

innovationpei

ACCELERATING ECONOMIC DEVELOPMENT

Prince Edward Island
hits **One Billion Dollars**
in exports *page 18*

Aerospace Sector Industry
Economic Impact Analysis *page 19*

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Review *page 23*

Montague Business Development
Centre opens its doors *page 6*

ANNUAL REPORT 2014 2015

Inaugural Ignition
Program huge success *page 8*



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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Message from the Chief Executive Officer

June 29, 2015

Honourable J. Heath MacDonald
Minister of Economic Development and Tourism
PO Box 2000
Charlottetown, PE C1A 7B8

Dear Minister MacDonald,

Please accept this annual report for the fiscal year ending March 31, 2015, summarizing Innovation PEI's (IPEI) activities and highlighting some of the successes of the Prince Edward Island economy during this period.

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

Highlights from this fiscal year include:

| Innovation PEI's Act and regulations were updated to reflect the evolving priorities and operating procedures of the Agency. The revised Act and regulations were proclaimed February 14, 2015.

| Companies supported by IPEI reported the created of 438 jobs during the fiscal year.

| Prince Edward Island exported more than \$1 billion worth of goods in a single year in 2014, an historic milestone for the province's economy.

| The Aerospace and Defence Association of PEI and the Innovation and Technology Association of PEI each released an economic impact study demonstrating their industry's contributions to the PEI economy; highlights are included in the industry ages. Combined, with Bioscience (report released 2013) these industries contributed approximately \$526,700,000 to the Province's GDP in 2014.

| \$20,127,092 was approved to support 631 projects with the creation of 696 jobs forecast.

| The Conference Board of Canada's "Provincial Outlook: Winter 2015" report ranked Prince Edward Island first in Atlantic Canada, and fourth among all provinces, in projected GDP growth (behind BC, MB, and ON). PEI's GDP is predicted to grow faster than the national average in 2015 and 2016, at 2.6 per cent and 2.5 per cent respectively

| For every \$1 Innovation PEI invested in PEI companies, another \$6 was leveraged from other sources, including Atlantic Canada Opportunities Agency, National Research Council, private investors, Export Development Canada, Spills PEI and Finance PEI.

| 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,



Cheryl Paynter, CA
Chief Executive Officer



innovationpei
ACCELERATING ECONOMIC DEVELOPMENT
Business Development | Trade and Export Development | Prospecting and Innovation Programs

CORPORATE MANAGEMENT

The Corporate Management division supports the overall mandates and initiatives of Innovation PEI and its divisions. This division is responsible for communications, marketing and administration.



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TRADE AND EXPORT DEVELOPMENT

Innovation PEI's Trade and Export Development division is mandated to grow revenue created from export sales and to help Prince Edward Island companies become export ready. The division offers training and support for market entry activities and market-specific information.



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BUSINESS DEVELOPMENT and Integration

The Business Development and Integration division is responsible for the coordination and delivery of information, assistance, and support programs to businesses in Prince Edward Island.

The division supports businesses in start up, expansion, trade development, and diversification. The division provides a full range of business counseling and programs to support the long term viability of Prince Edward Island businesses.



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MEET YOUR TEAM OF PROFESSIONALS

PROSPECTING AND INNOVATION PROGRAMS

The Prospecting and Innovation Programs division is responsible for growing the strategic sectors of aerospace and defence, bioscience, information communication technology, advanced manufacturing and renewable energy. The division is responsible for attracting out of province business investment to Prince Edward Island and manages the innovation programs focused on encouraging innovation and new product development.



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MEET YOUR TEAM OF PROFESSIONALS

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BOARD OF DIRECTORS



Brian Thompson, Chairman

Senior Vice President Commercial, Vector Aerospace Corporation

Brian is Senior Vice President Commercial for Vector Aerospace Corporation. Brian oversees Vector's global commercial and development activities for its fixed wing and rotary wing businesses. Brian took on this role in 2012 after leading the Vector Atlantic facility in Summerside since 2007. With Aliant (1998-2003), he had responsibilities in marketing, business development and strategic planning for domestic and export markets. Brian was the Director General of Enterprise Development & Policy at ACOA (2003-2006) responsible for trade, investment, and innovation programs in the Aerospace, IT and Bioscience sectors. He also held senior management positions with the Province of PEI within Agriculture (88-90), Executive Council (90-91), and Enterprise PEI (92-98). Brian holds a BBA from UPEI (1983) and an MBA from the University of Western Ontario (Ivey) (1986).



Linda Duncan - Audit Committee Chair, Director

Executive Director, Mussel Industry Council of North America

Linda is a culinary adventurer who serves as Executive Director of the Mussel Industry Council (MIC). For the last four years, Linda has led this successful organization, promoting Prince Edward Island mussels to consumers and chefs in the United States and Canada. Linda has spent most of her adult life overseas and has experience in international business in Bermuda, Australia, England, Luxemburg and Canada. She has worked in roles from marketing container shipping to building customer service centres and managing the international operations for Bacardi rum. Linda is currently the Vice Chairman of the PEI Culinary Alliance using the brand, PEI Flavours, to position Prince Edward Island as a premium destination brand in tourism and to promote Island food.



Dave Perry - Audit Committee Member, Director

Director, Software Development, RadNet Inc.

Dave currently works as the Director of Software Development for RadNet Inc. where he leads a team of software developers to build commercial software used in RadNet's U.S. radiology operations, and sold in the global radiology market. Prior to working for RadNet, Dave's career spanned leadership roles with Canada Revenue Agency, Kodak Canada and Carestream Health Canada. Dave is a graduate of the UPEI Bachelor of Business Administration (BBA) and Holland College Computer Information Systems (CIS) programs, and he lives in Summerside with his wife Sandra and family.



Ron Myers - Audit Committee Member, Director

Co-Owner, Thinking Big Information Technology Inc.

Ron graduated from UPEI in 2003 with a BSc. Three years later, in 2006, he co-founded Thinking BIG which builds enterprise level applications for both local PEI businesses and diverse clients with unique needs from all over the world. Today Ron leads a team of developers that helps its clients solve complex business and technical problems by providing effective software and technology solutions. Ron is currently the president of the Innovation and Technology Association of PEI, committee member of the STATS Charity golf tournament, a member of the PEI Developers Group and coaches junior soccer. Ron lives in Charlottetown with his wife (Stacey).



Cheryl Paynter - Secretary/Treasurer to the Board

CEO, Innovation PEI

Cheryl is a UPEI graduate (BBA '95) and earned her Chartered Accountant designation in 1997 and her Certified Financial Planner's designation in 1998. Cheryl has worked extensively in private industry in varying levels of management of financial, operational and sales roles in the hospitality sector; most specifically with D.P. Murphy Inc. spanning an 18 year tenure. Actively involved in the community, Cheryl is a board member and co-chairs the Prince Edward Island Marathon, and belongs to the Charlottetown Executive club. Cheryl is past president and honorary life member of the Greater Charlottetown Area Chamber of Commerce, past Audit & Environment Chair and board member with Maritime Electric Co. Ltd., past Governor of Atlantic Canada Economic Council and past board member of various industry, community and minor sporting groups. Cheryl lives in Charlottetown and is the proud mother of daughter Cassandra.

BOARD OF DIRECTORS



Dr. Brian McMillan - Director
President and CEO, Holland College

Brian is the President and Chief Executive Officer of Holland College located in Prince Edward Island. He has been leading the college through a dynamic renewal process for the last nine years. Dr. McMillan is a registered psychologist with the New Brunswick College of Psychologists. He is currently active in numerous organizations including Junior Achievement, Atlantic Provinces Community College Consortium (APCCC), Colleges and Institutes Canada (CIC), CHANCES, PEI BioAlliance, University of Prince Edward Island (UPEI) Board of Governors, the Charlottetown Executive Association, and Innovation PEI.



Steve Howatt - Director
VP of Agronomy & Business Development, Technology Crops International

Steve is the Senior Vice President for Nature's Crops International (NCI), a division of Technology Crops International (TCI), a US based company with a specialty oilseed production and oil processing operation in Kensington, PEI. Steve's current responsibilities includes providing direction and oversight to the company's specialty oils program, as well as coordination of sales and business development activities. Prior to joining NCI, Steve had owned and operated a crop research company based in PEI. Steve is married with three daughters. He was born and raised in PEI, and is currently residing in New Glasgow.



Dr. Alaa Abd-El-Aziz - Director
President and Vice-Chancellor, University of Prince Edward Island

Alaa assumed his responsibilities as the sixth president and vice-chancellor of the University of Prince Edward Island on July 1, 2011. Since that time he has championed a highly collaborative strategic planning process designed to define and advance the strategic direction of UPEI and support its academic mission - teaching, research and service. Throughout his administrative career, Dr. Abd-El-Aziz has remained actively involved in chemistry, making significant contributions to research and teaching in his field of inorganic organometallic polymers and materials.



Carl Brothers - Director
President, Frontier Power Systems

Carl, P.Eng., is a professional engineer with a passion for sustainable energy systems and for rural development. Carl has been an active member of the Canadian wind energy community for 30 years having managed the Atlantic Wind Test Site, Canada's national wind energy testing laboratory, for 20 years. Carl then formed Frontier Power Systems to focus on the development of wind projects and the design of wind energy systems for remote communities. Carl and his wife Kitty, live, in Alberton where, for the last 30 years, they have played an active role in the community and have been able to instil in their four children, the values, work ethic and cheer of rural life in PEI.



Neil Stewart, CA
Deputy Minister, Department of Innovation and Advanced Learning

Neil began his career with PricewaterhouseCoopers in Toronto in 1994 and returned to Prince Edward Island with the firm in 1997. Neil joined Innovation PEI in 1999, serving as a Financial Analyst and then Director of Financial and Immigration Services. He was Chief Executive Officer of Innovation PEI and Executive Director of Island Investment Development Inc. from 2009 until November 15, 2011, when he was appointed Chief Executive Officer designate for Finance PEI. Neil assumed Acting Deputy Minister responsibilities at the Department of Innovation and Advanced Learning on April 20, 2013, and that appointment was confirmed on October 8, 2013. On May 2015, Neil was appointed Deputy Minister of Economic Development and Tourism.

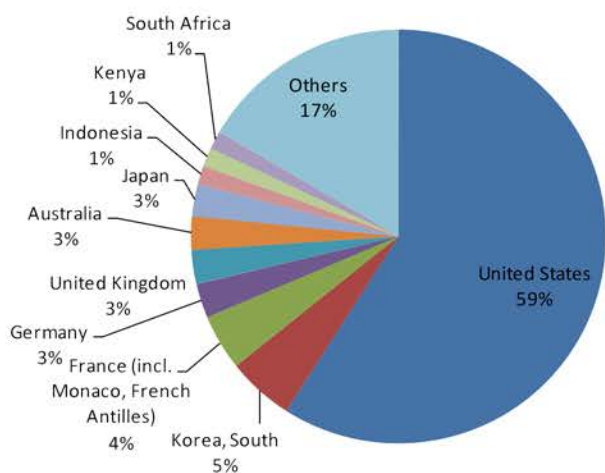
2014 PRINCE EDWARD ISLAND ECONOMY HIGHLIGHTS



GDP by industry for Prince Edward Island expanded by 1.3 per cent in 2014. Leading growth sectors in the province were (in 2007 chained prices): manufacturing (up by \$38.2 million or 9.1 per cent), real estate and rental and leasing (up by \$11.7 million or 1.8 per cent), agriculture, forestry, fishing and hunting (up by \$10.9 million or 3.8 per cent), accommodation and food services (up by \$6.6 million or 4.8 per cent) and retail trade (up by \$6.2 million or 2.0 per cent). Sectors showing the largest declines were construction (down by \$16.4 million or 6.0 per cent), public administration (down by \$11.4 million or 1.8 per cent), management of companies and enterprises (down by \$2.2 million or 8.6 per cent) and information and culture (down by \$1.8 million or 1.3 per cent).

Government gross fixed capital formation increased by 3.7 per cent. Imports increased by 1.8 per cent. Real gross domestic product growth was revised up for 2011 to 1.6 per cent and revised down for 2012 to 1.0 per cent.

PEI Exports by Country YTD 2014



Source: Industry Canada

The change in the All-Items Consumer Price Index (CPI) for Prince Edward Island was 1.6 per cent in 2014. Leading factors contributing to this were higher prices for energy (up by 2.3 per cent), food (up by 1.4 per cent), and shelter (up by 1.7 per cent). In Canada, prices increased by 2.0 per cent in 2014.

Employment on Prince Edward Island declined by 0.1 per cent in 2014 to average 74,000 for the year. Total labour income increased by 1.7 per cent. The unemployment rate averaged 10.6 per cent in 2014, down 1.0 percentage point from 2013. According to the Survey of Employment, Payrolls and Hours, employment on Prince Edward Island declined by 0.3 per cent in 2014.

Manufacturing shipments on Prince Edward Island increased by 10.4 per cent to \$1,608 million in 2014, up from \$1,456 in 2013. According to Industry Canada, the value of P.E.I.'s international exports of goods rose by 22.2 per cent in 2014 to reach \$1.1 billion, the first time annual exports have reached \$1 billion. This follows a 5.4 per cent increase in 2013.

GDP Income and Expenditure tables for 2014 are expected to be released by Statistics Canada in the fall of 2015. Statistics Canada estimates that real GDP growth for PEI in 2013 was 2.0 per cent, on par with national growth for 2013. Growth between 2012 and 2013 was largely the result of a 4.5 per cent increase in exports. Final domestic demand increased 1.8 per cent, while household consumption expenditures increased 1.6 per cent.

- Excerpted from Prince Edward Island 41st Annual Statistical Review 2014, prepared by the P.E.I. Statistics Bureau, Department of Finance; published June 2015.



Island-wide project engages industry, community organizations and government to advance economic development in PEI. The Island Advance Task Force was formed following a 2012 Business Forum called, "PEI's Economic Future – Looking Ahead." The initial findings from this forum recognized the immediate need to establish a committee comprised of business, education and government leaders.



"We are very pleased that our public sector partners have lent their support to the Island Advance Task Force Project," commented Ron Keefe, Chair of the Island Advance Advisory Committee. "We encourage the private sector to take the lead and implement the action plan in order to further our Prince Edward Island economy." - Mr. Ron Keefe, Chair of the Island Advance Task Force



Key Outcomes |

- About 150 Island business leaders took part in an investment forum to discuss the potential of investing in Island businesses.
- More than 350 business owners and newcomers came together at Advancing Island Connections, which provided a venue to talk about potential investments, partnerships and business purchase opportunities.
- An Island Advance committee reviewed P.E.I. tax policies and how they might be changed to make the province a more competitive place for business.
- About 40 investors and aspiring entrepreneurs learned about the availability of capital in the region at a capital formation lunch.
- More than 50 entrepreneurs received tips on pitching for investment at a "Pitch Prep" session.
- A series of online video profiles began sharing the journeys of successful Island entrepreneurs.
- Advancing Entrepreneurship in Island Youth brought together young entrepreneurs and organizations offering support and mentorship.
- The chamber position paper "P.E.I.'s Economy -- The Path Forward" underlined the importance of a private-sector led economy and government's role in creating an environment where business thrives.



Valuable life and business skills through Junior Achievement programs
 "It's exciting to have the federal and provincial governments continue their commitment to the youth of Prince Edward Island through JAPEI. This partnership will give JAPEI the ability to deliver top-notch curriculum-based programming in the areas of Financial Literacy, Work Readiness and Entrepreneurship to students across Prince Edward Island." - Betty Ferguson, President & CEO, Junior Achievement of Prince Edward Island

Junior Achievement (JA) is an international not-for-profit organization focused on promoting business education through collaboration. Bringing together business leaders, educators, parents and the community, JA has a mission to help prepare youth for their future with a solid knowledge of how business works.



INNOVATION PROGRAMS



INNOVATION PEI ANNOUNCES FIRST-EVER WINNERS OF IGNITION

Innovation PEI invested \$200,000 through the Ignition program in eight local businesses, many of which are just beginning their operations.

"Entrepreneurship is strong on Prince Edward Island and to support our potential entrepreneurs, we created the Ignition program to help them when they need it most, in the early stages of business development," said Minister Roach. "Startup is a period when financial resources are crucial and financing can be hard to secure.



Ignition gives successful applicants some added security during this critical time. To grow our economy, we need to support these new businesses that have the potential to become major players in our business community."

The Ignition Program was launched in June of 2014 to assist startups on Prince Edward Island by providing them with an investment of \$25,000 to develop their businesses. Innovation PEI received 46 submissions from individuals interested in pursuing entrepreneurship in the province.

Funding is being provided to: Queen Bee Games, Pownal; Island Gold Honey, Murray Harbour North; Can't Check This, Charlottetown; Sun Country Safety Wear, Vernon River; Island Artisan Cheesehouse, Mont Carmel; Skip the Waiting Room, Cornwall; BamText Corp, Charlottetown; and Serene View Ranch, Alexandra.

"I want to congratulate all of our applicants for their creativity and ambition. They have shown great vision, and Innovation PEI will be following up with each of them to make sure they can benefit from our existing programs and services to help business in this province," said Minister Roach.

CORE PROGRAMS

Aerospace and Defence Tax Holiday
Bioscience Tax Holiday
Capital Acquisition Program
Craft Development Program
Enriched Investment Tax Credit
Futurpreneur Canada
Human Resources Planning
Human Resources Implementation Program
Incoming Buyers Program
Information Technology Planning Program
Information Technology Implementation Program
Innovation and Development Labour Rebate
LaunchPad
Live Lobster Holding Program
Marketing Support Program
Product Development Program
Productivity Improvement Program.
Professional Services Program
Publishing Assistance Program
Quality Improvement Support Program
Rental Incentive Program
Share Purchase Tax Credit
Specialized Labour Tax Credit
Trade Assistance Program
Web Presence Program

INNOVATION PROGRAMS (COMPETITION BASED)

Development and Commercialization Fund
Graduate and Post-Doctoral Fellowship Program
Ignition Fund
Pilot and Discovery Fund



ENTREPRENEURSHIP AND SMALL BUSINESS

The Business Development and Integration division works with local businesses and entrepreneurs, to grow the economy of PEI from within. The economy of PEI is driven by small and medium enterprises (SMEs) more than any other province in Canada. A small business has up to 99 employees; a medium business has 100-499 employees. In particular, small businesses are key to PEI's economic success. The SME category for the Island totaled 5,611 employer businesses at the end of 2012; of those, 5,547 were small businesses.

The value of small business in Prince Edward Island cannot be fully quantified. However, some statistics* are available to partially demonstrate its importance to our economy:

In 2012, SMEs accounted for 94.3% of private employment in PEI – the highest rate of any Canadian province or territory.

In 2011, Island SMEs were responsible for 32% of PEI's GDP – also the highest rate of any province or territory in Canada.

Prince Edward Island is a close third in the category of most SMEs relative to the working age population (15 years and above). PEI has 46.6 SMEs per 1,000 population, following Alberta (50.3) and Saskatchewan (47.8).

Innovation PEI recognizes this value, and focuses its efforts through the Business Development and Integration Division to assist in the growth of our local businesses. Business Development Officers (BDOs) are located across PEI to counsel existing and aspiring business owners. BDOs can provide direction to available supports for activities such as start-up, professional expertise, research and development, technology upgrades, and entrance to new markets.

The new growth in our economy is largely from new businesses, that tend to take advantage of innovation and technology and sell to non-traditional markets. The existence of a vibrant entrepreneurial eco-system that places a high level of value on entrepreneurship is critical to growing these new businesses.

The introduction of the Ignition in 2014 has uncovered new energy and excitement within the start-up community. This competitive program provided seed funding to launch eight exciting new businesses in PEI. Additionally, and just as importantly, the application process connected Innovation PEI with 46 new entrepreneurs across all regions and sectors - resulting in many more opportunities to grow the economy of PEI.



DID

YOU KNOW?

WE OFFER COUNSELLING
PROFESSIONAL DEVELOPMENT
ENTREPRENEUR EDUCATION
BUSINESS GUIDANCE
FINANCIAL HELP

Our economic growth is dependent on a vibrant entrepreneurial eco-system and a culture of innovation. Innovation PEI collaborates with several organizations to support this eco-system, including Futurepreneur, Chambers of Commerce, Rural Action Centres, Junior Achievement, and Entrepreneurs 3.0. Efforts by various groups, and changing demographics, are resulting in a renewed sense of vibrancy and excitement about entrepreneurship, and increasing diversity in ownership and business offerings.

There have been many successes for PEI SMEs in the past year; following are a few examples to demonstrate the variety of activity in our small business sector.

Deep Roots Distillery, which opened its doors in July 2014, is adding value to traditional Island farm products by developing a line of liquors based on PEI apples. Beamish Orchard, a family operated organic orchard, is expanding, diversifying and adding value to its business by using its crop to produce distilled spirits and fruit liqueurs through Deep Roots Distillery. Beamish Orchard's product line includes apple butter, candied apples and apple cider. Innovation PEI supported the company with marketing and web presence assistance.

Allan Equipment Manufacturing Ltd. (AEM) is a steel manufacturing company specializing in potato handling equipment and has been in business for over fifty years. It is Canada's largest designer and manufacturer of potato harvesting equipment. In 2013, the business was purchased from its founder by Trent Cousins and Daniel van Schalkwyk. Drawing from knowledge and exposure to technology and its benefits, the young entrepreneurs decided to improve efficiencies and productivity in the manufacturing and inventory management processes by adopting and implementing IT systems.

This enabled AEM to better manage costs, track product progress, and improve service delivery to its customers.



Did
you know?
CYBF is now
called
Futurpreneur

These improvements will foster AEM's ability to remain competitive in today's global business market.

This is a great example of the transition from one generation to another happening within the Island business community. AEM was founded

by Don Allan, who was inducted into the Junior Achievement PEI Business Hall of Fame in 2014. In 2007, Trent won the ACE CIBC Student Entrepreneur Award for Prince Edward Island and Atlantic Canada for his student business, TR Lawn Care.

MacDougall Steel Erectors Inc. (MSE) expanded its Borden-Carleton facility to handle larger components and larger volumes of structural steel. Construction of the new facility was necessary for the company to meet the growing demand for its products and improve their productivity. A workers' training facility enables MSE to educate as many as 30 trainees per year. MacDougall Steel Erectors Inc., established in 1998, is now one of the largest steel fabrication companies in Atlantic Canada and expects forty new positions to result from this expansion. The company received support from Innovation PEI, Finance PEI and ACOA.

Annand Clams expanded with a new facility and equipment allowing the company to create value-added product lines to meet a growing demand for bar clams. Bar clams are harvested on the Island from April to December every year, and Annand Clams currently sells four value added products: fresh frozen clams, clams on the half-shell, deep fried bar clams, and bar clam tarts. This facility is the only bar clam processing facility in Atlantic Canada, and provides fishers with a secure market to sell its products. Annand Clams will also be introducing a new product, bottled bar clams. The company received support for this expansion from Innovation PEI, Finance PEI and ACOA.



CONCEPT TO PILOT TO MARKET

BioFoodTech provides professional technical services to the food and bio processing industries from concept to pilot to market. 49 confidential contracts between BioFoodTech and clients were completed in 2014-15. BioFoodTech is a 100% owned subsidiary company of Innovation PEI.

A National Research Council-IRAP Contribution Agreement to BioFoodTech allows companies to do small projects at BioFoodTech free of charge. The objective of the Contribution Agreement is to provide Canadian SMEs with innovation and technical support with fast response to clients, as approval to proceed with work on projects is usually obtained the same day as it is sought. This objective was achieved in 2014-15 by working on 38 projects for 36 clients. There is no red tape for clients as BioFoodTech's Project Leaders write up the project proposal for the client and obtain the approval from NRC-IRAP directly.

BioFoodTech provides processing companies with the support required to assure that their products are safe and wholesome for their customers. Food processors deliver food samples to BioFoodTech daily for analysis. Lab staff perform analyses accredited by the Standards Council of Canada and provide reports to processors to confirm the safety of products. BioFoodTech also provides clients with certificates of analysis to enable export of product to the USA, Europe and Asia.

Three "HACCP and the Control of Listeria" workshops were conducted during the year and were attended by 35 registrants. This course is indispensable for companies that want to have a properly functioning food safety system in place. Participants learn to understand food safety hazards. They also learn the essentials of preparing a HACCP Plan for their companies.

BioFoodTech is committed to the security and confidentiality of our clients' information. Project information, reports and study results belong to the client and are not developed for publication. Consent to reveal general activities has been received from some of our clients. These are published in our newsletters and on our website www.biofoodtech.ca.

With Love from Prince Edward Island — Aldanel Authentic Sauces Aldanel Authentic Products is producing five different tomato sauces: Spinach Carnival, Carrot Symphony, Rouge Poivron, Tomato Celebration, and Chili Tango. The sauces are sold at

local stores in PEI, and through Winners and HomeSense stores in Quebec City, Halifax and Moncton. Recently, two of the Aldanel Authentic sauces were being featured and test-marketed in the Atlantic Canada Costco Road Show,



DID
YOU KNOW?

A NEW FOOD CLUSTER
INITIATIVE WILL BE
ANNOUNCED IN
2015.

where professional demonstrators provided samples and offered the products for sale. BioFoodTech's CFIA-inspected incubation facilities, located in Charlottetown, PEI, are available to process foods and bioresources with a HACCP plan, and supported by integrated analytical services to ensure product quality. BioFoodTech provides a comprehensive range of processing equipment, as well as complete processing facilities with adjoining storage refrigerators and freezers. BioFoodTech offers food safety training and support to our clients' staff by experienced equipment operators. Using the incubation facilities at BioFoodTech lowers the financial risk of introducing new products into the marketplace. (excerpt from BFT's February 2015 newsletter).



SECURE | SUSTAINABLE | STABLE

Innovation PEI has been laying the groundwork for further development of the emerging Prince Edward Island Financial and Business Services sector. A strategic development plan has been completed for the Financial and Business Services sector. The strategic plan identified the target sub-sectors that align well with PEI's business case, including pension administration, mobile development, cyber security, and data analytics. Working with our partners - City of Charlottetown, City of Summerside, and Downtown Charlottetown Inc. - Innovation PEI takes a collaborative approach to prospecting new companies and growing the sector.

The expansion of Carta Worldwide to Prince Edward Island, highlighted in the Information and Communications Technology section, is a cross over success story. The company services financial institutions with its next-generation platform that, among other benefits, increases transaction efficiency and enables mobile and digital transactions.

Six years after its initial move to Charlottetown in 2008, Invesco has become one of the area's largest employers with approximately 300 full-time staff at the office. The company, with over 5,000 employees in more than 20 countries, is a leading independent global investment management firm that helps companies worldwide achieve their financial objectives. Invesco offers support services to its international customers from the Charlottetown. Since arriving in Prince Edward Island, Invesco has exceeded the initial expectations for productivity and job creation.

With the support of Innovation PEI and the Atlantic Canada Opportunities Agency, Charlottetown Area Development Corporation (CADC) expanded its office facility in Charlottetown to enable Invesco, to expand its local operations and hire new employees.

PEI ranked well in the KPMG comparison based on cost savings in areas including facility costs (land, lease and building costs, property taxes), total operating costs, and tax and benefits burden.

CADC works to attract private sector development and investment opportunities to grow and expand commercial development in the Greater Charlottetown area. It is owned by the Province of PEI, the City of Charlottetown and the Town of Stratford.

This building was the first on PEI to receive a Leadership in Energy and Environmental Design (LEED) Certificate and features an uninterruptable power supply (UPS) system, state of the art wiring and a geo-thermal heating system. This expansion will increase its size from 45,000 to 65,000 square feet.

DID
YOU KNOW?



"BUSINESS COST COMPARISON STUDY
SHOWS PEI IS THE LOWEST COST
LOCATION IN CANADA FOR SHARED
SERVICES FUNCTIONS"





Trade and Export Development works with small and medium sized enterprises to find synergies in export development. Most of the businesses in Prince Edward Island have less than ten staff, which means many are not in a position to develop exporting opportunities alone. It is important for this division to provide tools and programs that support our private sector as they identify and act on new export opportunities.

The division works closely with the business development and prospecting groups to develop incremental or new export channels. This division also works collaboratively across industry and government to create partnerships that will leverage all the parts and pieces of investment in export efforts to a greater focus.

During the past fiscal year our trade initiatives have;

- | increased export opportunity awareness by holding workshops attended by over 100 PEI companies
- | introduced over 80 PEI companies to new and existing market opportunities.

Areas of focus included

- | continuing to support the maintenance and growth of existing markets including other parts of Canada and the US, exploring new markets such as the UK, South East Asia, China, Korea, UAE, and the Caribbean.

Last year, for the first time, international exports from Prince Edward Island exceeding the one billion dollar mark and early indications for 2015 indicate being on track for another banner year.

Trade Team Prince Edward Island (TTPEI) is a joint agreement between the Province of Prince Edward Island, the Atlantic Canada Opportunities Agency (ACOA) and other departments and agencies, offering export assistance to active and potential exporters.

DID YOU KNOW?

PEI HAS THE **FASTEST** RATE OF **TRADE DIVERSIFICATION** IN **CANADA**, WITH EMERGING MARKET EXPORTS GROWING FROM **4.6 %** TO **17 %**

UK
SOUTH EAST ASIA
CHINA

EMERGING MARKETS



ISLAND BUSINESSES SURPASS ONE BILLION DOLLARS IN INTERNATIONAL EXPORTS

Did you know?

Trade with the United States has increased by 2.2 per cent, while trade with the other Island's top five export markets has all advanced at **DOUBLE** and **TRIPLE** digit **GROWTH** rates.



Prince Edward Island businesses achieved an important milestone in 2014 by exporting more than \$1 billion worth of goods in a single year.

Prince Edward Island sold \$1.12 billion worth of goods to markets outside of Canada last year. Never before has the Island exported a billion dollars in a single year.

The true value of PEI's exports is higher still, as this data does not capture the export of services. Service industries primarily provide intangible products and services, and are not involved in manufacturing. These industries, including Information and Communications Technology (ICT), consulting and financial and business services, contribute substantially to PEI's economy and trade.

To mark this achievement Premier and then Finance and Energy Minister Wade MacLauchlan and the former Innovation and Advance Learning Minister Allen Roach invited members of the Island's business community to a celebration where they thanked the assembled business leaders for their efforts and vision.

"The value of Prince Edward Island's exports increased by 22 per cent from 2013 to 2014. This is a phenomenal achievement by our province's business community," said the Premier. "We must build on this success and continue to close the gap between Island imports and exports by supporting entrepreneurs and increasing our competitiveness."

Exports of farm products and seafood remain the Islands largest export areas, with advanced manufacturing - including aerospace and electronics - being the second most active export group.

The most important market for Island exports was the United States, followed by South Korea, France and the United Kingdom.

AEROSPACE & DEFENCE

Prince Edward Island's aerospace and defence industry is a vibrant example of the economic success that can be achieved when well-designed government development programs cooperate with a high value, high

technology industry. The industry is a leading employer of skilled Islanders and a generator of millions of dollars worth of exports every year. The industry is located in Slemon Park, the greater Summerside area, and throughout the province. Companies in the PEI industry largely serve commercial aviation markets in the manufacturing and MRO (maintenance, repair & overhaul) segments.

In 2014, the twelve core firms in the PEI aerospace and defence industry generated \$300 million worth of international exports and over \$105 million worth of domestic exports. Just over half the value of exports was derived from the United States market; South Korea, Australia and France have also recently emerged as important markets. Aerospace and defence related products now make up four of the top ten international export industries from PEI.

DID YOU KNOW?

THE PEI A&D INDUSTRY
EMPLOYS **930+** PEOPLE AND
SUPPORTS A TOTAL OF
APPROXIMATELY **1364**
JOBS

The KPMG Competitive Alternatives 2014 report compared the operating cost advantages of locating on PEI versus over 200 other jurisdictions around the world. PEI came out as one of the most competitive locations for aerospace-related manufacturing. For example, the average aerospace manufacturing facility in Boston will face a cost environment 35% higher than the same facility in Prince Edward Island. Cost savings are realized in areas that include land, building, total investment and total operating costs.

3 Points Aviation undertook an expansion of its hydraulics repair program, requiring the addition of up to 50 jobs over three years. This will increase production efficiencies, resulting in improved cost competitiveness and increased capacity to design, manufacture, and repair hydraulics for airplane landing gear. The federal and provincial governments, through ACOA and Innovation PEI, provided support.

3 Points Aviation was also a recipient of the Pilot and Discovery Fund for their project to design a replacement housing for the spoiler servo actuator used on all DHC-8 model aircraft. The Spoiler Servo Actuator Assembly is a hydraulically powered mechanical device used to extend or retract the actuator piston and, in turn, the spoiler itself.

The Aerospace and Defence Association of PEI (ADAPEI) commissioned the report, "Prince Edward Island Aerospace and Defence Industry Economic Impact Analysis", completed in early 2015. The report highlights several key findings:

- | The PEI industry directly employs 930+ people and supports a total of approximately 1364 PEI jobs.
- | The aerospace and defence workforce on PEI is the youngest in Canada, and that workforce earns a weekly wage that is 22% more than the PEI average wage.
- | International export revenue increased more than 300% in the past five years (2010 to 2014). On a per capita basis, PEI ranks second only to Quebec among the ten provinces for aerospace parts and products manufacturing exports and first among the ten for engine, turbine and power transmission equipment manufacturing exports.
- | This aerospace and defence sector accounts for the majority of durable goods manufacturing GDP on the Island. It directly boosted provincial gross domestic product (GDP) by \$106 million. With supply chain and induced economic activity factored in, the total GDP impact was \$149.4 million or 3.3 percent of the entire PEI GDP.

THE
AEROSPACE AND
DEFENCE WORKFORCE ON
PEI IS THE **YOUNGEST IN**
CANADA, AND THAT WORK-
FORCE EARNS A WEEKLY WAGE
THAT IS **22%** MORE THAN
THE PEI AVERAGE
WAGE.



2014 - 2015



Jason Aspin of Aspin Kemp

Using new and updated technologies, materials and processes to improve the production and manufacturing process is what Advanced Manufacturing on Prince Edward Island is focused on. This could include Computer Aided Design (CAD) design or Computer Numerical Control (CNC) production processes, essentially anything that will create a product more advanced product than its predecessor. These improvements often lead to staff retraining as a higher skill level is required, support for which is an important role provided by Innovation PEI.

Examples of advanced manufacturing can be seen in most sectors on PEI including aerospace, marine, bioscience and ICT. Illustrations include companies such as Atlantic and Advanced Power Technologies (AAPT) in the marine industry, where their CNC machines are used to make exact cuts of materials to not only ensure a perfect fit within a product build but also to streamline their labour for a more efficient process. Aspin Kemp's advanced manufacturing process

was one of the reasons for their recent successful negotiation of an \$80 million contract with GE Canada's Global Offshore and Marine Division.

Aspin Kemp & Associates (AKA) will provide switchboards, variable frequency drives and other electrical components for drilling ships under the contract, and create approximately 50 quality trade and professional jobs. Based in Montague, the company has employees and successful projects in countries around the globe.

Portsmouth Atlantic, Charlottetown, an engineering company focused on the defence and marine industry, recently secured a contract with South Korean shipbuilder HI AIR KOREA Co., Ltd. (HAK) valued at \$1.75 million. Portsmouth Atlantic will supply air filtration units for a ship to be built in Korea for the Royal Norwegian Navy. The design work for the innovative modular units will be done by Portsmouth Atlantic's Prince Edward Island engineering team.

Midwest Surveys, a Calgary-based geomatics company serving the oil and gas industry, opened a technical service centre in Prince Edward Island. The PEI location provides the competitive advantage of beginning business three hours ahead of their western offices and the majority of their clients, enabling the company to be more flexible in meeting customer needs. Midwest Surveys has had two land surveyors working remotely from the Island since 2013. Their new Stratford location provides work space for twelve employees. Midwest expects these positions to be fully staffed within two years.

Looking forward within the advanced manufacturing process we will start to see more companies producing some of their goods via the additive manufacturing process where parts can be printed using a 3D printer. Such a process saves time, materials and creates a product without any defects.

DID YOU KNOW?

ASPIN KEMP & ASSOCIATES
SUCCESSFULLY WON AN **\$80**
MILLION CONTRACT FROM GE
CANADA'S GLOBAL
OFFSHORE AND MARINE
DIVISION.





The Prince Edward Island Bioscience industry includes companies focused in the research, development, and commercialization of bioactive-based human, animal, and fish health, and nutrition products in locations across the province.

Somru BioScience Inc. is an emerging biotechnology company dedicated to developing innovative antibody and ELISA based solutions to accelerate research worldwide. Somru successfully completed for a Development and Commercialization Fund award for the further development of investigational medical testing kits. These kits can be used in a clinical lab to generate results that will enable clinicians to make better decisions. This project involves scale up production of reagents, lyophilization of reagents to improve stability, and testing stabilizers to improve and increase shelf life of the test kits. In late 2014, Somru moved into a new facility and expects to hire an additional five employees in 2015.

The PEI BioAlliance was selected as one of fifteen organizations from across Canada for additional funding through the federal Canadian Accelerator and Incubator Program, delivered by NRC, to help Canadian early stage technology companies grow. The BioAlliance will receive \$3.8 million over five years for the incubator service, Emergence. Innovation PEI is supporting the initiative with a \$100,000 contribution in the first year, which is potentially renewable annually. This will provide access to business assessment, mentoring and specialized commercialization services for early stage bioscience companies in Prince Edward Island.

BioVectra Inc., a cGMP drug development partner and specialized manufacturer pharmaceutical ingredients for the global marketplace, commenced and completed a 13,000 square foot addition at one of its Prince Edward Island facilities. The expansion was necessary to provide additional laboratory, office and amenity space to accommodate the growth of the company, now at 250 PEI employees. To expand its manufacturing capacity, ability to partner with global pharmaceutical developers, and improve its supply position, BioVectra also expanded by acquiring a manufacturing facility in Nova Scotia. BioVectra remains headquartered in Charlottetown.

FOSTERING COMMERCIALIZATION

ANIMAL HEALTH | NATURAL HEALTH PRODUCTS | BIO ACTIVE EXTRACTION & PROCESSING | AG BIO

Island Abby Foods Ltd., a Health Canada and FDA-licensed natural/medicated health product developer and manufacturer, announced its expansion into the vitamin, mineral and supplement category. The company developed the world's first honey gummy vitamin supplement, with six products for adults and children. The product, Honibe Honey Gummies™, is produced with naturally sourced, non-artificial ingredients. Island Abby Foods Ltd., a Health Canada and FDA-licensed natural/medicated health product developer and manufacturer, announced its expansion into the vitamin, mineral and supplement category. The company developed the world's first honey gummy vitamin supplement, with six products for adults and children. The product, Honibe Honey Gummies™, is produced with naturally sourced ingredients and is free of artificial ingredients.

Island Abby also launched additions to its line of Honibe Honey Lozenges™, introducing Honibe Honey Lozenges™ - Cherry and Honibe Honey Lozenges™ with Immune Boost. The Immune Boost contains Echinacea, vitamin C, zinc, and a hint of citrus. The company also announced a partnership with French pharmaceutical company, Gifrer. This partnership will bring the HonibeR Honey Lozenges into the French market via a co-branded effort, using Gifrer's Alma miel brand of cough and cold products. With its expanding product line and global partnerships, Island Abby expects continued growth and employment opportunities in the coming years.

BioSpa Cosmeceuticals, of Summerside, received support through the Pilot & Discovery Fund for further development of its skincare line. BioSpa develops, manufactures and distributes products with almost entirely plant derived ingredients. The company is developing six additional products to complement its existing products, resulting in a complete product line for the private skincare market.

Neurodyn Life

Sciences Inc. completed its first-in-human clinical study of Memogain, to address safety and tolerability, with positive initial results. When compared with existing Alzheimer's drugs, early results indicate Memogain provides improved cognitive enhancement and decreased side effects.

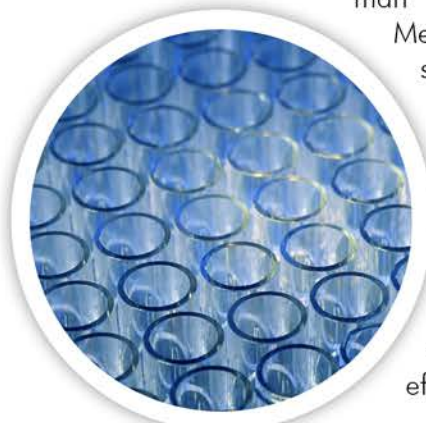


Also in the past year, Neurodyn successfully concluded a \$1 million funding round from existing shareholders and investors and venture funds. The additional funds will support the company's development and commercialization initiatives in support of its various natural health and bioactive pharmaceuticals product lines.

ViTRAK Systems Inc. is a research and development company dedicated to the development and commercialization of its two patents in the field of movement tracking and analysis. Stepscan®, a pressure sensitive electronic floor tile system combined with proprietary gait analysis software, has applications including medical research, clinical rehabilitation, sports training, and military training.

ViTRAK is also pursuing the development of a broader based subject tracking system and evaluating the technology's suitability as a biometric identification tool with funding support from Innovation PEI and the Natural Science and Engineering Research Council.

ViTRAK raised up to \$2 million in funding to continue its product development and commercialization efforts. The funding was raised from a syndication of local Prince Edward Island investors, including the Regis Duffy Bioscience Fund and associated companies. The company has also commissioned a new manufacturing facility in Charlottetown for production of the tiles.





From applied research and new product development through to supporting the needs of growing businesses, Prince Edward Island's Information and Communications Technology (ICT) sector consists of companies with development and solution specializations in many areas. The sector has particular strength in the areas of independent software vendors, healthcare, financial services, wireless and mobile applications, and gaming.

With the continued growth of the sector comes the increasing demand for skilled employees. Innovation PEI supports several initiatives to raise interest and awareness of career opportunities in ICT. Over the past year, IPEI partnered with SkillsPEI and the ICT community to offer a short-term Java training course. Nineteen students completed the course and twelve secured employment as a direct result of this training.

GameForce continues to be offered in junior and senior high schools, and expanded with a new mobile development course added to the program this year.

The agency has also been collaborating with SkillsPEI and the departments to implement the FIT IT program, which provides a structured and consistent approach for IT delivery within the high school system.

Over the past year, PEI's ICT cluster welcomed some new businesses and celebrated the success of existing companies. Buchanan Technologies Inc. and Carta Worldwide opened new PEI locations, and several existing ICT companies were recipients of funding through IPEI's innovation programs.

Buchanan Technologies Inc. selected Charlottetown as the location for its first Canadian Service Delivery Centre. Buchanan is a well established and respected enterprise support organization within the ICT field. Based out of Grapevine, Texas, the company was founded in 1988 and specializes in professional services: business process management, managed services, Project Services, support centre, SaaS, Desktop Management, TOSCO Field Services, Unified Communications, Business Solutions, and Core Infrastructure. The company is operational in PEI, initial hiring is complete and further hiring is underway. The company projects the creation of 46 jobs at its PEI location within three years.

The Pilot and Discovery Fund was awarded to five Island companies to assist with research and development work for new products. The selected projects ranged from cloud-based applications and services for the construction and athletic performance areas, to data collection and preservation software and services, to wireless, fee-for-use Internet service.

Recipients of the Development and Commercialization Fund included MAXIMUS Canada Services, Inc. and Mugisha Enterprises Inc.. The MAXIMUS project is for enhancements and modifications to its public sector benefits management solution, Medigent, for use in the US Medicaid market. Mugisha's project is for the further refinement of Video Assistant, a wireless communication tool to enable onset and offsite collaboration by film crews.

The Innovation and Technology Association of PEI commissioned and released a report, "Prince Edward Island's ICT Industry Economic Impact Review", illustrating the importance and impact of the industry to the Island. The report uses the Statistics Canada definition of the ICT sector. All data is exclusive of customer contact centres, back office services, engineering, or IT activities that reside in other sectors of the economy (i.e. IT workers in government, financial services companies, etc.).

DID YOU KNOW?

THE PILOT AND DISCOVERY FUND WAS AWARDED TO TEN ISLAND COMPANIES TO ASSIST WITH RESEARCH AND DEVELOPMENT WORK FOR NEW PRODUCTS.

ICT Continued...

Key insights of the ICT sector report include:

- | The cluster's direct GDP contribution increased 60 percent faster than the overall economy on PEI between 2009 and 2013; it now contributes an estimated \$178.6 million of direct GDP.
- | With supply chain and induced economic effects, the total GDP contribution of the ICT industry rises to \$236.3 million or about 4.7 percent of the Island's total GDP.
- | Prince Edward Island has the youngest IT workforce of any Canadian province, and that workforce earns a weekly wage that is 25% more than the average wage in PEI.
- | The ICT sector directly employs 1200 Islanders and supports a total of approximately 1850 PEI jobs.
- | PEI ICT companies, on average, earn 62% of revenue from off-Island customers.



LaunchPad PEI Inc. was created in 2014 to operate a business incubation program dedicated to the success of start-ups in Prince Edward Island. A strategy was developed to offer amenities to encourage start-ups and new businesses. Including:

- | Professional and secure office space with access to a one-on-one business advisor
- | Qualified advice and services from legal and accounting firms
- | Access to capital programs that can assist in product development, marketing, and hiring
- | Mentorship opportunities from our network in the business and ITC sector
- | Introduction to Venture Capital and Angel Investors

LOCATIONS

LaunchPad includes private and co-shared office space and features secure internet connectivity with firewall, a common area, and cleaning and maintenance services. Each site has a resident business development officer who is available for daily advisory and mentoring services, and to guide the participants through the mentorship, investment, and connection opportunities.

In 2014 LaunchPad PEI became a designated incubator under the Start-up Visa program and began an exciting partnership with CABI.

The partnership with CABI gives us a resource within the Canadian business incubation to network with other incubators and accelerators across Canada. CABI hosts their annual conference that provides professional development, networking and sharing of information on best practices, incubation methods, and training that we can use to assist our local clients. Through CABI's existing partnerships within the Federal government, they have access to events and international missions and promote these to their members.

