

RETURN ON INNOVATION

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ACCOUNTABILITY STATEMENT

Alberta Enterprise Corporation was established in December 2008 upon proclamation of the Alberta Enterprise Corporation Act. The Alberta Enterprise Corporation (“Alberta Enterprise”) Board of Directors is accountable to the Minister of Economic Development and Trade (“EDT”).

HOW DO YOU MEASURE RETURN ON INNOVATION?

WITH MOST INVESTMENTS, THERE IS SIMPLY ONE MEASURE OF SUCCESS: HOW MUCH MONEY YOU MAKE YEAR OVER YEAR.

With an organization that is investing taxpayer money into Venture Capital funds that are investing in forward-thinking Alberta tech startups – there are many ways to evaluate the Return On Innovation.

- The success in attracting Venture Capital (VC) to Alberta.
- The number of Alberta tech startups benefiting from this VC activity.
- The creation of high value, high tech jobs in the province.
- Profitable financial returns through the funds in which we invest.
- The ongoing progress required to build a viable and profitable tech sector.

Alberta Enterprise is steadily helping to foster a dynamic and sustainable environment necessary to support a modern technology industry. All indicators point to the fact this proven model is working here in Alberta, and is generating results beyond the bottom line.

OUR MISSION

Alberta Enterprise's mission is to foster a thriving Venture Capital industry in Alberta, one that provides access to venture capital and other resources needed to create successful Alberta technology companies. We are a key component for economic diversification and development of an innovation-based economy in Alberta.

We are invested in supporting businesses that will create high skilled jobs for Albertans and contribute to a healthy provincial economy.

In compliance with our governing legislation and agreement with the Ministry of Economic Development and Trade (EDT), we are working to fulfill our mission and mandate through investment as a Limited Partner (LP) in Venture Capital funds that meet the criteria outlined in our investment policy, and through targeted initiatives to support, grow and nurture the local VC industry. We do not invest directly in Alberta companies, but in VC funds that have a track record of success, strong global networks and a demonstrated commitment to the Province of Alberta.

What makes Alberta Enterprise unique is our investment model. The capital provided is invested, and as such, we expect to return our capital back to the Government of Alberta – in a timeframe consistent with the life of a VC fund. *As a result, the Province benefits not only from the potential return on our VC fund investments, but also in the creation of a local VC industry with resident professionals who support the creation of a diversified economy.*

HIGHLIGHTS



**\$150
MILLION**

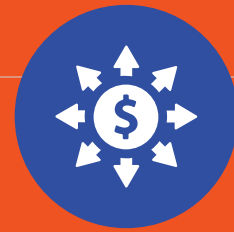
COMMITTED FOR
INVESTMENT

in 32 Degrees II, the Accelerate Fund I and II, Avrio II and III, Azure III, Chrysalix III, EnerTech IV, iNovia III, McRock iNFund, Panache 2018, Relay III, Yaletown II and Yaletown Growth Fund.



**> 406
MILLION**

OF VC INVESTMENT
INTO ALBERTA
COMPANIES



EVERY \$1

invested by Alberta Enterprise has resulted in almost \$4 of investments back into Alberta companies.



**35 ALBERTA
COMPANIES
SUPPORTED**



**OVER 1,300
DIRECT JOBS
CREATED**

MEASURABLE RETURNS

WE SAID THAT RETURN ON INNOVATION IS MEASURED IN NUMEROUS WAYS. HERE ARE SIX EXAMPLES HOW ALBERTA ENTERPRISE IS MEETING KEY PERFORMANCE INDICATORS.

1. Establishing a strong VC presence in Alberta.

Alberta Enterprise has committed \$150 million¹ for investment in 32 Degrees II, the Accelerate Fund I and II, Avrio II and III, Azure III, Chrysalix III, EnerTech IV, iNovia III, McRock iNFund, Panache 2018, Relay III, Yaletown II and Yaletown Growth Fund. In turn, these funds contribute to our economy – and most importantly – provide the essential capital Alberta companies require to successfully bring their products and ideas to market.

Our investments have resulted in seven new and five expanded VC offices in the province. This is greatly increasing the number of VC professionals actively at work in Alberta.

2. Promoting Economic Diversification.

Alberta has long been reliant on the fortunes of our resource-based economy. Economic diversification helps shield the province from the familiar boom and bust cycles, opening the door to new industries and employment opportunities. Our funds invest in technologies which diversify the Alberta economy. This includes Internet and Communication Technology, Clean Technology, Energy Technology, and Life Sciences (including value added agriculture and food technology).

3. Extending beyond Alberta.

By investing strategically we have leveraged our \$150 million¹ capital commitments into >\$1.2 billion (8.7:1 leverage). These investments have also extended our ecosystem by forging connections to >200 other Limited Partners, >480 portfolio companies, and >400 VC firms. We have co-invested with companies such as Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC, and Newalta to mention a few.

4. Supporting Alberta companies and creating jobs.

Our VCs and their partners have already invested over \$400 million in 35 Alberta technology companies, creating more than 1,300 direct jobs in Alberta. Every \$1 invested by Alberta Enterprise

has resulted in almost \$4 of investments back into Alberta companies. The amount of investment in Alberta companies has increased by more than five times in the last five years, and is expected to grow significantly over the 10-year life of these funds.

5. Delivering return on investment for Alberta taxpayers.

Our VCs have already had 13 profitable exits, resulting in distributions of more than \$18 million to Alberta Enterprise. The value of the investments plus distributions received to date exceeds the capital called for investments and management fees, which indicates a positive return on the portfolio.

6. Continued, positive, long-term results.

Already, the results of our efforts are being realized. In the years since Alberta Enterprise Corporation was created in 2008 a renaissance in Alberta's tech ecosystem has begun. Alberta Enterprise has been instrumental in providing advice, guidance and strategic support to the ecosystem, and our efforts are seen as critical to the VC industry's success.

The value of our investments is expected to grow significantly over the years to come, while also generating more investments in Alberta companies as well as creating more knowledge based jobs in the province.

2013 → \$79M	→ 8 COMPANIES
2014 → \$171M	→ 21 COMPANIES
2015 → \$280M	→ 24 COMPANIES
2016 → \$305M	→ 28 COMPANIES
2017 → \$375M	→ 30 COMPANIES
2018 → \$406M	→ 35 COMPANIES

(1) Including \$50 million of commitments payable in US dollars and \$90 million payable in Canadian dollars.



MESSAGE FROM THE BOARD OF DIRECTORS CHAIR & THE CHIEF EXECUTIVE OFFICER

As a province we need to create the conditions to grow innovation and produce globally competitive technology companies right here at home. Venture Capital is a central part of the funding continuum for technology startups, as it provides a vital bridge between grants and commercialization funding to bank loans and larger institutional funding. Having a strong Venture Capital community in Alberta is imperative to economic diversification and long-term job creation.

ALBERTA ENTERPRISE MAKES INVESTMENTS IN VENTURE CAPITAL FUNDS, WHICH INVEST IN TECH VENTURES.

Through our funds and our industry development activities, we provide Alberta technology companies with more than just money, we provide them with critical access to markets, mentorship and management expertise. Our investment model is unique, as we are generating economic development in Alberta, while also creating long-term investment returns for the Province on its original investment.

We made our first investments in Venture Capital funds in 2010. Eight years later, we are seeing returns on our investments in terms of economic development in the region, financial return on our investments, as well as a developing and maturing Venture Capital industry. To date, we have attracted more than \$400 million of investments into 35 Alberta technology companies. Every \$1 invested by Alberta Enterprise has resulted in almost \$4 of investments back into Alberta companies. At the same time, the \$1 invested by Alberta Enterprise is currently worth \$1.10, a value that will increase even further as our funds mature. Additionally, many of the organizations and events that we helped kick start, including the A100 and AccelerateAB, are now self-sustaining and provide key meeting points between mentors, investors and entrepreneurs.

The distributions from our investments has outpaced our operating costs since our inception. By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, Alberta Enterprise has to date been a cost-neutral initiative for the Province.

Alberta Enterprise has produced strong short-term results that are transforming the technology and Venture Capital sector in Alberta. We continue to pursue our goal of creating a self-sustaining Venture Capital industry, resulting in a diversified, resilient economy – where Albertans will benefit from quality jobs, a high standard of living and a broad base of economic opportunities. There are now more Venture Capital funds active in the province than ever before and the investment ecosystem is flourishing. Although Alberta's VC sector has achieved some scale, we are expecting the demand for capital will outpace the supply in the province, in particular for the earlier stages. Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital, as well as ongoing encouragement to foster the Venture Capital community.

We will continue providing a Return on Innovation for the province, shaping Alberta into a formidable knowledge-based economy. With an active and sustainable Venture Capital industry in place, Alberta will be globally-recognized as an increasingly competitive and attractive environment that embraces the business opportunities of the future.

Originally signed by
Paul Haggis
Chair

Originally signed by
Kristina Williams
President and CEO



SUCCESS STORIES

ALBERTA BUSINESSES THAT ARE CHANGING THE WORLD

One way to measure our Return On Innovation is by analyzing the Alberta visionaries and tech companies who are working hard to bring their game changing products and service to the global market.

Today we are featuring three Alberta companies that exemplify Alberta's high tech entrepreneurial spirit, and sharing how they have benefited through the creation of a robust Venture Capital sector.

VISIO MEDIA

TAKING ELEVATOR MARKETING
TO THE NEXT LEVEL.



VISIO MEDIA IS CHANGING THE WAY WE VIEW ADS IN ELEVATORS

... and how ads find us. Using our proprietary software, Elev8, we are able to determine occupants' gender, age group, stare time, and sentiment. Our ad platform allows advertisers to dynamically change ads based on the occupants of an elevator as well as the weather and time of day. As a result, they are able to create complex, highly targeted, multi-rule campaigns to maximize engagement and optimize efficiency for their advertisers – while providing a greater degree of measurability.

With the support of the Accelerate Fund II, Visio has its sights set on scaling our digital advertising network across Canada, with plans to expand into the USA next year.

Fouad El-Masri

President and Co-Founder



Edmonton,
Alberta



14 Employees

TESTFIRE

IMPROVING HUMAN
PRODUCTIVITY THROUGH
ARTIFICIAL INTELLIGENCE.



Edmonton,
Alberta



14 Employees

**SELECTED AS A TOP STARTUP TO WATCH
BY STARTUP EDMONTON, TESTFIRE LABS
USES MACHINE LEARNING AND ARTIFICIAL
INTELLIGENCE TO BUILD PRODUCTIVITY
SOLUTIONS THAT MODERNIZE THE WAY PEOPLE
WORK – SO THEY CAN ACHIEVE MORE, FASTER.**

Testfire's flagship product, Hendrix.ai, is a natural-language artificial intelligence (AI) assistant that attends meetings, captures notes, action items and data points. Through machine learning, Hendrix.ai ultimately could then identify potential workplace bottlenecks, areas for collaboration, and deliver insights into organizational productivity. Hendrix.ai works with the major conferencing platforms, including Zoom, join.me, GoToMeeting, UberConference and WebEx.

The City of Victoria, the Northern Alberta Institute of Technology, and C-Tribe Innovation Festival are among the 87 Hendrix.ai beta customers. Testfire has also recently inked distribution partnerships for Hendrix.ai with national telecom partners Iristel in Toronto, and Voxter in Vancouver. Testfire is on-track to commercially launch within Canada in mid-2018 to individual Hendrix.ai users, followed by staged feature rollouts aimed at conferencing providers and enterprise clients.

Founded in 2017 and headquartered in Edmonton, AB, Testfire has received seed funding from Accelerate Fund II. This has been instrumental in helping us reach due diligence readiness and accelerate the go-to-market plan for Hendrix.ai. It has also helped generate interest from various angel and venture capital investors. As a result, Testfire is well positioned to move into its next round of funding in early 2019, which will help to advance commercialization within new markets.

Dave Damer
Founder and CEO

PASSPORTAL

SECURING SOLUTIONS
FOR SECURITY PROVIDERS.



COMPANIES COUNT ON IT SERVICE PROFESSIONALS AND MANAGED SERVICE PROVIDERS (MSPs) TO KEEP THEIR DATA SAFE – AND TO MAKE THEIR BUSINESSES MORE SECURE, EFFICIENT AND PROFITABLE.

Passportal is the company that is providing the cybersecurity related projects that allow MSPs to successfully deliver on this promise.

We initially started out creating an internal solution for our own needs in 2011. Today, we have grown to include four products, including: an industry-leading password management solutions (Ocular), a secure documentation management solutions (Docs), a self-service password reset solution (Blink) and a password security as a service solutions (Site). We've signed up 1,100 partners in 33 countries, but maintain our strong tie to Calgary – with no plans to move.

The best thing about Accelerate Fund II's investment in Passportal has been the support of their team. In particular, both Brad Johns and David Edmonds have provided continuous support to the company in the form of industry introductions, nominations to programs, brainstorming ideas and sharing their years of experience.

Passportal is focused on the continued, rapid growth of our partner base. We have four innovative products in our development roadmap, and are planning a Series A equity raise in the fall of 2018.

Colin Knox
Founder and CEO

VIBRANT VC INDUSTRY

CONNECTING & GROWING ALBERTA'S TECH ECOSYSTEM

Creating a strong Return On Innovation doesn't just require dedicated and talented technology entrepreneurs; it also depends on a strong technology ecosystem that is capable of supporting and connecting capital, markets, mentors and companies.

We spoke to four ecosystem organizations to learn how they've benefited from the support of Alberta Enterprise.

321 GROWTH ACADEMY



321 GROWTH ACADEMY ADDRESSES A CRITICAL GAP IN THE MARKETING & SALES TALENT NEED FOR ALBERTA TECH COMPANIES.

Alberta Enterprise has been a key partner for 321 Growth Academy since our inception. They were instrumental in helping us validate the market need for our programs, and have helped us connect with investors and other stakeholders across the province. With Alberta Enterprise's support, over 60 startups and scaleups have taken various 321 programs to accelerate their growth and traction.

Alberta Enterprise has made a substantive impact on the Alberta tech ecosystem. They've attracted numerous VCs to the province and have helped close the seed funding gap with the Accelerate Funds I and II. These investors are actively engaging with – and investing in – our entrepreneurs. As a result, I believe more Alberta companies now have access to the funding they need to grow and scale, and equally important, are getting sage advice from experienced investors.

Carey Houston
Founder, 321 Growth Academy

GEEKY SUMMIT



GEEKY SUMMIT, ORGANIZED BY CHIC GEEK, IS ALBERTA'S ONLY CONFERENCE CELEBRATING WOMEN IN TECHNOLOGY AND ENTREPRENEURSHIP.

Chic Geek started as one young woman with an idea. With the support of forward-thinking organizations like Alberta Enterprise, Chic Geek has grown into a non-profit with a paid staff and almost 45 volunteers – running 25 events per year. Our partnership with Alberta Enterprise saw us launch Geiky Summit, the only conference in Alberta that celebrates women in technology and entrepreneurship: a pipe dream we've had at Chic Geek since the very beginning.

Kylie Toh
Chic Geek and Geiky Summit Founder

ACCELERATEAB



ACCELERATEAB IS THE ANNUAL CELEBRATION OF TECHNOLOGY STARTUPS IN ALBERTA.

This peer-to-peer conference has been sold out for the past two years with 400+ attendees. Founded by Alberta Enterprise Corporation, the event is now fully run by the A100.

For the last seven years, Alberta Enterprise has lead the way in connecting Alberta entrepreneurs with much-needed access to Venture Capital. As a keystone leader in our rapidly growing innovation ecosystem, Alberta Enterprise's active and collaborative presence in the annual AccelerateAB Conference has directly helped entrepreneurs get closer to influencers and investors needed to scale their businesses.

Cynthia van Sundert
Executive Director, A100

RAINFOREST ALBERTA

EDMONTON CHAPTER



RAINFOREST ALBERTA IS AN INFORMAL ORGANIZATION OF PEOPLE WORKING TOGETHER TO IMPROVE ALBERTA'S INNOVATION ECOSYSTEM.

What makes Rainforest different from other initiatives is that it is largely grassroots – driven by tech entrepreneurs.

We want Albertans to know that they don't have to move away to invent, prosper, and move their ideas forward. To that end, our goal is to grow the same invisible infrastructure that underlies successful tech communities like Silicon Valley, right here in Alberta. Alberta Enterprise's commitment to attracting and investing in Venture Capital firms, as well as its direct support for the Rainforest initiative, has and continues to be fundamental to creating that thriving innovation ecosystem.

James Kierstead
Rainforest Alberta's Edmonton Chapter
and Founder, Levven



MANAGEMENT'S DISCUSSION & ANALYSIS

ALBERTA ENTERPRISE'S OPERATIONS FOCUS ON TWO KEY AREAS:

1. Investment as a Limited Partner in technology Venture Capital funds that finance early-stage, knowledge-based companies.
2. Targeted initiatives to develop the Venture Capital ecosystem and improve the networks connecting entrepreneurs, experienced management, and investors.

OPERATIONAL OVERVIEW: INVESTMENTS

Alberta Enterprise was established to build a local Venture Capital industry which can provide the capital needed to support the growth and success of knowledge-based companies in Alberta. To achieve this, Alberta Enterprise invests as a Limited Partner in technology Venture Capital funds that have, or will establish, **a presence** in the province, staffed with a senior level investment professional.

By investing in VC funds that finance early-stage, technology startups in Alberta, we create access to a much larger pool of capital than the \$175 million Alberta Enterprise Fund, while also creating access to external markets and the expertise of these funds.

We have targeted three types of funds for investment:

1. North American funds currently operating outside Alberta.
2. Funds that are local to Alberta.
3. Funds focused on early stage investments.

Outside expertise:

A key strategy behind Alberta Enterprise's fund approach is to pull VCs from outside Alberta so we can leverage their industry and network of experts. It is important to attract established fund managers with startup experience, industry connections and network, because beyond money, this is what Alberta startups lack.

Alberta-based funds – internal knowledge:

Equally important to attracting outside expertise, it is necessary to grow and develop Alberta based funds. Alberta Enterprise has supported locally-based funds, such as Avrio, and we are developing home-grown VC talent through the local representatives of the funds headquartered outside Alberta. We continuously meet with potential new local teams, knowing that it takes time to build a local VC fund presence.

Fit-to-purpose funds:

It is imperative to ensure that Alberta Enterprise invests in funds that complement the available deal flow in the province. In 2016, Alberta Enterprise conducted a deal flow study which showed a large portion of the technology companies in Alberta are early stage. It is therefore vital to continue focusing on this stage of investments.

Our strategy is to ensure that funds representing each investment objective are integrated, so that each type can syndicate deals and leverage the networks of the other types. For example, we are encouraging VCs from out-of-province to co-operate with local investors to leverage the local deal flow networks, so local investors can take advantage of the global networks that external VCs bring. **It is all about networks, relationships and who Alberta entrepreneurs can leverage to compete globally.**



GOALS & OUTCOMES: INVESTMENTS

OUTCOMES

Improved access to capital for Alberta companies and stimulated investment in knowledge-based industries to diversify and broaden Alberta's economic base.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

- Alberta Enterprise has committed \$150 million² for investment into 12 VC funds and two angel co-investment funds: Accelerate I and Accelerate II.
- Through these funds, Alberta knowledge-based companies have had access to >\$1.2 billion in Venture Capital. **Alberta Enterprise has successfully leveraged our capital investment 9:1.**
- Our investments have resulted in **12 funds creating new offices or expanding existing offices in Alberta** (7 new and 5 expanded offices), greatly increasing the number of VC professionals and “feet on the street” actively at work in Alberta.
- Panache Ventures, our newest fund investment, now has three Alberta staff in place, including Partner Pat Lor.
- Alberta Enterprise's investments in funds have generated almost **four times the capital back into Alberta companies. As of March 31, 2018, our VCs and their syndicate partners have already invested over \$406 million in 35 Alberta technology companies.** This amount is expected to continue to grow over the 10-year life of these funds.
- We have deployed capital across all knowledge-based sectors (ICT, clean/energy tech, and Life Sciences), working toward a **diversified economy** in Alberta.
- We have developed **a solution to address funding gaps for earlier-stage companies** by launching the two angel co-investment Accelerate funds, and investing in several funds that include seed-stage opportunities in their investment focus.

² Including \$50 million of commitments payable in US dollars and \$90 million payable in Canadian dollars.

OUTCOMES

Improved profile for Alberta Venture Capital and Private Equity sectors internationally, and enhanced ability to attract external investment capital.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

- Alberta Enterprise has attracted external VC funds to Alberta. By attracting international VC funds, we bring expertise to the province and also connect Alberta entrepreneurs to international markets and opportunities.
- **The relatively weaker Canadian dollar**, as compared to its USD counterpart, **is currently giving Canadian technology companies an advantage in attracting capital** from the US. For example, Edmonton-based Showbie attracted capital from Azure Capital.
- Eleven of our 14 funds have international investors, and five of the funds have offices outside of Canada. We have co-invested with multi-national companies such as Caterpillar, Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC and Newalta to mention a few.
- We have actively engaged these co-investors (also called “Limited Partners”) to increase awareness of Alberta value-added products.
- Through Alberta Enterprise’s VC funds, **Alberta entrepreneurs now have access to more than 400 other Canadian and international VC funds.**
- Our VCs and the Accelerate Fund have **attracted almost \$310 million of syndicate investments** into Alberta technology companies. This shows that Alberta companies not only have access to the capital of our VC funds, but that our funds are also helping Alberta companies to access a significant amount of outside capital.



OUTCOMES

Building a self-sustaining VC industry in Alberta.

Return to the Province its initial investment capital plus an appropriate rate of return.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Ultimate outcomes

Alberta knowledge-based companies need access to Venture Capital. Venture Capital is an important source industry for economic development, job creation, as well as innovation. Alberta wishes to move from a largely resource-based economy to one augmented by knowledge-based technology industries. The VC industry is a critical part of the ecosystem that helps move companies from concepts and research to commercial product development. A self-sustaining VC industry will contribute to a more diversified, resilient economy, where Albertans will benefit from high quality jobs, a high standard of living and a broad base of economic opportunities. Additionally, a sustainable VC industry with available capital for investment will make Alberta globally recognized as a competitive business choice.

Alberta Enterprise has been investing in VC funds since 2010. A typical VC fund has a life of 10 to 12 years. As such, it is still too early to predict the full impact of Alberta Enterprise's activities, but as detailed above, over our investment period we have achieved excellent results. Building a self-sustainable VC industry can however take up to 20 years. To achieve this outcome we need to continue to:

1. Attract more VCs and VC funding to Alberta.
2. Provide multi-sectoral coverage that matches the capital to the deal flow in the province.
3. Address the critical gaps in early-stage funding.
4. Assist local Alberta Fund Managers and develop new fund managers.
5. Support our high performing VC funds with follow-on capital to ensure they maintain a presence in the province.

To build a sustainable VC industry in Alberta **will require patience and ongoing investments from Alberta Enterprise.**

The investment capital from the Government of Alberta is a **financial investment, not a cost.** We expect to return the Province's \$175M investment capital, plus an appropriate return on this investment in a timeframe consistent with the life of a VC fund (approximately 10-12 years).

Due to the nature of venture investing and accounting practices for these investments, our funds are likely to show a loss during the first half of their life. These losses normally reverse as the funds mature and as unrealized and realized gains increase over time.

Our funds have already had 13 profitable exits, which is on-track with expectations for this stage in the life of the funds. The value of the investments plus distributions received to date exceeds the combined cost of the investments and management fees. Every \$1 invested by Alberta Enterprise is currently worth \$1.10, a value that will increase even further as the funds mature.

The financial return to the Province on our initial investment will not fully be known for another 6-12 years.



VENTURING ALONGSIDE US – OUR VC PARTNERS.

Over the past year, Alberta Enterprise committed an additional \$15 million for investment in two funds, including: CAD \$10million in the *Yaletown Innovation Growth Fund Limited*, which focuses on Series A and later stage investments in companies enhancing sustainability and productivity for industrial and enterprise customers, and CAD \$5 million in *Panache Ventures Investment Fund 2018*, which focuses on seed stage investments in ICT and other sectors.

Throughout the year, Alberta Enterprise's investment team continued to monitor and report on the Corporation's limited partnership investments made previously. These include:

- **Accelerate Funds I and II** – angel co-investment funds targeting Alberta technology companies, with initial investments focused on seed and early stage companies.
- **Avrio Ventures II and III** – focused on innovative food and agriculture companies, with initial investments targeting Series A, and beyond, stage companies.
- **Azure Capital Partners III** – focused on the information technology sector, with initial investments targeting post-seed stage companies as well as Series A and beyond.
- **Chrysalix Energy III** – focused on the clean and energy technology sectors, with initial investments targeting Series A stage companies.
- **EnerTech Capital Partners IV** – focused on the energy and clean technology sectors, with initial investments targeting Series A stage companies.
- **iNovia Investment Fund III** – focused on the information technology sector, with initial investments targeting seed and Series A stage companies.
- **McRock iFund** – focused on the “Industrial Internet of Things”, with initial investments targeting Series A stage companies.
- **Yaletown Ventures II** – focused on the information and communications technology and clean technology sectors, with initial investments targeting Series A stage companies.
- **32 Degrees Diversified Energy Fund II** (Services & Technology Co-Invest) – focused on energy technology, with initial investments targeting Series A stage companies.
- **Relay Ventures Fund III** – focused on mobile technology, with initial investments targeting Series A stage companies.



OPERATIONAL OVERVIEW: INDUSTRY DEVELOPMENT

The key to developing a self-sustaining Alberta-based VC industry is cultivating the industry ecosystem surrounding technology startups, technology investors and related networks. This means bringing together and supporting investors, startups and management talent. We have seen continued revitalization in Alberta's technology ecosystem over the past year, and Alberta Enterprise has been at the forefront of this success.

Alberta Enterprise works to fill the gaps in the ecosystem and to create links between existing organizations. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the technology and VC ecosystems. These groups connect Alberta entrepreneurs, startups, investors and mentors within Alberta and outside the province. Some of our initiatives to support the tech companies and the industry ecosystem include:

1. Sponsorships: Supporting the ecosystem organizations who support tech companies

Alberta Enterprise relies on building strong relationships and partnerships to ensure that the technology sector grows both in terms of the quality and number of tech companies. This strong deal flow ensures continued investor interest and activity in Alberta, stimulating further growth.

In 2017-2018, Alberta Enterprise supported 20 organizations and high impact programs, which in turn provided valuable support for tech companies. These organizations and programs included:

- The Venture Capital Association of Alberta
- Chic Geek and their annual women in tech event, Geeky Summit
- The Banff Venture Forum
- The PROPEL Energy Forum
- Startup Edmonton
- Startup Calgary
- Rainforest Alberta
- 321 Growth Academy

2. Data & insights: Understanding the ecosystem in Alberta

One of Alberta Enterprise's core objectives is ensuring the collection and dissemination of accurate data on the tech ecosystem in Alberta. This is

obtained through our various data resources and our strong, relationship-based network of investors, entrepreneurs and supporting organizations. Our network includes the A100, San Francisco based C100, the Canadian Venture Capital Association (CVCA), the Venture Capital Association of Alberta (VCAA), the Trade Commission Service offices in San Francisco and Palo Alto, the various Government of Alberta divisions, the hundreds of tech founders we interact with each year both within and outside of Alberta, and our investor network. These trusted relationships allow us access to a vast amount of information and data which we use to support Alberta's tech ecosystem.

3. Entrepreneur support and addressing gaps in the ecosystem

In 2016, we identified the need for a central data and information resource about and for the Alberta tech ecosystem. One which would also better connect Alberta's tech companies and investors. In 2017, we partnered with the VCAA to build a prototype version for this resource and launched it in December of 2017 at StartAlberta.com.

For the first time there is now a central data resource which anyone can use freely to see which tech companies exist in Alberta. It allows Alberta tech entrepreneurs to connect with investors. Keeping with our philosophy of turning initiatives back to the ecosystem, the VCAA is now the steward for the portal. The VCAA will ensure that it remains a useful and open resource for the ecosystem.

A second gap identified in 2017 was the need for experienced sales and marketing teams to support the growth of tech companies in Alberta. Without the sales and marketing expertise, companies on average tend to grow much slower than their peers. We partnered with the 321 Growth Academy to pilot a cohort-based education program to scale up this knowledge base and grow home based teams.

Since the Academy's launch in March 2017, they have had 6 cohorts of 321 Growth Academy programs between Calgary and Edmonton, helping 59 participants from 44 companies to accelerate their sales. The average participant rating has been consistently 9.2/10, reflecting the value entrepreneurs have been getting from the program.

GOALS & OUTCOMES: INDUSTRY DEVELOPMENT

OUTCOMES

Stimulated investment in knowledge-based industries to diversify and broaden Alberta's economic base.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

To stimulate investment we have:

- Connected entrepreneurs to each other through the continued support of the **AccelerateAB Conference**, which Alberta Enterprise founded, now managed by the A100. In 2018 the event, held in Edmonton, was sold out with 450 attendees.
- Connected entrepreneurs to experienced management talent through the AccelerateAB Conference and by **creating the A100**: a non-profit, member-driven group of Alberta's top technology executives, focused on mentoring and supporting Alberta's next generation of tech entrepreneurs.
- Connected entrepreneurs and investors through our **Founders & Funders events** held in both Edmonton and Calgary, in partnership with Startup Edmonton, Startup Calgary and the A100.
- Connected investors to each other through:
 - **The continued support of the Venture Capital Association of Alberta (VCAA)**, their annual VCAA Conference and the VCAA Stampede event, creating the ability for VCs to share best practices and investment opportunities. The VCAA currently has 29 member firms, and has experienced 30% year-over-year growth since 2012.
 - Our **GP (General Partner) 101** event engaging with local investors who are creating locally-based Venture Capital funds.
- Continued our support of existing organizations such as **Startup Edmonton, Startup Calgary**, and new organizations such as **Chic Geek**, which has created **Geeky Summit, the first women in tech focused annual conference in Alberta**.
- Supported the life sciences ecosystem through a **Life Sciences Grant Agreement with the Government of Alberta**. The objective is to engage industry to execute on detailed opportunities to enhance access to needed resources for the Life Sciences industry in Alberta. The grant program formally ended in 2017 with Alberta Enterprise supporting BioAlberta's Medical Product Development Program's phases I, II & III, and the TEC Edmonton Health Accelerator Summit.

OUTCOMES

Improved profile for Alberta Venture Capital and Private Equity sectors internationally, and attract external investment capital.

Building a self-sustaining VC ecosystem in Alberta.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

- Through our ecosystem efforts we have **showcased Alberta investment opportunities** to private technology investors across the globe. For example, we sponsor and actively engage with the **C100** (a US-based group of successful, expat Canadians who want to help build the next technology success) to help our entrepreneurs get exposure at US-based events such as the **48 Hours in the Valley**. In 2017, we enabled three Alberta based startups to participate in this program, which provides access to high caliber Silicon Valley based mentors and investors. The companies were **Passportal** and **Veerum** for the Summer 2017 cohort, and **Stream Systems** for the Winter 2017 cohort.
- Through our portfolio VC Azure Capital, we were able to nominate Alberta tech companies for Azure's prestigious annual CEO Summit in Mountain View. Azure Capital, through their vice president based in Calgary, opened up the event to six early stage tech companies which were not part of their portfolio as a way to support the Canadian tech ecosystem. **Three of the six companies were Alberta based: Aimsio, Leankor and SAM**. They met with Azure's investor network and portfolio companies they have invested in including **Edmonton based Showbie**.
- We also sponsor the **Canadian Venture Capital and Private Equity Association's (CVCA) annual conference**, providing us visibility and access to potential VC partners. In 2018, the **CVCA's annual event will be held in Calgary** with Alberta Enterprise as one of the two co-chairs for this prestigious event, bringing the investor spotlight to Alberta.
- Other events we sponsored, and which provided increased visibility for Alberta's ecosystem included the **Banff Venture Forum** and the **PROPEL Energy Tech Forum**.
- We have actively engaged the Limited Partners of our VC funds to **increase awareness of Alberta value-added products**.
- We have leveraged our investment capital to engage VCs, strategic investors, and mentors to attend local events including AccelerateAB, the Banff Venture Forum, the VCAA Conference, the **GP 101 Sessions** and the Founders & Funders events.
- We completed and launched the prototype version of StartAlberta.com, which helps investors understand the opportunities within Alberta's tech sector and showcases Alberta's tech companies and stories.

Ultimate outcomes

- Alberta Enterprise works to **fill the gaps** in the ecosystem and to **create links between existing organizations**. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the innovation investment ecosystem. These include the A100 and the VCAA, and events like AccelerateAB. Much effort has already been expended in this area, and the results are very promising. However, getting these groups and initiatives to achieve long-term sustainability will require more hands-on support and some additional capital.
- Alberta Enterprise also played a supporting role in the **formation of the grassroots led initiative, Rainforest Alberta**, which is led by entrepreneurs and investors from Alberta's tech sector. In 2018 we supported the Edmonton Chapter's Summit in partnership with Edmonton Economic Development Corporation. Rainforest sets the foundational framework needed for Alberta's tech ecosystem by creating a shared vision, mission and collaborative approach for the tech community. What makes this different from many of the current initiatives across Alberta is the grassroots, entrepreneur driven approach.
- **With a relatively small amount of capital, Alberta Enterprise can effectively and efficiently enhance the Alberta innovation investment ecosystem**. Our approach is highly collaborative. Rather than building a large team within Alberta Enterprise, we take a partnership approach, working with many public and private organizations to fulfill our mandate. This collaborative approach allows our organization to have a very broad reach, delivering outcomes far beyond the capacity of our small team, all while keeping operating costs very low.
- The key to our success is the engagement of VC's, strategic investors, entrepreneurs and mentors by leveraging our investment capital.



LOOKING AHEAD

BUILDING A SELF-SUSTAINABLE VENTURE CAPITAL INDUSTRY IN ALBERTA WILL TAKE TIME.

Once the industry reaches a critical mass, a process which will take years or even decades, the case for public intervention will wane.

We are now continuing to build upon the success that we have already achieved creating further Return On Innovation.

OPERATIONAL OVERVIEW: OPERATIONAL BUDGET & CAPITAL DEPLOYMENT

Operational Budget & Statement of Operations

The Statement of Operations shows a budgeted revenue of \$27.1 million, which includes \$2.1 million for operations and \$25 million for investment. For fiscal 2017-18 the operating cost is \$204,000 below budget. This is mainly due to prudent management of our expenses, as well as one-time savings relating to our fund investments.

The net surplus for fiscal 2017-2018 is a result of the \$25 million capital allocation from the Alberta government, of which \$10 million has been recognized this fiscal year and \$5 million is deferred revenue. The investment loss of \$4 million is primarily due to realized losses of the Limited Partnerships, of which Alberta Enterprise is an investor. Alberta Enterprise records a proportionate share of any realized gains or losses of the Limited Partnerships. The Corporation concurrently had an unrealized re-measurement loss of \$13,000 on investment. Similar to realized gains and losses, Alberta Enterprise records a proportionate share of any increases or decreases in the value of investments made by the funds. Changes in value form part of net assets and are not captured as income or losses (i.e. realized) until the investments are sold by the Limited Partnerships. *Due to the nature of venture investing and accounting practices for these investments, our funds are likely to show a loss during the first half of their life. These losses normally reverse as the funds mature and as unrealized and realized gains increase over time. Rather than looking at the results for individual years, it is therefore important to review the total value of paid in capital (TVPI)*

over time. Our portfolio is currently showing a TVPI of 1.10. A TVPI of >1 means the value of the investment is above the total amount of capital paid, including management fees.

The above is consistent with Canadian Public Sector accounting standards for investments in Limited Partnerships in both the Private Equity and Venture Capital industries.

Capital Deployment & Investments

To date and in the fiscal year 2017-2018, Alberta Enterprise's financial statements show total capital committed for investment of \$150 million. Four of our fourteen investments are in US dollars and the total capital committed is therefore impacted by the weaker Canadian dollar as compared to the US dollar.

In fiscal year 2017-2018, Alberta Enterprise disbursed \$12 million to the Limited Partnerships in which we have invested, in order to meet their funding requirements for both investments and operational expenses. The balance of committed capital is held as cash until such time as is it drawn down upon.

Currently the Corporation has \$36.5 million in cash on hand, and another \$50 million in accounts receivable from the Alberta government. This is more than sufficient to cover the remaining commitments of \$45 million.

For the fiscal year ended 2017-18 our Partnership investments were valued at \$97 million.

CORPORATE GOVERNANCE STATEMENT

Management of the Company

The business and affairs of the Corporation are managed by or under the direction or supervision of the Board of Directors (the Board). The Board exercises all powers of the company not required to be exercised by the shareholders.

Board of Directors

The Board meets four to eight times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholder, the Minister of Economic Development and Trade, in the manner set out in the Alberta Enterprise Corporation Act, Alberta Enterprise Corporation Regulation and the Alberta Enterprise Corporation Transfer Agreement.

The Board establishes strategic policy, guides and monitors the business and affairs of the Corporation on behalf of the shareholder, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the President and CEO, who is accountable to the Board. In particular, the Board places emphasis on implementation of Venture Capital best practices, sound administrative systems and procedures, and regulatory compliance.

The directors are appointed by the Lieutenant Governor in Council. A director holds office for a term fixed in the order appointing the director, which term must not exceed three years. Alberta Enterprise's Board of Directors presently includes five external and independent members.

Governance Review

A governance review is undertaken annually, to ensure the effectiveness of governance structures.

CONFLICT OF INTEREST POLICY & PROCEDURES

As outlined in the Alberta Enterprise Code of Conduct and Ethical Standards a conflict of interest exists when an individual's private interests interfere or conflict with, or appear to interfere or conflict with, the interests of the Corporation. A conflict situation may arise when an employee, officer, or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively or when he or she otherwise takes action that is inconsistent with the interests of the Corporation for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation, whether received from the Corporation or a third party. Loans to or guarantees of obligations of employees or any of their respective family members are likely to amount to conflicts of interest as are transactions of any kind between the Corporation and any other entity in which an employee, officer or director has a material interest.

Conflicts of interest are prohibited as a matter of corporate policy, except as specifically approved by the Corporation's Board of Directors and except in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.

The image features a bright yellow background with faint, thin white lines forming various geometric shapes, including circles and triangles. On the right side, there are two large, stylized letters. The letter 'R' is red and the letter 'C' is blue. They are positioned such that they appear to be part of a larger word or logo, with the 'R' being more prominent and the 'C' partially visible to its right.

RC

FINANCIALS

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

Alberta Enterprise's 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 meets reporting requirements, and to ensure that transactions are properly authorized, reliable financial records are maintained, assets are properly accounted for and safeguarded, and relevant legislation and policies are complied with. Corporate business plans, performance results and the supporting management information are also integral to both financial and performance reporting.

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 Enterprise's financial statements in accordance with Canadian generally accepted auditing standards.



Independent Auditor's Report

To the Board of Directors of the Alberta Enterprise Corporation

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Alberta Enterprise Corporation 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]

Auditor General

May 25, 2018
Edmonton, Alberta

STATEMENT OF OPERATIONS

Year Ended March 31, 2018

<i>(in thousands)</i>	2018		2017
	Budget	Actual	Actual
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 27,100	\$ 11,066	\$ 36,060
Other Revenue	–	1	12
	27,100	11,067	36,072
Expenses (Note 2(b), Schedule 1)			
Operating Costs	2,100	1,896	1,955
Annual Operating Surplus	25,000	9,171	34,117
Investment (Loss)/Gain (Note 7)	–	(4,089)	1,043
Annual Surplus	25,000	5,082	35,160
Accumulated Surplus at Beginning of Year		151,016	115,856
Accumulated Surplus at End of Year		\$ 156,098	\$ 151,016

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

STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

<i>(in thousands)</i>	2018	2017
	Actual	Actual
Financial Assets		
Cash (Note 5)	\$ 36,551	\$ 48,228
Accounts Receivable (Note 6)	50,004	50,200
Portfolio Investments (Note 7)	96,987	90,172
	183,542	188,600
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	478	370
Deferred Revenue (Note 9)	5,000	15,231
	5,478	15,601
Net Financial Assets	178,064	172,999
Non-Financial Assets		
Prepaid Expenses	4	–
Net Assets	178,068	172,999
Net Assets		
Accumulated Surplus	156,098	151,016
Accumulated Remeasurement Gains	21,970	21,983
	\$ 178,068	\$ 172,999
Contractual Obligations (Note 10)		

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31, 2018

<i>(in thousands)</i>	2018		2017
	Budget	Actual	Actual
Annual Surplus	\$ 25,000	\$ 5,082	\$35,160
Net Remeasurement (Losses)/Gains (Note 7)		(13)	1,410
Increase in Net Financial Assets in the Year		5,069	36,570
Net Financial Assets at Beginning of Year		172,999	136,429
Net Financial Assets at End of Year		\$ 178,068	\$172,999

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

STATEMENT OF REMEASUREMENT GAINS/(LOSSES)

Year Ended March 31, 2018

<i>(in thousands)</i>	2018	2017
	Actual	Actual
Unrealized Gains/(Losses) Attributable to:		
Portfolio Investments	\$ 1,521	\$ 534
Foreign Exchange	(1,534)	876
Net Remeasurement (Losses)/Gains for the Year (Note 7)	(13)	1,410
Accumulated Remeasurement Gains at Beginning of Year	21,983	20,573
Accumulated Remeasurement Gains at End of Year	\$ 21,970	\$ 21,983

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

STATEMENT OF CASH FLOWS

Year Ended March 31, 2018

<i>(in thousands)</i>	2018	2017
	Actual	Actual
Operating Transactions		
Annual Surplus	\$ 5,082	\$ 35,160
Non-cash Items:		
Contributions Restricted for Investing	–	25,000
Deferred Contributions recognized as Revenue (Note 9)	(10,231)	(10,210)
Loss/(Gain) on Sale of Portfolio Investments (Note 7)	4,089	(1,043)
	(1,060)	48,907
Decrease/(Increase) in Accounts Receivable	196	(50,200)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	108	(11)
Increase in Prepaid Expense	(4)	–
Cash Applied to Operating Transactions	(760)	(1,304)
Investing Transactions		
Purchase of Portfolio Investments (Note 7)	(12,186)	(13,960)
Distributions received from Limited Partnerships (Note 7)	1,269	9,798
Cash Applied to Investing Transactions	(10,917)	(4,162)
Decrease in Cash	(11,677)	(5,466)
Cash at Beginning of Year	48,228	53,694
Cash at End of Year	\$ 36,551	\$ 48,228

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

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

Note 1 Authority

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the Alberta Enterprise Corporation Act.

The Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Economic Development and Trade (the Ministry) and for which the Minister of Economic Development and Trade (the Minister) is accountable. Other entities accountable to the Minister are the Department of Economic Development and Trade (the Department) and Alberta Innovates. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

(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 unearned revenue.

Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers are recognized as deferred revenue 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 these transfers.

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

Investment Income

Investment income includes dividend and interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are not from restricted transfers, donations or contributions are recognized in the Statement of Accumulated Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

Note 2 Summary Of Significant Accounting Policies And Reporting Practices (Continued)

(b) Basis of Financial Reporting (Continued)

Expenses

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

Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

Valuation of Financial Assets and Liabilities

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

Financial Statement Component	Measurement
Cash	Cost
Accounts Receivable	Lower of cost or net recoverable value
Portfolio investments	Fair value
Accounts payable and accrued liabilities	Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of Cash, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

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 at the end of the year.

Cash

Cash comprises of cash on hand and demand deposits.

Accounts Receivable

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

Portfolio Investments

Portfolio investments in Limited Partnerships are recognized at fair value. Fair value is determined by the limited partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the General Partner's valuation of the investments in the limited partnerships.

Unrealized gains and losses from changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or losses previously recognized in the Statement of Remeasurement Gains and Losses are recognized in net investment income.

Portfolio investments are reviewed on an annual basis for impairment. When there is a loss in the Corporations share of investment other than a temporary decline then the loss is adjusted and recognized in the Statement of Operations.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Continued)

(b) Basis of Financial Reporting (Continued)

Liabilities

Liabilities are 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; and
- accrued employee vacation entitlements

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the Statement of Operations, and the cumulative amount of remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses.

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, inventories of supplies and prepaid expenses.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Portfolio investments recognized at \$96,987 (March 31, 2017 – \$90,172) in the financial statements are subject to measurement uncertainty

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

(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 and Schedule 3.

Note 3 Future Accounting Changes

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

- **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.

Note 4 Budget

(in thousands)

The budgeted column reported on the Statement of Operations reflects the Government of Alberta approved operating budget for the Corporation.

Note 5 Cash

(in thousands)

	2018	2017
Cash	\$ 36,551	\$ 48,228

\$45,565 (2017 – \$44,884) (Note 7) is Committed for partnership capital contributions. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital.

Note 6 Accounts Receivable

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2018	2017
Grant Receivable	\$ 50,000	\$ 50,000
Other Receivable	4	200
	\$ 50,004	\$ 50,200

Note 7 PORTFOLIO INVESTMENTS*(in thousands)*

The Government of Alberta originally allocated \$100,000 in 2008 for investments in Limited Partnerships that provide venture capital in knowledge-based industries. An additional \$25,000 was allocated in 2016 and \$50,000 was allocated in 2017 for additional investments in Limited Partnerships.

The Corporation is a Limited Partner in fourteen (2017 – twelve) Limited Partnerships and \$149,533 (2017 – \$135,043) has been contributed and committed to these Limited Partnerships. Committed funds are paid into the Limited Partnership in amounts and at times determined by the General Partner in order to meet the Limited Partnerships' funding requirements. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's contributions to date and commitments are as follows:

Limited Partnerships	Funds Disbursed to Partnerships for Investments ^(a)	Remaining Commitments	Total Funds Disbursed and Committed, End of the Year
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,692	\$ 308	\$ 10,000
Accelerate Fund I	10,000	–	10,000
Accelerate Fund II	2,100	7,900	10,000
Avrio Ventures II	5,943	57	6,000
Avrio Ventures III	2,340	2,660	5,000
Azure Capital Partners III ^(b)	10,606	680	11,286
Chrysalix Energy III Fund ^(b)	14,531	2,318	16,849
EnerTech Capital Partners IV ^(b)	15,284	3,095	18,379
iNovia Fund III	9,600	400	10,000
McRock iNfund	5,339	4,661	10,000
Panache Ventures Investment Fund	–	5,000	5,000
Relay Ventures Fund III ^(b)	4,496	8,523	13,019
Yaletown Innovation Growth	500	9,500	10,000
Yaletown Ventures II	13,537	463	14,000
Total	\$ 103,968	\$ 45,565	\$ 149,533

(a) Funds disbursed during the year include management fees of \$2,712 (2017 – \$2,756). Management fees may be recovered from Limited Partnerships in accordance with the Limited Partnership agreements. Total funds disbursed at the end of the year include management fees of \$19,480 (2017 – \$16,768).

(b) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2018.

Note 7 PORTFOLIO INVESTMENTS (Continued)*(in thousands)*

The changes in the fair values of the Corporation's investments in Limited Partnerships since April 1, 2017 are as follows:

Limited Partnerships	Investment in Partnerships, beginning of year	Funds Disbursed to Partnerships for Investments	Distributions received from Limited Partnerships	Remeasurement Gain(Loss)	Investment Gain (Loss)	Investment in Partnership, end of year	Percentage share of Partnership 2018	Percentage share of Partnership 2017
32 Degrees D.E.Fund II (S&T AIV)	5,591	171	–	1,806	(189)	7,379	99.99%	99.99%
Accelerate Fund I	7,721	–	–	262	(270)	7,713	99.99%	99.99%
Accelerate Fund II	753	1,300	–	–	(540)	1,513	100.00%	100.00%
Avrio Ventures II	5,828	293	(342)	(868)	56	4,967	6.56%	6.56%
Avrio Ventures III	895	1,086	–	(241)	(128)	1,612	4.90%	4.92%
Azure Capital Partners III ^(a)	14,836	–	–	(913)	(282)	13,641	12.42%	12.42%
Chrysalix Energy III Fund ^(a)	17,045	1,850	(46)	(733)	(411)	17,705	10.32%	10.32%
EnerTech Capital Partners IV ^(a)	10,376	2,637	(76)	(1,806)	(1,954)	9,177	12.66%	12.66%
iNovia Fund III	13,655	400	(503)	115	1,064	14,731	9.04%	9.04%
McRock iNfund	3,087	1,606	–	605	(377)	4,921	14.22%	14.22%
Panache Ventures Investment Fund	–	–	–	–	–	–	18.99%	0.00%
Relay Ventures Fund II ^(a)	1,810	1,783	–	1,093	(609)	4,077	6.80%	7.30%
Yaletown Innovation Growth	–	500	–	–	(138)	362	10.00%	0.00%
Yaletown Ventures II	8,575	560	(302)	667	(311)	9,189	15.58%	15.58%
Total Portfolio Investments 2018	90,172	12,186	(1,269)	(13)	(4,089)	96,987		
Total Portfolio Investments 2017	83,557	13,960	(9,798)	1,410	1,043	90,172		

(a) Investments in the US Limited Partnerships

Note 7 PORTFOLIO INVESTMENTS (Continued)*(in thousands)***Fair Value Hierarchy**

Management is responsible for estimating the relative reliability of data or inputs used by the Corporation to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level three as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. When observable prices are not available for these securities the Limited Partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level three, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Note 7 PORTFOLIO INVESTMENTS (Continued)*(in thousands)***Financial Risk Management**

The Corporation is exposed to a variety of financial risks associated with the underlying securities held in the Limited Partnerships. These financial risks include market risk and liquidity 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 price risk and foreign currency risk. Liquidity risk is the risk the fund will not be able to meet its obligations as they fall due.

(a) Price Risk

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in Limited Partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

(b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates. \$44,600, or 46% of the Corporation's investment, are denominated in US dollars (2017 - \$44,066, or 49%).

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in fair value to the Corporation would be approximately 4.6% of total investments (2017 - 4.9%).

(c) Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss.

The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of Limited Partnerships that it invests in. In addition, each limited partnership has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Limited Partnership's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

Note 7 Portfolio Investments (Continued)*(in thousands)***(c) Liquidity Risk (Continued)**

Investment commitments exceed cash on hand, and management plans to use future distributions from the Limited Partnerships to meet the commitments.

(d) Other Risks

The Corporation is not exposed to significant credit and interest risk.

Note 8 Accounts Payable And Accrued Liabilities*(in thousands)*

	2018	2017
Accounts Payable and Accrued Liabilities	\$ 478	\$ 370

Note 9 DEFERRED REVENUE*(in thousands)*

	2018	2017
	Government of Alberta	Government of Alberta
Balance, beginning of year	\$ 15,231	\$ 441
Contributions receivable during the year	(15)	25,000
Less: amounts recognized as revenue	(10,216)	(10,210)
Net deferred revenue	(10,231)	14,790
Balance, end of year	\$ 5,000	\$ 15,231

Note 10 CONTRACTUAL OBLIGATIONS*(in thousands)***Contractual Obligations**

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into Limited Partnerships. The details of the commitments are listed in Note 7. Other contractual obligations are:

	2018	2017
Obligations under Operating Leases	\$ 152	\$ 177
Obligations under Service Contracts	115	131
	\$ 267	\$ 308

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

	Operating Leases	Service Contracts	Total
2018-19	44	113	157
2019-20	36	2	38
2020-21	36	–	36
2021-22	36	–	36
2022-23	–	–	–
Thereafter	–	–	–
	\$ 152	\$ 115	\$ 267

Note 11 COMPARATIVE FIGURES

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

Note 12 APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of Alberta Enterprise Corporation.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule 1

EXPENSES - DETAILED BY OBJECT

Year Ended March 31, 2018

<i>(in thousands)</i>	2018		2017
	Budget	Actual	Actual
Salaries, Wages, Benefits and Payments to Consultants	\$	881	\$ 859
Supplies and Services		690	859
Grants and Sponsorships		325	237
	\$ 2,100	\$ 1,896	\$ 1,955

Schedule 2

SALARY AND BENEFITS DISCLOSURE

Year Ended March 31, 2018

<i>(in thousands)</i>	2018					2017
	Base Salary⁽¹⁾	Other Cash Benefits⁽²⁾	Other Non-cash Benefits⁽⁴⁾	Total		Total
Chair of the Board	\$ –	\$ 42	\$ 2	\$ 44	\$	47
Board Members (four) ⁽³⁾	–	78	3	81		82
Executives:						
Chief Executive Officer ⁽¹⁾	275	4	26	305		299
Directors, Investments ⁽⁵⁾	290	–	4	294		293
Director, Industry Development	131	–	7	138		135
	\$ 696	\$ 124	\$ 42	\$ 862	\$	856

(1) Base salary was established through employer and employee arrangements in January 2016.

(2) Other cash benefits for Board Members include honoraria payments and per diem allowances. Other cash benefits for the Chief Executive Officer include life and disability allowances. There were no discretionary amounts paid to executives in 2018 (2017 – nil).

(3) The Board of Directors consisted of four members in 2018 (2017 – four).

(4) Other non-cash benefits include Canada Pension Plan, Retirement Savings Plans, Employment Insurance payments, and parking benefits.

(5) This position consisted of two members (2017 – two).

Schedule 3

RELATED PARTY TRANSACTIONS

Year Ended March 31, 2018

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's 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, licenses 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.

Entities in the ministry refers to entities consolidated in the ministry of Economic Development and Trade. Other entities outside of the ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had a shared service arrangement with the department of Economic Development and Trade, and received financial services at no charge.

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

	Entities in the Ministry		Other Entities Outside of the Ministry	
<i>(in thousands)</i>	2018	2017	2018	2017
Revenues				
Grants	\$ 11,066	\$ 36,060	\$ –	\$ –
	\$ 11,066	\$ 36,060	\$ –	\$ –
Expenses				
Other Services	\$ 9	\$ 17	\$ 1	\$ 132
	\$ 9	\$ 17	\$ 1	\$ 132
Receivable from	\$ 50,000	\$ 50,000	\$ –	\$ –
Deferred Revenue	\$ 5,000	\$ 15,230	\$ –	\$ –
Contractual Obligations	\$ –	\$ –	\$ –	\$ 104

BOARD OF DIRECTORS

Paul G. Haggis, Chair

Former President and CEO of the Ontario Municipal Employees Retirement System (OMERS)

Barry M. Heck, Vice Chair and Audit Committee Chair
President and CEO of WinSport (Calgary Olympic Development Association), President and Principal Partner of EL Merchant Capital

R. Geoffrey Browne

Founder and Managing Partner of MWI & Partners

Vicky Sharpe, Ph. D, ICD.D.

Corporate Director and Founding President & CEO
Sustainable Development Technology Canada

Brad Zumwalt

Founder and Partner of Zinc Ventures

MANAGEMENT TEAM

Kristina Williams, President and CEO

Rebecca Giffen, Director of Investments

Paul Godman, Director of Investments

Kenya Kondo, Director of Industry Development

Connie Nye, Operations Manager



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