

INCUBATION | MENTORING | INVESTMENT



ACCOUNTABILITY REPORT  
2007/2008

[www.innovacorp.ca](http://www.innovacorp.ca)

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## Accountability Statement

The accountability report for InNOVAcorp for the year ended March 31, 2008, 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 2007-2008. 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.

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Honourable Angus MacIsaac  
Minister, Economic Development

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Dr. Jacquelyn Thayer Scott  
Chair, InNOVAcorp Board of Directors

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Dan MacDonald  
President & CEO, InNOVAcorp

## Introduction

This accountability report covers the InNOVAcorp business plan for 2007-2008 and therefore should be read in conjunction with that plan. Visit [www.innovacorp.ca](http://www.innovacorp.ca) to download a copy of the plan. The report reviews the goals and priorities set in the spring of 2007 and reports on the accomplishments and progress achieved during the period ending March 31, 2008. Financial results are provided with an explanation for any significant budget variances.

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

InNOVAcorp helps high potential early stage Nova Scotia companies commercialize their technologies and succeed in the global marketplace. Every day, InNOVAcorp staff engages high potential early stage technology companies to provide hands-on business guidance, customized to address specific business challenges.

InNOVAcorp's High Performance Incubation (HPi)<sup>TM</sup> 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 knowledge companies overcome traditional hurdles to business growth. The numbers show the HPi business model is effective. InNOVAcorp's economic, client satisfaction, and leading indicator metrics continue to show strong growth.

During fiscal year 2007-2008, InNOVAcorp further intensified its role in driving the knowledge economy and innovation capital markets in Nova Scotia. Working with its clients and partners, InNOVAcorp made significant progress during this period.

In 2007-2008, the pipeline of new start-up Nova Scotia knowledge company opportunities reached an all time high, including a marked increase in the number of start-ups based in rural Nova Scotia. InNOVAcorp received 121 submissions from across Nova Scotia to its I-3 Technology Start-Up Competition, reflecting the high level of innovation happening in the province.

Additionally, the average venture capital deal size in Atlantic Canada increased more than 25 per cent since 2004, surpassing the growth of deal size nationally.

In 2007-2008, InNOVAcorp provided advisory services and relationship management support to more than 158 Nova Scotia early stage companies, and helped advance the efforts of 22 university research-level projects. At fiscal year end, InNOVAcorp's incubation facilities, including the Technology Innovation Centre in Dartmouth and the BioScience Enterprise Centre in Halifax, stood at 88 per cent occupancy. InNOVAcorp's annual client satisfaction survey, conducted in February 2008, demonstrated that 92 per cent of clients are satisfied with InNOVAcorp's services.

We are proud of our 2007-2008 achievements, which clearly reflect the high value our clients receive from our services on a daily basis. In 2008-2009, InNOVAcorp will further strengthen its products and services to fuel sustainable economic growth in Nova Scotia.

## **InNOVAcorp Progress and Accomplishments 2007-2008**

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.

As stated in our 2007-2008 business plan, our performance for that year can be measured against two goals and seven 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 companies. These high growth companies positively affect 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 companies have every opportunity to compete and serve global markets. InNOVAcorp's HPi business model enables Nova Scotia technology companies to move swiftly 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 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 build a dynamic high growth 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 Nova Scotia by being an active partner and knowledgeable consultant on activities and initiatives that boost technology industry development.

## Priorities

### 1. Enhance and Expand HPI™ Business Model Services

*InNOVAcorp's core business offering is its High Performance Incubation (HPI)™ business model, which is recognized nationally and internationally as a best practice technology commercialization approach. A major priority in 2007-2008 was to enhance and expand the 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. In 2007-2008, InNOVAcorp focused on maximizing its value add while enhancing its HPI business model to fuel sustainable economic growth.*

- InNOVAcorp collaborated with a wide variety of professional services firms across Nova Scotia, including legal, accounting, marketing, human resource, and other consulting services companies, to help move clients swiftly along the path to commercialization. Through the province-wide I-3 Technology Start-Up Competition, InNOVAcorp engaged more than 25 key private sector partners from across Nova Scotia. InNOVAcorp continues to forge new relationships with highly relevant external firms across the province, allowing the organization to effectively refer clients and help them develop relationships with firms that can help them accelerate through the commercialization process.
- InNOVAcorp expanded its network of private sector advisors and partnerships with organizations across the province, the region, the country and beyond. The organization 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 the province. 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.
- Building upon momentum created in 2006-2007, InNOVAcorp further increased its role as a national/international advocate for Nova Scotia innovation through significant direct coverage in regional, national and international publications, including the Globe and Mail, Canadian Business, Progress, Nova Scotia Open to the World, and CBC, and with speaking engagements at notable national and international events, including the Canadian Venture Capital Association's annual conference and the National Business Incubation Association's national conference.
- InNOVAcorp was increasingly looked to as a subject matter expert on the region's venture capital environment. A long-time member of the Canadian Venture Capital Association, InNOVAcorp was intimately involved in planning and organizing the association's annual national conference in May 2007, which took place in Halifax. InNOVAcorp also participated in the event as a presenter and as a panel moderator for "Early Stage Investment Strategies."

- InNOVAcorp delivered enhanced information and communications technology (ICT) support to resident client and affiliate members, increasing the quality and availability of infrastructure and services offered. By installing redundant fibre and implementing a continually managed network with centralized security, InNOVAcorp offers highly reliable voice and data services at the same price companies would pay externally for “consumer grade” services. The improvements to the ICT infrastructure and support resulted in a higher level of client and staff satisfaction in this area.
- A plan was finalized to provide remote backup services to InNOVAcorp clients beginning in fall 2008. The service will automatically backup clients’ critical files off-site at a secure location to ensure maximum protection in the event of data loss or corruption. Additionally, a server hosting facility and backup power at the Technology Centre will be completed in late 2008.
- InNOVAcorp’s IT team created “InNOVAnet,” a monthly e-publication intended to provide InNOVAcorp clients and staff with tips and tools relating to technology products, services and issues encountered daily. InNOVAcorp’s IT services were also expanded to include a direct IT support phone line for clients.
- InNOVAcorp engaged a third-party firm specializing in web development to evaluate its website and identify new opportunities to target the organization’s primary audiences. The firm completed a comprehensive audit of the website and submitted recommendations, most of which were implemented shortly after the review.
- InNOVAcorp issued a request for proposals and awarded a contract to a local firm for the migration of its current content management system for its website ([www.innovacorp.ca](http://www.innovacorp.ca)), to take place early in 2008-2009. The project’s primary objective was to identify the right firm to successfully migrate InNOVAcorp’s current website to a more flexible, easy-to-use, reliable content management system, and give it a refreshed look and feel while maintaining existing branding elements.
- 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 (ESCF), respectively. (Details about the ESCF can be found on page 8.)
- InNOVAcorp launched its province-wide I-3 Technology Start-Up Competition in September 2007 in five geographic zones across Nova Scotia. The competition was intended to create start-up business building capacity province-wide. I-3 was open to all Nova Scotians with potential new knowledge-based businesses. (See page 7 for a detailed look at the I-3 Technology Start-Up Competition.)
- InNOVAcorp further leveraged its website by creating an online submission form for the I-3 Technology Start-Up Competition. The form helped streamline the submission process and simplified the steps involved in entering the competition.

- InNOVAcorp's pipeline of high potential clients increased. Staff worked with more than 158 Nova Scotia-based early stage companies and helped advance the efforts of 22 university research-level projects.
- At fiscal year end, InNOVAcorp's incubation facilities, including the Technology Innovation Centre in Dartmouth and the BioScience Enterprise Centre in Halifax, reached 88 per cent occupancy.
- InNOVAcorp's annual client satisfaction survey, conducted in February 2008, demonstrated that 92 per cent of clients are satisfied with InNOVAcorp's services overall.

InNOVAcorp's activities in 2007-2008 resulted in an increase in the number of clients assisted, improved the depth and quality of service provided, maintained 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. Stimulate Innovation in Rural Nova Scotia**

*In 2007-2008, InNOVAcorp set out to improve the economic prosperity of Nova Scotia and help turn the tide of outward migration by leveraging information technology and uncovering and supporting innovation to enable rural communities to participate in the global knowledge-based economy.*

- As previously mentioned, InNOVAcorp launched its province-wide I-3 Technology Start-Up Competition in September 2007, further extending its reach across Nova Scotia by collaborating with the 13 Regional Development Authorities and more than 25 private sector firms around the province. The competition took place in five geographic zones across Nova Scotia and was intended to create start-up business building capacity province-wide. InNOVAcorp received 121 submissions from all corners of the province. First and second place winners were selected in each zone, and one overall provincial winner was selected from among the five first place zone winners. Winners received cash and in-kind contributions that were to be used to establish or further develop the start-up ventures. The in-kind contributes included business building expertise, services and resources (i.e. legal, accounting, marketing, human resource, and other consulting services) from professional service firms located in the winners' zones. The competition had a significant positive impact on rural innovation in Nova Scotia and resulted in significant coverage in print, radio and television coverage across Nova Scotia.
- InNOVAcorp increased collaborations with the Nova Scotia Co-operative Council, including presenting at the organization's annual conference and working with the Council on specific projects. One such company was Connecting People for Health Co-operative Limited – Canada's first and only online medical support clinic, a web-based, subscription service offering for physicians and healthcare professionals.



- Through increased rural outreach initiatives such as the I-3 competition, InNOVAcorp secured solid relationships with all Regional Development Authorities and other key economic development organizations across the province.
- Remote client service offerings were formalized and enhanced. Non-resident clients were formally notified of InNOVAcorp's full suite of services.
- InNOVAcorp continued to co-lead the Broadband for Rural Nova Scotia initiative. A request for proposals was issued and two contracts were successfully negotiated for the delivery of high speed access to the internet to 100 per cent of Nova Scotians by the end of 2009. InNOVAcorp's president & CEO led public information sessions across the province to inform audiences about the impact of the initiative and the roll-out plan.
- The Early Stage Commercialization Fund initiative was successfully implemented at universities in rural areas of Nova Scotia.
- InNOVAcorp worked closely with community college representatives across Nova Scotia to help drive entrepreneurial activities in rural areas.

### **3. Monetize university research and entrepreneurial activities**

*Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. Approximately \$120 million in research is conducted at these institutions each year. The long-term goal is for Nova Scotia universities and colleges to be known nationally for their innovative engagement of the business community, "business building" curriculum, and the flow of applied research towards commercial products.*

- InNOVAcorp partnered with several Nova Scotia universities and the community college system to help deliver a strengthened post-secondary entrepreneurial curriculum. For example, working with Dalhousie University, InNOVAcorp contributed to planning and future development for the school's MBA program.
- 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. Since its establishment in 2005, ESCF has funded 31 projects in nine Nova Scotia post-secondary institutions. In 2007-2008, InNOVAcorp refined the ESCF process and worked with several 2006-2007 ESCF recipients. InNOVAcorp will roll out the ESCF to Nova Scotia universities and colleges in late summer 2008.
- In 2007-2008, InNOVAcorp engaged two MBA work term students and one engineering undergraduate student. The students delivered compelling and scalable content to the InNOVAcorp business model, and were exposed to a variety of real world business issues surrounding early stage companies while working closely with two InNOVAcorp clients.

- InNOVAcorp challenged MBA students to propose tailored solutions to InNOVAcorp client roadblocks to commercialization. Case studies were presented to and analyzed with business school classes at universities such as Cape Breton University. InNOVAcorp also participated in various speaking engagements at Nova Scotia's universities and community college campuses.

#### **4. Maximize the economic impact of the NSFF**

*InNOVAcorp plays a key role in improving Nova Scotia's innovation capital markets. One of InNOVAcorp's key assets is the Nova Scotia First Fund (NSFF) combined with seed and venture capital investment expertise. The fund is being managed so that investee companies benefit from operational and financial due diligence and mentoring, and are better prepared to approach other investors. Investments are designed to provide return on investment and cash-on-cash monetization on exits. A priority in 2007-2008 was to maximize the economic impact of the Nova Scotia First Fund and play a key role in improving the province's innovation capital markets.*

- Financial capital, and more specifically "access to capital-capacity building," is a key element of InNOVAcorp's charter. Nova Scotia-based companies raised \$7 million in venture capital financing in 2004. In 2005, they raised \$18.7 million. In 2006, that number increased by more than 40 per cent to reach \$24 million, and it levelled off in 2007 with \$17.3 million (Source: Thomson Financial, 2008). 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, managing seed and early stage investments in emerging venture-grade technology companies with high growth potential. Since the fund was recapitalized in 2003-2004, InNOVAcorp has approved and invested \$6.3 million in promising early stage companies based in Nova Scotia.
- 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 \$6.3 million in promising early stage companies based in Nova Scotia. Over the last five years, the corporation helped attract \$22.8 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. More than \$12 million of this investment capital originated outside Atlantic Canada. For every \$1 investment made by the Nova Scotia First Fund, more than \$3.60 was invested by syndicated investors. As of March 31, 2008, the cumulative amount of investment made in client companies in which investments were made by the NSFF was \$96.6 million.
- InNOVAcorp maximized the leverage of the NSFF by actively supporting the creation of new stage or sector-focused public/private venture capital funds. Significant discussions took place with co-investors for a proposed Atlantic regional fund.

- In fiscal year 2007-2008, InNOVAcorp conducted an analysis to determine the feasibility of participating as an investor in a clean technology fund.
- InNOVAcorp continued to build relationships with targeted firms from Montreal, Toronto, Boston, California and other jurisdictions, to further broaden private and institutional syndicate pools.
- In collaboration with Dalhousie University, InNOVAcorp explored the potential establishment of a commercialization fund with multi-year follow-on investment capacity.
- InNOVAcorp met with investment firms from outside Atlantic Canada that were interested in learning about the highest potential investment opportunities in the region.

## **5. Ensure continuity of the BioScience Enterprise Centre**

*The BioScience Enterprise Centre provides special facilities, infrastructure and services that are critical to the growth and success of its resident life sciences clients. Waterfront development plans require the BioScience Centre to relocate. Relocation scenarios were considered in 2007-2008, and a new BioScience Centre is to be constructed and ready for occupancy in April 2011.*

- With approval from the Province of Nova Scotia Cabinet, InNOVAcorp considered various relocation scenarios and completed negotiations to secure a new site for the BioScience Centre.
- 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 Centre. Based on the analysis of over 10 years of experience at the existing BioScience Centre and InNOVAcorp's HPI™ business model, the strategy outlined how InNOVAcorp will ensure a seamless, on budget, one-move transition into a new building that allows for expansion and minimum inconvenience for existing tenants, attracts new high potential early stage companies, and maximizes synergies with industry, academic, and institutional life sciences research activities.
- InNOVAcorp prepared a request for proposals to solicit submissions from specialty architects to create detailed architectural plans for the proposed new facility.
- A high level plan outlining the intended transition of current clients was completed, ensuring that existing and prospective clients are comfortable with InNOVAcorp's go-forward strategy.
- InNOVAcorp and the Waterfront Development Corporation agreed upon terms of lease for the lease extension of the current BioScience Centre.

The relocation of the BioScience Enterprise Centre will positively impact InNOVAcorp, the facility's clients and the life sciences industry in Nova Scotia. InNOVAcorp will welcome

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 world-class specialized scientific infrastructure.

## 2007-2008 Financial Results (Combined results for InNOVAcorp and the BioScience Enterprise Centre\*)

Summary By Section	Budget 2007-2008 (\$ thousands)	Actual 2007-2008 (\$ thousands)	Variance 2007-2008 (\$ thousands)
<i>Revenue</i> – NS Funding, Operating Revenue, and consolidated venture investment	\$7,400	\$7,068	(\$332) <sup>1</sup>
<i>Operating Expenses</i> – Investment, Incubation, Mentoring, Product Engineering and consolidated venture investment	4,225	4,025	(200) <sup>2</sup>
<i>Corporate Expenses</i> – corporate services, administration, facilities management	1,911	1,815	(96) <sup>3</sup>
<i>Minus Net Non Operating Items</i> – investment income, interest on long-term debt, post-retirement benefits, amortization, restructuring, discontinued operations, unusual items	1,539	1,875	336 <sup>4</sup>
<b>Net Income (Loss)</b>	(\$275)	(\$647)	(372) <sup>5</sup>

\* 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 less than budget due to:

- Deferral of government funding related to I-3 Technology Start-Up Competition items to be paid in 2008-2009 (\$178K)
- Anticipated sale of non-strategic Knowledge Park land did not occur (\$150K)

2. Actual Expenses were less than plan due to:

- Mentoring expenditures were less than budgeted (\$182K) as some I-3 Technology Start-Up Competition items will not be made until 2008-2009
- Operating Expenses were less than budgeted (\$19K) primarily because of the timing related to staff hiring. The reduction in expenses was partially offset by higher than anticipated energy costs.

3. Actual Expenses were less than plan due to bad debt expense being less than budgeted (\$83K).

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

- Nova Scotia First Fund (NSFF) investment writedowns were more than budgeted (\$734K)
- Mitigated by:
- NSFF Investment income higher than budgeted (\$358K)

5. The net loss is primarily attributable to non-cash items such as writedowns, amortization and post retirement benefits.

## **Performance Measures**

Below is an assessment of InNOVAcorp's progress towards the performance measures outlined in our 2007-2008 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 they are thriving.

*Where are we now?*

In 2007-2008, our current and graduate client companies generated \$225 million in revenues, exceeding the target of \$200 million. A high percentage (98%+) 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 2008-2009, we anticipate client revenues to increase to \$240 million.

### **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 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 2007-2008, our current and graduate client companies employed 1500 people, representing \$62 million in employment payroll, exceeding the target projected in the 2007-2008 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 2008-2009, we expect our client companies will employ 1600 people, with an employment payroll of \$70 million.

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

*What does this measure tell 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, 2008, InNOVAcorp had leveraged \$22.8 million from financial institutions, strategic and angel investors, and other seed and venture capital funds for early stage high growth Nova Scotia companies. About \$12.5 million of this investment originated from outside Atlantic Canada. As of March 31, 2008, the cumulative amount of investment made in NSFF investee companies since 1996 was \$96.6 million.

In 2007-2008, InNOVAcorp achieved a leverage ratio of 1:2.1, meaning that for every \$1 invested by the NSFF, \$2.10 was invested by syndicated investors.

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

In 2008-2009, the targeted range of cumulative amount of investment made in client companies in which investments were made by the NSFF is \$101.3 million.

Our 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. 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 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 spring 2008, 92 per cent of clients were satisfied with InNOVAcorp's services; the same percentage as the previous year. Eighty-eight per cent of clients said they would recommend our services to a friend or colleague, which is a slight, statistically insignificant drop from 2007, but of course InNOVAcorp will closely analyze the feedback and look for ways to improve its offering to clients.

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

In our 2008-2009 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 active and new engagements with Nova Scotia-based companies**

*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 Nova Scotia client companies. Through our specialized services and state-of-the-art facilities, InNOVAcorp's High Performance Incubation (HPi)<sup>TM</sup> business model serves a wide variety and growing number of clients. We aim to further strengthen our suite of service 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 2007-2008, InNOVAcorp provided advisory services and relationship management support to more than 158 early stage Nova Scotia companies, and reviewed and advised 22 university research-level projects, greatly exceeding the target of 116 engagements projected in the 2007-2008 business plan. Further, in addition InNOVAcorp also provided value added guidance to an additional 121 companies that made submissions to the province-wide I-3 Technology Start-Up Competition. Of all the engagements referenced above, InNOVAcorp has formal agreements and ongoing relationships with 43 active HPi clients.

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

In 2008-2009, we forecast having 45 companies as active HPi clients and expect 200 new engagements with Nova Scotia companies. When reviewing this performance measure, it should be noted that each year it is natural for some clients to leave the InNOVAcorp business model and new ones to come in.



## **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 2007-2008, we welcomed 11 new client companies to our High Performance Incubation (HPi)<sup>TM</sup> business model, coming close to meeting the target projected in the 2007-2008 business plan.

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

In 2008-2009, we forecast adding 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 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 2007-2008, we maintained an average occupancy rate of 88 per cent at our incubation facilities, coming close to the projected target of 91 per cent. It is important to note that a 90 per cent 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 existing clients that are ready to expand.

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 increase the average occupancy rate at our incubation facilities to 90 per cent in 2008-2009.

**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 2007-2008, 46 of our current and graduate client companies were exporting products and services, slightly below the target of 52 companies.

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

In 2008-2009, our target is to have 45 current and graduate client companies exporting products and services.