

ACCOUNTABILITY REPORT 2013-2014

innovacorp
EARLY STAGE VENTURE CAPITAL

We get invested.



Table of Contents

| | |
|-----------------------------------------------|----|
| ACCOUNTABILITY STATEMENT | 1 |
| INTRODUCTION | 2 |
| INNOVACORP PROGRESS AND ACCOMPLISHMENTS | 4 |
| FINANCIAL RESULTS | 9 |
| PERFORMANCE MEASURES | 11 |

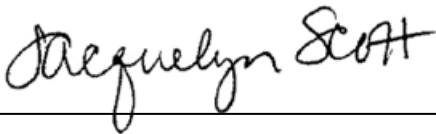
Accountability Statement

Innovacorp's accountability report for the year ending March 31, 2014, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against Innovacorp's business plan for the fiscal year 2013-2014. 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.



Honourable Michel Samson
Minister, Economic and Rural Development
and Tourism



Jacquelyn Thayer Scott
Chair, Innovacorp Board of Directors



Stephen Duff
President & CEO, Innovacorp

Introduction

This accountability report covers the Innovacorp business plan for 2013-2014 and therefore should be read in conjunction with that plan, which you can download at www.innovacorp.ca/about-us/corporate-publications. The report reviews the goals and priorities set in the spring of 2013 and describes the accomplishments and progress achieved during the year ending March 31, 2014. Financial results are provided with an explanation for any significant budget variances.

As Nova Scotia's early stage venture capital organization, Innovacorp plays an important part in the province's plan to support high-potential, entrepreneur-led companies. The young, knowledge-based companies Innovacorp invests in and assists are innovative and globally competitive, and they create good jobs. These start-ups are vital to growing our economy.

The importance of start-ups to the economic development and prosperity of Nova Scotia was markedly evident in a recently published survey of the regional start-up community.¹ Of 162 start-ups surveyed in Atlantic Canada, 139 were Nova Scotia-based. Employment in the companies surveyed increased 43 per cent in 2013 compared to 2012 and employment was expected to grow a further 52 per cent in 2014. Company revenues and payrolls were also up from 2012 to 2013 by 30 per cent and 44 per cent, respectively, and Nova Scotia start-ups successfully raised \$30.1 million in equity capital to help fuel their continued growth.

Indeed, risk capital is the lifeblood of any early stage company. The companies in Innovacorp's portfolio require risk capital to help fund their start-up and early development phases. Nova Scotia is considered an underserved market when it comes to access to risk capital, and so the Province of Nova Scotia, through Innovacorp, plays an important part in supporting these promising companies.

Since its inception under the Innovation Corporation Act (1994-1995), Innovacorp has invested in 54 early stage, knowledge-based companies. These investments, totaling \$32.2 million, have successfully leveraged approximately \$100 million in equity from other investors, primarily venture capital sources from outside the region. The pace of investment activity has increased considerably in the past three years – 35 transactions totaling \$15.6 million in Innovacorp investment – as a direct result of a strategic shift in investment policy intended to better align risk tolerance to deal flow and the evolving needs of the Nova Scotia start-up community.

In addition to the investments it has made directly in Nova Scotia companies, Innovacorp also funded investments made by our limited partnerships in Build Ventures, the regional venture capital firm, and Cycle Capital, a clean technology fund.

In 2013-2014, Innovacorp continued to focus on enhancing its pipeline of investment opportunities, made investments in high-potential companies, and worked closely with these companies to help them achieve success. Last year, these portfolio companies generated about \$25.2 million in revenues and directly employed approximately 347 people resulting in a payroll of roughly \$25.7 million, most of which was in the form of high-value jobs. Furthermore, we made 11 new investments in 10 companies, committing up to \$5.1 million and leveraging an additional \$8.5 million in equity investment, primarily from venture capital sources outside Nova Scotia.

¹ [Entrevestor Intelligence – "Startup East" April 2014 • Volume 3, Issue 1](#)

Along with capital investment, Innovacorp provided tailored, hands-on business guidance to the companies it invested in. It also delivered world-class incubation services and facilities – places Nova Scotia’s technology entrepreneurs can call home. At fiscal year end, Innovacorp’s incubation facilities, the Technology Innovation Centre (TIC) in Dartmouth and the Innovacorp Enterprise Centre (IEC) in Halifax, stood at 91.2 per cent and 89.2 per cent occupancy, respectively.

The following pages provide details about Innovacorp’s activities and accomplishments in 2013-2014. We are proud of our 2013-2014 results, but there is always more that needs to be done. We look forward to 2014-2015 and further increasing innovation, entrepreneurship, and business success stories in Nova Scotia.

Innovacorp Progress and Accomplishments 2013-2014

As Nova Scotia's early stage venture capital organization, Innovacorp is an important part of the province's start-up ecosystem. The young, knowledge based companies we invest in and assist are innovative, globally competitive, and vital to growing our economy. Our business model incorporates venture capital investment, hands-on business guidance, and world-class incubation facilities, to help entrepreneurs overcome traditional hurdles to business growth.

Nova Scotia's ability to compete – regionally and globally – is increasingly reliant on the success of its knowledge-based companies. These high-growth companies positively affect the province's prosperity more than any other part of the economy. Innovacorp's focus is to find, fund and foster globally competitive knowledge-based companies and the Nova Scotia entrepreneurs who lead them – entrepreneurs who are striving to change the world.

The Ivany Commission "One Nova Scotia" report (www.oneNS.ca/report/) released in February 2014 has tabled 19 goals as a prescription for positive socio-economic transformation over the next decade. Twelve of these goals are related to economic development, including targets for business start-ups, venture capital, export development, and research and development partnerships between business and academia. Innovacorp continually collaborates with entrepreneurs, private sector organizations, professional services firms (e.g., legal, financial), angel and venture capital investors, academia, industry associations and public sector agencies to help create a dynamic entrepreneurial culture throughout Nova Scotia and deliver on the province's strategy to support the winning conditions for private sector companies to create good jobs and grow the economy.

As stated in our 2013-2014 business plan, our performance for that year can be measured against three key priorities:

Priorities for 2013-2014

1. Maximize the Impact of the Nova Scotia First Fund

Innovacorp is Nova Scotia's early stage venture capital organization. One of Innovacorp's key assets is the Nova Scotia First Fund (NSFF) – combined with venture capital investment expertise. The fund targets emerging venture-grade technology companies with high-growth potential and attractive risk-return prospects. Innovacorp's strategy has been to strengthen the goodwill and credibility for the region and to build the return track record of the asset class, thereby driving the attraction of more capital to the region. A priority in 2013-2014 was to sustain our investment pace by making 7-10 investments in early stage Nova Scotia companies in the information technology, life sciences and clean technology sectors. Further, Innovacorp sought co-investors to leverage NSFF investments and to syndicate with venture capital partners from outside Nova Scotia and increase the pool of risk capital in Nova Scotia.

- In 2013-2014, Innovacorp made 11 investment commitments totaling \$5.1 million in 10 promising technology companies in Nova Scotia. These investments leveraged an additional \$8.5 million in venture capital investment from sources outside the province. Innovacorp maintained a high level of due diligence related to each of these investments while staying on budget and maintaining a brisk deal flow pace.

- Innovacorp made investments in information technology sector companies, including Karma Gaming (\$1.5 million), Analyze Re (\$600,000), TopLog (\$250,000), Up My Game (\$250,000), InNetwork (\$250,000) and Livelenz (\$110,000).
- Innovacorp made investments in life sciences sector companies, including Performance Genomics (\$100,000 first tranche of a \$250,000 commitment) and DeCell (\$227,000).
- Innovacorp made investments in clean technology companies, including TruLeaf (\$500,000) and CarbonCure Technologies (\$750,000).
- As of March 31, 2014, the NSFF had \$31.7 million available to invest in early stage knowledge-based Nova Scotia companies.

2. Optimize the Value of Innovacorp's Incubation Facilities

In 2013-2014, Innovacorp continued to optimize the incubation client experience at the Innovacorp Enterprise Centre (IEC) on the Dalhousie University campus, the Technology Innovation Centre (TIC) in Dartmouth, and at the "grow out" facility at 101 Research Drive in Dartmouth, primarily occupied by Royal DSM (formerly Ocean Nutrition Canada).

- In 2013-2014, Innovacorp delivered world-class incubation services and facilities to Nova Scotia's technology entrepreneurs. At fiscal year end, Innovacorp's incubation facilities, the Technology Innovation Centre (TIC) in Dartmouth and the Innovacorp Enterprise Centre (IEC) in Halifax, stood at 91.2 per cent and 89.2 per cent occupancy, respectively. Innovacorp also maintained affiliations with incubators at NSCC in Middleton, Acadia University, and Venture Solutions in Sydney.
- Innovacorp secured \$500,000 in funding from ACOA, which leveraged internal capital funds to fit-up three additional lab/office spaces at IEC for new clients and existing clients requiring additional space. At the end of March 2014, of the roughly 40,000 square feet of space at IEC, about 4,900 square feet remained as greenfield space and available for fit-up.
- Telecommunications infrastructure improvements were deployed across Innovacorp's facilities, including IEC and TIC. This included the installation of audio/visual conferencing equipment that allows for high-quality business-to-business conferencing for Innovacorp incubation clients as well as a virtual meeting environment for Innovacorp staff across our facilities.
- An IT maintenance and troubleshooting ticket system was introduced for Innovacorp incubation clients and staff. The system captures, time-stamps and issues work orders for client requests related to Innovacorp's IT services. The result has been improved responsiveness and transparency of IT service requests for incubation clients and staff.
- A new entry and exit screening system was designed and implemented to ensure the best possible client mix in Innovacorp's incubation facilities.

- In October 2013, Innovacorp was named one of five designated Canadian business incubators/accelerators under the federal Start-up Visa Program. The program is intended to attract foreign entrepreneurs who wish to establish new, high-growth businesses in Canada that will support innovation and job creation. Innovacorp can recommend entrepreneurs to receive a start-up visa from Citizenship and Immigration Canada under the business incubation stream of the program. To be eligible to receive a start-up visa, prospective immigrant entrepreneurs must prove their business venture is supported by a designated organization; meet Canadian language requirements; meet the education requirements; and have a sufficient settlement fund. As of March 31, 2014, Innovacorp had received 105 expressions of interest and 37 completed applications from the Start-up Visa portal on our website. Of these, five advanced to due diligence and two are under active consideration.
- Innovacorp continues to share best practices with other organizations in Nova Scotia and beyond to increase the number of successes and maintain a strong brand for incubation. Two Innovacorp employees are members of the Canadian Association of Business Incubation (CABI) board of directors and regularly benchmark best practices across the country. Innovacorp is also a member of the National Business Incubation Association (NBIA), an association serving 1,900 members in 60 countries. This allows us to extend our benchmarking practices internationally.

3. Enhance Nova Scotia's Start-up Community

Innovation and entrepreneurship are cornerstones of any long-term economic growth strategy. While entrepreneurs must take the lead in building the start-up community, Innovacorp has a significant role to play in helping to create a mature start-up culture and community in Nova Scotia. We achieve this through targeted events, programs and initiatives while expanding our services to underserved parts of the province.

- Through a variety of initiatives in 2013-2014, Innovacorp continued to enhance its clients' abilities to address the challenges of running a start-up. The popular Business Over Breakfast series delivered an information-rich interactive learning experience on such topics as student start-ups, oceans technology, the art of the pitch, venture capital, monetizing social media, intellectual property, lean start-up methodology, angel investing and technology licensing. The implementation of live-streaming technology now allows Innovacorp to deliver Business Over Breakfast to nodes in rural Nova Scotia.
- Innovacorp is a founding member of and an active participant in TecSocial, a monthly meeting in Sydney for those with an interest in technology and entrepreneurship. The meetings, which typically consist of a presentation from a start-up followed by networking, are live broadcast and posted to YouTube. In 2013-2014, Innovacorp organized nine TecSocial gatherings, which included presentations from Cape Breton technology companies 45 Drives, StompLabs, Billdidit and Heimdall Networks.
- In 2013-2014, Innovacorp ran a record number of competitions, including the bi-annual I-3 Technology Start-Up Competition, two cohorts of the Early Stage Commercialization Fund initiative, and Spark

Cape Breton, a pilot competition for early stage, pre-revenue start-ups in Cape Breton and the Mulgrave area.

- The 2013-2014 I-3 Technology Start-Up Competition drew a record 228 submissions from five zones across the province, up 60 per cent over the previous competition. In total, \$900,000 in cash, seed investment, and in-kind services was awarded to winners. First-place zone winners each received \$100,000 in cash and in-kind services and the second-place winners earned a \$40,000 package. Also, there were four \$25,000 cash awards for the best submissions in information technology, life sciences, clean technology, and oceans technology. The provincial winner, Sydney-based Heimdall Networks, received an additional grand prize of \$100,000 in seed investment from Innovacorp.
- The Early Stage Commercialization Fund competition (ESCF) assists and supports the academic community in the pursuit of entrepreneurial opportunities. The purpose of ESCF is to provide support 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 industry partners and/or investment. The prospect of generating a new revenue stream must also be apparent. In 2013-2014, Innovacorp ran two ESCF cohorts. The first cohort awarded eight projects a total of \$299,000 in funding, and the second cohort awarded seven projects a total of \$287,000.
- With support from Nova Scotia Economic and Rural Development and Tourism and Enterprise Cape Breton Corporation, Spark Cape Breton was piloted in 2014 to offer funding and mentoring to help new technology companies based in Cape Breton develop their products. To enter, companies needed to have a new knowledge-based product or service and zero sales revenue since inception. Funds awarded were used to support the completion of prototypes or preparation for taking the product or service to market. From a total of 25 submissions, six new technology companies were awarded a total of \$200,000 in cash.
- In January 2014, a Student in Residence (SiR) was welcomed to Innovacorp as part of an internship through the Dalhousie University corporate residency MBA internship program. The SiR is developing a web-based offering to help teachers and students improve learning outcomes through apps and games. We are proud to also note that Innovacorp was the recipient of a Progress Innovation Award in the “new initiative” category from Progress Media for our SiR program. SiR is a relatively new program that provides student entrepreneurs with valuable experience while giving Innovacorp a new way to encourage entrepreneurship. Successful SiR candidates take up residence at Innovacorp’s office and work with our top talent. The SiR is awarded a base salary and start-up cash.
- Innovacorp participated in numerous regional, national and international events with a view to extending our networks to help build a vibrant start-up ecosystem. Events such as Atlantic Venture Forum, Invest Atlantic, Detour and VC-Ski Wentworth were successful in attracting venture capital partners from outside the province – socializing them to local start-ups and local angel and venture capital investors.

- In 2013-2014, Innovacorp investment team members developed new relationships with Canadian Entrepreneurs in New England (CENE), an organized group of Boston-based Canadian entrepreneurs with a mandate to help Canadian technology-based start-ups. Additional connections were made at C100, an organized group of Canadian entrepreneurs in Silicon Valley with a similar mandate.
- In 2013-2014, Innovacorp worked with Volta Labs, a Halifax-based IT start-up house, to coordinate regular office hours for Innovacorp investment team members at Volta, providing real-time opportunities for early stage technology entrepreneurs to interact with and seek advice from Innovacorp professionals on securing risk capital. A number of Volta-based start-ups have received early stage investment from Innovacorp, including existing tenants TopLog and The Rounds, as well as Volta alumni companies TitanFile, Up My Game and Analyze Re.
- Throughout the year, Innovacorp secured guest speaking opportunities with students at post-secondary institutions, to share stories about innovative Nova Scotia knowledge-based businesses, talk about support available to entrepreneurs, and lead business case study discussions.

2013-2014 Financial Results

| Summary By Section | Budget 2013-2014 (\$ thousands) | Actual 2013-2014 (\$ thousands) | Variance 2013-2014 (\$ thousands) |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|
| <i>Revenue</i> – Nova Scotia funding and operating revenue | \$9,405 | \$9,859 | \$454 |
| <i>Operating Expenses</i> – Incubation and Investment | 6,430 | 7,041 | (611) |
| <i>Corporate Expenses</i> – corporate services, administration, facilities management | 1,823 | 1,635 | 188 |
| <i>Minus Net Non-Operating Expenses</i> – interest expense on long-term debt, post-retirement benefits, amortization, less investment income | 1,293 | 1,496 | (203) |
| <i>Plus</i> – statutory capital advances re NSFF and clean technology fund investments | - | 4,421 | 4,421 |
| Net (Deficit) Surplus | \$(141) | \$4,108 | \$4,249 |

Explanation of Variances

Revenue

Innovacorp's revenue was \$454 thousand higher than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

| | |
|------------------------------------------------------------------------------------------|----------------|
| Budget 2013-2014 | \$9,405 |
| Clean technology funding not required as awards were not granted | (960) |
| Additional Nova Scotia funding for Early Stage Commercialization Fund awards | 525 |
| Additional Nova Scotia funding for Innovacorp Demonstration Centre | 464 |
| Additional funding for various events held or sponsored | 177 |
| Additional Nova Scotia funding for Spark awards | 100 |
| Increase in operational revenue at Innovacorp Enterprise Centre as green space is fit-up | 57 |
| Directors fees earned in excess of budget | 34 |
| Other | 57 |
| Actual 2013-2014 | \$9,859 |

Operating Expenses

Innovacorp's operating expenses were \$611 thousand higher than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

| | |
|-----------------------------------------------------------------------------------------|----------------|
| Budget 2013-2014 | \$6,430 |
| Clean technology awards not granted | (960) |
| Unbudgeted Early Stage Commercialization Fund awards | 536 |
| Unbudgeted Innovacorp Demonstration Centre costs | 464 |
| Unbudgeted events held or sponsored | 177 |
| Increase in outside services primarily related to portfolio companies | 156 |
| Unbudgeted Spark awards | 100 |
| Increase in salaries and benefits primarily related to staffing changes during the year | 99 |
| Other | 39 |
| Actual 2013-2014 | \$7,041 |

Corporate Expenses

Innovacorp's corporate expenses were \$188 thousand lower than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

| | |
|-------------------------------------------------------------------------------------------------|----------------|
| Budget 2013-2014 | \$1,823 |
| Salaries and benefits savings due to unfilled positions and position filled later than budgeted | (166) |
| Other | (22) |
| Actual 2013-2014 | \$1,635 |

Net Non-Operating Expenses

Innovacorp's net non-operating expenses were \$203 thousand higher than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

| | |
|-----------------------------------------------|----------------|
| Budget 2013-2014 | \$1,293 |
| Investment impairments in excess of budget | 662 |
| Post-employment benefits in excess of budget | 202 |
| NSFF portfolio earnings in excess of budget | (230) |
| Gain on sale of land in excess of budget | (196) |
| Unbudgeted gain on exit of venture investment | (163) |
| Other | (72) |
| Actual 2013-2014 | \$1,496 |

Statutory Capital Advances

Statutory capital advances are unbudgeted and are recognized as revenue at the later of the date on which the funds are received from the Province of Nova Scotia and the date on which an eligible investment is made.

Net (Deficit) Surplus

Innovacorp's surplus was \$4,249 thousand higher than budget primarily as a result of the statutory capital advances received, partially offset by an increase in net non-operating expenses.

Performance Measures

Below is an assessment of Innovacorp's progress towards the performance measures outlined in our 2013-2014 business plan. In 2011-2012, Innovacorp's business model was refined to ensure all activities are investment-led and our performance measures were modified at that time to better reflect the new strategic focus. This section outlines some of the performance measures Innovacorp is currently tracking. We will strive to further strengthen our performance metrics and improve measurement of client progress in building business capability, achieving scale, building exit potential, and generating return on investment.

The metrics below focus on the areas of economic impact, investment and leading indicators of client-related statistics. Using 2011-2012 as a baseline, these metrics will provide an indication of how well Innovacorp's strategic goals are being met.

Key Performance Indicator Summary

| Economic Impact Metric | 2012-13 | 2013-14 | 2014-15 (F) |
|-------------------------------------------------|---------|---------|-------------|
| Revenue generated by portfolio companies | \$22.1M | \$25.2M | \$28.0M |
| Employment generated by portfolio companies | 312 | 347 | 380 |
| Total employment payroll of portfolio companies | \$22.8M | \$25.7M | \$28.0M |
| Investment commitments | \$5.2M | \$5.1M | \$5.0M |
| Leveraged capital | \$5.9M | \$8.5M | \$9.0M |

| Leading Indicator Metric | 2012-13 | 2013-14 | 2014-15 (F) |
|----------------------------------------------------|---------|---------|-------------|
| Number of early stage companies engaged | 130 | 163 | 170 |
| Number of submissions to I-3 competition | 0 | 228 | 0 |
| Number of NSFF investments (excl. competitions) | 10 | 11 | 10 |
| Incubation occupancy levels | 97% | 93% | 85% |
| % of portfolio clients exporting products/services | 92 | 60 | 75 |

Performance Measure: Client company revenue growth

What does this measure tell us?

This measure tracks the annual revenue generated by Innovacorp's portfolio companies, defined as those companies in which Innovacorp has invested. Increasing revenue is a key indicator of a company's productivity and overall health.

Where are we now?

In 2013-2014, Innovacorp's portfolio companies generated \$25.2 million in revenues. The vast majority of these revenues were created through exports of products and services outside Atlantic Canada. This revenue is less than the \$30 million target set out for 2013-2014 primarily due to the number of portfolio companies that remained pre-revenue.

Where do we want to go in the future?

We expect to make 7 – 10 new investments in 2014-2015 and a portion of these will be follow-on investments in existing portfolio companies. New portfolio companies are expected to be pre-revenue, while revenue growth in existing portfolio companies is expected to increase to \$28 million in 2014-2015.

Performance Measure: Employment generated by client companies

What does this measure tell us?

This measure tracks the annual employment generated by Innovacorp's portfolio companies – a standard measure of the economic impact of a business. The ability of Innovacorp's clients to create sustainable employment, and their resulting payrolls, is both a contributor to Nova Scotia's economy as well as an indication of a company's progress along the path to commercialization.

Where are we now?

In 2013-2014, Innovacorp portfolio companies employed 347 knowledge-based professionals, resulting in an aggregate payroll of \$25.7 million. These results are consistent with our 2013-2014 forecasts of 350 jobs and \$26 million in payroll.

Where do we want to go in the future?

In 2014-2015, we expect that existing and new Innovacorp portfolio companies will employ approximately 380 people and generate \$28 million in aggregate payroll.

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

What does this measure tell us?

Innovacorp invests in promising early stage, knowledge-based companies through the NSFF to ensure new businesses have the required capital to achieve their full potential at this stage. 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 by other investors. Innovacorp tracks the cumulative amount of investment made in NSFF portfolio companies, calculating it both as a ratio and in millions of Canadian dollars.

Where are we now?

In 2013-2014, Innovacorp made 11 investment commitments totaling \$5.1 million in 10 promising technology companies through the NSFF. These investments leveraged an additional \$8.5 million in investment from financial institutions, strategic and angel investors, and other early stage venture capital funds. The cumulative amount of investment leveraged since 1996 is \$140.6 million.

Where do we want to go in the future?

In 2014-2015, the target cumulative amount of investment leveraged for NSFF companies will reach \$154.6 million. Our goal is to make \$5 million in additional NSFF investments and attract approximately \$9 million from outside Nova Scotia.

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

What does this measure tell us?

Innovacorp's portfolio clients reflect the success and effectiveness of our business model. Continually looking to attract high-potential Nova Scotia companies, we strive to strengthen our service offerings and encourage client growth through supporting improved productivity and competitiveness in global markets.

Where are we now?

In 2013-2014, Innovacorp engaged with and provided business guidance to 163 companies, which was above our target of 130 engagements. We continue to see increases directly related to the activity of

Innovacorp's regional managers in Cape Breton and the Annapolis Valley. In addition to the 160 companies assisted, Innovacorp engaged 228 companies that made submissions to the bi-annual I-3 Technology Start-Up Competition and worked with a number of university research-level projects that have the potential for later commercial success.

Finally, and as noted above, in 2013-2014 Innovacorp made 11 investments in 10 promising technology companies through the NSFF.

Where do we want to go in the future?

In 2014-2015, we forecast having 170 new engagements with Nova Scotia early stage knowledge-based companies and making seven to 10 new investments. When reviewing this performance measure, it is important to note that over the course of the company life cycle, some portfolio companies will exit the Innovacorp portfolio and new companies will enter.

Performance Measure: Number of new clients

What does this measure tell us?

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

Where are we now?

In 2013-2014, Innovacorp welcomed six new portfolio companies, made follow-on investments in four existing portfolio companies, and funded investments made by our limited partnerships in Build Ventures, the regional venture capital firm, and Cycle Capital, a clean technology fund. This number slightly exceeds the target of nine NSFF investments set out in the 2013-2014 business plan.

Where do we want to go in the future?

In 2014-2015, we expect to make seven to 10 investments, which will include a number of follow-on investments in our existing portfolio companies.

Performance Measure: Incubation occupancy levels

What does this measure tell us?

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

Where are we now?

The occupancy rate across both Innovacorp incubators in 2013-2014 was, on average, 93 per cent. As at March 31, 2014, the occupancy rate at the Technology Innovation Centre was 91.2 per cent while the Innovacorp Enterprise Centre occupancy rate was 89.2 per cent. These rates slightly exceeded the target of 85 per cent.

Where do we want to go in the future?

Our goal for 2014-2015 is to have an occupancy rate around 85 per cent, which is considered to be the best-practice rate for incubation facilities in order to have space available for new clients and existing companies that are ready to expand. Innovacorp will continue to refine the tenant recruitment strategy to ensure that the right mix is achieved.

Performance Measure: Number of clients exporting products/services internationally

What does this measure tell us?

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

Where are we now?

In 2013-2014, 60 per cent of Innovacorp's portfolio companies were exporting their products and services. This figure is considerably less than the target of 90 per cent that was set out for the year, primarily driven by the number of portfolio companies that continue to be pre-revenue. All portfolio companies with revenue are exporting.

Where do we want to go in the future?

In 2014-2015, our target is 75 per cent of our portfolio companies exporting their products and services. Several portfolio companies are currently at pre-revenue and we expect results to improve as these companies gain traction with customers and generate export revenues in 2014-2015.