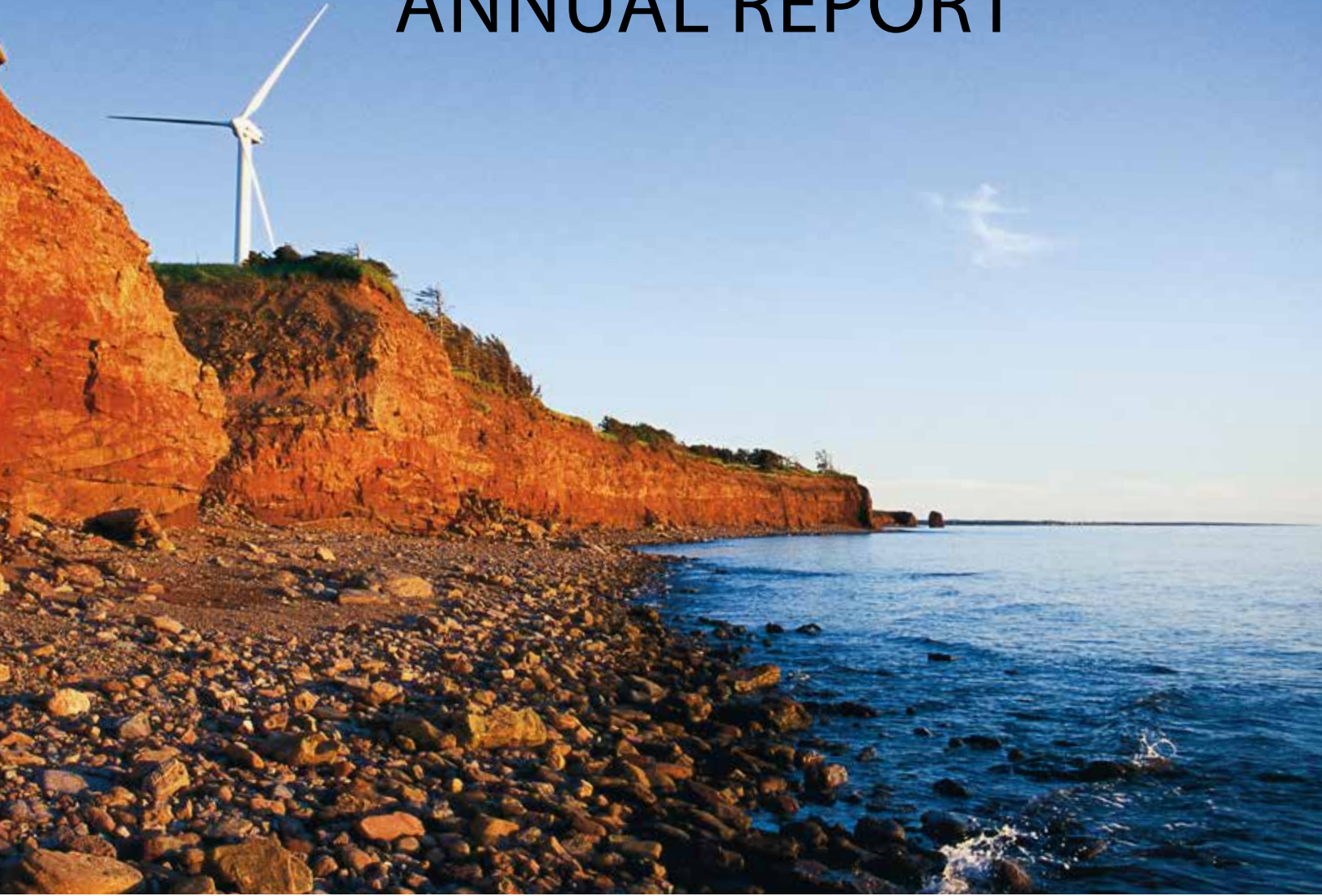


innovationpei

ANNUAL REPORT



2018 - 2019

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

September 30, 2019

The Honourable Matthew MacKay
Minister of Economic Growth, Tourism and Culture
Province of Prince Edward Island

Dear Minister MacKay:

Please accept the Annual Report for the fiscal year ending March 31, 2019, in accordance with the *Innovation PEI Act*.

During the fiscal year, financial assistance of \$35,181,532 was approved to support over 1,250 business projects, with focus on business improvements, innovations, expansions and startups.

With direction from your Department, Cabinet and our private sector Board of Directors, Innovation PEI will continue to support the growth, diversification and strength of our economy.

Respectfully submitted,



Tyson Bradley
Chief Executive Officer
Innovation PEI



INNOVATION PEI

Innovation PEI, the lead economic development agency for the Province, fosters strategic partnerships with industry, academia, non-governmental organizations, and other government agencies and departments to develop a prosperous and vibrant economy with the goal of sustainable employment opportunities for Islanders.

Innovation PEI is focused on accelerating economic development in Prince Edward Island by investing in people, innovation and infrastructure. Acting as a key entry point for entrepreneurs and small to medium-sized firms pursuing business development initiatives, Innovation PEI encourages domestic and global investment, business expansion, innovation, diversification, and sales through the delivery of financial supports and services.

CORPORATE MANAGEMENT

The Corporate Management Division supports the overall mandate and initiatives of Innovation PEI and its divisions. Innovation PEI works with a board of directors appointed from diverse areas of the private sector and our post-secondary institutes to provide guidance and non-governmental perspective on the direction and activities of the agency.

BUSINESS DEVELOPMENT & INNOVATION

The Business Development and Innovation Division is responsible for the coordination and delivery of supports and services to new and existing businesses located within PEI. The division is client focused and provides business counseling and financial assistance; supports entrepreneurship education & promotion; and focuses on the needs of new entrepreneurs, including the growing immigrant entrepreneur population. In 2018, responsibility for Island-based businesses in the strategic sectors of aerospace, bioscience, information technology, advanced marine technology, and renewable energy was transferred to the division. The division works closely with the Global Trade Services and Business Attraction divisions to present local business with opportunities to grow through diversification, efficiencies and export growth.

Business Development Officers are located across the province with offices in Alberton, Summerside, Charlottetown, and Montague. A satellite office is located in Souris, and is open one day a week.

Key accomplishments in the 2018-19 fiscal year included:

- Delivery of financial incentives related to over 1,000 projects;
- Partnered with RDÉE Prince Edward Island and Food Island Partnership on Ignition-branded start-up competitions targeting Francophone and food industry entrepreneurs. The original Ignition Start-up Fund continues, with each of these initiatives providing a grant of up to \$25,000 to each successful applicant to help launch a business start-up.
- Assisted PEI manufacturers such as PEI Bag Company, Meyer Housewares and Myers Welding to acquire innovative equipment to improve productivity and quality - resulting in increased throughput - and creating opportunities to increase sales and explore new markets.
- Provided financing for the start-up or expansion of several PEI craft breweries, to produce and market unique craft beer and cider products. Supported companies included Red Island Cider, Bogside Brewing, Upstreet Brewery, Copper Bottom Brewing, Evermoore Brew-

ing Company, and The Lone Oak Brewery and Cidery.

- The Small Business Investment Grant was announced in the 2018 provincial budget, and first received on-line applications in April, 2018. The grant provides a financial contribution toward the purchase of eligible capital assets to support Prince Edward Island's small business community to improve efficiency and innovation. During the year, 288 PEI businesses benefited from Small Business Investment Grants totaling \$775,394.



94 Euston Street, Charlottetown, PEI

BUSINESS ATTRACTION & EMERGING SECTORS

The Business Attraction Division is responsible for attracting business investment and foreign direct investment to Prince Edward Island in the strategic sectors of aerospace, bioscience, information technology, advanced marine technology and renewable energy. The division works with strategic partners including the PEI BioAlliance, Slemon Park Corporation, the City of Summerside, the City of Charlottetown, and Global Affairs Canada in promoting Prince Edward Island as a business location. In addition, the division is responsible for the management and operation of the LaunchPad PEI Program and the administration of the Start-Up Visa Program through LaunchPad PEI.

The vision for the division is to be the most responsive and client-focused business attraction unit in Canada. Success will be measured by its ability to create new employment positions within PEI's emerging sectors in addition to new business investments and startups, multi-national company expansions, Provincial return on investment of projects, impact in the province, and strategic importance.

Key accomplishments in the 2018-19 fiscal year included:

- Attraction of eight new business investments to Prince Edward Island for projected employment of 123 positions;
- Attracted six entrepreneurs through the Start-Up Visa Program that are projected to create seventeen new positions;
- Supported five business expansions from existing multi-national companies that will create an estimated 339 new positions;
- 153 projects in the sales cycle at varying degrees of conclusion at year end.

CULTURAL DEVELOPMENT

The Cultural Development Division is responsible for the implementation of *Cultivating Growth: A Five Year Action Plan for Culture and Creative Industries*. The goals of the division are to build capacity and improve the opportunities in the arts and creative industries in PEI; support the social and economic growth of culture in Island communities; and help to share our people and stories with the world through export.

The Cultural Development Division works primarily with industry groups and associations, and also with cultural organizations that contribute to the economic and social development of Prince Edward Island. The division's scope is province-wide and requires collaboration with the provincial departments responsible for education, workforce, and tourism to develop and deliver supports. Community partners and other levels of government are also key partners for the division, which often works with Rural Development Officers and Innovation PEI Business Development Officers across the province.

Cultural Development highlights for the 2018-19 fiscal year are included in the *Cultivating Growth: A Five Year Action Plan for Cultural and Creative Industries – Year One Update* section of this report.

GLOBAL TRADE SERVICES

The Global Trade Services Division is mandated to grow revenue created from export sales, and works closely with Prince Edward Island companies to help them become export-ready by supporting businesses to seek new opportunities for their products and services around the world. The division provides market specific information, training workshops, funding, and in-market support for companies pursuing export opportunities. Growing PEI exports, so vital to the economy, is accomplished via a three-fold approach: increase the number of PEI export companies, diversify export markets, and grow export revenues.

Global Trade Services works closely with the Business Development & Innovation and the Business Attraction divisions to ensure PEI companies are export-ready. The collaborative effort at Innovation PEI supports and develops incremental and diverse export opportunities.

The division also works across industry and Government to create partnerships that will leverage all parts and pieces of investment in export efforts. Global Trade Services has embraced the Atlantic Growth Strategy and continues to implement Atlantic Trade and Investment Growth Strategy initiatives to support the common goal and complement our existing programs.

At the conclusion of the 2018 calendar year, Global Trade Services highlights included:

- Continued growth of 5.4% in the export of PEI goods, to more than \$1.46 billion;
- Increased PEI export of goods to \$139 million to the European Union, a 13.6% increase from 2017; and
- More than \$1 billion in goods exported to the United States for the second consecutive year, setting a record high with a 5.9% increase over 2017.

BIO | FOOD | TECH

Bio|Food|Tech is a subsidiary company of Innovation PEI and provides technical expert services to food and bioscience processing companies from Concept to Pilot to Market. Seventy projects were completed for clients by Bio|Food|Tech in 2018-19.

Of the completed projects, 45 were direct project contracts between Bio|Food|Tech and clients; 25 projects were supported through a National Research Council-IRAP Contribution Agreement with Bio|Food|Tech. This agreement allows companies to do small projects free of charge and without red tape, and provides Canadian Small and Medium Enterprises (SMEs) with fast response innovation and technical support.

An additional 75 projects were ongoing at the end of the year – 44 through the NRC-IRAP agreement, and 31 via direct contracts between Bio|Food|Tech and clients.

Bio|Food|Tech offers practical industry workshops within the categories of Food Safety and Artisan Manufacturing, covering topics such as allergen risk management, HACCP and the Control of Listeria, quality control, craft distilling, beverage fermentation, cheese making, and charcuterie.

Bio|Food|Tech provides accredited food safety analysis services to Prince Edward Island's seafood and agri-food processing industry, enabling processors to export their excellent food products to national and international markets. The Standards Council of Canada (SCC) technical experts visit every two years to examine and verify the lab's technical competence in every one of the twenty tests that are on Bio|Food|Tech's Scope of Accreditation. SCC audits the quality system to ensure that internationally-recognized ISO 17025:2017 procedures are followed precisely, that results are accurate and that complete records are kept. SCC also reviews the results from the many Proficiency Programs in which Bio|Food|Tech participates.



101 Belvedere Ave, Charlottetown, PE

SUPPORTING ENTREPRENEURSHIP

Innovation PEI provides supports to entrepreneurs, non-governmental organizations, educators, and the business community to empower, incubate and accelerate our province's entrepreneurial culture. During the year, Innovation PEI provided financial support to a number of organizations that deliver early-stage interventions to develop interest and capacity within potential and existing entrepreneurs. Following is an overview of a number initiatives delivered by these organizations during the 2018-19 fiscal year.

West Prince Ventures Limited

West Prince Ventures Limited is a not-for-profit Community Business Development Corporation, governed by a board of directors and committed to business development and supporting entrepreneurs in West Prince for over 36 years. In early 2019, the organization delivered Management Skills Workshops to provide entrepreneurs with professional development opportunities in business fundamentals such as business plan basics, computerized accounting, and understanding financial statements.

CBDC West Prince Ventures hosted a one day Entrepreneurship Forum to engage and educate both youth and mature entrepreneurs, featuring a keynote speaker and various sessions. Held at Mill River Resort, the Forum focused on entrepreneurship and the local labour market, and included a networking opportunity.

Eastern Prince Edward Island Chamber of Commerce

Eastern Prince Edward Island Chamber of Commerce hosted **Explore Economics East**, an annual conference that celebrates business success in Eastern PEI, on October 30, 2018. The event provides entrepreneurs with the opportunity to make connections and network, be educated on topics pertaining to their everyday challenges, acquire hands-on information that can be taken back and implemented into their business, and be informed on key issues relevant to doing business in Eastern PEI.

The keynote address was delivered by Mark MacDonald, CEO/President of Northumberland Ferries Limited, spoke about where he sees the ferry services - a key service for businesses in Eastern and Central PEI - going into the future. Speed round presentations featured local entrepreneurs speaking about the success and/or challenges of growing their businesses. Speakers represented businesses in the agri-food, forestry, sawmill, music event, fisheries, and tourism sectors. A panel focused on human resource related issues included representatives from 3 Points Aviation, Upstreet Craft Brewing, Cardigan Feed Services, and Eastern Fabricators. The panel discussed finding skilled workers, navigating wage subsidy programs, increasing the skill base in communities, seasonal employment, and engaging youth.

The Eastern PEI Chamber of Commerce hosted its Business & Community Excellence Awards Banquet, an annual event that celebrates successes, innovations and contributions to the Eastern community. The honours included the Business Excellence Award, Service Excellence Award, Emerging Business Growth Potential Award, Community Impact Award, and Employee of the Year Award.

Junior Achievement Prince Edward Island

Junior Achievement of PEI provides entrepreneurship programming throughout the provincial school system, from Souris through St. Louis, with over 5,500 students (grade 3-12) participating annually. Innovation PEI is a proud supporter, providing annual funding of \$30,000 for in-school programming.



Ella Nicholson, Claire Lii, Rachel Bruce.

Community Capacity Fund

The Central Development Corporation (CDC) delivers the Community Capacity Fund, available to not-for-profit organizations working on rural development initiatives. Organizations can apply to receive up to \$10,000 in funding for consulting and professional services that support advanced planning and/or strategic capabilities. Projects must demonstrate a clear and direct economic impact for Prince Edward Island.

Young Millionaires Program (YMP)

Young Millionaires Program provides an early introduction to business and entrepreneurship to youth aged 8-16. Participants develop basic business and life skills, and successful participants receive seed funds to start up their very own summer business. Provincial delivery for the 2018 cohort of Young Millionaires was coordinated by CDC, with the assistance of Active Communities Inc., RDEE –PEI, CBDC West Prince Ventures and PEI Business Women's Association. The 2018 participants created 135 businesses. Innovation PEI provided \$16,000 to support the program.

Innovation PEI also supports entrepreneurs as they take the next step in their journey – moving beyond work-from-home or part-time undertakings – to working within a business environment, refining their business model or product and pursuing financing. A key support for this transition is the Startup Zone, a business incubator and hub for entrepreneurial activities.

STARTUP ZONE

Startup Zone a non-profit incubator launched in June 2016, provides founders of high-potential firms with modern work and meeting space, resources and support, mentorship, and networking and learning opportunities.

Through its Resident Company Program, Startup Zone offers business model development, access to information sessions, and access to specialists in business development and sales, accountability, technology and digital marketing, and design and branding support. Entrepreneurs are able to focus on the development of their business model, including customer requirements, product development, cash flow and path to market, in a professional environment with access to experts and funders - without incurring high overhead costs.

Startup Zone also has a strategic partnership with Island Capital Partners (ICP) to provide mentorship and investment access to resident companies at Startup Zone, as well as on-site financial and business model support services.

The Executive in Residence program is a joint initiative between Startup Zone and ICP to address executive level skills gaps in Island based startups. The Executive in Residence program provides short term C-level capacity to companies as required. ICP helps identify skills gaps within Island based companies and match them with resources to provide expertise at the CEO, CTO, CMO or CFO level. Eligible companies may include, but are not limited to, those on the ICP tracking list.



31 Queen Street, Charlottetown, PE

Since opening, companies in sectors including ICT, food, tourism, design, media, and manufacturing have been residents of the Startup Zone. Innovation PEI provides funding to support Startup Zone operations, events and initiatives, and business development officers are available onsite to assist resident companies during set hours.

During the 2018-19 fiscal year, Startup Zone was accepted into Canadian Digital Media Network (CDMN), a national hub for incubators. Startup Zone collaborated with leading regional and national incubators on various initiatives during the 2018-19 fiscal year. These included:

- Partnered with California based GrowthX to deliver training to our local startups, and are considering future digital training opportunities.
- Partnered with Volta to deliver Corporate Innovation to Atlantic Canada through Accenture

- Partnered with Venn Innovation and Volta to deliver the first pan-Atlantic hackathon delivered through Atlantic Lottery Corporation.
- Worked closely with Food Island Partnership on the Food Xcel program, sharing best practices and training resources.
- Provided space for some of PEI BioAlliance's companies.
- Collaborated with Atlantic incubators and accelerators Genesis, Volta, Propel ICT, and Venn Innovation to share programming, best practices and metrics gathering.
- Communicated with leading Ontario incubators, such as Ryerson's DMZ, Waterloo's Commitech / Accelerator Centre and Toronto's OneEleven Accelerator to explore opportunities to collaborate.
- Visited India's Institute of Technology incubator to compare programming and share market opportunities.

Invest Atlantic 2018 Comes to Charlottetown

A key part of the formula for growth for startup companies is building a network of connections in the investment community. The governments of Canada and Prince Edward Island provided financial support to Startup Zone for hosting Invest Atlantic 2018. These contributions build on commitments through the Atlantic Growth Strategy to drive economic growth by supporting initiatives that accelerate the growth of startups in innovative sectors.

PEI hosted Invest Atlantic for the first time in 2018. Following the first six iterations of Invest Atlantic in Nova Scotia, the event was hosted in New Brunswick in 2016, and in Newfoundland and Labrador in 2017. The 2018 iteration of Invest Atlantic took place September 19-20, 2018, at the Confederation Center in Charlottetown.

Invest Atlantic is Atlantic Canada's largest networking event, with over 200 start-ups, entrepreneurs and private equity investors. Investments have been secured by 51% of previous Invest Atlantic participating companies.

Invest Atlantic united some of North America's most notable investors, mentors and seasoned entrepreneurs together with the region's newest and fastest growing companies. The two-day conference included discussions on raising capital, partnerships, succession planning. The keynote speakers at Invest were Jordan Graham, Strategic Partnerships Manager at Shopify, and Matthew Spoke, Founder of AION.

Startup Visa (SUV)

Startup Visa (SUV) is a program that targets immigrant entrepreneurs with the skills and potential to build businesses in Canada that are innovative, can create jobs for Canadians, and can compete on a global scale. Immigration, Refugees and Citizenship Canada (IRCC) enables designated entities to recommend applicant companies for admission to the program. As a designated entity, LaunchPad PEI received close to seventy applications from entrepreneurs interested in expanding or starting their business in Prince Edward Island during the 2018-19 fiscal year. These entrepreneurs originated from all over the world, including India, United Kingdom, China, Germany, Iran, Russia, Taiwan, Nigeria, and Turkey. LaunchPad identified six of these applications as demonstrating strong potential, and recommended them to IRCC for due diligence and review. During this fiscal period, five PEI-recommended companies were approved and began operations in PEI.

LaunchPad PEI



163 Great George Street, Charlottetown, PEI

Launchpad PEI began as a business accelerator and incubator in 2002, to support the growth of the ICT sector in Prince Edward Island. LaunchPad is now an ICT incubator and a designated entity for the Startup Visa program. Tenant companies receive subsidized, turn-key office space and customized support that includes mentoring, networking opportunities and access to funding programs and/or investors. LaunchPad provides an opportunity for participants to keep overhead costs low while growing revenues, developing markets and pursuing investment.

LaunchPad facilities are located within the Holman Centre, Summerside; the Montague Business Development Centre; and in Charlottetown at 163 Great George Street (the “BikeShop”), the Atlantic Technology Centre, and at McDougall Hall and the Duffy Research Centre, on the University of Prince Edward Island campus. The demand for LaunchPad space has largely been driven by local ICT startups graduating from Startup Zone, and a growing number of Startup Visa participants.

LaunchPad PEI also expanded into the Faculty of Sustainable Design Engineering at the University of Prince Edward Island in September 2018. The LaunchPad PEI space in the Engineering Faculty will allow Engineering and Related Services companies to have a presence at the University to hire graduates of the program to continue research and ideally commercialize new products. The first company that has taken advantage of this activity is Intempco from Montreal who hired a recent graduate of the Engineering Program. The LaunchPad PEI project will allow Intempco to continue its research and development activities in Prince Edward Island and ideally hire more Engineering Students.

IGNITION

The Ignition Fund helps innovative, hard-working entrepreneurs get their business off the ground or prepare to commercialize a product or service. Through Innovation PEI, the provincial government invests seed capital (up to \$25,000) for the successful applicants to turn a venture idea into a tangible, viable business.

This year's ten Ignition Fund recipients are:

- **Broek Innovations Company Ltd., Cardigan:** "Riley's Reel" an innovative and first of its kind product to roll up fire hoses faster and more efficiently.
- **Gallant's Seafood Market, Stanley Bridge:** A line of four locally inspired oyster and seafood sauces.
- **Maritime Marzipan Confectionary, Goose River:** Various sweet treat products headlined by the Maritime Marzipan, an all natural, almond-based sweet treat.
- **New World Foeders, Freetown:** Canada's first foeder manufacturer, a wooden vessel for fermentation and aging products in the brewery, winery, distillery and cider industries.
- **RecordFund Inc., Charlottetown:** A digital platform where musicians can pre-sell their albums and solve the problem of upfront financing of vinyl record pressing.
- **Red Island Cider, Hunter River:** Premium alcoholic cider beverages produced at a facility in rural New Glasgow.
- **Safety Pro Incorporated, Kensington:** Products to make work environments safer: the Clean Cut disposable cutting surface and the Drop'n Grip drop cloth.
- **ShopLaw, Charlottetown:** Online platform to centralize and simplify the legal service shopping process.
- **Stemle Learning, Cornwall:** Web platform where students can learn class material in a customized method catered to their current comprehension level.
- **Westisle Special Projects, Elmsdale:** Innovative automotive products: RubiTracks, a snow track accessory enabling vehicles to travel off-road.

The grant recipients this year have tremendous potential to succeed, and this support will help these companies move forward with their business plans and cutting edge ideas. The Ignition Fund is a great example of the strong entrepreneurial spirit of Islanders – we are a small Island of dreamers and doers that works together to help each other make big things happen.



Ignition Fund Updates

Serene View Ranch – 2015 Recipient

Caroline LeBlanc grew up appreciating the deep emotional bond that horses and humans share. Today, as a registered psychologist, she is harnessing the animals' empathetic nature to help people in need of emotional healing. Her Serene View Ranch offers equine therapy from a hilltop farm overlooking Pownal Bay.

"You can't help but be honest with a horse," said LeBlanc, who was an experienced psychologist before becoming an early advocate of equine therapy. "Horses are a herd animal -- they know when someone is calm and where they are agitated. They know when someone is scared or when they are confident."

She and her husband Jim built the ranch four years ago and have used programs - such as SkillsPEI's graduate mentorship program – to bring in and train needed staff. The \$25,000 from Innovation PEI's Ignition Program helped defray some of the costs of adding heat to their training facility and offering year-round riding programs.

Serene View Ranch includes thirteen horses and a staff of therapists and equine specialists. LeBlanc says the animals help her clients become more aware of their emotional state and learn how to better respond to stress.

"Our clients are all from the Island and include a lot of people like veterans and first responders - people who are dealing with the impacts of trauma they have experienced," she said. "They'll say 'I can't be agitated here because that will make my horse agitated,' and they don't want to do that to the horse. The skills they learn here can be something that they can use to deal with the stresses of everyday life, like when someone cuts you off in traffic."

Rawsome Juice Company – 2016 recipient



Suzanne Keough, owner - Rawsome Juice Bar

A \$25,000 grant from the provincial government's Ignition Fund helped Suzanne Keough expand her one-year old Rawsome Juice Company at just the right time. Keough said her grant helped Rawsome - Prince Edward Island's first organic cold-pressed juice bar - increase its

capacity and move to a new location, and plans for another expansion are in the works.

"The Ignition Fund grant really helped me get out of the gate and move to the next phase of my business plan," she said. "The funding allowed me to purchase more equipment and add the finishing touches that have really helped my business to grow and succeed."

Lighters Candle Co. – 2017 Recipient

Megan and Sage Grady run their burgeoning Lighters Candle Co. from their West Royalty garage in Charlottetown and - thanks to a grant from the provincial government's Ignition Fund - they're able to keep up with the growing demand. "The first year had so many expenses this money allowed us to buy some things we needed and ramp up production," Megan Grady said.

With the \$25,000 Ignition Fund grant they were able to buy two new 150-pound wax melting vats and four tables at the proper height for pouring candles in their workshop. Cheeky labels set them apart, she explains, adding the "Get Lit" candle is their best seller. Most labels are plays on words and the candles come in standard scents including peppermint and French vanilla, plus unique blends like fireside, a combination of wood smoke and marshmallow.

"They're funny but somewhat classy," Megan said. "People like to give them as a gift."

Their first deal with HomeSense Canada was struck in 2017, and then HomeSense U.S. called wanting a few thousands candles every six weeks. Lighters also struck a deal with Zumiez skateboard and apparel shops to sell some of their candles and lip balms, some with names that could be considered rather 'edgy'.

The couple -- she's 27, he's 30, and they have two young children -- knew they had an entrepreneurial path to take. He had been working in aerospace technology and she had her bachelor's degree from UPEI.

"We taught ourselves how to make candles and we started designing logos," Megan said.

When they applied for the Ignition Fund, they went through the interview process and made their pitch.

"We got out of our interview pitch and we both felt really good," she said. "When we got the call, it finally felt like people were believing in us and we were getting somewhere. It was a really great feeling."

Exit Speed Inc. – 2017 Recipient

With the Ignition Fund grant it received from the provincial government last year, Island start-up company Exit Speed Inc. was able to get patents for its products, a website and a marketing plan. The company – which helps baseball and softball players perfect their swing and add more power – is now in a much better position to promote its unique products across North America and around the world.

"We are in a great position today thanks in no small part to our successful application into the Ignition Fund in 2017," Exit Speed co-owner Jeff Ellsworth said. "If it wasn't for the \$25,000 grant I'm not sure where we'd be at this point. It put us in a much better position to succeed."

Small Business Investment Grant



Chad Dingwell, owner - Paddles on Fortune River

The Small Business Investment Grant assists eligible small businesses by providing a 15 per cent rebate on eligible business expenditures made between April, 2018, and March 31, 2019. The maximum eligible expenditure is \$25,000, resulting in a maximum grant of \$3,750.

Small Business Investment Grants supported businesses from tip to tip, and

across industries. The primary reason for the capital expenditures by the businesses were equipment purchases/upgrades; leasehold improvements and building construction; technology upgrades; and energy efficiency upgrades.

Prince Edward Island's small business tax rate also dropped by 0.5 per cent in 2018. This will save businesses up to \$2,500 a year.

McCain Foods Adjustment Fund

The McCain Foods Adjustment Fund (the "Fund") was created to help the Albany /Borden-Carleton area mitigate the lost employment and economic impacts resulting from the closure of the McCain french fry processing facility in Albany, PEI.

The Fund supports new economic development activities for the region. Eligible projects demonstrate quality, sustainable employment opportunities and incremental economic activity for the region. Infrastructure and research and development projects, and existing sustainable economic development initiatives that directly enhance the region's economic growth potential are eligible.

A second call for proposals was issued, and closed September 28, 2018. Recipients under the second round of funding include:

- Town of Borden-Carleton - \$247,000 – Phase 1, Master Plan
- Island Gelato - \$25,000 – Business start-up
- Bernard's Welding - \$25,000 – Business expansion

"This fund has allowed businesses to expand or open in our community and that has certainly helped to lessen the blow from the closure of the plant in 2014," Borden-Carleton Mayor Charles MacKenzie said. "It's also allowed our community to do some long term planning to help our town reach its full potential into the future."

ADVANCED MARINE TECHNOLOGY

With four shipping ports, the marine center at Holland College offering marine-based training, the new engineering school at the University of Prince Edward Island, and the success of the existing marine technologies companies in Prince Edward Island, the Advanced Marine Technology (AMT) sector was identified as a high-growth sector in 2015.

To support cluster development, the Advanced Marine Technology Tax Rebate, modeled from the success of the aerospace industry on Prince Edward Island, was introduced that same year. Prince Edward Island's AMT companies develop innovative marine technology for global applications, and engage in the research and development, manufacture and export of advanced marine technology products and services for export markets.

Prince Edward Island has a growing advanced marine technology sector with companies that work within shipbuilding and repair, energy, defence, oil and gas, and the workboat sub-sectors. The selection of the Ocean Supercluster as one of five Innovation Superclusters is expected to present tremendous opportunities for AMT companies. The Ocean Supercluster, an industry-led national consortium, will focus on using technological innovation and research to strengthen the industry and increase the economic impact of our oceans by developing a shared innovation strategy built on common challenges and requirements. Fisheries, aquaculture, oil and gas, marine bio products, transportation, defence, marine renewables, and ocean technology are represented within the partnership.

AEROSPACE AND DEFENCE

Prince Edward Island's Aerospace and Defence industry is a vibrant example of the economic success that is possible when partners come together with a common vision and the necessary resources to achieve it. The establishment of Slemon Park Corporation as a hub for aerospace growth and development, supported by the provincial Aerospace & Defence Tax Rebate and dedicated direct investment attraction efforts, proved that a small island economy can successfully foster economic activity in 'non-traditional' sectors and attract a core of highly successful private sector companies. Companies operating within Prince Edward Island largely serve commercial aviation markets in the manufacturing, maintenance, repair and overhaul (MRO) segments.



Tronos - Slemon Park

The Aerospace and Defence industry is a leading employer of skilled Islanders and a generator of millions of dollars worth of exports every year. There are fifteen companies employing 1526 Islanders across the province, including MDS Coating Technologies, Tronosjet Maintenance and Tronosjet Manufacturing, Action Aero, NorCan, and StandardAero.

The Aerospace and Defence industry on PEI is a significant economic driver, and continued its contribution to advancing PEI exports in 2018 with total aerospace exports of \$367 million. Aerospace exports were up 28% year-over-year, and accounted for 25% of all PEI exports in 2018.

Slemon Park Corporation Expands Aerospace & Advanced Manufacturing Capacity

Slemon Park Corporation (SPC) continues to surpass the original objectives set out when it became the launching pad for the aerospace industry in PEI in 1991. The PEI aerospace industry has since expanded beyond Slemon Park, and the original mandate of SPC has broadened. SPC is now an economic development organization with a focus on aerospace, training and real estate development on Prince Edward Island. SPC has been a crucial driver of diversifying economic development in Western PEI, with its infrastructure attracting investment and business growth that has created significant employment for Islanders.



Slemon Park - Summerside PEI

SPC completed upgrades to a 300,000 sq. ft. multi-tenant facility (Hangar 8) to support the growth and diversification of the aerospace industry in the province. These upgrades included an infrastructure fit-up and building improvements for tenant StandardAero, Prince Edward Island's largest aerospace company, to expand its operations and improve productivity. StandardAero purchased Vector Aerospace in 2017, including all of Vector's international operations. The expansion was to accommodate StandardAero Summerside as it becomes the centre of excellence for turboprop engines within the company.

Jeff Poirier, Vice President and General Manager of StandardAero stated, "The continued partnership between StandardAero and government and community leaders is unparalleled. We have continued to grow not only our presence in the community but also our investment into the great people here in terms of their knowledge, skills, capabilities and their future. We look forward to continuing this evolutionary path for aerospace and our community for many more years to come."

The Government of PEI, through Innovation PEI, provided financial support to SPC to support the upgrades. Innovation PEI also supported the StandardAero facility expansion with a labour rebate to support up to fifty new positions.

BIOSCIENCE

The Prince Edward Island Bioscience industry demonstrate the power of partners working together to achieve a common purpose. The Bioscience industry has tripled in size over the past ten years, through the focused, coordinated and collaborative approach of organizations, industry, government and academia. The industry has grown to fifty-four private sector companies, seven research organizations and 1,600 highly skilled employees. In 2018, bioscience revenues were \$215 million and R&D expenditures were over \$70 million.

The Bioscience sector's success has relied heavily on fostering commercialization by providing support for companies in areas of R&D, governance, finance, regulatory, scale-up, and funding - which results in a shortened time to market. PEI has internationally recognized expertise, infrastructure and a growing reputation as a location to build successful bioscience companies. Interest and opportunities for collaboration and investment continue, with companies from early-stage, pre-commercialization R&D operations to established, successful multi-nationals exploring PEI as a location for operations.

The Bioscience sector in Prince Edward Island includes divisions of major players in the industry – including Elanco Animal Health, Sekisui Chemical with its Diagnostics division, and BioVectra – and emerging companies such as Somru, Canada's Island Garden, and the Centre for Aquaculture Technologies Canada.

Somru Bioscience Inc.

Somru BioScience is an emerging biotechnology company founded in 2012. Somru is a family business, founded by Mohammed Moin, his wife Dihan Ahsan, and Rafiq Islam and his wife, Clarinda Islam. The company is focused on developing breakthrough antibody technology for research, diagnostic and therapeutic applications.

Somru BioScience expanded its operations to a new 5,000 square foot laboratory facility in the BioCommons Research Park in late 2017, to accommodate the growth in its product and service portfolio. The company has a client base of over seventy companies in 23 countries.



Staff member - Somru

To support the company's continuing growth and development of new analytical tools that can lead to more affordable medicines, and the employees required, Innovation PEI provided non-repayable funding for marketing initiatives and a labour rebate.

The Government of PEI also supported Somru's ongoing growth via repayable financing. Somru secured additional funding from the Government of Canada, through ACOA's Atlantic Innovation Fund and the National Research Council of Canada Industrial Research Assistance Program.

Mohammed Moin, Co-founder & Vice President Strategic Partnership & Business Development, Somru BioScience Inc. said, "The intelligent 3d fingerprint technology (Intelli.b™) currently under development by Somru will help our clients reduce significant cost in biosimilar drug development. We look forward to advancing Intelli.b thanks to support from ACOA, Innovation PEI and IRAP."

Sekisui Diagnostics

Sekisui Diagnostics announced its fourth expansion at its PEI location in four years, to add capacity and jobs that will benefit Islanders and the province's economy. The company projects 15-20 new jobs through this expansion, bringing total employment at the facility to over 130. This latest expansion allows Sekisui to increase capacity for the manufacture of chemical diagnostics that are currently produced in Japan for North American markets. The PEI facility will have the same capability as its sister factory in Japan, allowing Sekisui to transfer additional products and grow its volume and revenue out of the Charlottetown site. Additional jobs at the company are particularly welcome, as this was the second consecutive year that Sekisui Diagnostics PEI was chosen as one of Canada's Top 100 Employers by Mediacorp Canada Inc.



Bob Schruender - President & CEO Sekisui Diagnostics

Dosecann

Dosecann, a cannabis oil extraction company, will create 32 jobs with provincial government support provided through a labour rebate and rental assistance. The company is a subsidiary of vertically integrated cannabis company Auxly Cannabis Group Inc., and develops consumer-centric products by undertaking supercritical CO2 extraction to separate cannabis oil for medical and recreational consumer products. Dosecann products will span all three broad classes of products, including edible cannabis, cannabis extracts and topical products. The company's products will be sold to provincial purchasers for distribution through provincial retail channels for adult recreational use and directly to patients for medical use.

Dosecann is a Health Canada approved and licensed cannabis processor. Their 42,000 square foot, purpose-built analytical testing facility in Charlottetown serves as the hub for Dosecann's cannabis extraction, product innovation and formulation, research and development, quality testing and manufacturing.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Information and Communications Technology (ICT) sector in Prince Edward Island is diverse, with companies working in the subsectors of e-health, video game development, shared services, cyber security, fintech, ERP, and application / mobile development. The ICT sector continues growing, with twenty-one new companies and twenty local ICT companies expanding their employee numbers over the past three years. PEI's ICT sector has received national and international interest, evidenced by the acquisition of PEI companies by multinational corporations. The ICT sector contributes approximately \$195.3 million to PEI's GDP, a contribution that has grown by 13.3% over five years.

PEI ICT companies continue to secure new contracts from clients within various sectors, including banking, education, entertainment, and utilities. Many of these clients are outside of the Island, with an estimated 85% of our ICT companies exporting; this is reflected in the participation level of our ICT companies in trade missions.

Access to skilled labour is an ongoing concern for this sector. In addition to Holland College and UPEI offering programs in ICT fields, Innovation PEI also supports the development of a talent pipeline through early interventions. GameForce is offered to junior and senior high school students to expose them to video game development, and IMpact Expo is an annual event to provide high school students with direct exposure to industry participants. Additional initiatives are under exploration or development to encourage entrants to the sector, and deepen the future labour pool.

Island Company Revolutionizing Construction Business

JobSite 360 Contractor Software (operating as JobSite 360) is a proprietary, innovative, cloud-based bookkeeping and project management tool for small and medium sized general contractors. JobSite 360 provides accurate job tracking and invoicing, increasing profitability through the four mobile applications they have developed.

"My experience as a small-scale contractor was challenging as available management software didn't provide the functionality required to work effectively. We have developed JobSite 360 to provide detailed reporting, helping contractors run their small- to medium-sized business more profitably. The four apps work through the cloud to communicate job information effectively between key players, increasing project efficiency," explained Peter Douglas, President, JobSite 360. The Government of Prince Edward Island, through Innovation PEI's Labour Rebate, Marketing and Capital Assistance programs, provided a total contribution of \$48,500 to support JobSite 360 as it brings the product to market.

JobSite 360 has spent four years developing, testing and refining its construction management software for small and medium enterprises. It offers a user-friendly solution for general contractors to maintain an accurate record of costs on the go. Its features include job costing, overhead expense tracking, cost to quote comparisons, itemized invoices, payment tracking, and detailed reports.

ADVANCED MANUFACTURING

Advanced Manufacturing is a large contributor to all areas of the Prince Edward Island economy. GDP by industry for Prince Edward Island expanded by 2.62 per cent in 2018, and one of the leading growth sectors in the province was manufacturing, which was up 4.9%, or by \$27.5 million. Manufacturing shipments increased by 8.2%, up to \$1.96 billion in 2018, continuing year-over-year growth that started in 2010. Manufacturing is one of the largest employment sectors in PEI, with total manufacturing jobs of 6,800.

Our manufacturers produce a wide range of goods – not only the traditional food products, though they remain significant – from packaging materials, live-bottom trailers, pharmaceutical ingredients, wood products, shipbuilding and advanced marine components, vinyl records, engine and turbine equipment, fabricated metals, yarn, plastics, and aerospace, defence and railway components. The high-growth potential sectors of Aerospace and Defence and Bioscience are sub-sectors within the Manufacturing industry.

The PEI Bag Company Modernizes



The PEI Bag Company Ltd., established in 1935 by three entrepreneurs, was formed to seize an opportunity to manufacture packaging for PEI's growing potato industry. The business has continued to be owned by descendants of the original three founders, while the product offerings have expanded beyond the original scope.

Customized bags are produced for each client, and are used to package a variety of

food products. The largest demand for PEI Bag Company products comes from packagers of potatoes, fish, shellfish, animal feed, flour, and sugar.

"PEI Bag Co. Ltd. is a strong employer in rural PEI. We serve our customers in the Agriculture and Aquaculture industries on PEI, Atlantic Canada, and the USA. Our employees are proud to produce high quality packaging for the food industry. With innovative technology, we will be able to work more efficiently for many years to come. It will allow us to improve the quality of printing, increase printing capacity and open the door for new markets for our packaging products. We would like to thank ACOA and the province of Prince Edward Island for their contribution to our future," said the General Manager of PEI Bag Company, Thane Smallwood.

The governments of Canada and Prince Edward Island supported the PEI Bag Company with investments for innovative equipment to help increase quality, quantity and efficiency. New printing equipment is expected to increase production from 25 million printing impressions per year to upwards of 45 million. The new equipment, partnered with an existing flexographic press, will create opportunities to increase sales with more modern printing processes and enable the company to explore new markets. The project will help maintain 39 jobs and is expected to create two new positions.

Value-added Food Development and Production



The traditionally large food product segment of manufacturing continues to be a significant contributor to the PEI Manufacturing Industry, just as primary producers continue to be major contributors to the economic landscape of the Island. Prince Edward Island also remains a culinary destination, with long-standing events like the PEI International Shell Fish Festival, Summerside Lobster Carnival, Tyne Valley Oyster Festival, Forage, and PEI Fall Flavours Festival.

The Food Sector accounted for 51% of all PEI exports in 2018, valued at \$740 million and up 1% from 2017. Building on the traditional primary production segments within agriculture, fisheries, and aquaculture, PEI businesses have been offering increasingly diverse food and beverage products. An expanding food processing and retail sector is good for our primary producers, providing additional buyers, demand and markets for their products. Often, these companies are started or co-founded by producers seeking to bring a value-added component to their operations.

PEI companies like ADL, Cows, Upstreet Craft Brewing, Royal Star Foods Ltd., Atlantic Shellfish Products Inc., PEI Juice Works, PEI Brewing Company, Atlantic Beef Products, Island Gold Honey, and Raspberry Point Oysters are recognized by many. The list of recognized PEI food companies has been growing, with new companies and products entering at a rapid rate - The Handpie Company, Copper Bottom Brewing, Fresh Start Fauxmage, Maritime Madness, Island Hill Farm, Myriad View Distillery, Ferme Isle Saint-Jean Farm, Larkin Bros. – and the list goes on. Forty percent of 2018 Ignition Fund recipients were producing food or beverage products or equipment for the same.

Food Island Partnership is the first point of contact and central coordinating body for food companies and new partnership opportunities within the PEI food cluster. Food Island Partnership strives to understand the unique needs of each company and provide customized support to help the company meet its objectives. Support can be provided by way of advice/mentorship, connections to expertise and partnership opportunities, and linking a company with the program support that best fits the company's needs. In addition to Innovation PEI and Food Island Partnership, various agencies and facilities supporting development and innovation are active in PEI - Emergence, Canada's Smartest Kitchen, Bio|Food|Tech, and the National Research Council.

Food Propel

Food Island Partnership announced Food Propel, an intensive one year accelerator program, in September 2018. Food Propel will support companies at the growth stage that are seeking to capitalize on their growth potential, whether by offering new or modified products, adjusting their business model, or entering new markets. The intensive one-year accelerator program includes dedicated mentor teams of experienced industry professionals, workshops, market investigation, growth fund, and networking. The growth fund portion may offer up to \$50,000 for expenses such as marketing, trade shows and strategic investments to each participating company able to contribute \$25,000 from its own sources.

Food Xcel



Food Xcel helps aspiring food entrepreneurs advance their ideas to market-ready products, providing support through the food product development process. Food Xcel provides workshops, networking with food agencies, industry experts, and entrepreneurs, and a chance to compete for a \$25,000 award from Innovation PEI's Ignition Fund. Ryan Abdallah, the first Food Xcel winner, launched his Maroun's Garlic Spread in Sobeys across Atlantic Canada and other retail locations.

This round, Rob Morrison was the Food Island Partnership Food Xcel participant to win the \$25,000 award from Innovation PEI's Ignition Fund. The Island food entrepreneur presented his Covehead Seafoods lobster dip at the Startup Zone for the Food Xcel final pitch day on February 20th, 2019. Rob created a premium PEI lobster dip that provides versatile, high quality, convenient lobster dip that includes half a market size lobster in each container.

Amalgamated Dairies Limited

Amalgamated Dairies Limited (ADL) is a dairy cooperative owned by 165 family dairy farms and is a major employer, employing 270 Islanders province wide.

ADL completed the expansion of its cheese production facility in Summerside, with improvements and modernization of processing equipment and technology. This ADL location produces feta, havarti and cheddar cheeses. ADL also has locations in Charlottetown, West Royalty, St. Eleanors, and O'Leary that produce various milk products, including evaporated and condensed milk, buttermilk, butter and ice cream.

The expansion increased ADL's production capacity by 40 percent, with fluid milk processing capacity growing from about 72 million litres per year to about 100 million litres per year. Storage capacity was increased by 30 percent, providing additional space to age cheese in direct response to the increasing market share of older cheeses. The expansion positions ADL to diversify its products and expand into new markets, and is projected to result in the creation of an additional 25 jobs.

"The investment announced by the province of PEI will assist with providing ADL the ability to adapt to the new realities in the Canadian dairy industry and invest in the infrastructure and innovation that are needed to grow and diversify our business into the future," said ADL CEO and general manager Jim Bradley. "Today's announcement ensures that the on-farm investments that are currently being made by 165 PEI dairy producers to increase production are made with confidence and reassurance. It is important for them to know that there will be adequate processing capacity to handle their product into the future."

This expansion was a big undertaking that took almost two years to complete. Other improvements included the addition of a heavy-duty diesel generator, office renovations and additional space for packaging and shipping.

TRADE NEWS, INITIATIVES AND EVENTS

Innovation PEI and trade partners hosted its annual Export Day, “Let’s Talk Exports”, on September 18, 2018. The event attracted eighty PEI companies and 240 registrants, making it the most attended Export Day since inception. The event featured keynote speaker Peter G. Hall, Export Development Canada’s Vice President and Chief Economist, sharing his insights in to the global marketplace.

The event featured discussions on key opportunities in the global marketplace, impact of protectionism on Canadian exporters, operating in a world of higher interest rates, and the trajectory of the Canadian dollar. The Prince Edward Island Trade Update highlighted the North American Free Trade Agreement (NAFTA), US trade issues, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and other trade agreements. Export Day presents an opportunity for PEI’s exporters to network with fellow exporters, participate in the trade show, share ideas, discuss business needs, and find new partners to help capitalize on export opportunities.



Exporter of the Year Award

Prince Edward Island’s federal-provincial trade partners acknowledge and celebrate the accomplishments of PEI export companies that successfully export goods and services around the world by presenting the Prince Edward Island Exporter of the Year Award. The award recognizes excellence in international business development based on increased export sales, new partnerships, new & existing market development and diversification, and new product development and innovation.

The 2018 Prince Edward Island Exporter of the Year Award was presented to Stephen Hurst of Top Dog Manufacturing. The company makes reusable protective garments, such as aprons and caps, for food processing facilities. The garments are made from a polyurethane film and are antimicrobial.

Top Dog Manufacturing has entered new markets in South America, Asia and Europe. Top Dog Manufacturing’s products are exported to 23 countries. The five largest markets are Mexico/Central America, Russia, the United Kingdom, the Caribbean and Peru. Mr. Hurst is looking to expand exports further, with entry into three Eastern European countries and Australia targeted in the next year.

Trade Missions

Prince Edward Island exporters received Global Trade Services support to attend seven out-bound trade missions and industry events during the 2018-19 fiscal year. Dependent on the event and exporter, participation forms included exhibiting, walking the show, and on-on-one meetings. Attendees reported the identification of new sales leads, opportunities and markets; strengthened existing customer relations; and increased product, trend and industry knowledge. Global Trade Services also supported two incoming missions and two forums regarding export opportunities.

In 2018/2019, Global Trade Services along with our partners supported in excess of 200 Island export companies in a number of trade initiatives including:

RDÉE

Montreal, April 2018 - multi sector mission promoting sales opportunities between PEI and Quebec with six participating PEI companies.

Seafood Expo Global

Brussels, April 2018 – the largest seafood trade event in the world was attended by four Island seafood companies to showcase PEI’s world class seafood.

SIAL Canada

Montreal, May 2018 – North America’s largest food innovation trade show and the only event of its scale in Canada, with more than 1,000 national and international exhibitors from 50 countries hosting over 18,500 buyers from Canada, the U.S., and 60 other countries. Three Island companies participated.

European Union Economic Trade Forum

May 2018 - Innovation PEI Global Trade hosted eleven European Union trade delegates for a working session with fifteen of PEI’s export companies. B2B meetings were arranged to discuss mutual trade opportunities and discuss export capabilities.

SEUS-CP

Mobile, Alabama June 2018 - Island companies participated in the B2B component of the annual conference, held to foster trade between the South Eastern United States and Canadian Provinces.

Latin American Incoming Buyers Mission

Incoming, September 2018 – Global Trade hosted eight food and beverage buyers from Latin America to a series of B2B meetings with fifteen Island export companies. Meetings were held during the Shellfish Festival, giving the buyers a full PEI experience of “Canada’s Food Island”.

Economic Diplomatic Mission

Incoming, October 2018 – PEI hosted Heads of Mission from over forty countries and showcased PEI exportable products from all sectors, opening dialogue for market diversification and opportunity. Delegates travelled around the Island, toured over twenty exporting companies, and attended B2B meetings in Charlottetown and Mill River.

Atlantic Growth Strategy Mission

China, November 2018 – A PEI delegation joined federal ministers and Atlantic premiers on the Atlantic Growth Strategy mission to China. An important and growing world market, China offers opportunities for growth and prosperity. The PEI delegation focused on expanding our presence and highlighting PEI as a natural partner for economic cooperation, trade, education

and tourism. Key events of the mission included meeting with officials from PEI's sister province of Hainan, the China Fisheries and Seafood Expo, the China International Import Expo, and the Canada China Business Council Annual General Meeting. The PEI delegation included sixteen companies and educational institutions.

New Exporter Mission

Boston, November 2018 – Three Island companies travelled to Boston for a series of B2B meetings and export readiness information sessions “How to do business in New England”. Companies reported the mission was very helpful and are confident they can do business there in the coming year.

Multi Sector Mission

Dubai, January 2019 – Four Island companies traveled to Dubai for qualified one-on-one B2B meetings with new and existing clients in the region. Dubai is a global economic hub with a large potential upside for Island exporters.

Atlantic Export Diversification Workshop

February 2019 – Innovation PEI, in collaboration with Global Affairs Canada, hosted a workshop / presentation, focused on Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Canada-Korea Free Trade Agreement (CKFTA) trade agreements that will benefit Island exporters.

Fruit Logistica

Berlin, February 2019 – Innovation PEI, in collaboration with the PEI Potato Board, supported three companies to attend the world's largest produce show, Fruit Logistica. While attending this show, PEI companies were able to develop new export opportunities and research the latest technology.

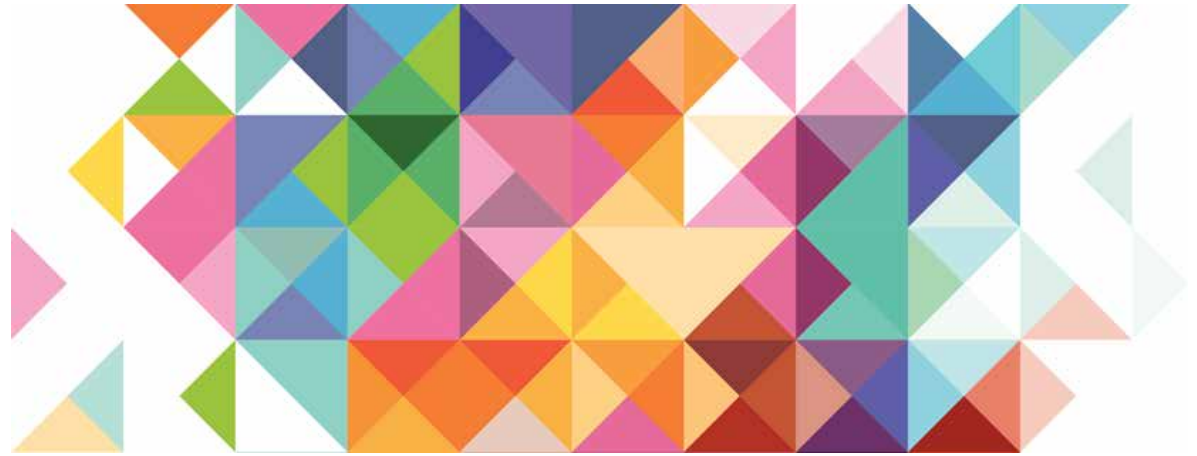
Seafood Expo North America

Boston, March 2019 – Eight Island companies exhibited at North America's largest seafood exposition with 8-10 additional PEI companies walking the show. This is a flagship show and continues to be a strong market for PEI seafood products.



CULTIVATING GROWTH

A Five Year Action Plan for Cultural and Creative Industries -Year One Update



The plan, launched in November 2017, calls for the coordination and delivery of targeted supports and services to the arts and creative industries, cultural initiatives and community-based festivals and events. The objectives of the Culture Action Plan are to:

- build capacity in our creative industries;
- find new and innovative ways to share our Island cultural “products and people” with the world;
- build citizen engagement and pride by celebrating our unique communities;
- promote diversity and inclusion; and
- steward and celebrate our history and heritage.

The first year implementation of the Culture Action Plan focused on building capacity in the creative industries through collaboration and partnerships to promote and encourage professionalization, expand organizational capacity and ability to deliver services, provide access to training, and encourage artistic experimentation.

Funding support was provided throughout the year to a variety of organizations and initiatives. Most support is focused on industry growth, but many initiatives also support cultural diversity:

- Acadian and Francophone cultural projects: celebration and community engagement projects that support French language and Acadian/Francophone culture.
- Reconciliation and celebration of Indigenous culture: cultural education, celebrations, entrepreneurship, and support for Mi'kmaq artisans.
- Support for gender and sexual diversity in PEI: community capacity building and PRIDE celebrations.
- Black History Month and activities for Black Cultural Society: community capacity building and celebrations.
- PEI Cultural Ambassador Program: a program where PEI touring artists receive a grant for representing and promoting PEI Culture.

Crafts

A provincial Craft Development Centre, coordinated by the PEI Crafts Council, was established in Charlottetown. The mandate of the Centre is to provide access to export markets, business training, and advanced technical training for artisans. The Crafts Council organizes buyers markets and retail craft shows. They also support artisans in accessing technical and business training. Located on Water Street, which receives heavy foot traffic from residents and tourists alike, the Centre includes a street-level showcase where juried members exhibit and sell their work.

Music

The Music industry in PEI is supported by Innovation PEI through a partnership with Music PEI. Music PEI, founded in 2001, is a non-profit member services organization devoted to advancing careers of Island musicians. As an industry association, Music PEI promotes, fosters and develops artists and the music industry on PEI, and acts as an advocate for Island musicians. This past year Music PEI provided over \$80,000 in grants to individuals and bands to perfect their product and export/promote their work. International touring artists such as Irish Mythen, The East Pointers and Vishtèn have been able to grow into their success through the supports and guidance offered by Music PEI.

Other special projects for the music industry were supported during the fiscal year, including business development workshops, showcase opportunities, export initiatives, artist development supports, and awards week & conference.

Film and Media Arts

The film and media arts industry in PEI is in a capacity building phase, with continued investments by Innovation PEI that included Screenwriters Bootcamp, the Charlottetown Film Festival, and FilmPEI. FilmPEI was able to begin phase two of the production space, with renovations starting in January 2019.

The Film 4ward program, an incubator program for film production and skill capacity building for both emerging and mid-career filmmakers, was announced in late 2018. Four filmmaking teams were chosen through a juried process to receive \$20,000 each to produce either a short film or proof of concept film.

Screenwriters Bootcamp was expanded to include a broadened focus on pitching and on market discoverability. The Bootcamp featured a "Pitch for your Life" completion with the winner receiving \$15,000 to create a proof of concept for their project. The PEI Film Media Fund, launched in June of 2018, helps Island filmmakers leverage other essential funding partners to support their productions, has been accessed by local filmmakers to support projects filmed on the Island. It is anticipated that it will be fully subscribed by the end of the first year.

Visual and Contemporary Arts

Innovation PEI partnered with This Town is Small on a number of projects. Founded in 2010, This Town is Small Inc. is a registered non-profit organization and Prince Edward Island's only artist run center. This Town is Small advocates on behalf of artists and creates opportunities through the promotion of a public understanding of contemporary art, with a mission of fostering sustainability for contemporary arts practice on PEI.

Mentorship for Arts Administrators project involved partnering mentors from the cultural sector with Island arts organizations to facilitate the sustainable growth of their organizations and strengthen their capacity to support the arts communities they serve. Presentation of this program will be a combination of workshops and one-on-one mentoring. A Residency Programs for Professional Artists included an on-island residency program, as well as support for PEI-based artists to attend National and International Residencies. Applications for both programs were by open call and reviewed by a peer jury of professional artists. This Town is Small and The Guild partnered with Innovation PEI to offer professional fees to be paid to artists exhibiting in public galleries.

Writing and Publishing

Innovation PEI undertook a review of current supports for the publishing industry and is in the process of designing new programs to be released during year two of the culture action plan. A partnership with The Writers Guild will result in a writing symposium in summer of 2019. Poet Laureate Deirdre Kessler wrapped up her last year and new Poet Laureate Julie Pellisier-Lush was announced.

PEI Arts Grants

The PEI Arts Grants provide support to professional artists for creation, dissemination and professional development. These grants are competitive, peer-assessed, and offered twice per year. In 2018-19, a total of \$100,000 was awarded to 26 artists in a variety of disciplines such as visual arts, theatre, film, dance, craft, music, and writing. These small grants provide artists with revenue to purchase materials and supplies, pay for professional services and invest their time in their arts practice.

Community-based Festivals and Events

The Cultural Development Division provides funding for small and medium sized community-based festivals and events that celebrate our unique, diverse and rich PEI culture. These festivals generate economic and social activity across PEI, celebrate our people and sense of place, and engage both residents and visitors. Many celebrate our ties to agriculture and fisheries, and the natural history of Prince Edward Island. A sampling of supported festivals and events includes Island Fringe Festival, Festival of Small Halls, Art in the Open, River Clyde Pageant, Gold Cup and Saucer Parade, and West Prince Bluegrass Festival. Over 30 festivals and events were supported in 2018-19.

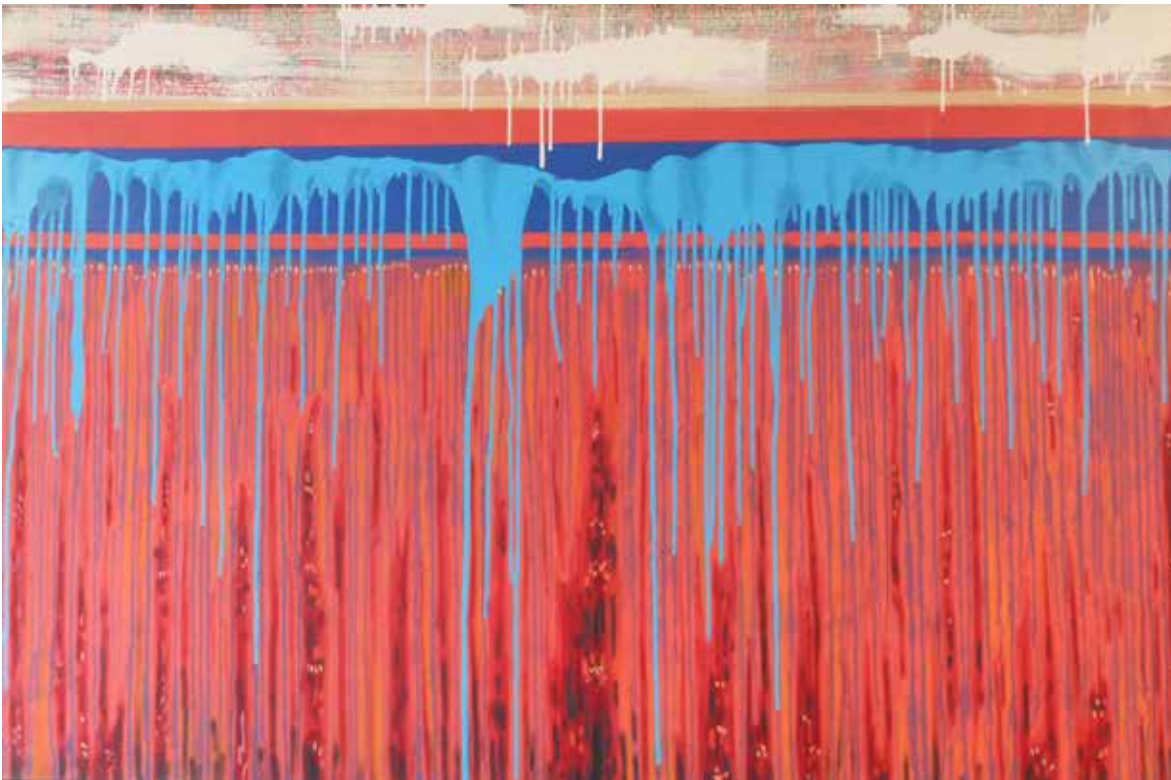
Third Thursdays

Creative Industry Mixers, called Third Thursdays, launched to bring diverse disciplines together in the spirit of fostering creative and business collaborations and partnerships. Hosted bi-monthly, these casual mixers are ongoing and hosted in different communities across the Island. Third Thursdays provides an opportunity to network with members of creative industries, meet the cultural development team, (re)connect with your industry colleagues in a casual environment, and get industry talking about and exploring export opportunities.

40th Anniversary of the Prince Edward Island Art Bank

The Art Bank celebrated its 40th anniversary in 2019, following its establishment to support and encourage visual artists living in Prince Edward Island. The works of art for the Art Bank collection represent the artistic diversity of Island visual artists and are acquired through purchase, donation, gift and bequest. Pieces from the collection are displayed in provincial government buildings across Prince Edward Island. You can also view the PEI Art Bank Collection online.

Since the announcement of the Culture Action Plan, \$50,000 in new purchases have been made, adding two dozen works to the collection of over 300 works on display in public spaces across the Island. A celebration of women artists and their contributions to the provincial Art Bank was held on International Women's Day on March 8, 2019.



Title: ICECAP 2013 - Artist: Damien Worth - Location: Toursim and Culture Boardroom, 3rd Floor Shaw Building

APPENDIX A: Board of Directors

Ron Myers, Chair – Thinking Big Information Technology Inc.

Jennifer Evans – General Manager, Stingray

Brian Stewart – General Manager, Elanco PEI

Ravi Naidu – Director of Finance, Aspin Kemp & Associates

David Trainor – President, Action Aero Inc.

Vacant

Erin McGrath-Gaudet, Deputy Minister, Economic Growth, Tourism and Culture
Ex officio

Dr. Alexander (Sandy) MacDonald – President and CEO, Holland College
Ex officio

Alaa Abd-El-Aziz - President, University of Prince Edward Island
Ex officio

Innovation PEI

Consolidated Financial Statements
March 31, 2019

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

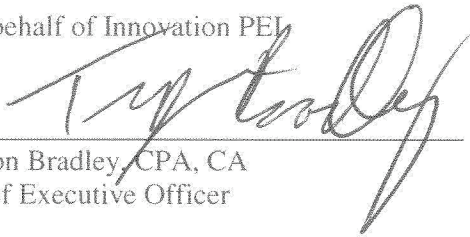
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Innovation PEI on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Innovation PEI

A handwritten signature in black ink, appearing to read 'Tyson Bradley', is written over a horizontal line.

Tyson Bradley, CPA, CA
Chief Executive Officer

June 27, 2019

Independent Auditor's Report

To the Minister of Economic Growth, Tourism and Culture

Opinion

We have audited the accompanying financial statements of Innovation PEI, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and changes in net financial assets, accumulated surplus, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Innovation PEI as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Innovation PEI in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Innovation PEI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Innovation PEI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Innovation PEI's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innovation PEI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Innovation PEI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Innovation PEI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Innovation PEI

Consolidated Statement of Financial Position As at March 31, 2019

	2019 \$	2018 \$
Assets		
Financial assets		
Cash	3,737,324	4,038,045
Accounts receivable (note 2)	767,496	892,209
Advances to related companies (note 5)	11,316,977	11,308,847
Due from Province of Prince Edward Island	27,023,134	17,118,647
	<u>42,844,931</u>	<u>33,357,748</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	<u>37,406,412</u>	<u>28,136,007</u>
Net financial assets	<u>5,438,519</u>	<u>5,221,741</u>
Trust funds (note 3)	344,996	679,771
Less: funds on deposit	<u>(344,996)</u>	<u>(679,771)</u>
	<u>-</u>	<u>-</u>
Non-financial assets		
Property holdings (Schedule)	882,076	1,016,300
Prepaid expenses and deposits (note 5)	<u>25,995</u>	<u>31,932</u>
	<u>908,071</u>	<u>1,048,232</u>
Accumulated surplus	<u>6,346,590</u>	<u>6,269,973</u>

Approved by the Board of Directors

 Director

 Director

Innovation PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2019

	2019 \$	2018 \$
Accumulated operating surplus - Beginning of year	5,903,934	5,903,934
Annual surplus	76,617	-
Accumulated operating surplus - End of year	5,980,551	5,903,934
Contributed surplus (note 5)	366,039	366,039
Accumulated surplus - End of year	6,346,590	6,269,973

Innovation PEI

Consolidated Statement of Operations For the year ended March 31, 2019

	Budget (Unaudited) \$	2019 \$	2018 \$
Revenue			
Grant - Province of Prince Edward Island (note 5)	44,558,400	39,982,948	42,561,900
Project recoveries	1,779,700	1,933,290	1,624,852
Miscellaneous	39,000	33,826	15,629
	<u>46,377,100</u>	<u>41,950,064</u>	<u>44,202,381</u>
Expenses			
Salaries (note 5)	5,350,100	4,951,492	4,646,094
Operating	1,432,700	1,476,047	1,350,600
Development programs	39,374,300	35,181,532	37,896,693
Project costs	70,000	83,904	125,218
Amortization - property holdings	150,000	180,472	183,776
	<u>46,377,100</u>	<u>41,873,447</u>	<u>44,202,381</u>
Annual surplus	<u>-</u>	<u>76,617</u>	<u>-</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets For the year ended March 31, 2019

	2019 \$	2018 \$
Annual surplus	76,617	-
Acquisition of property holdings	(46,248)	(103,522)
Amortization of property holdings	180,472	183,776
Change due to property holdings	134,224	80,254
Change in prepaid expenses	5,937	1,223
Increase in net financial assets	216,778	81,477
Net financial assets - Beginning of year	5,221,741	5,140,264
Net financial assets - End of year	5,438,519	5,221,741

Innovation PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	76,617	-
Item not affecting cash		
Amortization - property holdings	180,472	183,776
	257,089	183,776
Net change in non-cash working capital items		
Decrease in accounts receivable	124,713	162,504
Increase in accounts payable and accrued liabilities	9,270,405	2,417,346
Decrease in prepaid expenses and deposits	5,937	1,223
	9,658,144	2,764,849
Financing activities		
Increase in advances to related companies	(8,130)	(17,260)
Increase in due from Province of Prince Edward Island	(9,904,487)	(3,184,809)
	(9,912,617)	(3,202,069)
Investing activity		
Additions to and purchase of property holdings	(46,248)	(103,522)
Decrease in cash	(300,721)	(540,742)
Cash - Beginning of year	4,038,045	4,578,787
Cash - End of year	3,737,324	4,038,045

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

Innovation PEI (the "Corporation") is a Crown corporation established under the Innovation PEI Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Standards Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

(a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiary, F.T.C. Enterprises Limited (operating as Bio/Food/Tech).

(b) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, advances to related companies, due from Province of Prince Edward Island and accounts payable and accrued liabilities.

All financial assets and financial liabilities are initially recorded at fair value and subsequently measured at cost or amortized cost.

(c) Cash

Cash is comprised of cash on hand, cash in banks and savings accounts.

(d) Accounts receivable

Accounts receivable arise from trade sales, government funding, other miscellaneous receivables, staff advances and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are recorded as a recovery of doubtful accounts in the period recovered.

(e) Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island is the funding to be received for operating grants and other approved reimbursements.

(f) Programs assistance payable

Program assistance grants are expensed as development program expenditures and included in accrued liabilities when approved by the Corporation and accepted by the client except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria, which are expensed based on eligible claims.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

P.E.I. labour rebate, enriched investment tax credits, development fund assistance, specialized labour rebate and share purchase tax credit commitments that extend beyond two years are expensed in each year that performance criteria are met by the applicant.

(g) Property holdings and amortization

i) Property holdings

Property holdings are stated at cost and amortized using the straight-line method at the following annual rates:

Buildings	5%, 20%
Equipment	10% - 100%

A full year's amortization is recorded in the year of acquisition.

(h) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

(i) Employee pension plan

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2019. The employer contributions to the pension for the year totaled \$299,504 (2018 - \$269,899).

(j) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

(k) Revenue recognition and deferred revenue

Grants from the Province of Prince Edward Island are recorded in the period authorized by the Province.

Innovation PEI's subsidiary follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's project revenue based on the expenditures incurred and work completed on each contract in progress as at the statement of financial position date. Revenue billed that is unearned is recorded as deferred revenue.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

(l) **Government assistance**

The company receives assistance from other government entities. The company recognizes this assistance as revenue in the period when the transfer is authorized and all eligibility criteria and/or stipulations, if any, are met.

The company received \$310,000 (2018 - \$220,000) in technical support and workshop funding from National Research Council aimed at improved productivity and competitiveness. This amount is included in revenue under project recoveries. The company also received \$8,000 (2018 - nil) in assistance from Atlantic Canada Opportunities Agency to purchase equipment which was recognized as government funding for capital.

(m) **Government transfers**

Government transfers are transfers of assets from government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates on the amounts can be determined.

(n) **Management estimates**

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. The following are areas in which management makes significant accounting estimates:

- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- The revenue recognized from long term projects under the percentage of completion method is based on an assessment of each project based on costs incurred with regard to estimated overall costs of the project.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

2 Accounts receivable

	2019 \$	2018 \$
Trade accounts receivable	665,774	755,735
Staff advances receivable	156,412	185,796
Government assistance receivable	71,287	48,338
Product Development Fund receivable	2,894	633
Other miscellaneous receivable	-	5,201
HST receivable	-	1,125
	896,367	996,828
Less: Allowance for doubtful accounts	(128,871)	(104,619)
	767,496	892,209

3 Trust funds

On May 31, 2015, Innovation PEI entered into an agreement with McCain Foods (Canada), a division of McCain Foods Limited, on behalf of the government of Prince Edward Island to manage the "Adjustment Fund" established to assist the Albany/Borden-Carleton area with mitigating lost employment and economic impacts resulting from the closure of the McCain processing facility in Albany/Borden-Carleton.

Innovation PEI received \$2,000,000 which will be disbursed to approved projects in accordance with the provisions of the agreement. Any unused portion of this fund that has not been committed to an approved project by January 31, 2019 will be returned by Innovation PEI to McCain Foods by February 15, 2019. As of March 31, 2019, the balance of unused funds is \$344,996 (2018 - \$679,771). All of these funds have been committed to approved projects.

4 Commitments

- (a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2038 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is \$1 per year and is renewable for a further term of twenty-five years for the same annual consideration.
- (b) Innovation PEI has committed to disbursing as development program expenses \$34,225,397 (2018 - \$28,863,302) for P.E.I. labour rebate program assistance, \$7,659,162 (2018 - \$8,154,594) for enriched investment tax credits, \$3,771,851 (2018 - \$3,569,580) for development fund assistance, \$59,406 (2018 - \$59,406) for specialized labour rebate and \$21,000 (2018 - \$21,000) for share purchase tax credit over the next four years as companies meet the required requirements.

In accordance with accounting policy note 1(f), program assistance for the PEI labour rebate program, enriched investment tax credits, development fund assistance, specialized labour rebate and share purchase tax credit expenses are expensed in each year that performance criteria are met by the applicant.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

5 Related party transactions

Related companies

The related companies are provincial Crown corporations or subsidiaries of provincial crown corporations.

Statement of Financial Position

Advances to related companies

	2019 \$	2018 \$
Advances to (from) related companies		
Finance PEI	11,119,686	11,113,316
Island Investment Development Inc.	86,304	85,887
P.E.I. Biocommons Inc.	80	80
Atlantic Technology Centre Inc.	34,075	33,719
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	76,932	75,945
	<u>11,316,977</u>	<u>11,308,847</u>

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$139,990 (2018 - \$157,158) payable to the Province of Prince Edward Island.

F.T.C. Enterprises Limited's property and liability insurance coverage is provided by Finance PEI, a related party. As at March 31, 2019, \$14,090 (2018 - \$13,615) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of \$366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

Statement of Operations

Revenue

Included in revenue are grants from the Province of Prince Edward Island of \$39,982,948 (2018 - \$42,561,900).

Expenses

Effective January 2017, the company's payroll is being processed and paid directly by the Province of Prince Edward Island through their central processing system. During the fiscal year, the Province paid wages and benefits totaling \$1,876,975 (2018 - \$1,751,714) on behalf of F.T.C. Enterprises Limited. These amounts were reimbursed by the company to the Province. At March 31, 2019, a total of \$20,910 is owing to the Minister of Finance for wages and reimbursement of contract expense. This amount is included in accounts payable and accrued liabilities.

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

6 Contingent liabilities

A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency, a former Crown corporation. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim is ongoing.

7 Financial risk management objectives and policies

Innovation PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with management, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Innovation PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable, advances to related companies and due from the Province of Prince Edward Island.

The Corporation's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2019

The Corporations's maximum exposure to credit risk at the reporting date was:

	\$
Accounts receivable	767,496
Advances to related companies	11,316,977
Due from Province of Prince Edward Island	27,023,134
	<u>39,107,607</u>

(b) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. Specifically, the Corporation needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities as they come due. The Corporation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The Corporation's financial liabilities of \$37,406,412 (2018 - \$28,136,007) are expected to be repaid within one year.

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Innovation PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Innovation PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Innovation PEI

Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2019

Schedule

	Cost				Accumulated amortization		2019
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Ending \$	Net book value \$
General							
Equipment	7,713,844	46,248	-	7,760,092	6,741,140	177,866	841,086
Buildings	4,485,453	-	-	4,485,453	4,441,857	2,606	40,990
	12,199,297	46,248	-	12,245,545	11,182,997	180,472	882,076

	Cost				Accumulated amortization		2018
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Ending \$	Net book value \$
General							
Equipment	7,638,300	75,544	-	7,713,844	6,560,058	181,082	972,704
Buildings	4,457,475	27,978	-	4,485,453	4,439,163	2,694	43,596
	12,095,775	103,522	-	12,199,297	10,999,221	183,776	1,016,300



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