

ANNUAL REPORT



FISCAL 2017 – 2018



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Opportunity Works Here

Our name says it all; at ONB we develop opportunities that generate wealth for our province and its people. That means new money and new jobs. We take that mandate very seriously. ONB is the focal point for New Brunswick's economic development activities and the single point of contact to connect business and people with opportunity.

As New Brunswickers, we tend to be humble by nature, and because of that we too often downplay the good news and success stories that contribute to our economic growth. Despite what you may sometimes hear, great things are happening in New Brunswick.

What do we do?

1. From startup, to scale up, to increasing productivity and innovation, to market diversification, we help over 800 export-potential New Brunswick-based companies grow.
2. We work to attract world-class companies to New Brunswick, particularly in sectors like cybersecurity, cannabis, financial services, and digital health. In fact, ONB has successfully attracted global companies like TD, Siemens, and IBM. We are showing the world that the best are choosing our province to take their business to the next level.
3. We understand that finding top talent is a priority for employers, and having a meaningful career is a priority for employees. Our one-of-a-kind Workforce Strategy Team partners with clients, post-secondary institutions, and other partners to attract, retain, and repatriate the skilled workforce our province needs to prosper.

ONB is a world-class, results-driven organization with a culture that attracts people who are passionate about growing New Brunswick's economy.

Camille Bourque,
Director – Workforce Strategy,
CEO Award Winner F2017–18



We believe New Brunswick is on track to be a place where...

- New Brunswickers believe in the future of their province. Together we have set aside our humility and refuse terms like “have-not” and “drive-thru” that hold us back.
- We are viewed nationally and internationally as the place to do business.
- We are recognized across the country and around the world for being a great place to live and work.
- New Brunswickers choose to live and work here. So do their children and their children's children.

About ONB

- Established on April 1, 2015.
- A nimble, results-driven and client-centric Crown corporation.
- Strategically led by a private sector board of directors comprised of business leaders from New Brunswick companies and academia.
- 150 employees working across New Brunswick.





A Message from our Minister



Mary Wilson

Minister of Economic Development
and Small Business
Minister Responsible for Opportunities NB

Job creation and good stewardship of taxpayer money are top priorities for your government.

As Minister of Economic Development and Small Business, and Minister responsible for Opportunities NB (ONB), I am proud to work beside this province’s skilled public servants and the private sector, as we grow New Brunswick’s economy with smart, effective and transparent policies.

I look forward to working with the private sector and the staff at ONB to ensure that this is the most transparent economic development organization in Canada. I applaud the hard work that has gone into preparing this annual report.

Hon. Mary Wilson
Minister of Economic Development and Small Business
Minister Responsible for Opportunities NB

The “ONB Advantage”

1. **We have great people.** Located in offices across the province, our team of New Brunswickers are passionate about growing our economy for future generations.
 2. **We know the right people.** With a private sector board and our partnerships within our community, ONB’s extensive network helps to connect the right partners at the right time. The connections we make are why we are consistently recognized for our exceptional service.
 3. **We are stewards of public funds.** Our team ensures that every investment generates a positive return for the province while simultaneously helping companies achieve their goals.
 4. **We provide tailored solutions.** From advice to investments to referrals, we work with our clients to meet their unique business needs because we know that there is no one-size-fits-all solution.
 5. **We play to our strengths.** With our sector leadership in cybersecurity, cannabis, and financial services, a superior quality of life, a bilingual workforce, and nearshore solution, we are proud to boast about our province’s assets. New Brunswick has a lot to offer.
 6. **We have a track record of success.** On a per capita basis, we have delivered the best economic development results in Canada.
- And the best part? We’re just hitting our stride.



Investing in our youth – NB Proud Awards

ONB is dedicated to helping talented New Brunswick students begin or advance their careers here at home.

In June, 12 individual \$1,000 prizes were awarded to New Brunswick high school students planning to attend a post-secondary program in the province.

These New Brunswick students told us why they were #NB Proud; these are young people with a desire to pursue their education in New Brunswick along with a positive view of the future for themselves and our province.

A Message from our Board Chair



Roxanne Fairweather

Board Chair

Opportunities NB has had another highly successful fiscal year, once again exceeding all of its targets in a highly competitive and increasingly uncertain global economic climate.

The Board of Directors is encouraged by the positive feedback we receive from clients, partners, and stakeholders. Results for fiscal year 2017 - 2018 demonstrate that ONB's model for economic development is working. The organization continues to outpace its peers in other jurisdictions thanks to its winning culture, creativity, and agility.

ONB is a driven, professional, and accountable organization that produces measurable and transparent results. It continues to be excellent stewards of public funds, ensuring positive return on investment for the New Brunswick taxpayer. Its targets are set based on historical data, results from competing jurisdictions, and the current economic climate. Thanks to the fine work of executive management and the entire team, ONB continues to build

a strong foundation for future economic prosperity in New Brunswick. All New Brunswickers should be proud of their results.

Speaking on behalf of the entire Board of Directors, a collection of accomplished business professionals from a variety of sectors across New Brunswick and North America, I can assure you that we take great pride in being associated with ONB. We continue to have complete confidence in its leadership as they enter their third and final year of a strategic plan launched in 2016. We thank our many partners and stakeholders for their continued support.

Thank you,
Roxanne Fairweather
Board Chair, Opportunities NB

Executive Management Team



Stephen Lund
Chief Executive Officer



Paul Fudge
Vice-President
Deal Structuring & Chief Financial
Officer



Tyson Johnson
Chief Operating Officer
CyberNB



Heather Libbey
Vice-President
Chief Culture & Brand Officer



Yves Maillet
Vice-President
Business Growth



Jean-Paul Robicheau
Vice-President
Investment Attraction



Traci Simmons
Vice-President
Strategy & Stakeholder Relations

Board Members



Roxanne Fairweather
(Chair) Innovatia



Stephen Lund
Chief Executive Officer



Lynn Albert
LA Trading



Jim Baumgartner
Retired



Mario Caissie
MACC Commercial Properties



Michael J. Campbell
McCain Foods

Board Members



Lily Durepos
Alliance Assurance



Dennis Flood
ScotiaMcLeod



Gloria Jollymore
Mount Allison University



Chantal Thériault
UNI Financial Corporation

A Message from our CEO



Stephen Lund

CEO

Opportunities NB's third year was its best-to-date.

In addition to delivering better job creation results than any New Brunswick economic development organization in over 20 years, ONB began working aggressively to change the often negative dialogue in media regarding the future of this province. Our aim is to focus on opportunity and the many positive attributes found in this region.

As you will see in this report, ONB's efforts resulted in 3,122 new job commitments from companies in fiscal 2017 - 18, well above our annual target of 2,075. The good news continues; 1,628 actual jobs were created and filled, that is 25% above our annual target of 1,285. We are incredibly proud of these numbers, which demonstrate our commitment to winning deals that bring great jobs to this province.

As you know, ONB's mandate is much broader than previous economic development organizations in New Brunswick, including community economic development, our CyberNB initiative, and a focus on workforce strategy. Thanks to the efforts of our Workforce Strategy Team, we continue to succeed in attracting, developing, and retaining top talent. As part of that commitment to ensuring we attract a larger skilled workforce to New Brunswick, an ONB workforce marketing campaign was strategically distributed across Canada. The second phase of that campaign recently garnered more than 200,000 out-of-province views.

Our strategic focus also continues to emphasize the need to play to our strengths; that is why we created new economic sectors like cybersecurity, cannabis, and digital health. Through successful events like the CyberSmart Summit and the inaugural World Cannabis Congress, we have signalled to the world that New Brunswick is an international leader in these sectors. We are capable of competing and winning against any jurisdiction in the world.

Finally, ONB's commitment to a positive workplace culture was recognized for the second year in a row with an Atlantic Canada's Top Employers designation. We were extremely honoured to be recognized among six New Brunswick organizations.

On behalf of the entire ONB team, I thank all of our partners and stakeholders for their continued support. I am proud of the team we've assembled, the work that we do, and the difference we are making for New Brunswickers. We have great momentum and I am confident we will see a continued return on investment and exceptional results next year.

Thank you,
Stephen Lund
CEO, Opportunities NB



Bringing New Jobs & New Money to New Brunswick

Our Impact

From day one, ONB has been a results-driven organization. We have created an economic development model that works; these results demonstrate our success at bringing new money and new jobs to New Brunswick. With the support of our Board of Directors, partners across the province, and the businesses we work with every day, we have been able to achieve notable results.

Transparency & Accountability

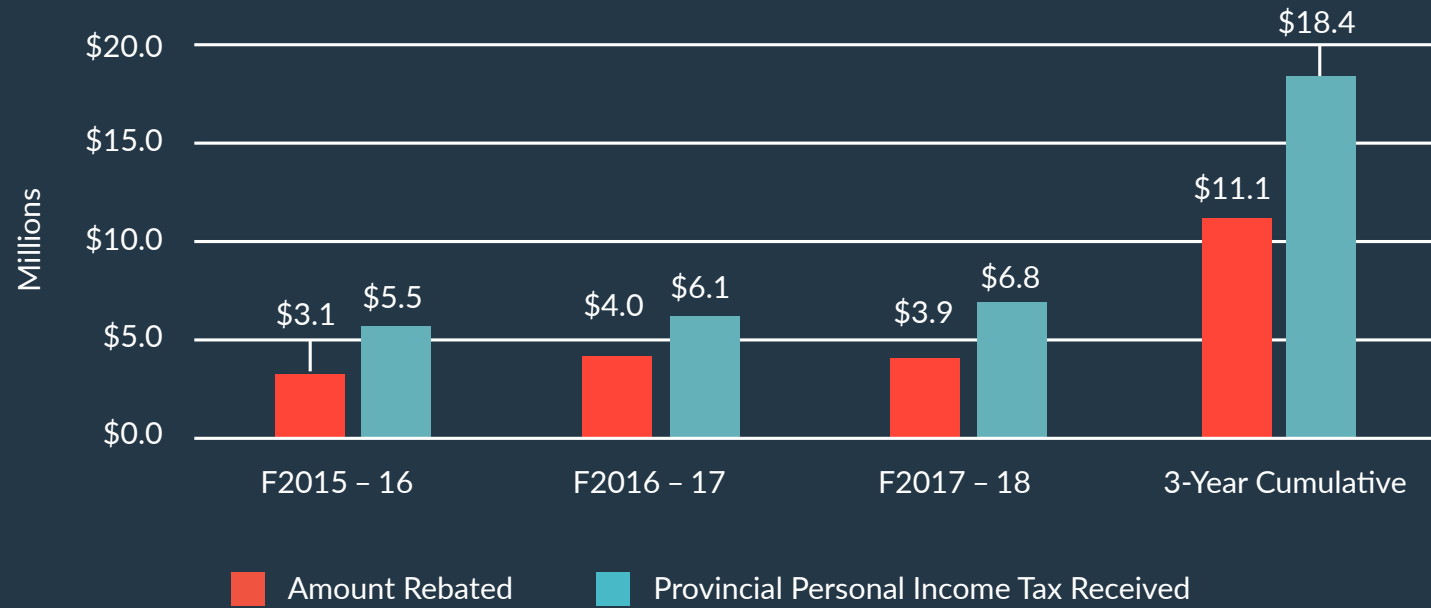
As the lead economic development agency for New Brunswick, Opportunities NB takes its obligation to be transparent and accountable to New Brunswickers seriously. ONB is continuing its work to fulfill the Office of the Auditor General of New Brunswick's recommendations to ensure meaningful and effective policies and procedures are in place to protect public funds. ONB is also committed to improving access and proactive disclosure of how it manages and invests public funds.

Our Results from April 1, 2015 to March 31, 2018

- Contributed 4,300 new jobs to the province (actual filled positions).
- Signed commitments for 9,444 new jobs to be created over the next 5 years - 71% above cumulative target.
- 78% of the jobs we said we were going to create have been created. That is well over the 60% industry average.
- The average salary for jobs to be created is over \$45,000, 22.5 % over the New Brunswick average of \$36,900.
- Surpasses the results of any other economic development group in 20 years.
- Delivered, on a per capita basis, the best economic development results in Canada.
- Generated a positive 3-year cumulative return on investment of 66% from payroll related assistance through Fiscals 2015 - 16 to 2017 - 18. This means that for every dollar invested, the province receives \$1.66 in provincial income taxes.
- Earned \$24.5 million in interest.
- Received \$74.4 million in dividends and loan repayments.
- While working in a highly competitive environment, ONB offers the lowest amount of incentives in Canada.
- Built new economic sectors like cybersecurity and cannabis in New Brunswick while continuing to support the growth of over 800 New Brunswick based companies and exporters.
- Recognized as one of **Atlantic Canada's Top 25 Employers** for two consecutive years.

**Great things are happening in
New Brunswick**

3-Year Return on Investment for Payroll Related Assistance



	F2015 - 16	F2016 - 17	F2017 - 18	3-year Cumulative
New Jobs Supported	665	855	568	2,088
Existing Jobs Supported	1,106	1,374	1,847	4,327
Provincial Personal Income Tax Received (\$M)	\$5.5	\$6.1	\$6.8	\$18.4
Average Assistance per Job	\$1,775	\$1,797	\$1,620	\$1,724
Net Return to Province (\$M)	\$2.4	\$2.1	\$2.9	\$7.4
Weighted Average Return on Investment (%)	76%	52%	73%	66%

1. Data is based on client information received by ONB's fiscal year end. If updated information is received from the client after ONB's fiscal year end, the data for that reference period is adjusted accordingly.

Last year's report stated Return on Investment of 41% and is restated to 52%.

2. Return on Investment is based on provincial personal income taxes received divided by the assistance provided by ONB.

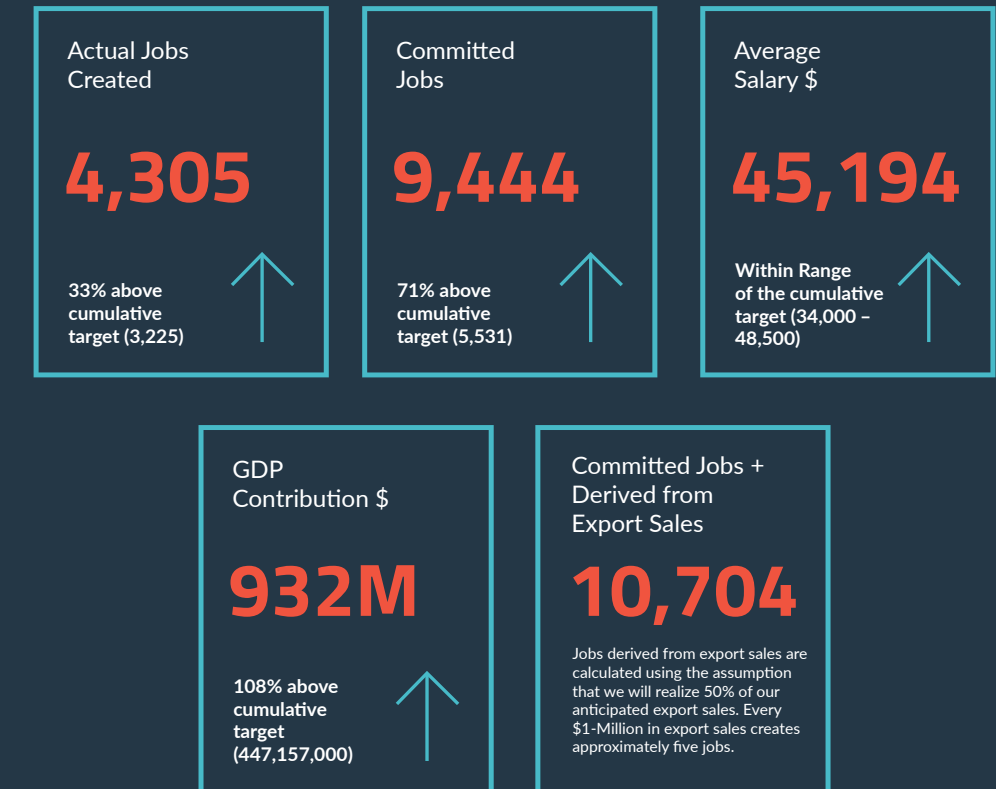
3. Return on Investment results for 2016 & 2018 are due to some large agreements being in their ramp up periods of growth.

4. Average Assistance per job supported is based on the assistance provided by ONB divided by the Direct Employees Supported.

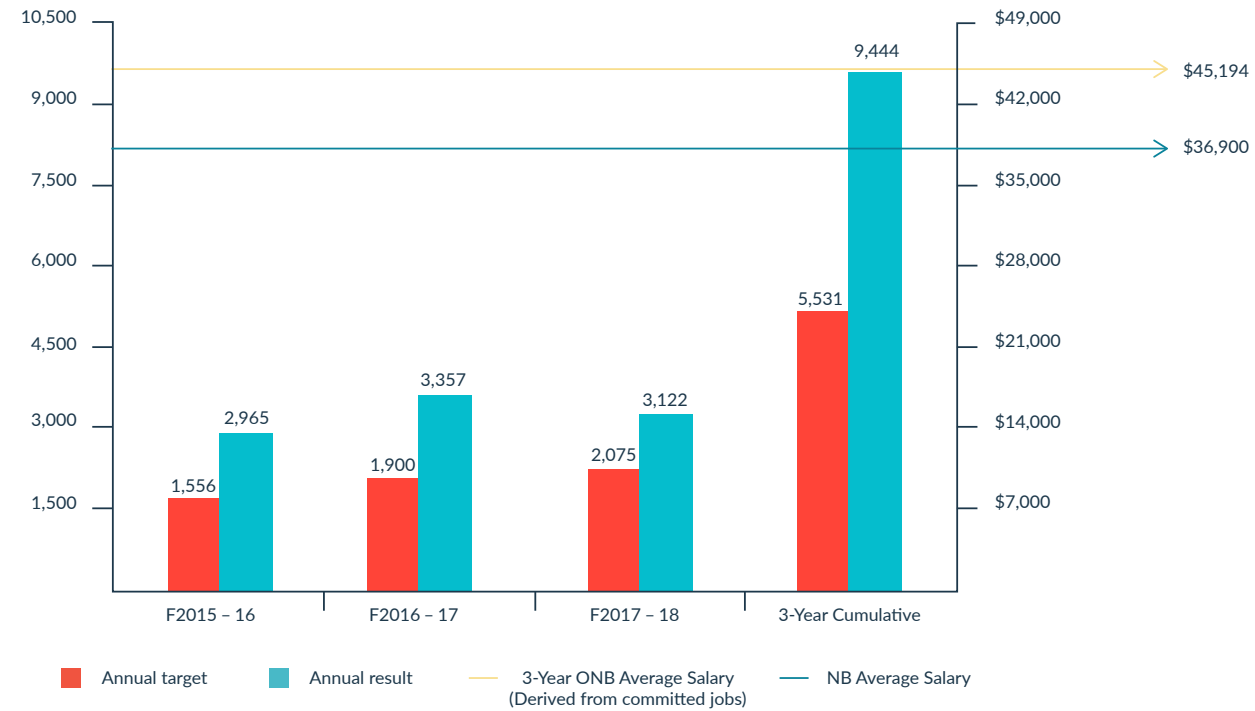
ONB Corporate Results Fiscal 2017 - 18



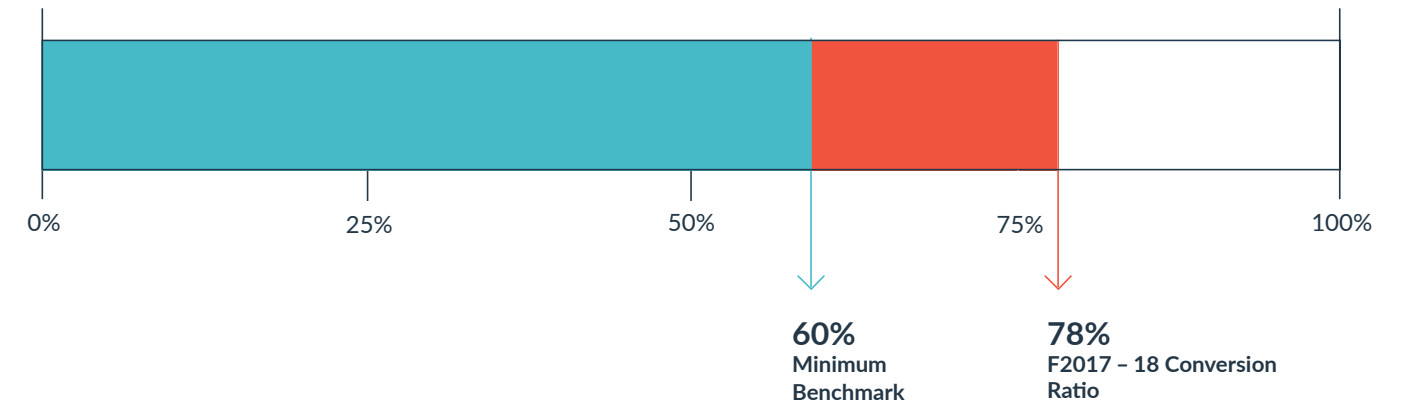
ONB Corporate Cumulative Results Fiscal 2015 - 18



Jobs Committed Comparison to Annual Target



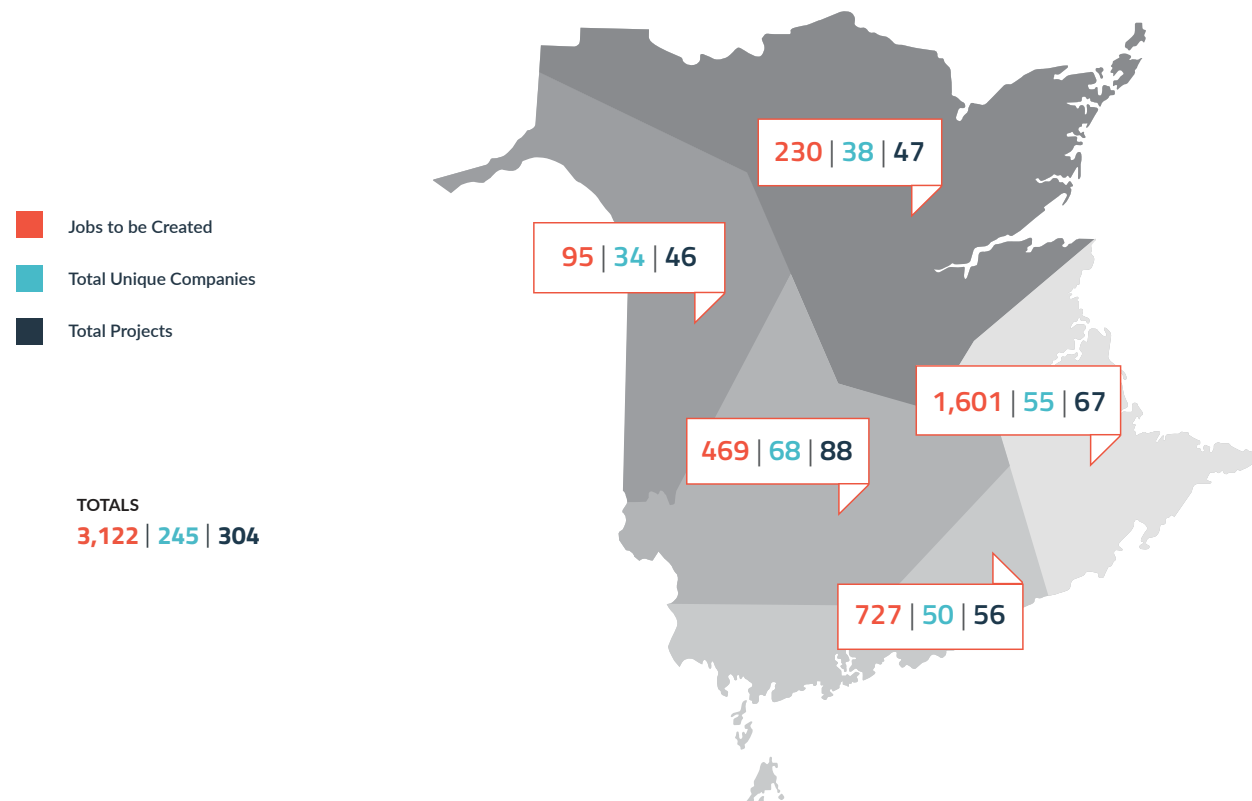
Actual Jobs Created: Conversion Ratio



Actual Job Creation F2017 - 18	
Forecasted Job Creation*	2,067
Actual Jobs Created	1,628
Difference from Forecasted	439
Conversion Ratio	78.8%

* Client reported job forecast based on projects from previous ~ 5 years

Our Entire Province is Sharing in the Success



Investing in New Brunswick Businesses

160+	Introduced more than 160 New Brunswick companies to the Business Model Canvas	80+	Supported more than 80 export development activities
225+	Supported more than 225 unique New Brunswick based companies with financial assistance	450+	Helped more than 450 New Brunswick companies with exports
850+	Worked with over 850 unique New Brunswick based companies on growth opportunities	\$2.2 M+	Invested over \$2.2 Million into market development support for New Brunswick companies
35+	Supported more than 35 productivity and innovation projects for New Brunswick companies	\$155 M+	Over \$155 million in projected new export sales

With this level of activity, we surpassed all of our targets.



**FINANCIAL STATEMENTS OF OPPORTUNITIES NEW BRUNSWICK
MARCH 31, 2018**

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Independent auditor's report



INDEPENDENT AUDITOR'S REPORT

To the Chair and members of the Board of Directors of Opportunities New Brunswick

Report on the financial statements

I have audited the accompanying financial statements of Opportunities New Brunswick, which comprise the statement of financial position as at March 31, 2018, and the statement of operations, statement of change in accumulated deficit, statement of change in net debt and statement of 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 Opportunities New Brunswick as at March 31, 2018, and the results of its operations, changes in its accumulated deficit, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kim MacPherson, FCPA, CA, ICD.D
Auditor General

June 28, 2018

P.O. Box 758
6th floor, Suite 650
520 King Street
Fredericton, NB E3B 5B4

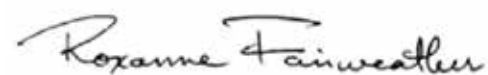
Opportunities New Brunswick – Statement of financial position, as at March 31, 2018

	2018	2017
	\$	\$
Assets		
Due from Province of New Brunswick	147,574,352	136,111,115
General receivable	501,519	135,849
Interest receivable	730,405	830,064
Loans receivable (Note 7)	107,759,036	136,898,464
Investments (Note 8)	13,140,779	11,948,153
	269,706,091	285,923,645
Liabilities		
Accounts payable and accrued liabilities (Note 10)	11,042,748	14,469,872
Provision for loss on loan guarantees (Note 12)	11,759,973	18,459,153
Due to Province of New Brunswick (Note 13)	335,034,350	349,085,146
	357,837,071	382,014,171
Net debt	(88,130,980)	(96,090,526)
Non-financial assets		
Prepaid assets	31,525	-
Accumulated deficit, end of year	(88,099,455)	(96,090,526)

Contingent liabilities (Note 12)

Commitments (Note 15)

Approved by the Board



Roxanne Fairweather
Chair - Board of Directors



Michael Campbell
Chair - Audit Committee

Opportunities New Brunswick – Statement of operations, year ended March 31, 2018

	Budget 2018	2018	2017
	\$	\$	\$
Revenue			
Province of New Brunswick	34,165,000	34,165,000	35,053,000
Interest on loans (Note 4)	10,000,000	8,738,291	8,625,530
Other	706,000	518,041	420,492
Designated	550,000	839,628	393,780
Income from investments (Note 5)	-	1,568,958	-
	45,421,000	45,829,918	44,492,802
Expenses			
Administration and business development services (Note 14)	15,037,000	18,988,565	18,048,023
Financial assistance	23,884,000	13,825,292	17,403,376
Bad debt expense (Note 6)	6,500,000	5,024,989	12,333,968
Loss on loan transfers (Note 17)	-	-	9,836,310
	45,421,000	37,838,847	57,621,677
Annual operating surplus (deficit)	-	7,991,071	(13,128,875)

Opportunities New Brunswick – Statement of change in net debt, year ended March 31, 2018

	2018	2017
	\$	\$
Net debt, beginning of year	(96,090,526)	(82,980,955)
Annual operating surplus (deficit)	7,991,071	(13,128,875)
Net change in prepaid expenses	(31,525)	19,304
Net debt, end of year	(88,130,980)	(96,090,526)

Opportunities New Brunswick – statement of change in accumulated deficit, year ended March 31, 2018

	2018	2017
	\$	\$
Accumulated deficit, beginning of year	(96,090,526)	(82,961,651)
Annual surplus (deficit)	7,991,071	(13,128,875)
Accumulated deficit, end of year	(88,099,455)	(96,090,526)

Opportunities New Brunswick – Statement of cash flows, year ended March 31, 2018

	2018	2017
	\$	\$
Operating transactions		
Surplus (deficit)	7,991,071	(13,128,875)
Non-cash items		
Increase in provision for doubtful accounts	11,432,097	10,906,629
Capitalized interest on loans	(1,195,050)	(4,840,797)
Amortization of concessionary interest	(937,769)	(918,110)
Concessionary interest on new loans	421,568	413,356
Changes in non-cash working capital balances		
General receivable	(365,669)	807,161
Interest receivable	99,659	63,821
Prepaid expenses	(31,525)	19,304
Guarantees payable	(6,699,180)	1,428,805
Accounts payable and accrued liabilities	(3,427,124)	(1,314,384)
	7,288,078	(6,563,090)
Investing transactions		
Loan advances	(9,806,832)	(40,866,538)
Loan repayments	29,225,414	21,332,377
Investment	(1,192,627)	(3,616,639)
	18,225,955	(23,150,800)
Financing transactions		
Loan payable to province of New Brunswick	(14,050,796)	43,903,322
Increase in cash during the year	11,463,237	14,189,432
Cash, beginning of the year	136,111,115	121,921,683
Cash, end of year	147,574,352	136,111,115
Cash is represented by: Due from Province of NB	147,574,352	136,111,115

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. Under these provisions, all assets and liabilities of Invest NB and the Minister 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 within the Province of New Brunswick 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 business 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

As ONB does not have a separate bank account; ONB expenses and revenues flow through the Province of New Brunswick's ("the Province") bank accounts.

Investments

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. Impairment losses are recorded in the statement of operations in the period they are incurred. The investments are reviewed annually for potential declines in value.

2. Summary of significant accounting policies

Tangible capital assets

ONB 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 2017 and 2018.

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

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 ONB 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 ONB. ONB is not responsible for any unfunded liability nor does it have access to any surplus with respect to its employee pensions. Refer to ONB 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. The Province made changes to its retirement allowance program in 2013 where management and non-union employees of ONB 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. The costs and liability associated with the plan is not the responsibility or obligation of ONB and is 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 ONB. 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 ONB, these benefit plan balances will remain obligations/assets of the Province and will not be assumed by ONB.

2. Summary of significant accounting policies (continued)

Accrued post-closing costs

ONB 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, investments, accounts payable and accrued liabilities, and due to Province of New Brunswick.

Financial instruments are initially recognized at fair value, plus any directly attributable transaction costs, when ONB 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 derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and ONB has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

ONB 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. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Accounts payable and accrued liabilities, and Due 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 consists 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.

2. Summary of significant accounting policies (continued)

Measurement uncertainty (continued)

The most significant areas requiring the use of management estimates relate to the determination of valuation allowances on loans receivable and loan guarantees, 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

ONB 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 ONB does not receive any goods or services directly in return. Government transfers are comprised of financial assistance.

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.

Forgivable loans

Loan agreements which include forgiveness provisions are charged to financial 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. Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the statement of operations.

Concessionary loans

ONB 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 ONB is expensed in the year the loans are issued and amortized into revenue over the life of the concessionary term of the loans.

2. Summary of significant accounting policies (continued)

Loans payable to Province of New Brunswick

The Province issues interest-free loans to ONB which are then issued to clients. Client repayments are applied against ONB's loan obligations to the Province. The Due to Province of New Brunswick is calculated at face value, less repayments received each year.

Application of new accounting standards

PS 2200 Related Party Disclosures

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. This section is effective for fiscal years beginning on or after April 1, 2017.

ONB has evaluated the application of the new Standard and required disclosure are presented in Note 3 – Related entity transactions.

PS 3320 Contingent Assets

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017.

ONB has evaluated the application of the new Standard and concluded it does not have a material effect on the financial statements.

2. Summary of significant accounting policies (continued)

PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017.

ONB has evaluated the application of the new Standard and concluded it does not have a material effect on the financial statements.

PS 3420 Inter-entity transactions

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 3420 Inter-entity transactions.

This new Section defines inter-entity transactions and established disclosures required for inter-entity transactions. Disclosure of information about inter-entity transactions and the relationship underlying them is required. This section is effective for fiscal years beginning on or after April 1, 2017.

ONB has evaluated the application of the new Standard and required disclosure are presented in Note 3 – Related entity transactions.

PS 3210 Assets

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on assets. The main features of this Standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

2. Summary of significant accounting policies (continued)

PS 3210 Assets (continued)

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of the beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017.

ONB has evaluated the application of the new Standard and concluded it does not have a material effect on the financial statements.

3. Related entity transactions

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

Transactions with these related entities have occurred and been settled on normal trade terms, with the exception of the items noted below:

- ONB is economically dependent on the Province. During the fiscal year, ONB received funding of \$34.1 million (\$35.1 million in 2017) from the Province.

- ONB uses an office for which rent is paid for by the Province.

The Province provides certain other central services for ONB, which are recorded at the exchange amount as if the entities are dealing at arm's length.

4. Interest revenue on loans

	2018	2017
	\$	\$
Amortization of concessionary loan interest	937,769	918,110
Loan interest	7,800,522	7,707,420
	8,738,291	8,625,530

5. Income from investments

Dividend payments received of \$1,568,958 (\$Nil in 2017) were recorded during the year.

6. Recovery of doubtful accounts and bad debt expense

	2018	2017
	\$	\$
Recoveries – loans & guarantees	67,819	883,512
Change in provision allowance	(5,092,808)	(13,217,480)
	(5,024,989)	(12,333,968)

7. Loans receivable

	2018	2017
	\$	\$
Opening balance	249,563,520	224,683,808
Loans advanced	9,806,832	40,866,538
Capitalized interest	1,195,050	4,840,797
Amortize interest free portion into revenue	937,769	918,110
Concessionary interest on new loans	(421,568)	(413,356)
Repayments received	(29,225,414)	(21,332,377)
Loan forgiveness	(100,000)	-
	231,756,189	249,563,520
Valuation allowance		
Opening balance	(112,665,056)	(101,758,427)
(Increase) decrease provision	(11,432,097)	(10,906,629)
Loan forgiveness	100,000	-
	(123,997,153)	(112,665,056)
Loans receivable (net)	107,759,036	136,898,464

Interest charged on these loans ranges from 0% to 12%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between ONB and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from an unsecured position to a fully secured position.

The 2017 opening balances figures have been reclassified to conform to 2018 presentation, the net loan receivable balance from 2017 remains unchanged.

8. Investments

	2018	2017
	\$	\$
Opening balance	11,948,153	8,331,514
New investments, net	1,192,626	3,616,639
	13,140,779	11,948,153

	2018	2017
	\$	\$
Partnership units	10,443,075	8,606,239
Preferred shares	2,697,704	3,341,914
	13,140,779	11,948,153

The investments held in corporations have terms that are negotiated between ONB and the investee based on the risk associated with the individual investments.

9. Risk management

An analysis of significant risk from ONB'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. ONB manages this exposure through credit approval procedures for loan applicants and the monitoring of payments from debtors. ONB's maximum exposure to credit risk at March 31, 2018 is equal to the loans receivable balance of \$107,759,036 (\$136,898,464 in 2017).

(b) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial revenues, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and repay debt payments to the Province. In the normal course of business ONB enters into contracts that give rise to commitments for future payments which also impact ONB's liquidity. ONB also maintains cash through the Province and this account is used to pay accounts payable and accrued liabilities. ONB manages this risk by monitoring the loan repayments from debtors.

(c) Interest rate risk

Interest rate risk is the risk that the market value of ONB's investments and debt will fluctuate due to changes in the market interest rates. ONB'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 ONB.

(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 Risk") or (2) a particular region, product, industry or sector ("Sector Risk"). Due to the nature of the New Brunswick economy's reliance on primary industries, ONB's loan portfolio is over weighted in primary industries, most notably the forestry industry.

9. Risk management (continued)

(d) Concentration risk (continued)

As at March 31, 2018 ONB faced the following concentration risks (gross portfolio exposure net of allowance):

- Name Risk of \$133.2 million (87.0%) for ten corporate entities/groups (\$158.7 million (80.0%) for eight corporate entities/groups in 2017);
- Sector Risk of \$70.4 million (47%) for eleven corporate entities/groups within the forestry sector (\$89.6 million (45%) for eleven corporate entities/groups in 2017).

10. Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Trade accounts payable	4,204,313	5,554,524
Financial assistance	2,797,130	4,727,719
Accrued post-closing costs (Note 11)	3,480,000	3,480,000
Vacation liability	305,231	326,304
Salary and benefits	248,534	379,995
Goods and Services Tax/Harmonized Sales Tax	7,540	1,330
	11,042,748	14,469,872

11. Accrued post-closing costs

ONB is responsible for the continued monitoring and treatment of 4 environmental sites used by a pulp mill, which are now closed as the sites had reached their capacity and there is currently no timeline for capping the site. The sites have been closed and require no additional funding for closure procedures. The liability recognized in the financial statement is subject to measurement uncertainty and the recognized amounts are based on ONB's best information and judgment. The accrued liability for post-closing costs has been determined based on estimated post-closing costs of \$3,480,000 (\$3,480,000 in 2017).

Post-closing costs are assumed not to be incurred in the near future and for this calculation's purpose are estimated as at March 31, 2018.

At March 31, 2018 the estimated annual monitoring costs of \$46,000 are unfunded by ONB as these costs are currently being covered by the pulp mill as part of their ongoing maintenance. Should the pulp mill cease these operations, ONB would assume the responsibility and fund the annual monitoring costs.

12. Contingent liabilities

(a) *Guaranteed debt*

ONB has provided guarantees in respect of the credit facilities of various entities. As at March 31, 2018, there were 12 (2017 – 19) guarantees outstanding for a total value of \$34,478,514 (\$47,952,408 in 2017) and with a provision of \$11,759,973 (\$18,459,153 in 2017). The guarantees are secured by various assets and proceeds from liquidation which are expected to offset a portion of any possible payments under guarantees.

(b) *Legal liabilities*

ONB 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 potential losses in the financial statements.

13. Due to Province of New Brunswick

	2018	2017
	\$	\$
Face value of total portfolio	336,666,079	351,233,076
Concessionary interest	(2,569,498)	(9,900,928)
Amortized portion	937,769	7,752,998
Book value of total portfolio	335,034,350	349,085,146

The Province issues interest-free loans to ONB which are then issued to clients. Client repayments are applied against ONB's loan obligations to the Province.

14. Administration and business development services

	2018	2017
	\$	\$
Salaries and benefits	10,841,939	9,765,009
Other services	7,870,100	7,912,608
Materials and supplies	212,463	190,926
Property and equipment	64,063	179,480
	18,988,565	18,048,023

15. Commitments

The following amounts are future contingent financial commitments for financial assistance agreements.

	Commitment
Year ending March 31	
2019	24,475,550
2020	14,184,238
2021	11,755,362
2022	7,378,125
2023	300,000

16. Segmented financial information

Administration and business development services expenses include transactions related to activities associated with CyberNB, a strategic initiative of ONB. CyberNB's mission is to establish New Brunswick as a leader in the domain of cyber security by creating a safe and resilient internet for citizens and businesses.

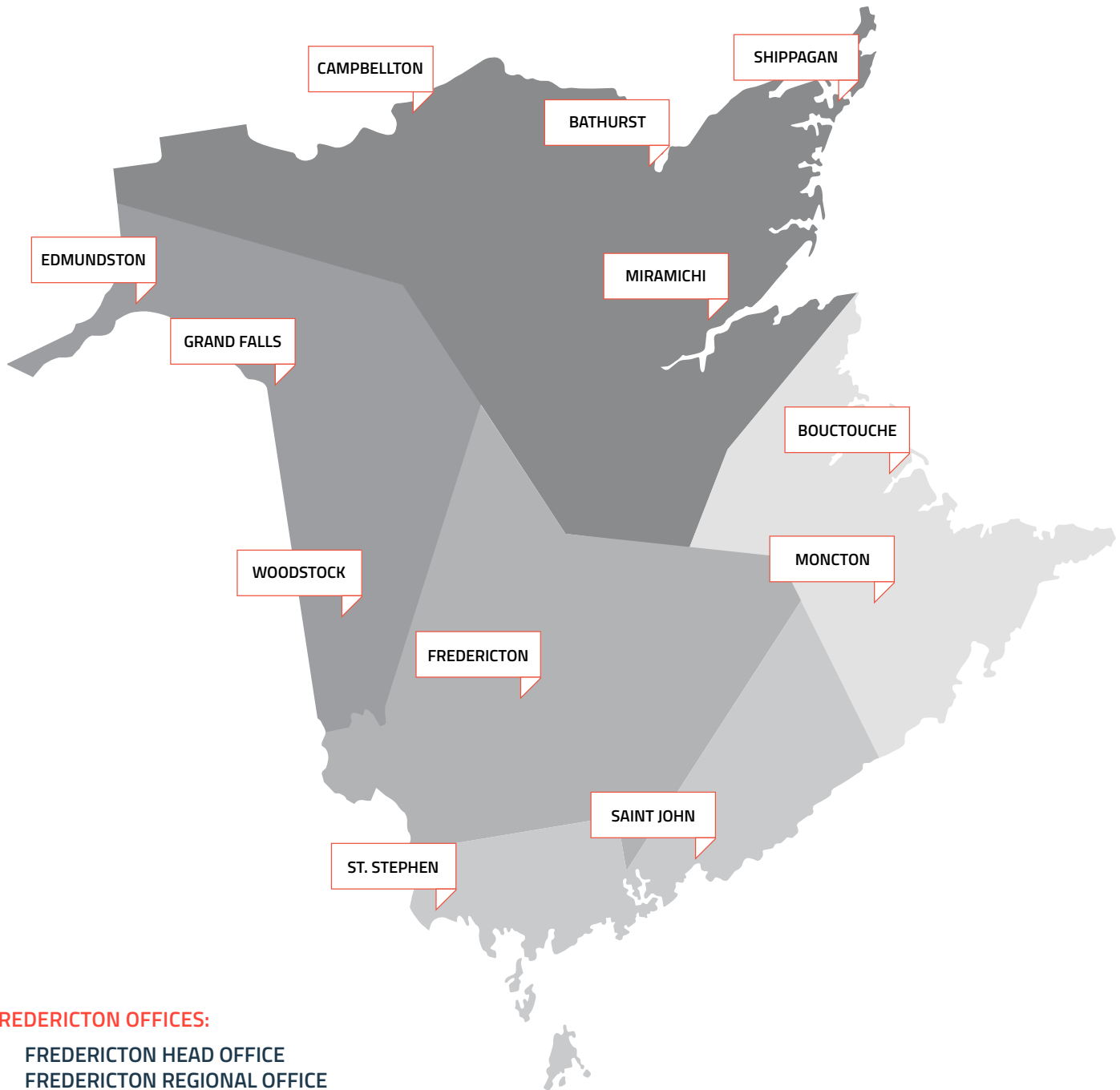
	Budget 2018	2018	2017
	\$	\$	\$
Administration and business development services			
ONB Operations	15,037,000	16,115,267	15,614,949
Cyber Operations	-	2,873,298	2,433,074
	15,037,000	18,988,565	18,048,023
Strategic assistance			
Financial assistance	19,984,000	13,825,292	17,403,376
Cyber Operations	3,900,000	-	-
	23,884,000	13,825,292	17,403,376

CyberNB is a strategic initiative of ONB, and as such funding comes from the strategic assistance budget as noted above for 2018 – \$3,900,000. Actual expenditures are included in operations expenditures in accordance with PSAS, total CyberNB operations for 2018 – \$2,873,298.

17. Loss on loan transfers

In the year, government departments transferred existing loans it held to ONB. The corresponding loans and interest and provisions were recorded resulting in a loss on recognition of \$Nil (2017 – 9,836,310).

ONB'S REGIONAL AND SATELLITE OFFICES



FREDERICTON OFFICES:

- FREDERICTON HEAD OFFICE
- FREDERICTON REGIONAL OFFICE
- CYBERNB

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