneurs. InNOVAcorp’s work in this area can range from structured consulting on early feasibility studies, business plans and infrastructure design, to actually operating the program using our High Performance Incubation (HPI)<sup>TM</sup> business model. In 2005-2006, we were very active in sharing our knowledge of best practices with the Life Sciences Research Institute in Halifax, NSCAD, and the Nova Scotia Community College campus in Lawrencetown.

It is important to add that our examination of the provincial incubation capacity also implies a thorough assessment of InNOVAcorp’s own capacity. In early 2006, we conducted our first quantifiable client satisfaction survey conducted by an objective and credible third party. As described above, the results were extremely positive. Despite the positive results, we did receive client feedback we could use to help us deliver improved infrastructure and services.

## Financial Results

(Combined results for InNOVAcorp and the BioScience Enterprise Centre)

Summary by Section	Budget	Actual	Variance	Explanation of Variance
<b>Revenue</b> – NS funding, operating revenue, and consolidated venture investment	\$5,143,000	\$5,774,397	\$631,397	Revenues were greater than budget due to: <ul style="list-style-type: none"> <li>Consolidation of majority owned venture investment: \$423,000</li> <li>Incremental funding for relocation of head office: \$300,000</li> </ul> Offset by: <ul style="list-style-type: none"> <li>Deferred government funding related to capital expenditures being higher than budgeted: \$84,000</li> </ul>
<b>Operating Expenses</b> – Investment, Incubation, Mentoring, Product Engineering, and consolidated venture investment	2,870,000	3,342,282	(472,282)	Actual Expenses were greater than plan due to: <ul style="list-style-type: none"> <li>Consolidation of majority owned venture investment: \$377,000</li> <li>Operating Expenses were \$95,000 greater than budget primarily because of higher operating costs in Incubation. This increase was partially offset by lower costs in Product Engineering.</li> </ul>
<b>Corporate Expenses</b> – Corporate services, administration, facilities management	1,334,000	1,202,923	\$131,077	Actual Expenses were less than plan due to: <ul style="list-style-type: none"> <li>Timing and deferrals of planned staff additions: \$197,000</li> </ul> Offset by: <ul style="list-style-type: none"> <li>Unbudgeted rent expense \$77,000 related to relocation of corporate office</li> </ul>
<b>Minus Net Non-Operating Items</b> – Investment income, interest on long term debt, post retirement benefits, amortization, restructuring, discontinued operations, unusual items	1,214,000	1,494,208	(\$280,208)	Actual non-operating expenses had a negative variance due to: <ul style="list-style-type: none"> <li>Write downs (NSFF and Other) were more than budgeted: \$581,000</li> <li>Actuarial valuation resulted in an increase to post-retirement benefits expense: \$105,000</li> </ul> Mitigated by <ul style="list-style-type: none"> <li>Investment income (NSFF &amp; Other) higher than budgeted: \$346,000</li> <li>Unusual gain on debt retirement resulting from the consolidation of a majority owned venture investment: \$100,000</li> </ul>
<b>Net Loss</b>	\$275,000	\$265,016	\$9,984	The net loss is primarily attributable to non-cash items such as write downs, amortization and post retirement benefits.

## **Performance Measures**

Below we assess InNOVAcorp's progress towards the performance measures outlined in our 2005-2006 business plan. However, to improve our ability to track and measure our future outcomes, we have refined our metrics, focusing 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, measured in millions of Canadian dollars, generated by InNOVAcorp's client companies. Revenue generation is a key indicator of economic growth and prosperity. It is also a determinant of a company's productivity, maturity and overall health. When our client companies experience increases in revenues, it is an indication that they are thriving.

*Where are we now?*

In 2005-2006, our client companies generated \$120 million in revenues. More than 90 per cent of these revenues are export driven, which help boost Nova Scotia's productivity and wealth, and are 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 2006-2007, we anticipate a 10-15% growth in client revenues over the 2005-2006 base year.

### **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 has long been an index used to measure economic impact. The number of jobs maintained and created by our clients and the related payroll are measures of how the companies are maturing along the commercialization continuum and how they are positively impacting the provincial economy.

*Where are we now?*

In 2005-2006, our client companies employed 860 people, representing \$40 million in employment payroll. It is important to note that the jobs created by our client companies are considered to be high-quality with strong salaries. In addition, because the client companies are Nova Scotia-based and owned, the wealth and prosperity the jobs create is reinvested back into the province. Further, since the client companies' entire operations happen in the province, with all business functions – from marketing and product development, to finance, production and customer support – 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 2006-2007, we expect our client companies will employ 900-1000 people, with an employment payroll of \$40.5-45 million.

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

*What does this measure tell us?*

InNOVAcorp invests in promising early stage technology companies through the Nova Scotia First Fund (NSFF) to ensure they have the capital they need to realize their potential. The leverage metric offers an overall evaluation of InNOVAcorp's investment strategy, measuring the magnitude by which the corporation's investment capital is leveraged with other investors. We track the cumulative amount of investment made in client companies in which investments were made by the NSFF, calculating it both as a ratio and in millions of Canadian dollars.

*Where are we now?*

The First Fund was recapitalized in 2003-2004, and as of March 31, 2006, InNOVAcorp approved and invested more than \$4 million in promising early stage companies based in Nova Scotia. In that time, the corporation helped attract more than \$14 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. More than \$8 million of this investment originated outside Atlantic Canada. As of March 31, 2006, the cumulative amount of investment made in client companies in which investments were made by the NSFF was \$93 million.

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

In 2006-2007, the targeted range of cumulative amount of investment made in client companies in which investments were made by the NSFF is from \$98 to 103 million.

Our stated goal is to achieve a leverage ratio of 1:4, meaning that for every \$1 invested by the NSFF, \$4 would be invested by syndicated investors. 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)<sup>TM</sup> business model. Measured annually through an objective third party conducted survey, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked how satisfied they are overall 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 January 2006, 89 per cent of clients were satisfied with InNOVAcorp's services and more than 90 per cent of clients said they would recommend our services to a friend or colleague.

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

In our 2006-2007 client satisfaction survey, our goal is for 92 per cent of clients to be satisfied with InNOVAcorp's services overall and 92 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 continue to attract high potential client companies in Nova Scotia. Through our specialized services and facilities offered as part of our High Performance Incubation (HPI)<sup>TM</sup> business model, we serve a wide variety and growing number of clients. We seek to further strengthen our suite of services offered to clients, therefore enhancing the ability of Nova Scotia companies to commercialize research and innovation, supporting improved productivity, competitiveness in global markets, and Nova Scotia's overall prosperity.

*Where are we now?*

In 2005-2006, InNOVAcorp had 85 companies in its client base. Further, we provided targeted advice and guidance to more than 70 early stage Nova Scotia companies and reviewed more than 32 university research-level projects.

It is important to add that, while InNOVAcorp's primary operation is located in the metro area, the organization serves all of Nova Scotia. There are commercialization prospects across the province, and our staff and our network of advisors and mentors throughout the region play an important role in realizing the potential of these opportunities outside the city. For example, in Cape Breton alone, our senior advisor of business ventures worked side-by-side with more than 12 companies.

In 2005-2006, we also extended our reach into other areas of the province through partnerships with universities and colleges, with private sector groups such as the Nova Scotia Co-operative Council, with federal agencies such as ACOA, with the provincial network of RDAs (Rural Development Authorities), and through our management of the Early Stage Commercialization Fund, an initiative to encourage commercialization at post-secondary institutions.

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

In 2006-2007, we would like to have 90 companies in our client base.

## **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. Measuring the number of new clients shows the number of early stage companies we are advancing towards commercial success.

*Where are we now?*

In 2005-2006, we welcomed 12 new client companies to our High Performance Incubation (HPI)<sup>TM</sup> business model.

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

In 2006-2007, we would like to add 15 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 them and the space they lease from us. The more space leased in our incubation facilities, the higher our revenues are, resulting 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 2005-2006, we maintained an average occupancy rate of 85 per cent at our two incubation facilities. 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.

In addition, in the fall of 2005 InNOVAcorp moved its corporate headquarters out of 101 Research Drive so that Ocean Nutrition Canada, one of the province's most promising life sciences companies, could expand its operations to fill that facility, with room to expand on adjacent property.

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

Our goal is to slightly increase the average occupancy rate at the Technology Innovation Centre and the BioScience Enterprise Centre to 87 per cent.

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

*What does this measure tell us?*

In a relatively small economy like Nova Scotia's, we must trade or perish. The private sector's ability to produce and export competitive products and services ultimately determines our economic success.

*Where are we now?*

In 2005-2006, 42 of our client companies were exporting products and services.

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

In 2006-2007, our target is to have 50 client companies exporting products and services