
ANNUAL REPORT

2017-18



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Executive Summary

Alberta's economic recovery is underway. Following declines of 3.9% in 2015 and 3.6% in 2016 the province's gross domestic product increased by 4.9% in 2017, the highest among Canada's provinces.¹ Other key economic measures, such as employment, earnings, trade, manufacturing, exports and retail sales experienced growth in 2017.²

Since its inception in 2015, the Alberta Ministry for Economic Development and Trade (EDT) has led progressive measures to diversify and strengthen the provincial economy by supporting business growth through innovation, and through trade development, investment attraction and delivering opportunities for job creation. Efforts to improve Alberta's economic resiliency and structural balance coincided with the November 1, 2016, consolidation of Alberta Innovates (AI) or "the Corporation."

YEAR IN REVIEW

2017-18 was a transformational year for Alberta Innovates. The Corporation made progress in its reorganization as it worked toward five corporate goals previously identified in the 2016-17 Transitional Business Plan. The work of consolidating four distinct organizations into one cohesive agency, and advancing research and innovation across a wide range of endeavours, carried over into 2017-18.

AI focused on key integration deliverables and on the ongoing activities and commitments of its four business lines – Bio, Clean Energy, Health Innovation and Investments (formerly called Cross-Sector Innovation). The Corporation also met AI's operational objectives for the year, and partnered with industry, government, post-secondary institutions and innovative small businesses to deliver on the intended outcomes of its primary stakeholder, the Government of Alberta (GoA).

¹ Statistics Canada: *Gross domestic product by industry: Provinces and territories, 2017*

² <http://economicdashboard.alberta.ca/#dashboard>

ALBERTA INNOVATES at a glance



Annual investment of **\$286 million**, another **\$80 million** in technical support for greenhouse gas emissions reduction projects.



72 PROGRAMS in 14 investment portfolios and four business lines



Programs span the innovation continuum from **discovery** to **deal-making**.



support applied research



contribute to value-generation



600
EMPLOYEES



10
LOCATIONS

2 applied research subsidiaries

- InnoTech Alberta
- C-FER Technologies



HIGHLIGHTS of 2017-18 activities



Long-term strategic plan initiated to define priorities for Alberta Innovates to **deliver tangible outcomes** intended by the Government of Alberta.



4 TIGER TEAMS

complete a corporate integration project. Their recommendations have been taken on by the **newly established Integration Management Office (IMO)** for execution.



72 PROGRAMS reviewed in depth. Changes made to create efficiencies and reallocate resources to priority areas.



of Transitional Business Plan **deliverables** completed.



Employee engagement survey

results shared across the organization. An employee engagement plan to define AI's new culture and foster employee development is underway.



\$47.2M in external contract revenue generated by InnoTech Alberta.

76 PhDs

Highly qualified and skilled personnel at InnoTech Alberta worked with industry, government and small to medium-sized enterprises to enhance company competitiveness and bring new technologies to market.



Emerging Technology Sector Collaboratory

established in partnership with the Alberta Ministry of Economic Development and Trade (EDT), to co-ordinate provincial research and innovation activities related to emerging technologies.



6 AI-LED PROPOSALS

submitted to the federal Innovation Superclusters Initiative.



New executive talent joins the senior management team - Executive VP Operations, Steve McMahon, and VP Marketing & Communications, Lyn Brown.



\$94.7M

ALLOCATED TO AI

from EDT to develop and administer **Climate Change Innovation and Technology (CCITF)** programs. CCITF is being led by the Clean Energy business line.



Health partnership launched including AI's Health Innovation business line, Merck Canada and Alberta Health Services to improve access to **high-quality care for aboriginal mothers.**



Alberta Machine Intelligence Institute (Amii) and **Google DeepMind** lab established at University of Alberta – the outcome of longstanding leadership and support from the Post-Secondary Investments Team of Alberta Innovates.



Applied research into cellulose nanocrystals (CNC) and lignin production and product applications advanced under new Alberta Bio Future programs, aimed at developing these materials into high-value, commercial bioproducts. The programs have strong industry partnerships.



THE PATH FORWARD

The Corporation will balance its activities to fulfill existing obligations while working toward full operational integration, and begin the process of shifting its research and innovation priorities to maximize benefits for Albertans.

Going forward, AI will build on two crucial deliverables that were completed in 2017-18 – the comprehensive program review and initiation of the new, five-year strategic plan. The strategic planning process made it clear Alberta Innovates must make some fundamental changes in focus. Investments in emerging technologies are a minimum requirement for Alberta to compete nationally and internationally. An adjustment in AI's investment portfolio will enable Alberta to capture emerging growth as technology diffuses throughout the global economy and increasingly obscures distinctions between sectors.

AI will facilitate the growth and development of four core emerging technologies and application areas in Alberta that have demonstrated momentum for high potential return and lower risk:

- Data-Enabled Innovation
- Digital Technology for Business Transformation
- Clean Technology
- Innovative Production and Distribution

The Corporation's unique position in the R&I ecosystem makes it the ideal agent to apply emerging technologies across multiple sectors. AI will leverage existing cross-sectoral R&I partnerships and collaborations and foster new ones to accelerate the development, uptake and spread of these technologies.

AI will also work on improving the client journey through innovation, by streamlining and automating our internal processes and operations to ensure target clients are aware of and have seamless access to our programs and services.

Finally, Alberta Innovates will look for ways to work with its partners to enhance the province's knowledge workforce and enable Albertans to adapt to emerging technologies and the digital future.

Accountability Statement

The Alberta Innovates Annual Report for the year ended March 31, 2018, was prepared under the Board's direction in accordance with the Alberta Research and Innovation Regulation, and the ministerial guidelines established pursuant to the Alberta Public Agencies Governance Act (APAGA) and the Fiscal Planning and Transparency Act. All material economic, environmental or fiscal implications, of which we are aware, have been considered in the preparation of this report.



Board Chair

May 24, 2018

Date of Approval of Financial Statements

Message from the Board Chairperson



Brenda Kenny, PhD

CHAIRPERSON, BOARD OF ALBERTA INNOVATES

Cycles are anticipated and the norm in energy and related sectors, and certainly the past few years have been difficult in Alberta. As the province continues to recover from a two-year decline in growth, there is widespread acknowledgement that an underlying structural change is underway. The transition in energy and markets is permanently altering resource-driven economies, including in Alberta. Against this backdrop, the Government of Alberta is focused on diversification and innovation to identify new industries, while also strengthening existing ones. This is all with an eye to future prosperity, stewardship and health.

Alberta Innovates is a central player in the successful execution of this public policy. The Corporation was consolidated in late 2016, bringing together two applied research subsidiaries, InnoTech Alberta and C-FER Technologies, and four sector-specific research entities, Bio Solutions, Energy and Environment Solutions, Health Solutions and Technology Futures. Mandated to support research and innovation activities, Alberta Innovates is a catalyst for government priorities related to discovery, commercialization and application of knowledge and technologies that can open doors to new opportunities domestically and abroad.

Further, Alberta Innovates' operational focus and strategic priorities are aligned with four long-term outcomes defined in the Alberta Research and Innovation Framework – economic diversification and job creation, environmental stewardship and climate leadership, effective resource management, and engaged individuals and communities for a healthy Alberta.

The Corporation's transitional business plan over the past year set out 29 deliverables and actions. Those were taken deliberately to drive and sustain transformative progress. Among the key milestones were:

- The baseline review of 72 funded programs, with recommendations to create efficiencies and redirect resources to priority areas;
- Establishment of the Artificial Machine Intelligence Institute;
- Participation in six federal super-cluster bids which, while unsuccessful, established a strong foundation and momentum for collaboration within and beyond Alberta;
- Launch of the Climate Change Innovation and Technology Framework (CCITF) programs; and
- Extensive stakeholder research and input that shaped the Corporation's strategic roadmap.

BRINGING TOGETHER PEOPLE AND TECHNOLOGY PLATFORMS

Strategies in today's hyperconnected world are not developed in isolation, nor are they executed in a vacuum. Through the strategic review process recently completed, Alberta Innovates gleaned invaluable stakeholder insights about the market needs, gaps and strengths of the provincial innovation ecosystem. This market intelligence will guide its three-year operational business plan and ongoing community dialogue.

Over the near term, the Corporation will support the full research and innovation continuum from discovery to use in priority areas of: health; energy and greenhouse gas (GHG) mitigation; environment and climate adaption; food and agriculture; and bioindustrial. Many existing post-secondary, business and industry research programs will be unchanged.

At the same time, Alberta Innovates will begin to shift the orientation of its investment portfolios toward emerging technologies that have application across multiple sectors.

The input of internal and external research and innovation stakeholders was highly consistent about Alberta's challenges and the need to leverage and enhance the local knowledge workforce through retraining and redeployment of skilled personnel into new competitive industries beyond resources.

This strategic dialogue also made it abundantly clear that tangible impacts and outcomes must be realized over the medium-term from public investments in research and innovation (R&I). The co-development with Economic Development and Trade (EDT) of the R&I framework and scorecard will address the importance of rigorous evaluation, transparency and accountability in performance reporting and evidence-based resource allocation. Alberta Innovates holds a unique position in this regard, as a neutral convenor of the broad provincial innovation ecosystem. It is crucial that Alberta be positioned to drive innovation strategically and to know the results.

Our Corporation is also a source of market intelligence with a long history in applied research and industry partnership. We are tasked to be the catalyst to apply emerging technologies across many sectors and an agent to activate, accelerate and foster collaborations, partnerships and new start-up entrepreneurial ventures. It is a role the entire organization is embracing.

On behalf of the Board, I extend our appreciation to the Alberta Innovates team, under the visionary leadership of CEO Laura Kilcrease, for steering the Corporation through this first full year of integration. I also wish to extend our thanks to Judy Fairburn, who oversaw the initial merger and consolidation of Alberta Innovates and completed an extended term as Board Chair in late March 2018.

Sincerely,



Brenda Kenny, PhD

CHAIRPERSON, BOARD OF ALBERTA INNOVATES

Operational Overview

AI's operations are conducted through four business lines - Investments (formerly Cross-Sectoral Innovation), Bio, Clean Energy and Health Innovation. Existing legacy programs underwent a vigorous review during the transitional year of consolidation. They continued to be delivered by the Corporation during 2017-18, with some amendments.

The chart below provides a brief operational overview of AI's four business lines.



Investments *(formerly Cross-Sectoral Innovation)*

The Investments Business Line supports the enhancement of the innovation ecosystem by partnering with and fostering entrepreneurs, industry, researchers and post-secondary institutions.

This business line consists of several units: Entrepreneurial Investments (EI), the Post-Secondary Investments Team (PSIT), and AI's two applied research subsidiaries - InnoTech Alberta Inc. and C-FER Technologies. AI's investment in these cross-sectoral enablers facilitates innovation by offering research capacity, entrepreneurial know-how and business development infrastructure. AI helps researchers, entrepreneurs, SMEs and industry to advance their ideas into application.



Clean Energy

The Clean Energy Business Line develops and invests in research and innovation (R&I) programs to achieve Alberta's strategic goals for energy, the environment and economic prosperity.

Clean Energy supports resource and technology companies, small and medium enterprises (SMEs), and post-secondary institution (PSI) researchers in their research, technology development and commercialization initiatives. Clean Energy leads the delivery of the Climate Change Innovation and Technology Framework (CCITF) programs in collaboration with the Investments and Bio business lines. Clean Energy invests in three portfolios: Advanced Hydrocarbons, Clean Technology, and Water and Land.



Bio

AI makes research and innovation investments that leverage Alberta's food, fibre and forestry sectors, and the province's natural, renewable resources, to benefit a growing global population in a carbon-constrained environment.

The role of the Bio Business Line is to develop and deliver initiatives that stimulate research and innovation in the agriculture, food and forestry sectors to grow and diversify Alberta's economy in a sustainable way. Bio supports small and medium enterprises, and post-secondary institution researchers in their research, technology development and commercialization initiatives. Bio invests in five portfolios: the Alberta Prion Research Institute, Bioindustrial Innovation, Ecosystem Services and Biodiversity, Food Innovation, and Sustainable Production.



Health Innovation

AI leverages Alberta's excellence in health research, a growing health technology sector, and unique, unified health delivery system strengths. The Health Innovation Business Line fosters partnerships with industry, not-for-profits, government and academia, and engages the public to achieve its desired impacts - increased economic development, enhanced patient care (outcomes and experience), and a resilient health-care system.

Health Innovation's portfolio spans the spectrum of "discover, develop and use" and includes project, program, platform, and people level investments.

Reporting on Results

The 2017-18 Annual Report demonstrates accountability and transparency to the Government of Alberta for the performance and key achievements arising from the 2016-17 Transitional Business Plan. The past year was one of profound change for the organization. The business plan mobilized staff and resources from four distinct legacy corporations and initiated a complex integration process to collectively build a strong foundation for future success.

AI actively advanced its transformation by setting five distinct corporate goals:

1. Nimble and responsive
2. Resource allocation tied to outcomes
3. Innovation culture
4. Co-ordinated single entity
5. Coalition building

The Corporation developed 29 actionable deliverables in its business plan to help achieve these broad goals. The deliverables were actively tracked throughout the year, so AI could measure its progress and provide transparency and accountability to its primary stakeholder, the Government of Alberta.

During this period of consolidation, AI continued to deliver on the government's intended outcomes. In keeping with its mandate to be outcomes-focused, AI tracked key legacy metrics to underscore its commitment to achieving desired outcomes and aligning to Alberta's Research and Innovation Framework.



LOOKING AHEAD

Alberta Innovates co-developed a draft “research and innovation impact framework” with EDT using a six-block protocol. This will guide a “fit for purpose” approach for integrating performance monitoring and evaluation (PME) processes and tools in the organization. A “scorecard” was developed to help identify key performance indicators of progress and success. Once implemented, the framework will support continued learning, adjustment and alignment.

The framework will be implemented systematically using cascading scorecards and scheduled evaluations for even better accountability and transparency to the government and the public. It will also provide a valuable tool for reviewing programs to inform allocation decisions.

TRANSITIONAL CORPORATE GOALS



1. Nimble and Responsive

Corporate Goal Statement:

The new Alberta Innovates will make it easier for researchers, small and medium enterprises, Campus Alberta and industry partners to collaborate and turn challenges into opportunities by:

- (i) Making it easier to engage and partner with Alberta Innovates; and,
- (ii) Continuously assessing its innovation investment portfolio and resource allocation decisions to ensure they remain relevant in light of current market conditions and the contributions of other stakeholders.



1a.

CLIENT SERVICE

Review legacy grant processes and develop an action plan to improve the quality and speed of client service, by Q4.

OUTCOME

The Integration Tiger Team completed a review of legacy grant processes and submitted recommendations to the Grants Integration Implementation Team overseen by Executive VP Operations.



1b.

MARKET RELEVANCE

Assess long-term programs (defined as being in operation for five or more years) for current market relevance, by Q4.

OUTCOME

AI's strategic plan will inform the assessment and relevancy of long-term programs. The scope of a proposed market intelligence team to evaluate programs was completed and submitted for consideration.



1c.

CONTINUOUS IMPROVEMENT

Implement a go-forward mechanism for completing periodic in-depth reviews of programs, aligned with EDT and applicable stakeholders.

OUTCOME

EDT approved a rolling three-year annual review process where one-third of all programs are assessed on a yearly basis, to be adaptive and responsive to changing market influences and GoA priorities.



1d.

EMERGING TECHNOLOGIES

Establish an emerging technologies action plan, aligned with EDT priorities, to allow Alberta to capitalize on new and high potential technology areas, by Q4.

OUTCOME

EDT and AI partnered to create the Emerging Technology Sector Collaboratory. The collaboratory will have an ongoing mandate to co-ordinate research and innovation activities in the province related to emerging technologies.



1e.

INNOVATION LANDSCAPE

All new funding partnership agreements greater than \$250,000 annually will explicitly consider the Innovation landscape (i.e., other stakeholders) and market needs prior to approval, starting in Q2.

OUTCOME

An "Innovation System Map" was initiated that will inform the market intelligence team about local, provincial and federal programs that can be leveraged for program needs.



1f.

LEGACY STAFF AND CAPITAL

Review the legacy allocation of internal resources, such as staff and capital, to the future needs of the organization; identify gaps and changes needed to ensure AI is nimble and responsive to the current needs of the province, by Q3.

OUTCOME

A detailed inventory of capital requirements and identification of key projects within the organization is complete. An interim skills inventory of AI staff will enable the development of a more detailed skills inventory (Talent Profile) to increase visibility and reporting on skills, knowledge and expertise. Focus areas for employee skills-development to support AI were identified and training programs initiated.

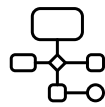
TRANSITIONAL
CORPORATE GOALS



2. Resource Allocation Tied to Outcomes

**Corporate Goal
Statement:**

To enable the allocation of resources based on results and alignment to government priorities, the Corporation will build an enterprise view of all investments, their current performance and assessment of market orientation.



2a.

PROGRAM REVIEW

Build a consolidated inventory of AI's existing programs by Q1, articulating the expected outcomes and how progress is tracked currently.

OUTCOME

An external expert panel reviewed AI's inventory of 72 programs and program self-assessments. EDT approved AI's proposed program adjustments.



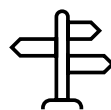
2b.

**PERFORMANCE MONITORING
AND EVALUATION**

Starting in Q3, all new funding partnership agreements will identify clear project milestones and performance metrics that articulate the outcomes sought, and how performance will be assessed.

OUTCOME

AI successfully partnered with EDT to develop a research and innovation impact framework to integrate performance monitoring and evaluation (PME) for the organization. An operational guide for business units to define performance measures, and mock-up dashboards and scorecards, are under development. Mandatory contractual measures, reporting and evaluation schedules were also identified.



2c.

**GOVERNANCE AND
INVESTMENT CRITERIA**

Complete a current-state assessment of existing investment approval/governance processes, including the criteria used to evaluate, select and approve investments. Identify clear recommendations for approval by Q3.

OUTCOME

A focused literature and best practice review was completed for assessing and aligning investment to outcomes in the research and innovation space. Expert international opinion was obtained. Investment criteria were developed for a sample of AI programs.



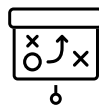
2d.

PORTFOLIO MANAGEMENT

Build an enterprise-wide view of AI's current investment portfolio, assess the outcomes being generated and develop a consistent process to track multi-year financial commitments, by Q4.

OUTCOME

AI initiated the creation of an enterprise-wide view of its investment portfolio with a conceptual framework, key performance indicators and outcome statements. An execution strategy was developed to track and report on multi-year financials.



2e.

CORPORATE REPORTING

In concert with the development of AI's long-term strategic plan, the Corporation will articulate the results AI is trying to achieve on a corporate-wide basis for the Province, in terms easily understood by the general public, by Q4.

OUTCOME

AI articulated its operational outcomes to the government via the annual and biannual reports. An in-depth strategic planning process was completed - setting the foundation for the Corporation's three-year business plan outlining its goals and intended outcomes.

TRANSITIONAL
CORPORATE GOALS



3. Innovation Culture

**Corporate Goal
Statement:**

AI will foster an action-oriented culture that is nimble, forward-looking and ready to engage and participate in new endeavours, with the willingness and imperative to take advantage of changing market needs and trends. The development of the new AI culture will involve the employees of the organization as well as our partners.

AI will develop its employee communications to ensure accurate and timely information is received consistently by employees. Externally, AI will build its toolset to more efficiently communicate and engage its partners.



3a.

**EMPLOYEE ENGAGEMENT
SURVEY**

Launch an employee engagement survey, conducted by an independent third party, and have AI's new CEO visit all Alberta Innovates offices to engage employees, gather feedback and leverage their passion, persistence and professionalism to set a new cultural direction for AI, by Q2.

OUTCOME

An employee engagement survey was developed, conducted and analyzed by an independent firm. AI's senior management team (SMT) shared the results with employees across the organization during a simulcast. An action plan was initiated to address findings. The CEO visited all AI locations.



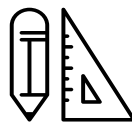
3b.

INTERNATIONAL IDENTITY

Identify a preliminary international identity or brand for Alberta's innovation system. Define what Alberta should be known for globally over the coming years, by Q3.

OUTCOME

The long-term strategic plan informs brand identity as the first substantive "expression" of Alberta's innovation system strengths and future vision. Brand distinction and positioning strategies for domestic and target global markets will be developed in tandem with communication of this plan.



3c.

MASTERBRAND

Design and articulate the masterbrand approach for all AI programs, subsidiaries and services, by Q2.

OUTCOME

A decision on brand integration was reached following clarification of the operating model of AI and its two subsidiaries. This will set the graphic standard for AI programs, projects and entrepreneurial investments going forward. To be cost-effective, changes will be phased in over the coming months at all customer touchpoints.



3d.

MARKETING STRATEGY

Develop an integrated marketing and branding strategy to foster awareness and demonstrate success, by Q3. This strategy will include, but is not limited to, the use of media such as AI's website and social media platforms to inform and engage employees and partners, by Q4.

OUTCOME

Integration Tiger Team recommendations were mapped to AI's communication objectives for 2018. The migration of content from legacy sites to AI website was completed. AI's social media presence is being gradually built through Twitter, Facebook and LinkedIn.



3e.

CORPORATE CULTURE

Engage employees to define AI's new culture and complete an assessment of current strengths and gaps, by Q3.

OUTCOME

Key activities of the employee engagement plan were completed through 2017-18. A formal project to foster employee development will take place during calendar year 2018.



3f.

PERFORMANCE MANAGEMENT

Launch an interim performance management process to facilitate employee line of sight to AI's business plan and enable all employees to strive for excellence and achieve their professional goals. Approval of a common performance management program by Q4 to facilitate achievement of AI's desired culture and strategic outcomes.

OUTCOME

An interim performance management program was launched for AI and InnoTech Alberta.



3g.

COMMUNICATIONS STRATEGY

By Q4, gain approval for a new consolidated HR strategy and internal communications strategy that operationalizes the creation of AI's desired culture and prioritizes the investments needed to consolidate the four predecessor Corporations' HR practices.

OUTCOME

A preliminary consolidated HR and internal communications strategy outlining key strategies was completed.

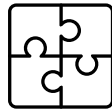
TRANSITIONAL
CORPORATE GOALS



4. Co-ordinated Single Entity

**Corporate Goal
Statement:**

Alberta Innovates will undertake initiatives to integrate the operations of four corporations, to deliver on the full potential of a single co-ordinated corporation focused on a common mandate and direction.



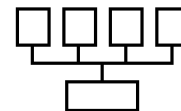
4a.

CORPORATE SERVICES

AI executive to sponsor and oversee an integration project to prioritize the integration of back-office functions, such as IT services, and address the change management needs and capacity of the organization.

OUTCOME

Key legacy corporate service functions, including human resources, IT and other back-office supports have been integrated. IMO providing oversight on change management.



4b.

GRANTS MANAGEMENT

Simplify and consolidate multiple funding processes carried over from the four predecessor corporations' partnerships with Alberta's post-secondary institutions, by Q4.

OUTCOME

A review of legacy grants management processes was completed by the Grants Integration Tiger Team. Recommendations for integration was submitted to IMO for execution.



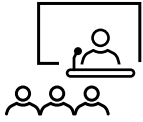
4c.

TECHNICAL EXPERTISE

Determine how to integrate the technical expertise within AI's applied research subsidiaries and sector offices into AI's investment due diligence process, by Q3.

OUTCOME

An Expertise Matrix was established that enables selection of InnoTech Alberta researchers and technicians based on various criteria for service delivery. The required communication pathways between sector offices and subsidiaries to further integrate technical expertise were identified.



4d.

STUDENTS AND TRAINEE PROGRAMS

Review and co-ordinate multiple trainee programs carried forward from the four predecessor corporations to achieve better outcomes and enable greater clarity for both students and our post-secondary partners, by Q4.

OUTCOME

The Students and Trainee Tiger Team completed its review of trainee programs and submitted recommendations to the IMO overseen by the Executive VP Operations.



4e.

LEGACY FINANCIAL SYSTEMS

AI manages many multi-year agreements with its partners, while receiving funding on an annual basis from the Government of Alberta. To manage cash-flow risk and to enable timely and informed investment decisions, AI will refine its cash-flow modelling/ forecasting capability by Q3.

OUTCOME

Integration of legacy financial systems is complete. A consolidated cash-flow model is operational.



4f.

LEVERAGE POST-SECONDARY EXPERTISE

Develop a plan to leverage and co-ordinate the expertise within existing Chair programs, funded within post-secondary institutions, with other investments and expertise within AI.

OUTCOME

InnoTech Alberta and AI's Post-Secondary Investment Team (PSIT) collaborated to track the potential expertise from Chair programs funded by AI. The Chairs Tiger Team completed its review of Chair programs and submitted recommendations to the IMO overseen by the Executive VP Operations.

TRANSITIONAL
CORPORATE GOALS



5. Coalition Building

**Corporate Goal
Statement:**

Alberta Innovates will work collaboratively with industry, post-secondary institutions and federal and provincial partners, to build greater coalitions and initiatives to achieve desired innovation outcomes. This ongoing work will be supported by explicit engagement of our partners in the development of AI's new long-term strategic plan.



5a.

STRATEGIC PLAN

Develop a long-term strategic plan, in collaboration with key stakeholders within the Alberta innovation system, by Q3. This plan will articulate AI's priorities and the portfolio shift necessary to deliver tangible outcomes from the Province's investment in Alberta Innovates and identify the high-level change management needed.

OUTCOME

AI's strategic planning process was completed. It set the foundation for the Corporation's three-year business plan.



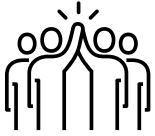
5b.

INNOVATION SYSTEM CONVENER

Where there are opportunities to partner at the national and provincial level on furthering Alberta's innovation priorities, AI will strive to fulfill the role of a convener and bring its partners together to achieve mutually beneficial outcomes. Quarterly progress reports will be provided to the Board and Government of Alberta.

OUTCOME

AI co-led or partnered with small, medium and large companies, and post-secondary and research institutions, to propose six Supercluster initiatives to the federal government. Although unsuccessful, these partnerships have extended to pursue other opportunities at the provincial and national level. AI took an active role in the Clean Resource Innovation Network (CRIN) and created and led the National Partial Upgrading Program (NPUP). AI also spearheaded the creation of the Smart Grid Consortium to accelerate the development of smart grid initiatives in Alberta.



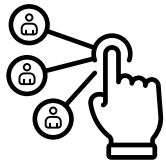
5c.

LEVERAGE PLATFORM TECHNOLOGIES

Engage AI's partners to review existing "platform technology" strengths within the province and develop a deliberate approach to leverage these strengths for multiple sectors and accelerate outcomes, by Q3.

OUTCOME

This was completed in conjunction with Goal 1c. The Emerging Technology Sector Collaboratory will include system and sector partners to assess the proliferation of platform technologies and develop strategies to achieve accelerated outcomes.



5e.

PROVIDE TECHNICAL EXPERTISE

Support Government of Alberta departments by providing access to AI's technical expertise, by Q1. Track and report on service hours provided on a quarterly basis.

OUTCOME

A tracking system for InnoTech Alberta staff utilization rates by the provincial and federal government is fully operational.



5d.

SUPPORT INDUSTRY CLUSTERS

Support the creation and maintenance of strong industry clusters in the province and identify specific platform technologies to accelerate their growth, by Q4. Quarterly progress reports will be provided to the Board and Government of Alberta.

OUTCOME

AI continued to support and create new partnerships with industry. AI is leading eight of 10 projects selected for funding by the Agriculture Funding Consortium. The Alberta Open Data Institute planning has been completed and the launch phase initiated. Clean Energy also strengthened strategic partnerships with ERA, Natural Resources Canada (NRCan), Sustainable Development Technology Canada (SDTC), Canada's Oil Sands Innovation Alliance (COSIA), and Petroleum Technology Alliance of Canada (PTAC). AI collaborated closely with EDT in the development of CCITF programs and is now leading the delivery of these programs.



Business Line - Investments

(formerly Cross-Sector Innovation)

I. ENTREPRENEURIAL INVESTMENTS

Entrepreneurial Investments (EI) supports an integrated innovation system to deliver accelerated commercialization of high-growth, high-potential, knowledge-based technologies and companies to diversify the provincial economy, support new industries, create jobs and support exports.

Its target clients are entrepreneurs with promising, novel, job-building companies and small- to medium-size enterprises (SMEs) that wish to scale using innovation as a growth strategy. EI’s innovation support system is an inter-dependent network that includes coaching, community and capital spanning the journey from early-stage entrepreneur programs to support for scaling established firms.

Desired Outcomes & Key Achievements

Desired Outcomes	Entrepreneurial Investments - Key Achievements
<p><i>Provide direct coaching, connections and funding to high-potential Alberta Entrepreneurs to increase the economic base in the province.</i></p>	<ul style="list-style-type: none"> • Alberta Innovates successfully completed its third annual Technology Commercialization Scorecard, which reports on the results from direct AI funding to high-potential, high-growth, technology-based entrepreneurs and small businesses in Alberta. The scorecard is built on a detailed methodology. It measures outcomes from \$41.1M in funding support through three programs for 794 projects completed between 2013 and 2017. Results are measured as the difference between the year prior to the first year of direct funding support and 2017. • The Capital Access & Major Transactions team added three well-connected and respected Executive Business Advisors to serve growth-stage, high-potential technology clients, and directly raised more than \$8.5M in investment for client companies in 2017.
<p><i>AI will act as a conduit and establish cross-sector engagement with SMEs, large scale businesses and AI. The collaboration of these sectors with AI will deliver actionable and commercially viable products.</i></p>	<ul style="list-style-type: none"> • Entrepreneurial Investments launched the Alberta Entrepreneurial Incubator program which includes seven incubator supports across the province for new innovative business creation, creativity and collaboration, plus vouchers for early-stage startups and funding for two existing health and energy accelerators. • EI launched a new Regional Innovation Network (RIN) in Fort McMurray. • The Alberta-Jalisco and Alberta-Zhejiang programs successfully leveraged government and industry matching dollars, resulting in more than \$8M invested in partnership projects. • EI engaged with industry in the Alberta Small Business Innovation and Research Initiative (ASBIRI) to leverage government dollars to support Alberta small businesses to develop novel prostate cancer, breast cancer diagnostic tests and address high blood pressure diagnostic challenges.

ALBERTA INNOVATES STRENGTHENS THE PROVINCIAL ECONOMY BY INVESTING IN TECHNOLOGY COMMERCIALIZATION.

The results of our mentorship and funding support for **570 Alberta technology-based small and medium sized enterprises (SME)** are showcased here.

\$41.1 million in funding support was provided through three programs for **794 projects** completed between 2013 and 2017.

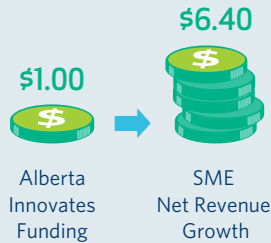
Results are measured as the difference between the year prior to Alberta Innovates direct funding support and 2017.

1,560
NET NEW
JOBS CREATED.

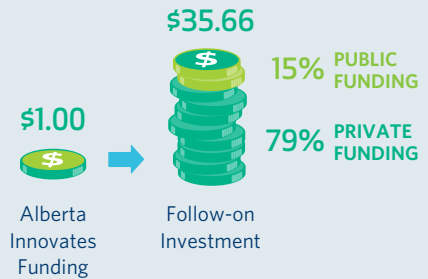


87% are full-time.

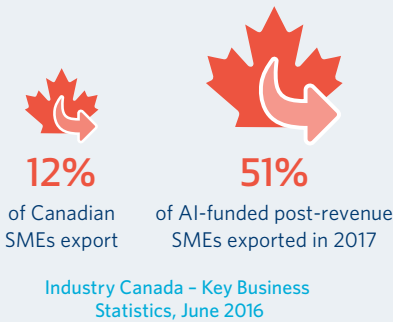
REVENUE



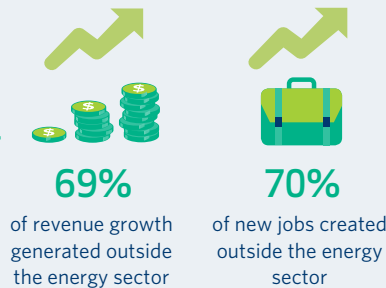
INVESTMENT



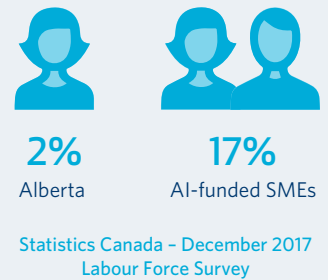
EXPORTS



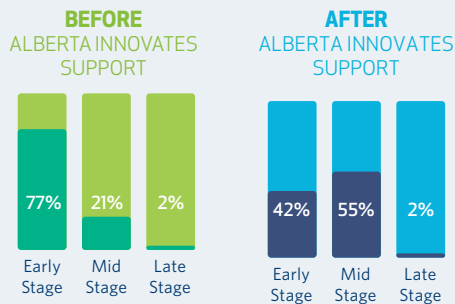
DIVERSIFICATION



2017 JOB GROWTH



ACCELERATING SCALE-UP

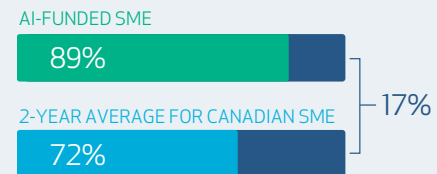


794
PROJECTS

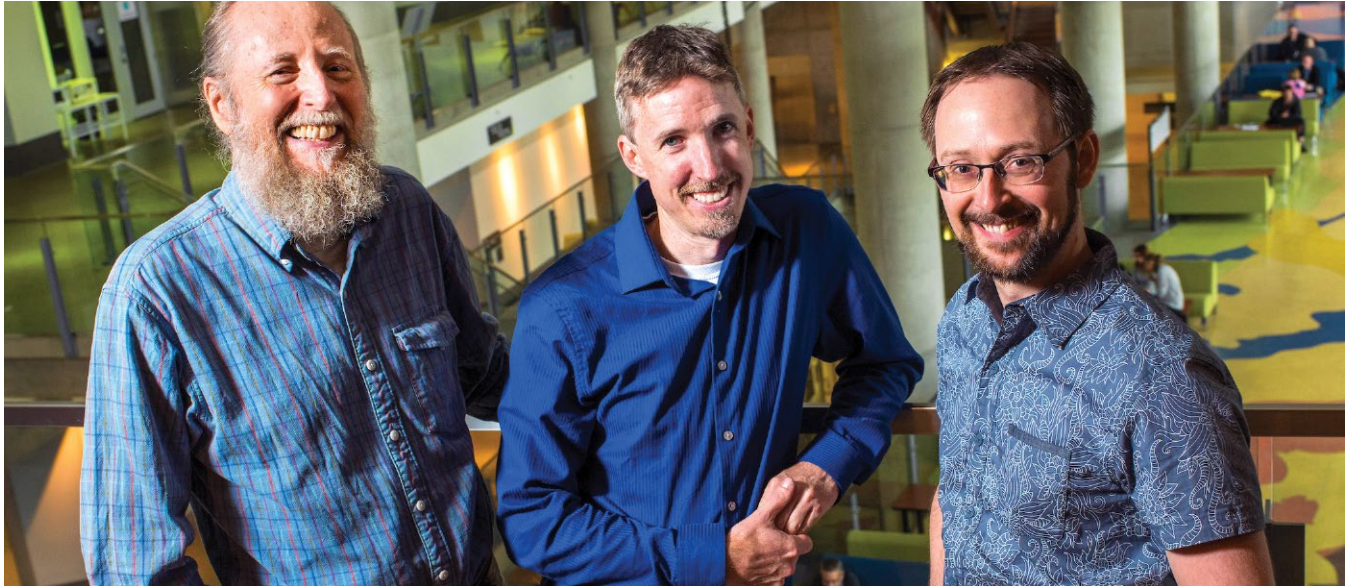
83%

continue to be developed and commercialized in Alberta

SME SURVIVAL RATES



Statistics Canada, Centre for Special Business Projects, December 2012. Survival rates from 2007 to 2009.



Alberta Innovates has been a major supporter of artificial intelligence and machine learning research at the University of Alberta. Three U of A faculty members, who lead the first Google DeepMind research lab to be opened outside the United Kingdom, have received funding from Alberta Innovates. From left to right: Rich Sutton, holder of the AI-funded Industrial Chair in Reinforcement Learning and Artificial Intelligence; Michael Bowling, of the AI-supported Alberta Machine Intelligence Institute (Amii); Patrick Pilarski, also of Amii.

II. POST-SECONDARY INVESTMENTS TEAM

The Alberta Innovates Post-Secondary Investments Team (PSIT) oversees the sustained delivery of value to the province through investment in Alberta’s post-secondary institutions (PSIs), to strategically develop capacity in people, key infrastructure, collaborations and projects to create innovative solutions in priority areas of Alberta’s knowledge-based economy.

I. People

Build Alberta’s knowledge workforce through enhanced educational offerings in key technology areas, to maximize the intellectual talent available to support Alberta’s economy. Talent is subsequently deployed through industry, academia, government and not-for-profit organizations.

II. Knowledge

Enable the local creation of knowledge in science, engineering and business directed to strategic areas of importance for Alberta. The strategic context is guided by the Alberta Research and Innovation Framework (ARIF), Alberta’s Platform Technologies Strategy and AI’s Strategic Plan.

III. Technologies

Facilitate creation of new technologies in artificial intelligence and data science, quantum technologies, advanced materials and manufacturing, synthetic biology and others at the cutting edge of science and technology.

Desired Outcomes & Key Achievements

Desired Outcomes

Creation of research capacity in areas that cut across multiple new & existing industrial sectors.

PSIT - Key Achievements

- PSIT capitalized on multi-year investments in quantum research at Alberta universities by the Alberta Innovates HQSP & Centres Investments group, a new, \$1.65M quantum technologies training program for highly qualified personnel was announced by the University of Alberta in collaboration with the University of Calgary during Q3. This program funded by NSERC, called QUANTA, will train Alberta graduate students in emerging quantum technologies while developing their innovation, management, and entrepreneurship skills. Graduates will be prepared to bring new technologies to market and found and advance quantum technology companies, growing Alberta’s role in the coming quantum age.

This training investment also complements an infrastructure investment of more than \$20M made by the Canada Foundation for Innovation (CFI) at the University of Calgary in Q3. This investment will fund the purchase of leading-edge equipment to support quantum networks research, beyond secure communications, and will allow connections between future quantum computers.

- PSIT made progress in transforming Alberta’s strength in artificial intelligence (AI) continued in 2017-2018 with several key achievements and events. In Q4, the Government of Canada (GoC) affirmed Alberta’s importance by announcing Edmonton would be one of three pillars of a national artificial intelligence strategy. Following that announcement, Alberta Innovates led the creation of a not-for-profit corporation to be the new home of the Alberta Machine Intelligence Institute (Amii), which was key to receiving GoC funding.

The AI ecosystem in Alberta was further enhanced by the decision of Google’s Deep Mind to open its first international office outside the U.K., in Edmonton. Additionally, Borealis/RBC, among several other large multinational companies, opened AI research labs in conjunction with Amii. Along with the attraction of these international industrial partners and collaborators, Amii has begun the recruitment of several world-class AI and machine learning researchers to join the institute, using funding from the federal government. The institute has also hired a small team of data scientists and analysts to begin working with local companies to solve the challenges they face using AI and machine learning. These activities build upon the long-term investment and support that Alberta Innovates has provided to this field, now experiencing unprecedented demand and interest in virtually every economic sector.

III. INNOTECH ALBERTA INC.

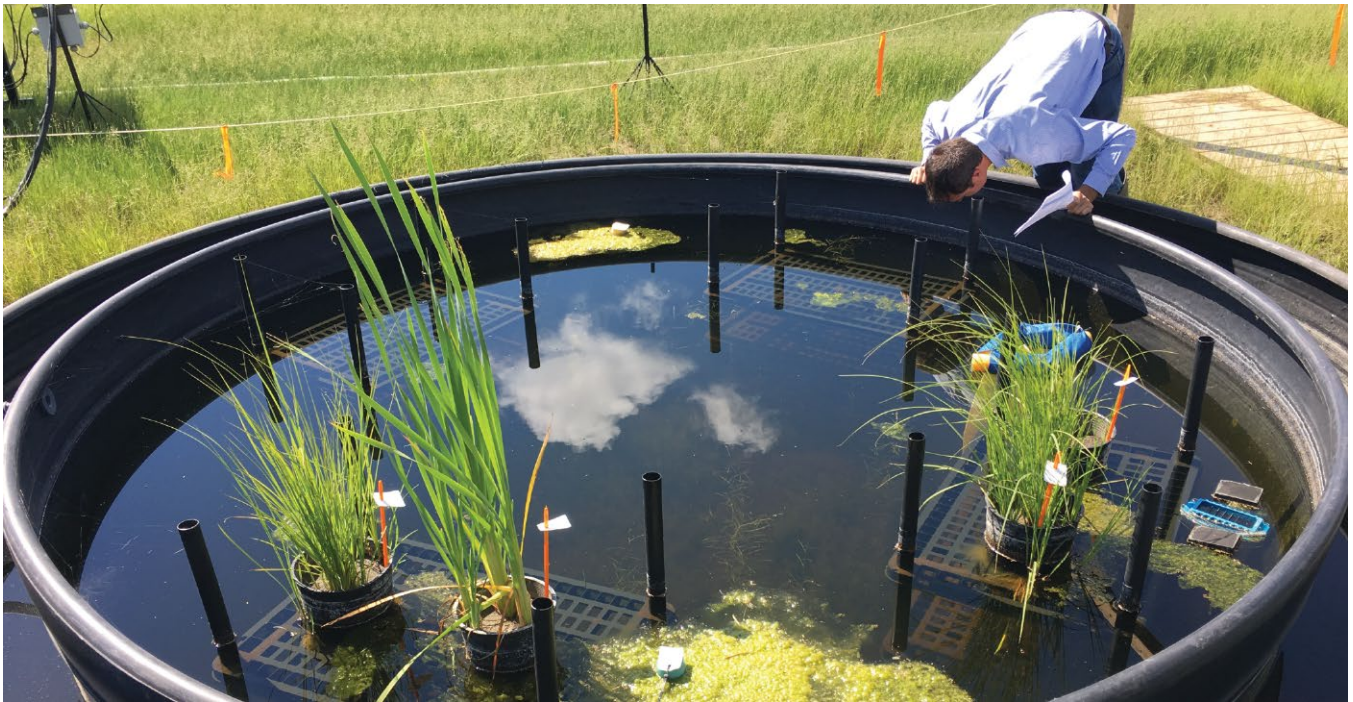
InnoTech Alberta brings together diverse groups - large industry, small business and government - into targeted consortiums focused on helping these parties to collaboratively de-risk innovation, explore new market opportunities, and work on individual client needs.

Desired Outcomes & Key Achievements

Desired Outcomes	InnoTech Alberta - Key Achievements
<i>De-risk and increase adoption of technology by existing companies through AI's applied research subsidiaries.</i>	<ul style="list-style-type: none">• The Steam Additive Joint Industry Project (STEADi) completed its first operational year. This multi-year project seeks to validate the use of chemicals to improve the performance of the steam assisted gravity drainage (SAGD) process. The project has two technical focuses - determining the mechanisms of enhancing bitumen flow with water in porous media by chemical additives in the SAGD process, and developing the method to transport the additives with steam in the reservoir. The key project outcome is the reduction of steam-to-oil ratio (SOR) in SAGD operation, which leads to greenhouse gas reduction and water conservation.• The Aquatic Mesocosm Test Facility located at InnoTech Alberta's Vegreville site completed its first year of operations. The facility contains 30 large (15,000 litres), double-walled tanks capable of supporting studies throughout the year. The current project, sponsored by the Demonstration Pit Lake (DPL) Joint Industry Project of Canada's Oil Sands Innovation Alliance (COSIA), is examining the ecological responses to oil sands water and tailings to inform pit lakes planning and adaptation. An End Pit Lake (EPL) is an engineered water body, located below grade in oil sands post mining pits, which can assist in tailings remediation.• The Indigenous Pipeline Monitoring Project began in 2017 and will continue until 2019. InnoTech Alberta is partnering with C-FER Technologies, SAIT and Detector Dog International with support from Paul Band and Cold Lake First Nation to build capacity within Indigenous communities around pipeline monitoring and leak detection. The project trains 60 Indigenous pipeline monitors from Western Canada in pipeline operations, inspection techniques, safety, security and emergency response. We will also train two oil detecting canine teams with Indigenous handlers after which they can start their own business in pipeline leak detection. Key project outcomes include better leak detection and response times, provide employment opportunities for local communities, and result in increased environmental protection. "If a tree falls on our land, we know," says Gerald Scott, of the Swan Lake First Nation.



Indigenous pipeline monitors taking part in training at the Pipeline Lab, Southern Alberta Institute of Technology. Left to right: Justin McKinney, Terri Kutt, Chailene Whitehead, Christina Nezcroche.



Researcher Rod Hazewinkle, a COSIA representative, examines a test pond at the Aquatic Mesocosm Test Facility, located at InnoTech Alberta's Vegreville site.



Business Line – BIO



Left: Bio partnered with Alberta Pulse Growers to improve lentil and dry-bean varieties in Alberta. Through this research, 12 new varieties have been commercialized by companies and are now being grown by farmers. Right: AI funding helped Edmonton-based Ceapro Inc. achieve commercial success internationally with its bioactives derived from Alberta oats.

Initiatives of the Bio Business Line are aligned with Alberta's Research and Innovation Framework. Its five portfolios are focused on the following activities:

- **Sustainable Production**
Projects that advance sustainable agriculture and forest production in Alberta.
- **Bioindustrial Innovation**
Developing new opportunities for Alberta biomass fibre in new markets and new products.
- **Food Innovation**
Advancing the growth and diversification of Alberta's food industry.
- **Ecosystem Services and Biodiversity**
Building the capacity to successfully use a market systems approach for managing priority ecosystems services and biodiversity.
- **Alberta Prion Research Institute**
Effective management of prion and prion-like neurological disease.

Desired Outcomes & Key Achievements

Desired Outcomes

Bio - Key Achievements

Alberta Innovates will contribute to the growth and diversification of the province's agriculture and food sector.

- A partnership with Olds College developed a "Smart Agriculture Supercluster" (SASC) concept that resulted in a full proposal for the federal Innovation Supercluster Initiative. The Bio business line provided seed funding, organized workshops, facilitated connections with companies that were interested in participating, and assisted in development of the SASC governance system. Even though the bid for the SASC was not successful, Alberta Innovates forged new relationships with industry and post-secondary leaders across Canada and continues to work with those who are interested in accelerating genetic improvement, are developing applicable technology or are applying new technologies to improve farmer decision-making and optimize productivity while reducing impacts on the environment. The SASC has influenced current AI programming and investments in agriculture-related projects.
- The Bio business line partnered with Alberta Pulse Growers to invest in two research projects completed in 2017 to improve lentil and dry-bean varieties for Alberta's growing conditions, increase yields, reduce disease occurrence and improve market-driven traits such as size, quality and starch content. Through this research, 12 new varieties were registered that have been commercialized by companies and are now being grown by farmers. Canada is the one of the top three pulse exporters in the world, supplying lentils, peas, beans and chickpeas to more than 124 countries.

Alberta Innovates will contribute to the development of new uses for forest fibre and crop residue leading to bioindustrial sector growth.

- As the province's flagship initiative to advance the bioeconomy, the Alberta Bio Future program (ABF) is intended to expand a competitive, sustainable and profitable bioindustrial sector (advanced biomaterials, biochemicals and bio-based energy) through an integrated program with a strong industry focus. The ABF program underwent a fulsome, mid-term external review of the program with EDT. The reviewers evaluated the strengths of the programs and provided feedback for processes to further improve the program and position it for the future as an increasingly important area of growth for Alberta.
- Alberta Bio Future (ABF) supports the research, development and scale-up of a wide range of industrial bioproducts and technologies. In particular, technologies and bioproducts related to cellulose nanocrystals (CNC) and lignin have been identified and targeted under ABF as providing great opportunities for Alberta. AI continued to build on this long-term initiative in 2017-18 by launching two ABF subprograms, CNC Challenge 3.0 and Lignin Challenge 1.0, for applied research into CNC and lignin production and product applications, and development of these materials into high-value bioproducts. These two subprograms were implemented with strong industry partnerships; the companies AI-Pac and West Fraser provided cash and in-kind resources to advance CNC and lignin products in Alberta.

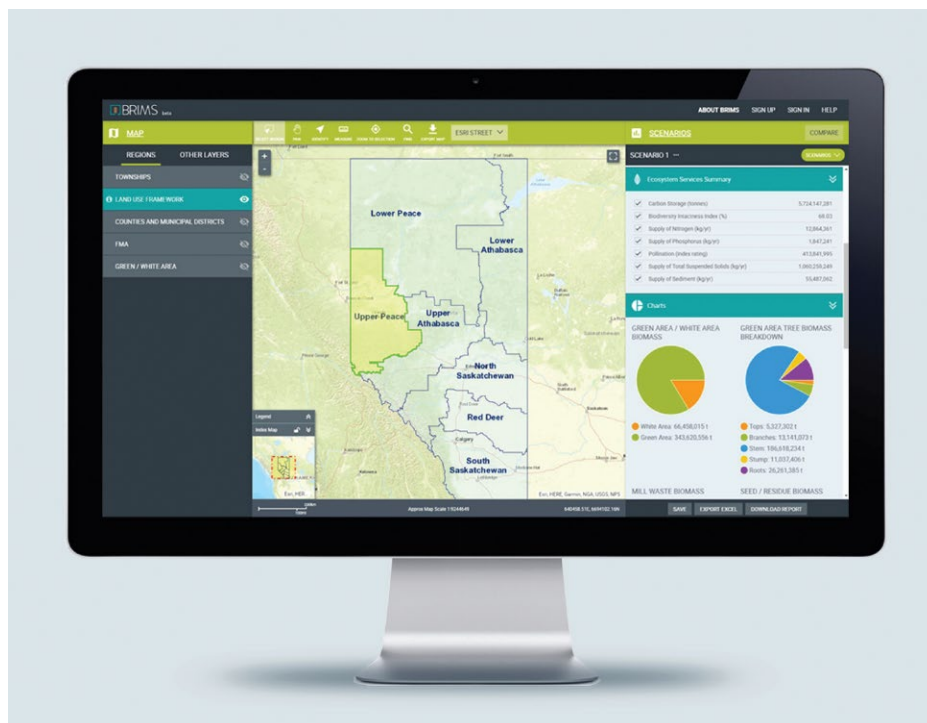
Desired Outcomes & Key Achievements

Desired Outcomes

Alberta Innovates will contribute to the strong stewardship of the province's environment and natural resources.

Bio - Key Achievements

- A partnership was created between Bio, InnoTech Alberta and NAIT to develop the Centre for Effective Resource Management. It will initially focus on creating the market infrastructure (clearinghouse and exchange) for managing ecosystem services and biodiversity. The market infrastructure consists of a suite of analytic platforms and spatial data technologies. It is intended to enable and monetize effective resource management strategies and the market for ecosystem services and biodiversity. It builds on foundational work done by Bio, InnoTech Alberta and their partners.
- The Bio Resource Information Management System (BRIMS), was launched and made publicly available. It demonstrates our commitment to diversifying the economy by providing businesses and government access to data that will support sound investment decisions and help build a greener economy. In addition to providing regions and communities with a powerful new marketing tool, the nature of BRIMS as a centralized repository of spatial data and information about ecosystems services, biodiversity, biomass, and other land-use information makes it a valuable tool for policymakers to more easily make informed decisions.



In addition to providing regions and communities with a powerful new marketing tool, the nature of BRIMS as a centralized repository of spatial data and information about ecosystems services, biodiversity, biomass, and other land-use information, makes it a valuable tool for policy-makers, companies and others to make informed decisions.



Business Line – Clean Energy

Clean Energy invests in three portfolios – Advanced Hydrocarbons, Clean Technology, and Water and Land. Key programs include Water Innovation Clean Heat and Power, Advanced Recovery Technologies, Bitumen Partial Upgrading and Bioenergy. Clean Energy leads the delivery of CCITF programs.

Desired Outcomes & Key Achievements

Desired Outcomes

Alberta Innovates will contribute to Alberta's globally competitive, low emission and value-added economy from its energy resources.

Alberta Innovates will contribute to Alberta's clean tech sector.

Clean Energy - Key Achievements

- Clean Energy accelerated innovative recovery technologies to make oil sands cost- and carbon-emission competitive. Partnering with NRCan, ERA and COSIA, Clean Energy invested in half a dozen innovative recovery technologies for field pilots and demonstration. An investment by AI was leveraged with industry and federal government funding for these projects. The technologies have shown the potential to reduce capital cost and cumulative GHG emission reduction by more than 40 per cent. The leading technologies are on track to be commercially deployed in three years. Clean Energy also contributed to the Oil Sands Advisory Group (OSAG), which made recommendations to the Premier regarding innovation in the oil sands sector.
- The Clean Energy business line accelerated bitumen partial upgrading (BPU) technologies to add value and enhance market access. Partnering with NRCan and CANMET Energy, Clean Energy invested in three BPU technologies for pilots and demonstration. An investment by AI was leveraged with industry and federal government funding for these projects. These technologies have the potential to lead to a multibillion-dollar business in Alberta. Clean Energy participated on the Energy Diversification Advisory Committee whose recommendation led to the Government of Alberta's \$1B partial upgrading program (PUP). Clean Energy led the development of the National Partial Upgrading Program 2018 whitepaper on bitumen partial upgrading, which provides a technology landscape for GoA's PUP program. Industry's interest in PUP is very strong and the GoA is anticipating a \$5B in industry investment in bitumen partial upgrading.
- A clean technology demonstration project reached an important milestone. Enerkem Alberta Biofuels (EAB) is a flagship project in Clean Energy's Waste to Value-Add (W2VA) program. Enerkem has completed the construction of the facility and has started to produce ethanol from municipal solid waste. The facility has the capacity to convert 120,000 tonnes of solid waste to 40 million litres of biofuels. A third-party study concluded that the project created 610 direct and indirect jobs during construction, and creates 150 direct and indirect jobs during operations. The project generates \$65M worth of regional economic activity per year.

Desired Outcomes & Key Achievements

Desired Outcomes

Alberta Innovates will contribute to Alberta's environmental sustainability and climate change adaptability.

Clean Energy - Key Achievements

- Clean Energy's Water Innovation Program projects address water management challenges. Clean Energy and SDTC successfully launched four new projects arising from a joint funding opportunity offered to SMEs working to advance technology solutions for Alberta's sustainable water management challenges. The projects are being developed and demonstrated in partnership with clients in multiple sectors, including enhanced oil recovery, in situ oil sands, hydraulic fracturing and municipal water management. Results from Water Innovation projects on wastewater reuse and groundwater management had an immediate impact on GoA policy in 2017, influencing development of water reuse guidelines and development of groundwater models used to support regional planning.





Business Line – Health Innovation

Health Innovation’s standing mission is to catalyze the development, growth and sustainability of an impact-focused health innovation ecosystem and economy in Alberta. To deliver on this mission, Health Innovation focuses on:

- Supporting strategic investment in priority areas of health research and innovation.
- The facilitation, development and support of platforms that address strategic outcomes and promote Alberta internationally as a world-class destination for research, innovation and commercialization.
- Developing and strengthening relationships to increase and leverage research and innovation funding.

Desired Outcomes & Key Achievements

Desired Outcomes	Health Innovation - Key Achievements
<i>Increasing the development and adoption (within and beyond the province) of novel service configurations and technologies to improve outcomes and efficiency of health care.</i>	<ul style="list-style-type: none">• Continuing to build on the success in partnering with Alberta Health Services (AHS), Health Innovation launched the fourth iteration of the Partnership for Research and Innovation in the Health System (PRIHS). This equal-share program will support opportunities to improve patient care while simultaneously realizing cost-savings for the Alberta health care delivery system. AI is still realizing benefits from the first three iterations of PRIHS, including in the past year:<ul style="list-style-type: none">• The implementation of a new surgical pathway for Alberta patients that reduces the length of stay in hospital by 2.5 days; thereby resulting in a greater patient experience and an average savings of \$4,500 per patient.• The implementation of a new provincial rectal cancer intake pathway that will result in better patient outcomes.• Health Innovation partnered with Merck Canada and AHS to improve access to high-quality care for aboriginal mothers.• Under Health Innovation’s Translational Health Chairs program (a partnership with the Universities of Alberta, Calgary, and Lethbridge), multiple instances of adoption have been witnessed, including:<ul style="list-style-type: none">• Implementation of programs to explore findings related to the upstream determinants of Aboriginal health, strength and resilience in Canada. This multiple intervention approach has been received well and resulted in the complete adoption of a program by an Aboriginal community.• The adoption of new recreational water management policies and testing innovations by Alberta Health, now being implemented by the Provincial Laboratory.• Through a national partnership with the Canadian Institute of Health Research, support was provided that resulted in the restructuring of policy that will enable in the delivery of care programs in a more effective and efficient manner for managing pediatric patients with obesity in Alberta.

Desired Outcomes & Key Achievements

Desired Outcomes

Health Innovation - Key Achievements

Catalyzing the strengths of Alberta’s research and innovation system, entrepreneurs and a unified provincial health system to accelerate the growth of the life sciences and other health-related technology industry sectors in Alberta.

- In partnership with the Ministry of Economic Development and Trade and Genome Canada, Health Innovation provided support to 10 national precision-medicine projects that are expected to impact the way patients are treated in Alberta.
- The Health Innovation business line partnered with the College of Licensed Practical Nurses of Alberta (CLPNA) to advance knowledge generation and application of that knowledge in the field of practical nursing.
- Health Innovation supported the implementation of multiple innovation-adoption projects through our flagship Accelerating Innovations in CarE (AICE) program.
- In partnership with the Faculty of Medicine at the University of Alberta, Health Innovation launched a program to support the rapid movement of world-class research into innovation.
- Health Innovation partnered with Economic Development and Trade to engage Bloom Burton, one of the leading health care investment firms in Canada, to evaluate the commercial potential of world-class research being conducted at the Li-Ka Shing Applied Virology Institute.
- The business line partnered with the Canadian Red Cross and the Canadian Institutes of Health Research to build on Canada’s emerging expertise in disaster medicine and health research responses.

Mobilizing health data to improve patient care and enable outcomes listed above.

- The Secondary Use Data Project (SUDP) was launched in March 2015. The goal of the project is to provide multiple stakeholders (i.e. researchers, government, health-care professionals, decision-makers, and public) with access to the large volume of health and health-related data.
- Phase 2 was launched in the spring of 2016 and had several achievements associated with five broad streams of activities:
 1. Business Case Development – The business case included SUDP’s strategic alignment with key stakeholders, a comparative environmental scan and SWOT analysis.
 2. Requirements Gathering – requirements were gathered to inform governance; shared business processes; data and analytics; infrastructure and applications; analytics services; and privacy and access.
 3. Governance Modeling – this stream would propose the relevant changes to legislation, as required, to make creation of a model or solution possible, as well as the governance structure that would manage access and direct enhancements.
 4. Proof of Concept - Demonstration Projects to test the solution – Four of Five Demonstration projects completed.
 5. Stakeholder Engagement, education and training – this stream would engage all SUDP stakeholders in the design, development, and implementation of a secondary-use data solution.



Management Discussion and Analysis

OVERVIEW

The results of the Alberta Innovates consolidated financial statements reflect the objectives of the organization to support research and innovation activities aligned to meet Government of Alberta priorities for the economic and social well-being of Albertans. This includes, without limitation, activities directed at the discovery, commercialization and application of knowledge in the sectors of agriculture, energy, environment, forestry, health and other sectors determined by the regulations.

Two wholly owned subsidiary corporations, C-FER Technologies (1999) Inc. and InnoTech Alberta Inc., along with the Alberta Foundation for Health Research, are also reporting entities of Alberta Innovates.

The Office of the Auditor General of Alberta issued an unqualified audit report on the consolidated financial statements for the year ending March 31, 2018.



Alberta Innovates supports research and innovation activities aligned to meet Government of Alberta priorities for the economic and social well-being of Albertans.



FINANCIAL POSITION

The Statement of Financial Position shows net financial assets of \$24.4M and cash of \$148.2M. Cash of \$148.2M includes restricted cash of \$114.4M. The restricted cash represents grant payments received for a specified restricted purpose. Funds are recorded as restricted cash and deferred revenue until such time that the resources are used for the purpose specified.

Alberta Innovates has \$134.6M in contractual obligations over the next five years and thereafter (see note 15), which will become liabilities during this period of five years and thereafter. The unrestricted cash balance of \$33.8M results from the delayed timing of these contractual obligations and future liabilities.



REVENUE

The base grant and unrestricted grants are recognized as revenue in the year the transfers are received or receivable. Externally restricted revenue, including restricted provincial grant revenue or industry restricted revenue, is recognized as revenue in the period in which the resources are used for the purpose specified.

Transfers from the Government of Alberta were \$203.4M, which is \$4.3M lower than budget. The base grant of \$160.8M was received and fully recognized in the current fiscal year. Restricted and other grants are recognized as revenue when used for the purpose specified. Funds were received; however, several programs had launch delays and missed/amended milestones, resulting in reduced expenditures and a corresponding decrease of revenue of \$4.3M for restricted and other grants. These restricted funds were not recognized as revenue since they were not used for the purpose specified during the period being reported.

Federal government transfers of \$2.7M were \$1.8M lower than budget due to less spending in the Alberta SPOR Support Unit (Strategy for Patient-Oriented Research). Funds from the Canadian Institute of Health Research related to the Alberta SPOR Support Unit were received in this and prior years, however, revenue is only recognized when related expenses are incurred.

External revenue and industry funding was 48.7M, which is \$6.4M lower than budget due to timing of projects.

EXPENSE

Cross-Sectoral Innovation Enablers report expenses of \$121.3M, which were \$14.1M lower than budget. Several programs, including Innovation Vouchers, Industry Associates, Product Demonstration and Nano Accelerator, had lower-than-anticipated program demand, delayed payments due to missed/amended milestones, and delays in program launches which resulted in reduced expenditures compared to budget. Expenses in InnoTech Alberta Inc. were lower than budget in salaries and travel to reduce discretionary expenses.

Health Innovation expenses of \$84.8M were \$10.8M higher than budget. Previously deferred spending, on multiple-year projects such as CRIO (Collaborative Research and Innovation Opportunity), Transition Funding and Health Chairs, was recognized as expenditures this year.

Clean Energy expenses of \$22.7M were \$2.9M lower than budget. Several projects in Clean Technologies, Water Innovation, and Water and Land encountered project delays, cancellations and amendments to the milestone payments. This resulted in reduced and delayed expenditures into future fiscal years.

Administration expenses of \$29.1M were \$2.1M lower than budget, due to synergies and efficiencies in overhead and staffing.

COMMITTED FUNDING

Alberta Innovates has funding commitments for specific purposes that are allocated over time. In addition, Alberta Innovates receives funding from third parties, including partnerships that require AI to match the third-party funding. The funding grant must meet all eligibility criteria, the expenditure must be a contractual obligation and the grant must be approved before the expenditure is recognized as an expense in the financial statements. Other funding sources are allocated to Alberta Innovates by agreement. The agreement must be approved by the Alberta Innovates Board of Directors before the expenditure is incurred and recorded as an expense in the financial statements.

Alberta Innovates has \$134.6M of contractual obligations that will become liabilities over the next five years and thereafter. These contractual obligations will be partially funded by available unrestricted cash of \$33.8M. Alberta Innovates will require additional sources of funding to satisfy the remaining contractual obligations

Management's Responsibility for Reporting

Alberta Innovates management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded. The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of Alberta, the corporation's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of Alberta Innovates' financial statements in accordance with Canadian generally accepted auditing standards.

[Original signed by Laura Kilcrease]

Chief Executive Officer

[Original signed by Maureen Fromhart]

**Vice President Finance and
Corporate Secretary**

Statutory Report

PUBLIC INTEREST DISCLOSURE ACT

Section 32 of the Public Interest Disclosure Act requires the corporation to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of disclosures; and
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2017-18, Alberta Innovates had no disclosures of wrongdoing filed with the Public Interest Disclosure Office.

Audited Financial Statements

INCLUDED IN THE FOLLOWING ORDER:

Independent Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Change in Net Financial Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 - Expenses - Detailed by Object

Schedule 2 - Salary and Benefits Disclosure

Schedule 3 - Related Party Transactions

Schedule 4 - Allocated Costs

Independent Auditor's Report

To the Board of Directors of Alberta Innovates

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by W. Doug Wylie, FCPA, FCMA, ICD.D]

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May 24, 2018
Edmonton, Alberta

**ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018**

	2018		2017
	Budget	Actual	Actual
	<i>(in thousands)</i>		
Revenues			
Government Transfers			
Funding from Economic Development and Trade			
Base Grant	\$ 160,849	\$ 160,849	\$ 155,207
Restricted Grant from Prior Years	14,072	19,742	30,196
Other Grants	28,499	9,497	9,799
Restricted Capital Contribution	1,000	344	14
Funding from Other Government of Alberta Entities -			
Other Grants	3,240	12,957	11,493
Federal Government Transfers	4,479	2,691	6,888
External Revenue and Industry Funding	55,024	48,638	47,312
Investment Income	1,086	1,016	1,221
Other Revenue	768	557	974
	<u>269,017</u>	<u>256,291</u>	<u>263,104</u>
Expenses - Directly Incurred (Note 2 (b) and Schedule 1)			
Cross Sectoral Innovation Enablers	135,461	121,341	129,026
Health Innovation	74,013	84,773	89,339
Clean Energy	25,645	22,698	25,726
Bio Sector	19,758	19,472	23,552
Administration	31,113	29,060	30,723
	<u>285,990</u>	<u>277,344</u>	<u>298,366</u>
Annual Deficit	<u>(16,973)</u>	<u>(21,053)</u>	<u>(35,262)</u>
Accumulated Surplus, Beginning of Year	77,823	77,823	113,085
Accumulated Surplus, End of Year	<u>\$ 60,850</u>	<u>\$ 56,770</u>	<u>\$ 77,823</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
	<i>(in thousands)</i>	
Financial Assets		
Cash (Note 5)	\$ 148,240	\$ 152,183
Accounts Receivable (Note 6)	21,437	22,510
	169,677	174,693
Liabilities		
Accounts Payable and Accrued Liabilities (Note 9)	30,876	27,961
Unspent Deferred Capital Contributions (Note 10)	2,223	258
Deferred Revenue (Note 10)	105,816	92,855
Deferred Contract Revenue (Note 10)	6,384	7,172
	145,299	128,246
Net Financial Assets	24,378	46,447
Non-Financial Assets		
Tangible Capital Assets (Note 12)	48,904	37,110
Prepaid Expenses	1,660	1,234
	50,564	38,344
Net Assets Before Spent Deferred Capital Contributions	74,942	84,791
Spent Deferred Capital Contributions (Note 10)	18,172	6,968
Net Assets	\$ 56,770	\$ 77,823

Contingent assets and contractual rights (Notes 7 and 8)

Contingent liabilities and contractual obligations (Notes 14 and 15)

The accompanying notes and schedules are part of these consolidated financial statements.

Approved by the Board of Directors

Originally signed by

Dr. Brenda Kenny
Board Chair

Dr. H.J (Tom) Thompson
Audit Chair

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<i>(in thousands)</i>		
Annual Deficit	\$ (16,973)	\$ (21,053)	\$ (35,262)
Acquisition of Tangible Capital Assets	(10,588)	(16,987)	(10,838)
Amortization of Tangible Capital Assets (Note 12)	5,209	5,193	5,298
(Gain)/loss on Disposal of Tangible Capital Assets		(43)	138
Proceeds on Sale of Tangible Capital Assets		43	24
Write-down of Tangible Capital Assets			144
Change in Prepaid Expenses		(426)	(94)
Change in Spent Deferred Capital Contributions (Note 10)		11,204	6,968
Decrease in Net Financial Assets in the Year	(22,352)	(22,069)	(33,622)
Net Financial Assets, Beginning of Year	46,447	46,447	80,069
Net Financial Assets, End of Year	<u>\$ 24,095</u>	<u>\$ 24,378</u>	<u>\$ 46,447</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	2018	2017
	<i>(in thousands)</i>	
Operating Transactions		
Annual Deficit	\$ (21,053)	\$ (35,262)
Non-Cash Items:		
Amortization of Tangible Capital Assets (Note 12)	5,193	5,298
Deferred Contributions Recognized as Revenue (Note 10)	(47,027)	(99,947)
(Gain)/Loss on Disposal of Tangible Capital Assets	(43)	138
Write-down of Tangible Capital Assets	-	144
	(62,930)	(129,629)
Decrease (Increase) in Accounts Receivable	1,073	(7,017)
Increase in Prepaid Expenses	(426)	(94)
Increase in Accounts Payable and Accrued Liabilities	2,915	1,139
Decrease in Deferred Contract Revenue	(788)	(1,618)
Contributions Restricted for Operating (Note 10)	59,515	82,922
Cash Applied to Operating Transactions	(641)	(54,297)
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 12)	(16,987)	(10,838)
Proceeds on Sale of Tangible Capital Assets	43	24
Cash Applied to Capital Transactions	(16,944)	(10,814)
Financing Transactions		
Contributions Restricted for Capital (Note 10)	13,642	6,699
Cash Provided by Financing Transactions	13,642	6,699
Decrease in Cash	(3,943)	(58,412)
Cash, Beginning of Year	152,183	210,595
Cash, End of Year	\$ 148,240	\$ 152,183

The accompanying notes and schedules are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Note 1 AUTHORITY AND PURPOSE

Alberta Innovates is a Provincial corporation, as defined in the *Financial Administration Act*. It was established effective November 1, 2016 under the *Alberta Research and Innovation Act*. The *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." Two wholly owned subsidiary corporations C-FER Technologies (1999) Inc. and InnoTech Alberta Inc. along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates.

The objectives of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities aligned to meet Government of Alberta priorities, including, without limitation, activities directed at the discovery, commercialization and application of knowledge in the areas of agriculture, energy, environment, forestry, health and other areas determined by the regulations.

The Corporation is exempt from income taxes under the *Income Tax Act*.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity and Method of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Corporation and its wholly owned subsidiaries; InnoTech Alberta Inc., C-FER Technologies (1999) Inc. and the Alberta Foundation for Health Research (AFHR). The AFHR operates under the *Alberta Companies Act* and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to promote and support medical research. All inter-entity balances and transactions have been eliminated on consolidation.

The accounts of government sector entities are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to the Corporation's accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included in the Corporation's results. Revenue and expense, capital, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criteria are recorded as deferred revenue until the resources are used for the purpose specified.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Revenues (Continued)

Contract revenue is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Investment income includes interest income. Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

Government Transfers

Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recognized as deferred revenue or deferred capital contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

Donations and Non-Government Contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations and non-government contributions are recognized as revenue in the year received or in the year the funds are committed to the Corporation if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted donations, non-government contributions and realized and unrealized gains and losses for the associated, externally restricted, investment income are recognized as deferred revenue if the terms for their use, or the terms along with the Corporation's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and, when applicable, the Corporation complies with its communicated use.

In-kind donations of services and materials are recognized at fair value when such value can reasonably be determined.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts Receivable	Lower Cost or Net Recoverable Value
Accounts Payable and Accrued Liabilities	Cost

The Corporation has no assets or liabilities in the fair value category, has no significant foreign currency transactions and has no significant remeasurement gains or losses. Consequently, no statement of remeasurement gains and losses has been presented.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash

Cash comprises of cash on hand and demand deposits.

The Consolidated Cash Investment Trust Fund (CCITF) is managed with the objective of providing competitive interest income to depositors while maintain appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum to maturity of three years.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Liabilities also include:

- all financial claims payable by the Corporation at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of the operations.

Non Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services.
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for major systems enhancements is \$25,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Work in progress, which included facilities and improvements projects and development of information systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

Prepaid Expense

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Financial Risk Management

The Corporation's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation's financial instruments are exposed to credit risk, market risk, and liquidity risk.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Corporation. The Corporation's accounts receivable are exposed to credit risk. Management manages this risk by continually monitoring the creditworthiness of counterparties and by dealing with counterparties that it believes are creditworthy

b) Market Risk

Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of currency risk, interest rate risk and price risk. The Corporation's cash is exposed to interest rate risk. Management manages this risk by continually monitoring the Corporation's deposits in the Consolidated Cash Investment Trust Fund (CCITF) and their corresponding rate of return.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's accounts payable and accrued liabilities are exposed to liquidity risk. Management manages this risk by continually monitoring cash flows.

Measurement Uncertainty

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies.

(c) Change in Accounting Policy

The Corporation has prospectively adopted the following standards from April 1, 2017: PS 2200 Related Party Disclosures, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights which are reflected in Note 2, Note 7, Note 8, and Schedule 3.

Note 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

• **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**

Effective April 1, 2021, this standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

• **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the financial statements.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 4 BUDGET

(in thousands)

A preliminary business plan with a budgeted deficit of \$16,973 was approved by the Board on March 22, 2017 and the full financial plan was submitted to the Minister of Economic Development & Trade. The budget reported in the statement of operations reflects the \$16,973 deficit.

Note 5 CASH

(in thousands)

	2018	2017
Cash	\$ 148,240	\$ 152,183

Cash in the amount of \$148,240 (2017 - \$152,183) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta amounting to \$134,843 (2017 - \$149,963). As at March 31, 2018, \$114,423 of the cash balance is restricted as it represents grants received that have restrictions on their use (2017 - \$100,285)

As at March 31, 2018, securities held by the Corporation had a time-weighted rate of return of 1.1% per annum (2017 - 0.9% per annum). Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

Note 6 ACCOUNTS RECEIVABLE

(in thousands)

	2018		2017	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 14,238	\$ 776	\$ 13,462	\$ 14,517
Alberta Government Departments and Agencies	4,893		4,893	5,725
Accrued Income Receivable	3,082		3,082	2,268
	\$ 22,213	\$ 776	\$ 21,437	\$ 22,510

Accounts Receivable are unsecured, non-interest bearing and reported at their estimated net realizable value.

Note 7 CONTINGENT ASSETS

(in thousands)

The corporation has filed an insurance claim where possible assets are being sought (2017 - one). The outcome from this matter will likely result in recognition of assets. The Corporation anticipates receiving a specified amount of \$1 (2017 - \$278). This amount has not been recognized in the financial statements.

Note 8 CONTRACTUAL RIGHTS

(in thousands)

Contractual rights are rights of the Corporation to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

	2018	2017
Contractual Rights from Operating Contracts	\$ 145,138	\$ 88,800

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 8 CONTRACTUAL RIGHTS (Cont'd)
(in thousands)

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating Contracts
2018-19	\$ 80,184
2019-20	52,937
2020-21	7,347
2021-22	870
2022-23	763
Thereafter	3,037
	<u>\$ 145,138</u>

Note 9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2018	2017
Accounts Payable and Accrued Liabilities	\$ 22,362	\$ 23,878
Alberta Government Departments and Agencies	5,965	4,083
Asset Retirement Obligations	2,549	-
	<u>\$ 30,876</u>	<u>\$ 27,961</u>

Note 10 DEFERRED CONTRIBUTIONS
(in thousands)

	2018	2017
Unspent Deferred Capital Contributions (a)	\$ 2,223	\$ 258
Spent Deferred Capital Contributions (b)	18,172	6,968
Deferred Revenue (c)	105,816	92,855
Deferred Contract Revenue	6,384	7,172
	<u>\$ 132,595</u>	<u>\$ 107,253</u>

(a) Unspent Deferred Capital Contributions

	2018			2017	
	Government of Alberta	Other	Total	Total	
Balance, Beginning of the Year	\$ 258	\$ -	\$ 258	\$	554
Received/Receivable During the Year	9,058	4,584	13,642		6,686
Interest Income	-	-	-		13
Transferred to Spent Deferred Capital Contributions	(9,306)	(2,371)	(11,677)		(6,995)
Balance, End of Year	<u>\$ 10</u>	<u>\$ 2,213</u>	<u>\$ 2,223</u>	<u>\$</u>	<u>258</u>

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 10 DEFERRED CONTRIBUTIONS (Continued)

(in thousands)

(b) Spent Deferred Capital Contributions

	2018			2017	
	Government of Alberta	Other	Total	Total	
Balance, Beginning of the Year	\$ 1,882	\$ 5,086	\$ 6,968	\$ -	
Transferred from Unspent Deferred Capital Contributions	9,306	2,371	11,677	6,995	
Less Amounts Recognized as Revenue	(473)	-	(473)	(27)	
Balance, End of Year	<u>\$ 10,715</u>	<u>\$ 7,457</u>	<u>\$ 18,172</u>	<u>\$ 6,968</u>	

(c) Deferred Revenue

	2018			2017	
	Government of Alberta	Other	Total	Total	
Balance, Beginning of the Year	\$ 83,720	\$ 9,135	\$ 92,855	\$ 109,853	
Cash Contributions Received/Receivable During the Year	51,141	7,901	59,042	82,409	
Interest Income	473	-	473	513	
Recognized as Revenue:					
Grants	(42,067)	(4,045)	(46,112)	(99,694)	
Interest Income	(442)	-	(442)	(226)	
Balance, End of Year	<u>\$ 92,825</u>	<u>\$ 12,991</u>	<u>\$ 105,816</u>	<u>\$ 92,855</u>	

Note 11 BENEFIT PLANS

(in thousands)

(a) The Corporation participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), the Public Service Pension Plan (PSPP), as well as, a Supplementary Pension Plan (SRP) for Public Service Managers. The Corporation does not have sufficient plan information on MEPP, PSPP or the SRP to follow the standards for defined benefit accounting and therefore follows the standard for defined contribution accounting. Accordingly, pension expense recognized for the PSPP/SRP/MEPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits. The expense for these pension plans is equivalent to the annual contributions of \$6,532 for the year ended March 31, 2018 (2017 - \$7,175).

At December 31, 2017, the Management Employees Pension Plan reported a surplus of \$866,006 (2016 – surplus \$402,033), the Public Service Pension Plan reported a surplus of \$1,275,843 (2016 – surplus \$302,975) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$54,984 (2016 – deficiency \$50,020). The Corporation is not responsible for future funding of the plan deficit other than through contribution increases.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 11 BENEFIT PLANS (continued)

(in thousands)

(b) A portion of the Corporation participated in a Defined Contribution Pension Plan until November 1, 2016. After November 1, 2016, these employees participate in the MEPP and PSPP. The expense for this pension plan is \$nil (2017 - \$616). The Corporation accounts for this plan on a defined contribution basis.

(c) The Benefit Plans consists of the unfunded liability for the Corporation's supplemental retirement plan, the benefits under which are paid for entirely by the Corporation when they come due. There are no plan assets. There are no active members remaining in the plan and one retired member eligible for benefits.

At March 31, 2018 these plans have net accrued liability of \$92 (2017 - \$148).

	2018	2017
Benefit Plans, Beginning of Year	\$ 148	\$ 202
Benefits Paid	(56)	(54)
Benefit Plans, End of Year	<u>\$ 92</u>	<u>\$ 148</u>

Note 12 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Building and Improvements ⁽¹⁾	Equipment ⁽¹⁾	Computer Hardware & Software	2018 Total	2017 Total
Estimated Useful Life	Indefinite	10-30 years	3-20 years	3-5 years		
Historical Cost						
Beginning of Year	\$ 566	\$ 15,232	\$ 66,529	\$ 10,370	\$ 92,697	\$ 83,056
Additions	-	12,407	3,908	672	16,987	10,838
Disposals, including Write-downs	-	-	(345)	(4)	(349)	(1,197)
	<u>566</u>	<u>27,639</u>	<u>70,092</u>	<u>11,038</u>	<u>109,335</u>	<u>92,697</u>
Accumulated Amortization						
Beginning of Year	-	4,583	44,979	6,025	55,587	51,180
Amortization Expense	-	547	3,528	1,118	5,193	5,298
Effect Disposals, including Write-downs	-	-	(345)	(4)	(349)	(891)
	<u>-</u>	<u>5,130</u>	<u>48,162</u>	<u>7,139</u>	<u>60,431</u>	<u>55,587</u>
Net Book Value at March 31, 2018	<u>\$ 566</u>	<u>\$ 22,509</u>	<u>\$ 21,930</u>	<u>\$ 3,899</u>	<u>\$ 48,904</u>	
Net Book Value at March 31, 2017	<u>\$ 566</u>	<u>\$ 10,649</u>	<u>\$ 21,550</u>	<u>\$ 4,345</u>		<u>\$ 37,110</u>

⁽¹⁾ The cost of capital assets under construction that are not currently being amortized is \$18,351 (2017 - \$6,239).

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 13 ACCUMULATED SURPLUS
(in thousands)

	2018		2017	
	Investments in Tangible Capital Assets	Unrestricted Surplus	Total	Total
Balance, Beginning of Year	\$ 37,110	\$ 40,713	\$ 77,823	\$ 113,085
Annual Deficit	(5,193)	(15,860)	(21,053)	(35,262)
Investments in Capital Assets	16,987	(16,987)	-	-
Balance, End of Year	<u>\$ 48,904</u>	<u>\$ 7,866</u>	<u>\$ 56,770</u>	<u>\$ 77,823</u>

Note 14 CONTINGENT LIABILITIES
(in thousands)

The Corporation has been named as defendant in one (2017 - one) specific legal action. No specified amount has yet been claimed; the amount of the claim will be determined at trial. The resulting loss from this claim, if any, cannot be determined.

Note 15 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2018	2017
Obligations under Operating Leases and Contracts	<u>\$ 134,577</u>	<u>\$ 228,384</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases and Contracts
2018-19	\$ 91,156
2019-20	29,780
2020-21	8,919
2021-22	3,489
2022-23	983
Thereafter	250
	<u>\$ 134,577</u>

Note 16 ALBERTA CARBON CONVERSION TECHNOLOGY CENTRE
(in thousands)

The Alberta Carbon Conversion Technology Centre (ACCTC) is a commercialization and testing centre designed to advance CO2 capture and conversion technologies, and conduct related research. InnoTech Alberta Inc, a wholly owned subsidiary of the Corporation, completed the purchase and transfer of the ACCTC on March 15, 2018, for which \$17,464 is recorded in tangible capital assets in Note 12. \$2,158 of related deferred revenue, \$2,213 of related unspent deferred capital contributions and \$14,915 of related spent deferred capital contributions, are recorded in Note 10. There were no in-kind contributions received at March 31, 2018 (2017 - \$nil).

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2018

Note 16 ALBERTA CARBON CONVERSION TECHNOLOGY CENTRE (continued)
(in thousands)

From June 2018 until March 2020 the ACCTC will be the host site for the NRG COSIA Carbon XPRIZE – a competition to pilot various carbon capture and conversion technologies. InnoTech will not be directly involved in supervising or overseeing the XPRIZE Competition, aside from its day to day role as the owner and operator of the ACCTC. After the XPRIZE competition, InnoTech will own and operate the ACCTC, which will be marketed to industry and government as a carbon capture testing site until December 2027. At that time, exclusive use of the site and ownership of the ACCTC will pass back to the owner of the land, who may elect to wholly or partially de-commission the ACCTC. Accordingly, \$2,549 of asset retirement obligations have been recorded in Note 9.

The corporation has entered into various contractual arrangements with respect to ACCTC including a license of occupation, an operating costs recovery agreement, and a repayable contribution agreement. The impact on contractual rights, contractual obligations, contingent assets, and contingent liabilities, when known, has been reflected in these consolidated financial statements in accordance with the accounting policies described in Note 2.

Note 17 COMPARATIVE FIGURES

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

Note 18 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on May 24, 2018.

ALBERTA INNOVATES
CONSOLIDATED EXPENSES - DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2018

SCHEDULE 1

	2018	2018	2017
	Budget	Actual	Actual
	<i>(in thousands)</i>		
Grants	\$ 141,116	\$ 165,152	\$ 181,503
Salaries, Wages and Employee Benefits	87,794	74,550	77,477
Supplies and Services	51,871	32,449	34,088
Amortization of Tangible Capital Assets (Note 12)	5,209	5,193	5,298
	\$ 285,990	\$ 277,344	\$ 298,366

ALBERTA INNOVATES
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2018
(dollars in thousands)

SCHEDULE 2

	2018			2017	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Chair of the Board	\$ -	\$ 21	\$ -	\$ 21	\$ 31
Board Members	-	72	1	73	151
Chief Executive Officer (4)	369	130	10	509	348
Vice Presidents:					
Executive Vice President, Operations (5)	37	-	11	48	-
Executive Vice President, Strategic Initiatives & Special Projects (6)	8	296	1	305	88
Vice President, Clean Energy (7)	225	63	60	348	307
Vice President, Marketing & Communications (Acting) (8)	70	-	5	75	-
Vice President, Finance & Corporate Secretary (9)	225	22	14	261	268
Vice President, Health (10)	199	62	13	274	267
Vice President, Investments (11)	209	-	50	259	104
Vice President, Provincial Platforms & SPOR	250	62	16	328	295

(1) Base salary includes regular salary and retro active payments.

(2) Other cash benefits include honoraria for the Chair and Board Members. Other cash benefits for the Chief Executive Officer and Vice Presidents include vacation payouts, car and living allowance, payments in lieu of pension and lump sum amounts. Also included in other cash benefits for the year ended March 31, 2018 is \$263 in termination benefits paid as a result of termination agreements.

(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short term disability plan, CPP, EI, Workers Compensation Board premiums and professional memberships.

(4) Chief Executive Officer (CEO) position was occupied by two different people in 2017. The transition CEO was effective May 2, 2016 to December 31, 2016. The Permanent CEO was effective January 1, 2017.

(5) Executive Vice President, Operations position was effective February 15, 2018.

(6) Executive Vice President, Strategic Initiatives & Special Projects position was effective January 1, 2017 and vacated April 12, 2017.

(7) Vice President, Clean Energy position was effective November 1, 2016. This position was also Acting CEO-Energy & Environment Solutions until October 31, 2016.

(8) Vice President, Marketing & Communications (Acting) position was effective December 4, 2017.

(9) Vice President, Corporate Services was reclassified as Vice President, Finance & Corporate Secretary on November 1, 2016.

(10) Vice President, Initiatives and Innovation position was reclassified as Vice President, Health on November 1, 2016. This position was vacated February 16, 2018.

(11) Vice President, Investment position was effective November 1, 2016.

**ALBERTA INNOVATES
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2018**

SCHEDULE 3

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's consolidated financial statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had a shared service agreement with the Ministry of Economic Development and Trade for Information Technology and Management Services at the rate of Service Alberta consumption costs and projects indicated by the Corporation.

The Corporation had the following transactions with related parties recognized in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2018	2017	2018	2017
	<i>(in thousands)</i>			
Revenues				
Grants	\$ 190,432	\$ 195,206	\$ 12,957	\$ 11,502
Other	101	43	2,942	3,231
	<u>\$ 190,533</u>	<u>\$ 195,249</u>	<u>\$ 15,899</u>	<u>\$ 14,733</u>
Expenses - Directly Incurred				
Grants	\$ -	\$ -	\$ 113,671	\$ 130,769
Other Services	30	(83)	937	1,307
	<u>\$ 30</u>	<u>\$ (83)</u>	<u>\$ 114,608</u>	<u>\$ 132,076</u>
Receivables from	<u>\$ 2,310</u>	<u>\$ 54</u>	<u>\$ 2,583</u>	<u>\$ 5,671</u>
Payable to	<u>\$ 55</u>	<u>\$ 1,013</u>	<u>\$ 5,910</u>	<u>\$ 3,070</u>
Unspent Deferred Capital Contributions	<u>\$ 10</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ -</u>
Spent Deferred Capital Contributions	<u>\$ 10,665</u>	<u>\$ 1,702</u>	<u>\$ 50</u>	<u>\$ 180</u>
Deferred Revenue	<u>\$ 74,879</u>	<u>\$ 59,930</u>	<u>\$ 17,946</u>	<u>\$ 23,790</u>
Deferred Contract Revenue	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 437</u>
Contractual Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,592</u>	<u>\$ 153,666</u>
Contractual Rights	<u>\$ 114,407</u>	<u>\$ 54,975</u>	<u>\$ 3,297</u>	<u>\$ 217</u>

**ALBERTA INNOVATES
CONSOLIDATED EXPENSES - DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2018**

Schedule 3 - Related Party Transactions (Cont'd)

The above transactions do not include support service arrangement transactions disclosed below. The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the consolidated financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4

	Other Entities Outside of the Ministry	
	2018	2017
	<i>(in thousands)</i>	
Expenses - Incurred by Others ⁽¹⁾		
Accommodation ⁽²⁾	\$ 22,376	\$ 21,795
	\$ 22,376	\$ 21,795

⁽¹⁾ During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

⁽²⁾ The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

**ALBERTA INNOVATES
CONSOLIDATED ALLOCATED COSTS
YEAR ENDED MARCH 31, 2018**

SCHEDULE 4

Program	2018		2017	
	Expenses⁽¹⁾	Accommodation Costs⁽³⁾	Expenses - Incurred by Others⁽²⁾	Total Expenses
	<i>(in thousands)</i>			
Cross Sectoral Innovation Enablers	\$ 121,341	\$ -	\$ 121,341	\$ 129,561
Health Innovation	84,773	-	84,773	88,819
Clean Energy	22,698	-	22,698	22,567
Bio Sector	19,472	-	19,472	20,196
Administration	29,060	22,376	51,436	59,018
	\$ 277,344	\$ 22,376	\$ 299,720	\$ 320,161

(1) Expenses - Directly Incurred as per Consolidated Statement of Operations.

(2) During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

(3) The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

Appendix - Key Legacy Metrics

Business Line - Investments

I. Entrepreneurial Investments Key Legacy Metrics

Below are the actual results achieved during the 2017-18 fiscal year. New targets were not set for the year, since AI's performance monitoring and evaluation framework was under development and AI was in the process of incorporating the Technology Commercialization Scorecard into a consolidated scorecard.

Performance Measure(s)	Actual 2016-17	Actual 2017-18
Sustainable job creation by technology and/or knowledge based SMEs.	890 net new jobs. 85% are full time.	1,560 net new jobs. 87% are full time.
Ratio of net revenue growth by AI-funded SMEs subsequent to AI's funding support.	\$1 of AI funding generated \$5.20 net revenue growth.	\$1 of AI funding generated \$6.40 revenue growth.
Ratio of follow-on funding raised subsequent to AI's funding support.	\$1 of AI funding generated \$28.22 of follow-on funding. 79% was from the private sector.*	\$1 of AI funding generated \$35.66 of follow-on funding. 79% was from the private sector.*

*Private investments include the following: angel investment, strategic & foreign investment, loans and shareholder investment. AI investment is considered to be "follow-on," only if the investment came after AI's initial investment. Capital raised prior to AI support is not included.

II. Post-Secondary Investments Team Key Legacy Metrics

The performance metrics below are a continuation of the 2016-17 reported outcomes. In aggregate they articulate AI's desired goal of generating research capacity in the province. No targets for performance measurement were set in the 2017-18 Transitional Business Plan since AI's performance monitoring and evaluation tools were under development.

Performance Measure(s)	Actual 2016-17	Projected 2017-18*
Leverage of HQSP funding**	1:2	1:2
Number of Active Campus Alberta Chairs	35	30
Number of Active Strategic Research Projects	0	10
Number of Centres Supported	3	3
Number of HQSP Supported***	1,600	1,500

*Figures are projected due to the difference in timing between the Annual Report and when annual and final reports are received from award recipients.

**Ratio of Alberta Innovates dollars to non-Alberta Innovates dollars in Chairs and Centres, Strategic Research Projects, GSS and CASBE.

***Senior researchers, post-doctoral fellows, research associates, and graduate students.

III. InnoTech Alberta Inc. Key Legacy Metrics

InnoTech Alberta maintains strong collaborative partnerships with industry through a responsive, customer-centric approach. This is demonstrated through key metrics shared below. No targets for performance measurement were set in the 2017-18 Transitional Business Plan.

Performance Measure(s)	Actual 2016-17	Actual 2017-18
Number of clients supported	551	518
Customer retention	60%	64%
Leverage of internal investment	\$1 : \$2.41	\$1 : \$2.39

Notes

InnoTech Alberta generates external contract revenue through its research and contract services with industry, government and not-for-profit organizations. This also includes work within consortia and multi-client programs, where there is a common problem across all clients involved. Additionally, InnoTech Alberta receives an annual operational grant, of which a portion is utilized to leverage against this external contract revenue.

Year over year, there has been a decline in the number of clients supported. However, the total dollar value of external contract revenue increased slightly. In the previous fiscal year, the effects of the economic downturn in Alberta were noticeable on InnoTech Alberta’s external contract revenue, which was significantly dependent on the energy sector. In the current year, the concentration of InnoTech’s external contract revenue in the energy sector remained steady at 45%.

Additionally, InnoTech Alberta’s ability to generate projects that leverage its annual operational grant with external contract revenue has remained steady – for every dollar of internal funding put into a leveraged project, there is an external revenue contribution of \$2.39.

Business Line – BIO

Key Legacy Metrics

These outputs and outcomes are derived from the Corporation’s legacy approach to performance measurement and reporting. No targets for performance measurement were set in the 2017-18 Transitional Business Plan. Below are further details on how these six measures are defined and reported.

Performance Measures 2017-18

Business Line	Projects' with outputs or outcomes	Outputs			Outcomes			
		Knowledge management occurs with academia ²	Knowledge management occurs with industry, government and others ³	Highly qualified personnel are developed ⁴	Knowledge results in significant new directions in science or innovation ⁵	Knowledge is likely to lead to policy or regulation change	Knowledge leading to practice change	Knowledge is likely to lead to a new or improved product, process or service, or improved market access ⁶
Sustainable Production	10	254	213	152	12	1	11	47
Bioindustrial Innovation	61	3	11	24	2			85
Food Innovation	12	62	123	79	9	8	15	45
Ecosystem Services	6	62	154	71	15	2	15	32
Alberta Prion Research Institute	21	411	6	164	5	4	2	10
TOTAL	110	792	507	490	43	15	43	219

¹ Initiatives supported by Alberta Innovates Bio Solutions or the Bio business line as part of AI, where the final report was received in the calendar year or considered closed.

² Number of published peer-reviewed papers, abstracts or book chapters, or scientific conference program or poster presentations etc., where the audience was mainly academia.

³ Number of seminars co-ordinated, presentations delivered, articles published in non-academic publications, newsletter editions issued, etc., where the audience was mainly from industry, government or other sectors.

⁴ Individuals involved who are supported by a grant or contract and who are undergraduate, graduate, post-doctoral fellows, or post-secondary graduates with a diploma or degree.

⁵ Confirmed proofs of concept, new avenues for exploration, new MOU, etc.

⁶ Actual patents, licence agreements, registrations, etc.

Note:

The results for the Ecosystem Services and Biodiversity area are not expressed well in this table, as the program was not designed to measure results in this way. A **RESULTS SUMMARY for the Ecosystem Services and Biodiversity Initiative** was completed and distributed in 2017 highlighting the achievements made through the program over the first five years. It identifies results specific to the objectives of the program. The program is aligned to achieving a goal, and the projects funded within the program are interrelated and connected, and required to develop capacity, tools, systems, etc.

Business Line – Clean Energy

Key Legacy Metrics

Clean Energy has had a set of 2030 innovation targets in energy and environment since 2010. A decision-making tool called ProGrid™ was used to track the progress towards these targets. ProGrid™ analysis was not performed for 2017-18, since the AI Transition Business Plan required a new performance system.

(\$'s in thousands)

	Advanced Hydrocarbons	Clean Technology	Water and Land	Clean Energy Total
Active R&I Projects	31	16	37	73
Research (TRL 1-3)	5	6	12	23
Development (TRL 4-6)	12	2	14	28
Field Pilot (TRL 7)	2	3	5	10
Demonstration (TRL 8-9)	2	3	6	11
Commercial (TRL 10)		1		1
AI Investment (in active projects)	\$24,170	\$16,441	\$26,037	\$66,648
Total leveraged investment	\$234,142	\$15,021	\$63,939	\$313,103
Leveraged Federal and Other Government Investment	\$90,713	\$6,553	\$29,189	\$126,456
Leveraged Industry Investment	\$143,429	\$8,467	\$34,750	\$186,646
Leverage Ratio <i>(Total leveraged \$/AI Clean Energy Invested \$)</i>	10	1	2	5
Capacity Building				
Industrial Research Chairs	4	1	6	11
Research Centre	1			1
HQP Supported	150	76	200	426
Partnerships				
Joint projects (Active)	8	1	4	13
Advised projects (ERA, Active)				46
New industry consortium		1		1
New Programs (CCITF)				2
Outcomes and Impacts				
# of technologies in demo	2	3	6	11
# of technologies commercialized		1		1
# of best practices adapted by clients			6	6
Investment made in Alberta for commercialization <i>(exclude GoA Investment)</i>		\$100,000		\$100,000
# of jobs created in Alberta from tech commercialization		150		150
GDP generated from tech commercialization		\$65,000		\$65,000

Business Line – Health Innovation

Key Legacy Metrics

AI leverages Alberta’s excellence in health research, a growing health technology sector, and unique, unified health delivery system strengths. The Health Innovation team fosters partnerships with industry, not-for-profit, government, academia and engages the public to achieve our desired impacts – increased economic development, enhanced patient care (outcomes and experience), and a resilient healthcare system.

Legacy Goal: Support strategic investment in priority areas of health research and innovation

Performance Measure	2017-18 Actual
# of investors and other personnel funded/supported (excluding trainees)	1,728
# of trainees funded	728
# publications by AI-funded researchers	1,244
# engagement activities participated in by AI-funded researchers	1,569
# of medical products, interventions and clinical trials by AI-funded researchers	25
# intellectual property or licensing outcomes for AI-funded researchers	19

Legacy Goal: Facilitate, develop and support platforms that address strategic outcomes and promote Alberta internationally as a world-class destination for research, innovation and commercialization

Performance Measure	2017-18 Actual
% completion of Integrated Secondary Use Health Data Platform	100%
# of strategy on Patient Oriented Research (SPOR) platforms implemented	7
# of projects supported by SPOR	403

Legacy Goal: Develop and strengthen relationships to increase and leverage research and innovation funding

Performance Measure	2017-18 Actual
\$ leveraged funding secured by AI-funded researchers	\$146.3 M*
\$ AI received through partnerships	\$14,511,776

**Includes grants/awards pledged and/or awarded to researchers in 2017/18 as well as direct financial contributions received from collaborators for the AI-funded project.*



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