



# 2015 2016 ANNUAL REPORT



OpportunitiesNB   
Built for **Business**



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## VISION

To be the catalyst for a dynamic, competitive, innovative and high-growth economy for the benefit of New Brunswick today and for generations to come.

## MISSION

ONB is the lead business development corporation driving economic growth and job creation for New Brunswick, working with companies inside and outside the province.

## VALUES

- ▶ **Integrity is**...an unwavering commitment to the highest standards of behaviour.
- ▶ **Accountability is**...always being aware of the outcomes and consequences of your actions.
- ▶ **Excellence is**...striving to be the very best. It is a constant pursuit to be outstanding.
- ▶ **Initiative is**...about empowering others to act of their own accord, without first being requested to do so.



# Minister's Message



## HON. FRANCINE LANDRY

Minister of Economic Development  
Minister Responsible for Opportunities NB

Our government has made job creation a top priority with a focus on creating the right conditions for New Brunswick businesses to thrive, create jobs and grow the economy. Opportunities NB (ONB) is an important part of our vision for a strong and vibrant New Brunswick.

Created as a new approach to economic development, ONB has proven it can deliver results. New Brunswickers can take pride in the fact that ONB has built a strong team that has exceeded its targets for job creation and economic development in its first year of operation.

I am proud of our results and of ONB's commitment to the highest standards of business best practices.

A handwritten signature in blue ink that reads "Francine Landry".

**Hon. Francine Landry**





**ROXANNE FAIRWEATHER**  
Board Chair

**STEPHEN LUND**  
Chief Executive Officer

## CEO and Board Chair's Message

Client-focused, proactive, professional and accountable, Opportunities NB (ONB) is focused on performance, high-growth opportunities and growing New Brunswick.

ONB had an exciting and challenging first year. Launched in April 2015, ONB was created when the former Invest NB and the Department of Economic Development were merged. Our approach to doing business is to combine the best business expertise from both private and public sectors. We are led by a private sector board of directors, and we are confident that we have established a scalable and responsive organizational structure with **the right roles and right people in them to achieve and accelerate results.**

A great deal changed during the year. We continued to tweak the way we do business, with the goal of being more responsive to the needs of our clients and delivering greater returns for the people of New Brunswick. **Today, more than 65 per cent of ONB staff is client-facing. We have realigned resources and reduced management by 36 per cent.** This is something we are very proud of. We feel it clearly demonstrates how ONB is living out one of its core values: Accountability.

### Best-in-class business practices

Our commitment to accountability is also reflected in how we restructured our financial assistance policy and procedures. In response to the March 2015 Auditor General's Report, we examined all of our lending practices. We knew we could do better, and we have. We sought external guidance from industry experts.

As a result, the financial assistance policies and procedures in place today meet the highest standards. As of year-end, significant progress has been made reviewing and implementing the 19 recommendations with a view of completion within the next fiscal year.

## Our strength is our culture

**We believe our strength is our culture** – our way of thinking and doing. We have a team of people that brings the best from the private and public sectors. Our team members have lived and worked around the world in places such as Japan, China, Turkey, Costa Rica, Vietnam, France, Qatar, Bermuda and Ireland.

We have also made a conscious decision to invest in a strong regional network of staff across the province and have offices in five regions and seven satellite offices. Maintaining a strong regional presence allows us to provide faster decision-making and quicker turnaround time on client files. It also allows us to partner more closely with our key regional stakeholders.

From partnerships with regional economic development agencies to supporting annual industry conferences, to facilitating symposiums with major exporters, during the past year we made significant headway in strengthening and nurturing key relationships.

These partnerships were particularly evident when the potash mine in Sussex closed unexpectedly. It was a tough blow to the town, region and province. Yet in the months that followed, what we witnessed was a testament to the resolve of the business community not only in Sussex, but across the province, and the people of New Brunswick. A dedicated team of talented community and business leaders has emerged, passionately working to see New Brunswick grow stronger. We are proud that the ONB regional team was on the ground from day one and continues to be there.

## Making an impact

### EXPORT DEVELOPMENT

As one of the most trade-active provinces in Canada, our **Export Development team is a key driver for economic development**. The ONB team hosted more than 105 trade missions, trade shows and training events. The team's support for the development of company growth plans will see 475 new jobs created and nearly \$80 million generated in sales. Export revenues attributable to all growth plans developed and all our exporting activity are expected to be \$150.5 million.

## SMALL AND MEDIUM-SIZED BUSINESSES

### **Small and medium-sized businesses also play an integral role in the New Brunswick economy.**

ONB has worked with small business owners to help guide them through the growth process, connect them with export opportunities, link them to a network of like-minded entrepreneurs and help them access funding. The ONB Small Business team was successful in issuing 187 financial assistance approvals, totalling \$3.8 million in southern New Brunswick, and 40 financial assistance approvals in northern New Brunswick, totalling \$686,674.

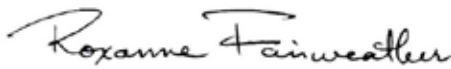
## NEW INVESTMENT

**Attracting new investment to New Brunswick** is another key component of economic development in New Brunswick. The ONB Investment Attraction team was successful in attracting new investment from global leaders such as IBM, BMM TestLabs, Accreon Inc. and DEW Engineering and Development.

- ▶ ONB experienced a year of transition and growth with many rewarding moments as well as some challenges. We are proud that we finished our first fiscal year by exceeding our key targets.

We surpassed our job creation target – committing a total of 2,965 jobs, **nearly double our target of 1,500**. The average salary for these jobs is \$46,812, which **surpassed our targeted range of \$32,000 to \$44,000**. ONB support to companies will generate more than \$288 million in gross domestic product (GDP), **112 per cent over our target of \$136 million**.

We had a terrific first year. We look forward to the coming year.



**Roxanne Fairweather**  
Board Chair



**Stephen Lund**  
Chief Executive Officer

# About Opportunities NB

Legislation was introduced in December 2014 to create the new Part 1 Crown corporation and received Royal Assent on March 27, 2015. Opportunities NB officially launched on April 1, 2015. ONB is responsible for leading the way in job creation and economic growth in the province by:

- ▶ identifying and pursuing strategic and viable high-growth opportunities;
- ▶ promoting New Brunswick opportunities outside of the province and developing strategic national and international markets for its clients;
- ▶ delivering seamless and responsive business development services to its clients in all regions of the province;
- ▶ identifying and developing economic clusters, opportunities or projects that have a high potential for growth; and
- ▶ assessing opportunities and needs among its clients to support business productivity, growth capacity, long-term sustainability and retention.

## Building the ONB brand

ONB is a new approach to economic development in New Brunswick. ONB incorporated the activities previously led by Invest NB and the Department of Economic Development. ONB differs from its predecessors in that it has a client-focused approach that combines the best business expertise from the private and public sectors.

## ONB Board of Directors

ONB is committed to being a leader and following best practices for business and economic development organizations. ONB is led by an accomplished and passionate private sector board of directors. These dynamic senior executives have extensive business experience. Combined with an effective governance structure, the Board supports and oversees fiscal and operational accountability.



### ▶ 2015-2016 BOARD MEMBERS

**Back row:** Dennis Flood, Scotia McLeod; Raymond Théberge, Université de Moncton; Michael J. Campbell, McCain Foods Limited; Jim Baumgartner (retired), Moneris; Stephen Lund, Opportunities NB

**Front Row:** Roxanne Fairweather (Chair), Innovatia; Lily Durepos, Alliance Assurance

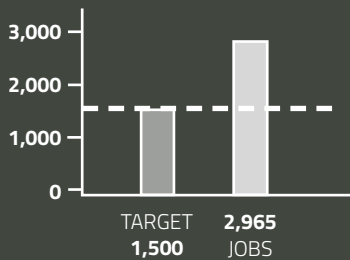
**Absent:** Earl Brewer, Plaza Corp.; Gloria Jollymore, Mount Allison University; Lynn Albert, LA Trading; Jacques Pinet, NB Jobs Board

# Major Accomplishments

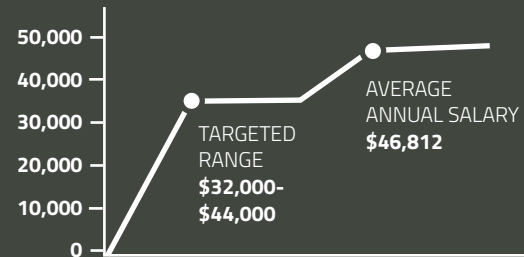
## FAST FACTS



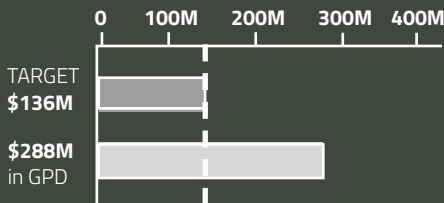
**2,965** jobs created. Nearly double our target of **1,500**.



**\$46,812** average annual salary of jobs created, surpassing the high-end of our target range.



**\$288** million in GDP, thanks to ONB's support to companies.



**227** financial assistance approvals for small business, totaling **\$4.4 million**.



**\$150.5** million in export revenues attributed to growth plans and exporting activity.

## #NBPROUD



We are fortunate to work every day with people who are as **passionate about New Brunswick** as we are. That is why we are committed to harnessing that passion and changing the narrative in this province through our #NB Proud campaign. During the past year, we have focused on elevating the dialogue and showcasing the breadth and depth of our business community. The response from the public and business community was extremely positive. From the launch of the campaign in 2015 to the early spring of 2016, there was a 3,400 per cent increase in the use of **#NB Proud** on Twitter.

## ONB CONNECTS



The pride and commitment to our province by New Brunswickers are also being captured through our ONB Connects initiative. ONB Connects helps create economic growth by making connections, promoting New Brunswick and creating mentorship opportunities. We were proud to launch the initiative last spring with more than 100 New Brunswick business leaders in attendance. Since the launch, more than 300 Connectors have signed on.



# Building a Culture

## Executive Management Team



- **From left:** Heather Libbey, Chief Culture Officer; Stephen Lund, Chief Executive Officer; Carol Sharpe, Senior Director Marketing; Paul Fudge, Vice President Deal Structuring and Chief Financial Officer; Carolyn McCormack, Director of Communications; Serge Doucet, Vice President Business Growth; Nora Lacey, Chief Operating Officer; Jean Paul Robicheau, Assistant Vice President Investment Attraction and Traci Simmons, Special Advisor to the CEO and Manager of Stakeholder Relations.

CEO Stephen Lund, a native New Brunswicker, was ready to come home and make a difference. With 30 years' experience in the financial and economic development industries, Stephen is an internationally recognized CEO.

**Building a strong corporate culture was a top priority for the Executive Management Team this year.**

Three key guiding principles were established;

- **Attract, develop and retain high-performance talent and ensure operational excellence across all functions and services;**
- **Focus on continuous improvement of staff and internal processes;**
- **Foster a private sector mindset and culture consistent with best practice for economic development organizations.**

The ONB team was built purposefully and specifically to meet the needs of its clients and stakeholders. The team is a unique blend of both public and private sector staff who have breadth and depth of experience in economic development. ONB had 97 employees at head office in Fredericton as well as staff at five regional offices and seven satellite offices. Significant effort was made to recruit and onboard talent with the right mix of skill and experience.

Performance Management, including individual and team key performance indicators and standard work, were set and are managed on a monthly basis.

An important part of building a strong culture at ONB is providing leadership opportunities. ONB has five employee-led committees where staff is empowered to enrich the culture of ONB in ways that matter to them. ONB's five culture committees are: recognition, giving back, social, health and wellness, and green. Recognition is encouraged across all levels at ONB; staff members acknowledge their peers who demonstrate ONB's core values – professional, client focused, pro-active and accountable – by writing them a Values Card.

Another cornerstone of ONB's culture is mentorship. ONB delivers mentorship and co-op programs to foster youth development and encourage young people to become active participants in decision-making on social and economic issues in their communities, as well as to contribute to building a viable future in the province. During its first year, ONB provided internships to four co-op students as part of a pilot project with the University of New Brunswick.

### ► ONB'S FIVE REGIONAL OFFICES AND SEVEN SATELLITE OFFICES



► Lori Black, Stakeholder Relations Specialist recognizes colleague Melissa O'Rourke, Right to Information and Protection of Privacy Act Specialist (RTIPPA) with a Values Card.



## Year In Review

ONB spent considerable time researching and analyzing key sectors of New Brunswick's economy to identify high-growth opportunities where the province has a strong value proposition.

ONB's 2016-2019 strategic plan identifies six strategic priorities:

- ▶ **increase foreign investment;**
- ▶ **develop opportunities for New Brunswick exporters;**
- ▶ **increase business growth, startups and entrepreneurship in New Brunswick;**
- ▶ **provide quality and responsible financial assistance to industry;**
- ▶ **strengthen the narrative, collaborate and build relationships; and**
- ▶ **build a culture of talent and performance.**





## CLIENT SPOTLIGHT

Sussex Beard Oil Merchants secures investment as a result of their successful *Dragons' Den* pitch

Sussex Beard Oil Merchants struck a deal with two dragons from CBC's show *Dragons' Den* in November 2015. The company, which started three years ago, sells men's facial care products that take better care of facial hair, and the skin underneath it. Dragon investor Michael Wekerle offered Matt White \$65,000 for 25 per cent of his company. He later asked for a five per cent royalty for five years. A second dragon, Michele Romanow, jumped in on the deal, sharing the percentage with Wekerle.

“ ONB would suggest things, and show me programs like Breakthrough, and my default response was to say I'm not doing that. But the more [Business Development Executive] Emily [McGill] talked about this stuff, and encouraged me to participate, the more I realized she was telling me to stretch; to do things differently. With ONB's encouragement, and through them connecting me with the right people, I really managed to change my mindset and hit that next level. ”

### Matt White

Sussex Beard Oil Merchants



# Results

## Where we have been

### BUSINESS GROWTH

ONB proactively works with New Brunswick businesses to support a vibrant business community across key high-growth sectors and regions. Dedicated Business Development Executives work collaboratively with clients to develop growth plans to support expansion or improvements to productivity and sustainability of New Brunswick businesses.

The ONB Small Business Growth team was successful in issuing 187 financial assistance approvals, totalling \$3.8 million in southern New Brunswick, and 40 financial assistance approvals in northern New Brunswick, totalling \$686,674.

#### ▶ NORTHERN NB

40 FINANCIAL ASSISTANCE APPROVALS WORTH  
**\$686,674**

#### ▶ SOUTHERN NB

187 FINANCIAL ASSISTANCE APPROVALS WORTH  
**\$3.8 MILLION**

### EXPORT DEVELOPMENT

New Brunswick is an export-driven province. The ONB Export Development team worked with medium and large New Brunswick companies that export to support their long-term growth plans. The team supported 105 export development activities that involved 1,186 participants. Activities included 65 outbound missions, seven incoming missions, and the first multi-sector foray into Cuba.

The Export Development team travelled with New Brunswick exporting companies to the United States, Germany, France, the United Kingdom and throughout Canada. Export revenues attributable to all of the growth plans and exporting activity are expected to be \$150.5 million.

▶ The team supported **105** export development activities that involved **1,186** participants.

▶ Activities included **65** outbound missions, **7** incoming missions, and the first multi-sector foray into Cuba.

### INVESTMENT ATTRACTION

ONB's Investment Attraction team was successful in attracting new investment from global leaders. The team closed 22 deals with a commitment of 2,088 jobs with new companies and new investments and expansions from global brands already in New Brunswick such as IBM, BMM Testlabs, Accreon Inc. and DEW Engineering and Development.

▶ **22 CLOSED DEALS**

▶ **2,088 COMMITTED JOBS**



## Celebrating Success

ONB works every day with entrepreneurs and business owners who are extremely proud of, and passionate about our province. The **#NB Proud** initiative was developed to showcase that pride and to help change the narrative from “we can’t” to “we can and we will!”

The response from the public and business community has been extremely positive since the launch of #NB Proud in the fall of 2015. Initial results show that the campaign is proving to be effective. In-province business sentiment has risen.

### #NBPROUD

Another demonstration of the success of the #NB Proud movement was the increase in the use of the #NB Proud hashtag. From the time of the launch in 2015 to the early spring of 2016, there was a 3,400 per cent increase in the use of #NB Proud on Twitter.





## ONB CONNECTS BURSARY

Launched at Rothesay High School

# Making Connections

ONB knows the importance of connections, which is why the ONB Connects initiative was launched and developed. ONB Connects is about making connections, promoting New Brunswick, and creating mentorship and education opportunities through MentraConnects and the ONB Connects Bursary.

Being a Connector can generate real, meaningful business development opportunities. The role of Connectors is to introduce business owners to opportunities around the globe, help with business growth and long-term success, inspire business leaders to do business with New Brunswick companies and participate in the development and sharing of success stories. The ONB Connects initiative also supports youth through bursaries, mentorship and ongoing skills development.

## ONB CONNECTS

“ Business leaders throughout New Brunswick have told us that an initiative like this can generate real, meaningful business development opportunities. Anyone with a tie to New Brunswick can become a Connector: from well-known business and community leaders to anyone with a connection to share. Everyone has a role to play whether they live here in New Brunswick, elsewhere in Canada or abroad. ”

**Roxanne Fairweather**  
Board Chair

**ONB**  Connects  
Fait le lien  
Opportunities | OpportunitésNB



# 2015-2016 Investment Highlights

**Opportunities NB** advanced its priorities  
by making strategic investments in job creation







## Accreon Inc.

Accreon Inc., a Fredericton-based technology and business services firm, will create up to **120 new jobs** in the IT sector as it expands exports into the United States market. Accreon develops IT solutions for the health-care, government and financial services sectors. The creation of these new positions could add about \$16 million to the provincial GDP annually.

“Accelerated growth in the United States market will have a significant positive impact on our business in New Brunswick,” said company CEO Eric Demers. “New Brunswick offers a low cost of doing business, a skilled and motivated workforce, access to students at four universities and 11 colleges, and a number of incentives for businesses,” said Demers. “Most importantly, it is where our roots are.”

**Eric Demers**  
CEO of **Accreon Inc.**

**Accreon**  
advantage... you


 bmm testlabs

## BMM Testlabs

The world's longest established private independent gaming testing lab, BMM Testlabs, will create **1,000 full-time jobs** in Greater Moncton. Headquartered in Las Vegas, Nevada, the company will create jobs during the next five years for quality assurance testers, engineers, computer scientists, business development managers and project managers. The investment by the provincial government will contribute an estimated \$75 million annually to New Brunswick's GDP once all positions have been filled.

“

BMM looks forward to building on its already substantial business in Greater Moncton, as we consider the city an ideal location to grow our Canadian presence.

”

**Martin Storm**  
President and CEO  
of **BMM Testlabs**

**bmm** testlabs



## DEW Engineering and Development ULC

DEW Engineering and Development ULC in Miramichi created **98 jobs** to deliver on several new defence and security contracts. The company provides armour systems for civilian police cars, vehicle upgrades and life extensions, as well as mobile shelter systems for military purposes. The combined investment from ONB and from the Northern New Brunswick Economic Development and Innovation Fund is supporting the creation of these jobs and increasing the provincial GDP by \$6 million annually.

“

Our New Brunswick workforce, facilities and products are world-class. We are delighted at the opportunity to continue to invest in and grow our capability in Miramichi.

”

**Ian Marsh**

President of **DEW**

**Engineering and Development ULC**

**DEW**  
ENGINEERING & DEVELOPMENT





## IBM

IBM, a world leader in information technology and cybersecurity, chose New Brunswick to expand its operation, creating **250 full-time jobs** in Fredericton, Saint John and Florenceville-Bristol. These positions will increase annual payroll before benefits by \$15 million at full ramp-up and increase GDP in New Brunswick by \$25.7 million.

“

Together, we are planting these economic development seeds to help transition New Brunswick into a knowledge-worker economy that can positively tackle huge challenges, such as the monumental growth of cybercrime, for the benefit of all Canadians and organizations worldwide.

”

**Dino Trevisani**  
President of **IBM Canada**







## Plato/PQA

A new Aboriginal software testing company, Professional Aboriginal Testing Organization (PLATO), created **145 new jobs** in the information technology (IT) sector. These jobs will contribute an estimated \$11 million annually to the economy.

“ Across Canada, there is a significant shortage of skilled people in the IT industry that needs to be addressed. I decided that, by creating an ongoing training program to produce qualified software testers, I could then create an independent company especially designed to provide good employment opportunities with solid career paths in an energetic growth industry for First Nations communities. ”

**Keith McIntosh**  
Co-CEO of **Professional Quality Assurance (PQA)** and founder of **PLATO**





## CLIENT SPOTLIGHT

The Award-Winning Entrepreneurial Spirit of Sébastien Roy

Sébastien Roy is passionate about spirits and the province of New Brunswick. Four years ago, he combined those passions to create Distillerie Fils Du Roy, a small distillery based in Petit-Paquetville in northern New Brunswick.

With the goal of creating employment opportunities for his family, Roy's spirits have gone on to win international awards and are now being exported in other parts of Canada and around the world. His current production includes vodka, gin, absinthe, anisette, blueberry liqueur, cranberry liqueur and L'Eau d'Août. He also has plans to begin producing what should be New Brunswick's first official whiskey.

“ Opportunities NB has been a huge help to us from the beginning. I've long said it's not simply financing that makes a difference, it's the advice that ONB's team has given, and continues to give me...Money you can get from the bank, but the bank can't give you the same type of industry-specific advice and contacts you get from groups like ONB. Being guided in the right direction in terms of who to speak to or partner with on certain things is what has made all the difference for us. I don't think we'd be where we are without it.”

**Sébastien Roy**  
Distillerie Fils Du Roy



# Financial Statements

## Year ended March 31





AUDITOR GENERAL  
OF NEW BRUNSWICK

## INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of  
Opportunities New Brunswick

I have audited the accompanying financial statements of Opportunities New Brunswick, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, statement of change in net debt and statement of cash flow 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 Opportunities New Brunswick as at March 31, 2016, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kim MacPherson, CPA, CA  
Auditor General

October 27, 2016



# Opportunities New Brunswick Statement of Financial Position

As at March 31, 2016

Financial Assets	2016
Due from province of New Brunswick	\$36,308,884
General receivable	943,010
Interest receivable	893,885
Loans receivable (Note 7)	122,925,381
Investments (Note 8)	8,331,514
<b>Total Financial Assets</b>	<b>\$169,402,674</b>
Liabilities	
Accounts payable and accrued liabilities (Note 10)	\$15,784,256
Provision for guaranteed losses (Note 12)	17,030,348
Due to province of New Brunswick (Note 13)	219,569,025
<b>Total Liabilities</b>	<b>\$252,383,629</b>
<b>Net Debt</b>	<b>\$(82,980,955)</b>
Non-Financial Assets	
Prepaid expenses	\$19,304
<b>Accumulated Deficit</b>	<b>\$(82,961,651)</b>

The accompanying notes are an integral part of these Financial Statements.

  
**Roxanne Fairweather**  
 Chair - Board of Directors

  
**Michael Campbell**  
 Chair - Audit Committee

# Opportunities New Brunswick Statement of Operations

For the year ended March 31

Revenues	Budget 2016	2016
Province of New Brunswick	\$39,374,000	\$39,374,000
Interest on loans (Note 4)	9,053,000	7,111,327
Income from investments (Note 5)	-	1,837,811
Designated	750,000	310,761
Recovery of doubtful accounts (Note 6)	(6,500,000)	8,629,260
Other	1,706,000	406,230
<b>Total Revenue</b>	<b>\$44,383,000</b>	<b>\$57,669,389</b>
Expenses		
Administration and business development services (Note 14)	\$17,158,000	\$13,184,465
Financial Assistance	27,225,000	15,078,006
Loss from restructuring (Note 16)	-	112,368,569
<b>Total Expenses</b>	<b>\$44,383,000</b>	<b>\$140,631,040</b>
<b>Annual Deficit, and Accumulated Deficit End of Year</b>	<b>\$ -</b>	<b>\$(82,961,651)</b>

# Opportunities New Brunswick Statement of Change in Net Debt

For the year ended March 31

	2016
<b>Net Debt, Beginning of Year</b>	\$ -
Annual Deficit	(82,961,651)
Net Change in prepaid expenses	(19,304)
<b>Net Debt, End of Year</b>	<b>\$(82,980,955)</b>

# Opportunities New Brunswick Statement of Cash Flow

For the year ended March 31

	2016
<b>Operating transactions</b>	
Surplus (deficit)	\$(82,961,651)
<i>Non-cash items:</i>	
Decrease in provision for doubtful accounts	(3,283,310)
Capitalized interest on new loans	(1,948,791)
Amortization of concessionary interest	(913,150)
<i>Changes in non-cash working capital balances:</i>	
General receivable	(943,010)
Interest receivable	(893,885)
Prepaid expenses	(19,304)
Guarantees receivable	0
Guarantees payable	17,030,348
Accounts payable and accrued liabilities	15,784,256
	<b>\$(58,148,497)</b>
<b>Investing transactions</b>	
Loan advances	\$(137,231,177)
Loan repayments	20,451,047
	(116,780,130)
Investments	(8,331,514)
	<b>\$(125,111,644)</b>
<b>Financing transactions</b>	
Loan payable to province of NB	\$219,569,025
	<b>\$219,569,025</b>
<b>Net increase in cash during the year</b>	<b>\$36,308,884</b>
<b>Cash as represented by Due from Province of New Brunswick</b>	<b>\$36,308,884</b>

# Opportunities New Brunswick

## Notes to the Financial Statements

**March 31, 2016**

### 1. NATURE OF OPERATIONS

The *Opportunities New Brunswick Act* was proclaimed and came into force on April 1, 2015. The new act repealed the *Invest New Brunswick Act* and *Economic Development Act*, and contains transitional provisions for the dissolution of Invest NB and the department of Economic Development. Under these provisions, all assets and liabilities of Invest NB and the department of Economic Development became the assets and liabilities of Opportunities New Brunswick on April 1, 2015.

Opportunities New Brunswick's ("ONB") mandate is to:

- ▶ Be accountable, client focused and proactive – working at the speed of business.
- ▶ Make investment decisions that support the growth of business and our province so that both parties get a return on their investment.
- ▶ Have teams that will identify and pursue strategic and viable high growth opportunities with clients.
- ▶ Promote New Brunswick opportunities outside the province and develop strategic national and international markets for clients.
- ▶ Identify and develop sectors, areas or projects with high potential for growth.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

These financial statements are prepared by management in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board.

#### **Asset classification**

Assets are classified as either financial or non-financial. 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. Non-financial assets are acquired assets that do not normally provide resources to discharge existing liabilities, but instead are employed to deliver government services, may be consumed in the normal course of operations and are not for resale. Non-financial assets include prepaid expenses.



### **Due from Province of New Brunswick**

Due from Province of New Brunswick consist of amounts due from the Province of New Brunswick (“the Province”). Opportunities NB does not have a separate bank account; Opportunities NB expenses and revenues flow through the Province’s bank accounts.

### **Investments**

Investments are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline.

### **Tangible capital assets**

Opportunities NB has expensed capital assets acquired with an individual value of \$40,000 or less. Accordingly, there are no tangible capital assets to record or amortize during 2016.

### **Prepaid expenses**

Prepaid expenses include travel advances, salary advances, and media subscriptions and are charged to expense over the periods expected to benefit from it.

### **Revenue and receivables**

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue and receivables are recognized on an accrual basis as earned. Amounts receivable but deemed uncollectable are recognized as bad debt expenses.

Interest revenue is recognized on loans receivable when earned. Interest revenue ceases to be accrued on a loan receivable when the collectability of either principal or interest is not reasonably assured.

### **Expenses**

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

## **Pension expenses**

Effective January 1, 2014, the Public Service Superannuation Act (the "PSSA") was converted and replaced by the Public Service Shared Risk Plan (PSSRP). The PSSRP is a shared risk pension plan in accordance with New Brunswick's Pension Benefits Act. Certain employees of Opportunities NB are entitled to receive benefits under the PSSRP. This converted plan requires all employer classified full-time employees participate in this new plan, which is funded by both the employee and the employer. Employer pension contributions are paid and expensed by the Province on behalf of Opportunities NB. Opportunities NB is not responsible for any unfunded liability nor does it have access to any surplus with respect to its employee pensions. Refer to Opportunities NB expenses paid by other parties note below for further information.

## **Retirement allowances**

Certain long serving employees receive a retirement allowance upon retirement from public service. The plan is funded by the Province of New Brunswick. The Province made changes to its retirement allowance program in 2013 where management and non-union employees of Opportunities NB will no longer accumulate retirement allowance credits. Employees who were participating in this program were offered a choice of pay-out in lieu of a retirement allowance or, for those with more than five years of service, an option to defer the pay-out until retirement. Opportunities NB's costs and liability associated with the plan and its recent changes are not included as part of its budget but are recorded by the Province in its financial statements.

## **Opportunities NB expenses paid by other parties**

Certain employer costs such as Pension contributions and Canada Pension Plan are paid and expensed by the Province on behalf of Opportunities NB. Sick leave liability is accounted for by the Province in its financial statements. These expenses and the related asset/liability balances are not presented in these financial statements. Under the agreed operating terms of Opportunities NB, these benefit plan balances will remain obligations/assets of the Province and will not be assumed by Opportunities NB.

## **Accrued Post-closing Costs**

Opportunities NB accrues post-closing costs. The reported liability is based on estimates and assumptions using the best information available to management as documented in Note 11. Future events may result in significant changes to the estimated total expenses; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate when applicable.

## Financial instruments

Financial instruments consist of Due from Province of New Brunswick, General Receivable, Interest Receivable, Loans Receivable, Accounts Payable and Accrued Liabilities, and Loans Payable to Province of New Brunswick.

Financial instruments are initially recognized at fair value, plus any directly attributable transaction costs, when Opportunities NB becomes a party to the contractual rights and obligations of the financial instrument. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments are derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and Opportunities NB has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

Opportunities NB classifies its financial instruments in the following groups:

### Cost or Amortized Cost

General Receivable consists of guarantee fees and lease fees as well as the general provision against such receivables.

Interest Receivable consists of interest on the loans receivable as well as the provision on the interest receivable. Interest is recognized using the effective interest method.

Loans Receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, Loans Receivable are measured at amortized cost using the effective interest method, less any valuation allowances on the loans where management estimates amounts may be uncollectable in the future.

Investments are financial assets that are measured at cost and assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations.

Accounts Payable and Accrued Liabilities, and loans Payable to Province of New Brunswick are classified as financial liabilities. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

### **Fair Value Category**

Due from Province of New Brunswick consist of cash equivalents and are measured at fair value, which is assumed to represent the carrying value, which is historical cost.

### **Measurement uncertainty**

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period.

The most significant areas requiring the use of management estimates relate to the determination of valuation allowances, accrued post-closing costs, concessionary interest, accrued expenses and future year commitments. Actual results could differ from management's best estimates, as additional information becomes available in the future.

### **Harmonized Sales Tax Receivable**

Opportunities NB does not record Harmonized Sales Tax (HST) in its financial statements because all HST paid is reimbursed to the Province by Canada Revenue Agency (CRA).

### **Government transfers**

Government transfers are transfers of money, such as grants, to an organization for which Opportunities NB does not receive any goods or services directly in return. Government transfers are comprised of financial assistance.

### **Forgivable loans**

Loan agreements which include forgiveness provisions are charged to strategic assistance expense when the forgiveness is considered likely.

### **Valuation allowances**

Valuation allowances are used to reflect loans receivable at the lower of cost and net recoverable value. An annual review is performed on loans receivable balances and an allowance is recorded, which reflects management's best estimate of probable losses.

### **Concessionary loans**

Opportunities NB recognizes a concessionary loan when the interest rate charged to a client is lower than the Province's borrowing rate in the capital markets. The net present value of the concessionary interest is calculated based on the difference between the interest rate charged and the Province's borrowing rate at the time the loan was issued.



The concessionary portion of the loan is recorded as an expense in the year of issue. This amount is amortized to revenue on a straight-line basis over the term of the loan. The recorded value for these loans is the face value less the unamortized portion of the concessionary interest.

### Concessionary loan interest

The foregone interest on the concessionary loans issued by Opportunities NB is expensed in the year the loans are issued and amortized into revenue over the life of the concessionary term of the loans.

### Loans Payable to Province of New Brunswick

The Province of NB issues interest-free loans to Opportunities NB which are then issued to clients. Client repayments are applied against Opportunities NB's loan obligations to the Province of NB. The Loans Payable to Province of NB are calculated at face value, less repayments received each year.

## 3. RELATED ENTITY TRANSACTIONS

Opportunities NB is related to the Province and several of its departments and agencies.

Opportunities NB is economically dependent on the Province. During the fiscal year, Opportunities NB received funding of \$39.4 million from the Province. Opportunities NB uses an office for which rent is paid by the Province. The Province contributes certain other services, such as accounting and payroll services.

## 4. INTEREST ON LOANS

	<b>2016</b>
Amortization of concessionary loan interest	\$913,150
Less: reversed late fees on loan guarantees	(13,993)
Loan Interest	6,212,170
	<u>\$ 7,111,327</u>

## 5. INCOME FROM INVESTMENTS

Dividend payment received of \$1,837,811 during the period.

## 6. RECOVERY OF DOUBTFUL ACCOUNTS

	<b>2016</b>
Recoveries – loans and guarantees	\$2,889,670
Change in provision allowance	5,739,590
	<u>\$ 8,629,260</u>

**7. LOANS RECEIVABLE**

Loans Receivable:	<b>Transfer from Restructuring (Note 16)</b>	<b>2016 Activity</b>	<b>Ending</b>
Opening balance	\$213,694,288		
Loans advanced		21,461,158	
Capitalized interest		1,948,791	
Amortize interest free portion into revenue		913,150	
Repayments received		(20,451,047)	
Loan forgiveness		(650,000)	
	213,694,288	3,222,052	216,916,340
 Provision Allowance:			
Opening balance	(97,924,269)		
Decrease provision		3,283,310	
Loan forgiveness		650,000	
	(97,924,269)	3,933,310	(93,990,959)
Loans Receivable (net):	\$115,770,019	\$7,155,362	\$122,925,381

**8. INVESTMENTS**

Investments:	<b>Transfer from Restructuring (Note 16)</b>	<b>2016 Activity</b>	<b>Ending</b>
Opening balance	\$5,404,881		
New investments		2,939,812	
Share redemptions		(52,717)	
Reversal of Impairment during the year		39,538	
	\$5,404,881	\$2,926,633	\$8,331,514

## 9. RISK MANAGEMENT

An analysis of significant risk from Opportunities NB's financial instruments is provided below:

### a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Opportunities NB manages this exposure through credit approval procedures for loan applicants and the monitoring of payments from debtors. Opportunities NB's maximum exposure to credit risk at March 31, 2016 is equal to the loans receivable balance of \$122,925,381.

### b) Liquidity risk

Liquidity risk is the risk of not being able to settle or meet an obligation on time or at a reasonable price. Opportunities NB repays the Province when debtors make loan repayments, therefore if a debtor fails to meet their obligations, Opportunities NB may be unable to repay the Province. Opportunities NB manages this risk by monitoring the loan repayments from debtors.

### c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Opportunities NB's rate of interest charged on loans receivable are fixed as stated in legal agreements. Any change in market interest rates during the period would have no effect on the cash flows of Opportunities NB.

### d) Concentration risk

Concentration risk occurs when a lender's loan portfolio has a higher concentration of value towards either (1) one entity or group of entities (name concentration risk) or (2) a particular region, product, industry or sector (sector concentration risk). Due to the nature of the New Brunswick economy's reliance on primary industries, Opportunities NB's loan portfolio is over weighted in primary industries especially the forestry industry.

For the fiscal year ended 31 March 2016, Opportunities NB faced the following concentration risks (gross portfolio exposure net of allowance):

- ▶ Name risk of \$137.0 million (81.0%) for eight corporate entities/groups
- ▶ Sector risk (forestry) of \$97.1 million (57.4%) for fifteen corporate entities/groups



## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016
Trade accounts payable	\$5,262,817
Salary and benefits	138,624
Vacation liability	167,757
GST/HST	1,233
Property tax	60,204
Accrued Post-closing Costs (Note 11)	3,183,635
Financial assistance	<u>6,969,986</u>
	<u>\$15,784,256</u>

## 11. ACCRUED POST-CLOSING COSTS

Opportunities NB is responsible for the continued monitoring and treatment of four landfill sites used by a pulp mill, which are now closed as the sites had reached their capacity. The sites have been closed and require no additional funding for closure procedures. The accrued liability for post-closing costs has been determined based on estimated post-closing costs of \$4,019,231, in future dollars.

Post-closing costs are assumed not to be incurred in the near future and for this calculation's purpose are estimated to take place starting approximately 15 years from now. The post-closing costs are inflated at a rate of 1.85%, the historical 15-year average CPI inflation rate for New Brunswick, and discounted to today's dollars at a rate of 3.23%, the 15-year cost of funds rate for the Province of New Brunswick.

At March 31, 2016 the estimated net present value of accrued post-closing costs is \$3,183,635 (the 'net present value') which is unfunded by Opportunities NB. Management feels the funding for the post-closing costs is not an issue as the ultimate ownership rests with the Province of New Brunswick which has the future financial capacity to address costs as any arise.

## 12. CONTINGENT LIABILITIES

### a) Guaranteed debt

Opportunities NB has provided guarantees in respect of the credit facilities of various entities. As at March 31, 2016, there were twenty-three guarantees outstanding for a total value of \$51,310,873 and with a provision of \$17,030,348.

## b) Legal liabilities

Opportunities NB may be subject to litigation in the course of its operations. In management's judgment, no material exposure exists at this time and accordingly, management has not recorded a provision for loss in the financial statements.

### 13. LOANS PAYABLE TO PROVINCE OF NEW BRUNSWICK

	<b>2016</b>
Book value of total portfolio	\$216,916,341
Concessionary Interest	9,487,572
Amortized portion	<u>(6,834,888)</u>
Face value of total portfolio	<u>\$219,569,025</u>

### 14. ADMINISTRATION AND BUSINESS DEVELOPMENT SERVICES

	<b>2016</b>
Salaries and benefits	\$7,797,722
Other services	4,616,066
Materials and supplies	117,695
Property and equipment	541,969
Grants and contributions	110,662
Other charges	<u>351</u>
Total	<u>\$13,184,465</u>

## 15. COMMITMENTS

The following amounts are future contingent financial commitments for Financial Assistance agreements.

Year ending March 31	Commitment
2017	\$43,235,757
2018	15,646,032
2019	7,457,449
2020	3,996,067
2021	3,434,250

## 16. RESTRUCTURING TRANSACTION

On April 1, 2015 a restructuring transaction was completed which resulted in the creation of a new corporation, Opportunities New Brunswick. Opportunities New Brunswick was created from the restructuring of the former New Brunswick Department of Economic Development and Invest NB. The Corporation was created to lead and facilitate the execution of high growth opportunities that will accelerate private sector growth and job creation in New Brunswick and to provide assistance and facilitate access to Government of New Brunswick assets and services to support the opportunities. Provisions of the *Opportunities New Brunswick Act* provided for the transfer to Opportunities New Brunswick of all the assets, liabilities, rights and obligations of the predecessor organizations. The restructuring-related costs were minimal and therefore not separately identified. Any restructuring-related costs were charged to operations when incurred. As a result of the restructuring, assets and liabilities in the following financial statement classifications were recognized by Opportunities New Brunswick at the restructuring date:

**Transferor Carrying Value**

Due From Province of NB	\$8,566,371
Receivable on guaranteed loans	2,733,894
Provision for interest on loans	(3,927,849)
Provisions for doubtful loans	(97,924,269)
Provision on general receivable	(818,047)
Interest on loans	5,122,750
Loans receivable	213,694,288
Other receivable	1,758,765
Prepaid Expenses	9,330
Investments	5,404,881
Total Assets Recognized	<u>\$134,620,114</u>
Accounts Payable & Accrued Liabilities	7,143,083
Guarantee Provision	22,585,478
Loans Payable to Province of NB	<u>217,260,122</u>
Total Liabilities Recognized	<u>\$246,988,683</u>
Gains/Loss Recognized in the Statement of Operations Due to Restructuring	<u>\$(112,368,569)</u>

The adjustments noted above occurred to 1) align with the accounting policy of ONB relating to the threshold for recognition of Tangible Capital Assets and 2) to reflect the transfer of Employee Future Benefit Liabilities, Sick Leave and Vacation Liabilities to the Province of New Brunswick.



**Opportunities NB  
Annual Report 2015-2016**

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