

2012-2013 *Annual Report*





Invest New Brunswick is a single point of contact for companies and site selection professionals exploring business location and expansion opportunities in New Brunswick, Canada.

Our one-stop service includes everything you need to get your business up and running:

- Personal account executive to provide turnkey services
- Recruitment and training consultation and assistance
- Sourcing of realtors, developers, contractors, shippers and utilities
- Tailor-made financial incentive packages
- Liaison with local communities

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Our Mission

Guided by a private-sector board of directors, Invest NB delivers a business-focused approach to creating jobs and attracting business investment in New Brunswick.

The Corporation focuses on four key activities:

- Promote New Brunswick as an attractive location for business investment;
- Identify and pursue opportunities for strategic and commercially viable investment;
- Negotiate and provide financial assistance when required and as appropriate to secure investments; and
- Prudently manage its portfolio of investments.

Our Vision

Attracting investments New Brunswickers value.

Our Values

Trust
Respect
Integrity
Communication
Empathy
Ownership
Effectively Managing Risk

Invest NB Leadership Team



Back left to right:

Mark Haines-Lacey – Executive Vice-President; *Robert MacLeod* – President and Chief Executive Officer;
Jonathan Barteaux – Director of Foreign Investment; *Louis-Philippe Gauthier* – Vice-President, Strategic Initiatives.

Front left to right:

Nora Lacey – Director, Research and Marketing; *Luc Paulin* – Senior Director, Finance and Corporate Affairs

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520 King Street,
Suite 850
Fredericton, New Brunswick Canada
E3B 5H1

A Message from the Minister

The creation of Invest NB was a commitment by our Government to develop a business-led model to attract foreign direct investment (FDI) to New Brunswick. Under the leadership of its board of directors, Invest NB is focused on the attraction of new companies located outside the province, while supporting the expansion of foreign-owned companies already established in New Brunswick. The corporation targets companies in solid financial positions on a path to growth, as they align with the *Strategic Framework to Support Priority Growth Sectors in New Brunswick*. Invest NB works in close collaboration with its extensive partner network of federal and provincial government departments, agencies, post-secondary institutions, sector councils, and other stakeholders to leverage the power of government and the assets of the province in the pursuit of FDI.

Invest NB's mandate is aligned with the Government of New Brunswick's corporate vision: "A stronger economy and enhanced quality of life while living within our means." The corporation is one of many partners supporting the revitalized economic growth we are pursuing as outlined in *Growing Together: An Economic Development Action Plan for New Brunswick*.

From the moment Invest NB became fully operational on July 1, 2011, this Crown Corporation had worked diligently to entrench New Brunswick as a place where business comes naturally. Two years, 25 new investments and nearly 1,400 new jobs later, Invest NB has taken its place as a leader among investment promotion agencies (IPAs) in accountability and transparency. Measurements and targets are, without a doubt, vitally important to the Invest NB team. Its fundamental motivation is attracting investments that create quality jobs that put more New Brunswickers to work. Invest NB has made a difference to the many New Brunswickers whose lives have been positively impacted by these investments.

The Honourable Paul Robichaud
 Deputy Premier
 Minister of Economic Development
 Minister Responsible for Invest NB
 Minister Responsible for La Francophonie
 Government House Leader



The Honourable Paul Robichaud
 DEPUTY PREMIER

A Message from the Chairman and the President and CEO

True economic growth is the result of combined efforts from multiple stakeholders, including municipal, provincial and federal government agencies as well as the private sector and in challenging economic times, it is vitally important to recognize the role each stakeholder plays. In Canada, FDI represents approximately 30 per cent of gross domestic product (GDP). Invest NB's mandate is solely focused on the attraction of foreign investment to New Brunswick.

In the 2012-13 fiscal year, Invest NB brought \$35 million in capital expenditures to the province and contributed \$136.8 million to the province's GDP. The return on tax payer investment was \$2.23 for every taxpayer dollar invested; a significant increase from the previous fiscal of \$1.79.

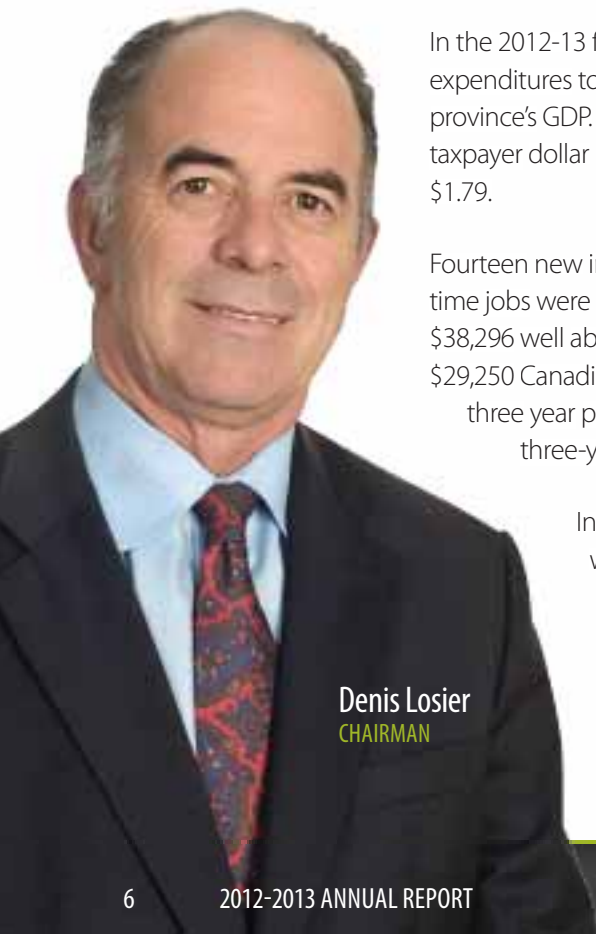
Fourteen new investments were brought to the province and 677 full time jobs were created. The annual average salary from these jobs was \$38,296 well above the \$26,610 average New Brunswick salary and the \$29,250 Canadian average salary. The success achieved in year two of the three year plan has Invest NB well positioned to meet and exceed our three-year corporate goals.

Invest NB operates in a highly competitive environment, with more than 1,200 IPAs fighting for FDI attraction in 194 countries. Many of these IPAs have a much broader access to incentive dollars. Unlike Invest NB, these agencies are not guided or measured on a positive return on investment based on direct and indirect inputs to the tax base. Invest NB is proud to be a leader in measuring our performance in attracting FDI.

Like every New Brunswicker, we strive to achieve results quickly, however, the sales cycle in FDI attraction is longer than most – negotiations with clients take time to complete - investments are brokered over months and sometimes years, not weeks and days. That reality is a challenging environment for any sales organization to accept. The Invest NB Board of Directors recognized this reality and upon establishing Invest NB, set out a three-year business plan to account for the longer timelines. We believe we have the right model with the right key measures to ensure our success in meeting our three year plan.

The Economist magazine reported that global inflows of FDI fell by 18% in 2012, due to a slowing world economy and political uncertainty in leading global economies. Canada also experienced a downturn in FDI, according to data from greenfield investment monitor fDi Markets. After peaking in the month of September 2012, when 35 projects were recorded, inbound FDI has slumped, with the most recently published data showing that only 12 projects were recorded in the month of March 2013.

To counter the ongoing slowdown of FDI inflows, Invest NB adjusted its sales strategy to include additional lead generation and in-market agents in key geographies. This plan of action was in full effect by the end of the fourth quarter and we are confident it will achieve positive benefits in the third year of our business plan. While global FDI forecasts are expected to remain stagnant for 2013, the Invest NB Board of Directors is confident this strategy will assist the corporation in continuing to deliver on its three year plan.



Denis Losier
CHAIRMAN

We are proud of the quality of investments we attracted to New Brunswick in 2012-13. Consider companies such as Cormer Defense and FFG Canada, which have strengthened the defence sector in Miramichi and Bathurst, respectively, and Siemens Canada, which elevated New Brunswick's reputation as a smart province with the establishment of research and development jobs and a North American Centre of Competency in Fredericton's Knowledge Park. Foreign owned companies such as Xplornet Communications in Fredericton and Woodstock, Genesys Laboratories in Saint John, IMP Customer Care in Bathurst, and Moncton's The Co-operators expanded their respective operations by tapping into the quality of our skilled, bilingual workforce. We are attracting investments in priority sectors with considerable growth as identified in the *Strategic Framework to Support Priority Growth Sectors in New Brunswick*. Here's what some of those companies have said about their decision to locate in New Brunswick:

"I am really happy with our decision to expand operations into the City of Miramichi. I give a lot of credit to the provincial government which made a tremendous pitch on why New Brunswick is the right place to be doing business, particularly with respect to the land system centre of excellence."

Leo Sousa, president Cormer Defense

"Invest NB is a great initiative for growth. We are pleased to participate and contribute to economic growth in Saint John."

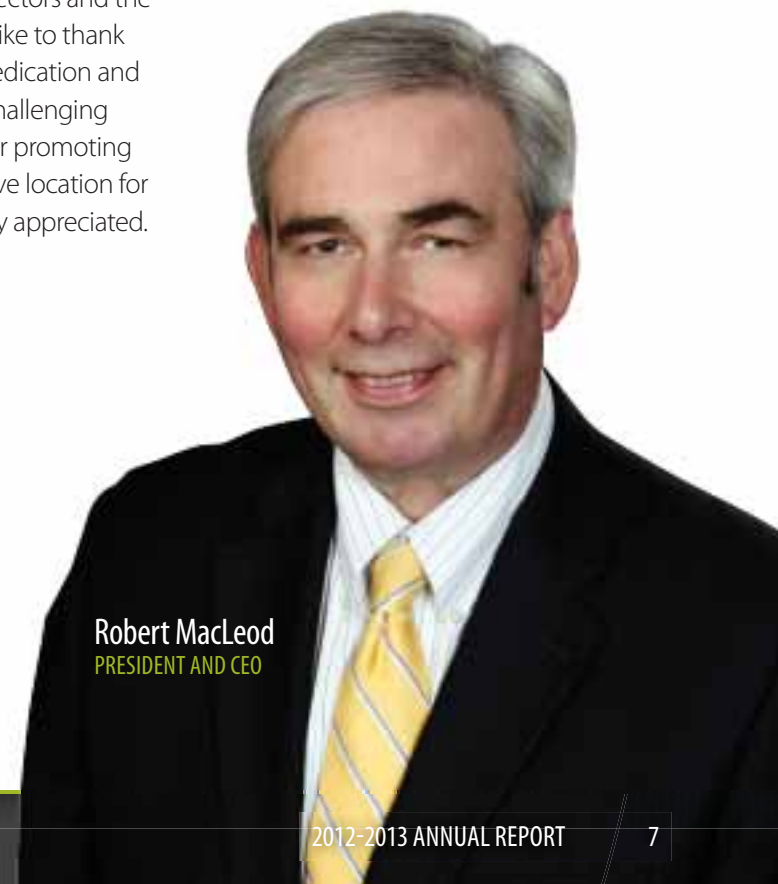
Warren O'Donnell, vice-president, customer care Genesys Laboratories Canada Inc.

"The centre of competence is a milestone for Siemens from a global perspective and it represents our commitment to furthering research and development and deployment of smart grid technologies in Canada."

Robert Hardt, president and chief executive officer Siemens Canada

Invest NB is driven by performance and results and our team is moving confidently towards meeting our corporate goals with continued intensity and urgency. We are appreciative of the support we receive from our partner network of government departments and agencies, academic institutions, sector councils, private industry, and others. These partners are as committed to the growth and success of New Brunswick as we are, and we will continue to call upon their expertise and assistance to achieve our results.

On behalf of the Board of Directors and the Leadership Team, we would like to thank the Invest NB staff for their dedication and ongoing commitment in a challenging environment. Your passion for promoting New Brunswick as an attractive location for business investment is greatly appreciated.



Robert MacLeod
PRESIDENT AND CEO

Investment Highlights 2012-13



Attracting investments New Brunswickers value is the vision that drives our day-to-day activities at Invest NB. We are proud to have invested in the following foreign-owned companies in 2012-13:

Bluedrop Performance Learning Inc., an innovator in workplace training for individuals, corporations, military personnel and the public sector, has committed to create 22 jobs over four years for its new CoursePark in Miramichi.

Bluedrop is also committed to adding 30 jobs over two years in Fredericton to support various contracts including aerospace training courseware.

Canadian Blood Services is a national organization that manages the blood supply in all provinces and territories outside of Quebec. CBS is committed to establishing a national supply centre with 50 employees in Saint John.

Co-operators General Insurance Co., a Canadian-owned co-operative with more than \$35 billion in assets under administration, has committed to create up to 25 jobs in 2013 as it establishes its new agency contact centre in Moncton.

Cormer Defense, part of Cormer Group Industries, which has served the global defence industry since 1989, has committed to create 80 jobs over five years at its new facility in Miramichi.

FFG Canada, an international joint-venture company between Industrial Rubber Company Ltd., and German defence firm FFG Flensburger Fahrzeugbau Gesellschaft mbH, has committed to create 26 new jobs in Bathurst in 2013. The company has a military contract to convert and test armoured engineered vehicles.

Genesys Laboratories Canada Inc., a leading provider of customer service and contact centre software and services with more than 2,000 customers in 80 countries, has committed to create up to 30 additional full-time jobs over four years at its customer care centre in Saint John.

Greenenergy Fuels Canada Inc., owned by the United Kingdom-based Greenenergy International, established its North American headquarters in Saint John and has committed to create up to 10 full-time positions over two years in its first phase of development.

IMP Customer Care, division of IMP Group International Inc. expanded its Bathurst center and committed to create 20 new insurance positions in 2013. IMP Group delivers solutions to customers in aerospace, aviation, airline, healthcare, industrial marine, information technology, hospitality, and property development.



Knocean Foods Ltd. is building a new seafood value-added processing facility in Scoudouc, which will result in export sales and a plan to create up to 25 full-time jobs over two years.

Premier Tech Horticulture Ltd. is establishing a modern value-added peat moss processing facility in Rexton with a plan to create 32 incremental full-time equivalent positions over the next six years.

Siemens Canada, a global leader in innovation, has committed to create up to 25 scientific and technical jobs over four years at its newly established North American research and development facility in Fredericton. The agreement also includes support for the equivalent of up to eight full-time positions in Siemens Canada's delivery facility at the same location.

The Tire Recycling Atlantic Canada Corporation (TRACC), which manufactures and exports roof shingles, has committed to create 25 jobs in 2013 as it expands its operations in Minto.

Xplornet Communications Inc., Canada's largest rural broadband provider, has committed to create 55 full-time jobs in 2013 at its customer care centre in Fredericton.



Siemens Canada, a global leader in innovation, pledged to create up to 25 scientific and technical jobs at its newly established research and development facility in Fredericton at a news conference on January 31, 2013.

From left: Invest NB chief executive officer Robert MacLeod; Economic Development Minister Paul Robichaud; Premier David Alward; Siemens Canada chief executive officer and president Robert hardt; Energy Minister Craig Leonard; and NB Power chief executive officer Gaetan Thomas.

Invest NB measures the success of its efforts using the following key performance indicators:



- GDP created from investments
- Return on Taxpayer Investment
- Capital expenditures from investments
- Number of new investments
- Direct employment from investments
- Average salary for new jobs created



Invest NB is focused on attracting investment that contributes to New Brunswick's GDP and delivers a positive ROTI. The goal of economic development is to increase the tax base in New Brunswick and fund needed public services.

For the purposes of internal performance measurements and annual reporting, Invest NB monitors all agreements with its clients on a quarterly basis for status and compliance. All performance measurements used by the corporation are based on actual results from client agreements at time of reporting.

None of the loans issued by Invest NB have defaulted.



2011-2013 Results (Year One and Two)

\$212.3 million
contributed to
New Brunswick's GDP

137% of
target achieved

Invest NB has returned
\$2.06 for every
taxpayer dollar invested

141% of
target achieved

\$67 million in capital
expenditures

176% of
target achieved

25 new investments
created

100% of target
achieved

1,366
jobs created

82.8% of job creation
target achieved

\$36,357
average salary

93% of average salary
goal achieved

Invest NB Corporate Scorecard of Key Performance Indicators

Invest NB measures its results using a corporate scorecard of key performance indicators that assesses the economic impact of the corporation on the New Brunswick economy. It also uses a variety of internal measures to assess its productivity and attention to customer service.

2012-2013			Two year cumulative result on three year plan 2011-2013		
Performance Indicator	Targets	Results	Targets to Date	Results to Date	% of Targets Achieved
Contribution to GDP	\$109 million	\$136.8 million	\$155 million	\$212.3 million**	137%
ROTI for every taxpayer dollar invested	\$1.70	\$2.23	\$1.46	\$2.06	141%
Capital Expenditures	\$26 million	\$35 million	\$38 million	\$67 million	176%
# of New Investments	15	14	25	25	100%
Direct Employment	1,150	677	1,650	1,366	83%
Average Salary	\$40,000	\$38,296*	\$39,200	\$36,357	93%

* Average individual income for New Brunswick per Statistics Canada 2010 was \$26,610

** Invest NB has restated last year's GDP based on a refined measurement. Invest NB now estimates each investment project's GDP contribution based on employment income using Statistics Canada's Provincial Input-Output Tables

2011-2014 Performance Measurement Plan

The following table shows the main outcome-based measurements that are tracked on an annual basis (April 1 to March 31) and reported to the board of directors and to the public through the annual report.

Performance Indicator	Base Year 2012	Plan 2013 (Current Year)	Plan To Date	Plan 2014	Combined 2012-2014 Totals
Contribution to GDP	\$46 million	\$109 million	\$155 million	\$138 million	\$293 million
ROTI	\$1.07	\$1.70	\$1.46	\$2.40	\$1.90
Capital Expenditures	\$12 million	\$26 million	\$38 million	\$47 million	\$85 million
# of New Investments	10	15	25	20	45
Direct Employment	500	1,150	1,650	1,400	3,050
Average Salary	\$37,500	\$40,000	\$39,200	\$43,000	\$42,000
Impaired Loan Ratio	5%	8%	33%	8%	33%

The Invest NB Board of Directors

The Invest NB Board of Directors is comprised of senior executives selected on the basis of their essential competencies and their experience developing international markets. Other factors include gender, linguistic and regional representation and location in and out of province.

The Board administers the business and affairs of Invest NB, with all decisions and actions based on sound business practices, as outlined in the *Invest New Brunswick Act*. The Invest NB corporation reports to the Legislature via the Minister of Economic Development. The Board consists of the President and CEO, the Deputy Minister of Economic Development and not fewer than eight and no more than 10 other members.

Denis Losier, Chairman

President and CEO
Assumption Life
Moncton, NB

James Baumgartner

President and CEO
Moneris Solutions Corporation
Toronto, ON

Helena Cain, Vice Chair

Vice-President, Customer Care
Bell Aliant
Saint John, NB

Dr. Eddy Campbell

President and Vice-Chancellor
University of New Brunswick
Fredericton, NB

Michael J. Campbell

Vice-President and General Counsel
McCain Foods Limited
Florenceville, NB

René Collette

Director
Financial Business Centre
Caisses Populaires Acadiennes
Moncton, NB

Lily Durepos

President
Alliance Insurance
Grand Falls, NB

Martin LeBlanc

President and CEO
Caprion Proteomics
Montreal, QC

Bill Levesque

Deputy Minister
Department of Economic Development
Fredericton, NB

Robert MacLeod

President and CEO
Invest NB
Fredericton, NB

Denis Mallet

Assistant General Manager
Sun Gro Horticulture Canada
Inkerman, NB

Jeffrey Mitchell

Head of Research
Global Asset Allocation
Fidelity Investments
Boston, MA

Committees of the Board 2012-13

In 2012-2013 the Invest NB Board of Directors and the Executive Committee of the Board met 14 times.

Executive Committee

Denis Losier, Chairman
Bill Levesque
Robert MacLeod
Helena Cain
Lily Durepos
Michael J. Campbell
René Collette



Audit Committee

René Collette, Chairman
Denis Mallet
James Baumgartner



Lead Generation Committee

Denis Losier, Chairman
René Collette

Our Partner Network

Provincial Partners

Coastal Zones Research Institute
Collège communautaire du Nouveau-Brunswick
Conseil économique du Nouveau-Brunswick
Enterprise Agency Network
Future NB
Private sector employers in New Brunswick
New Brunswick Business Council
New Brunswick's industry and sector councils for aerospace and defence, bioscience and information and communications technology
New Brunswick Community College
New Brunswick Innovation Foundation
Université de Moncton
University of New Brunswick

Federal Partners

Atlantic Canada Opportunities Agency
Canadian Consulates
Foreign Affairs and International Trade Canada

Provincial Government Partners

Department of Economic Development
Executive Council Office
Department of Agriculture, Aquaculture and Fisheries
Department of Energy and Mines
Department of Environment and Local Government
Department of Finance
Department of Natural Resources
Department of Post-Secondary Education, Training and Labour
Department of Tourism, Heritage and Culture





AUDITOR GENERAL OF NEW BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Invest New Brunswick

I have audited the accompanying financial statements of Invest New Brunswick, which comprise the statement of financial position as at March 31, 2013, the statement of operations 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 Invest New Brunswick as at March 31, 2013 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Kim MacPherson, CA
Auditor General

Fredericton, N.B.
June 27, 2013

5th Floor, HSBC Place
P.O. Box 758
Fredericton, NB E3B 5B4

Financial Statements

Statement of Financial Position

As at March 31, 2013

Financial Assets	2013	2012
Due from Province of New Brunswick	\$ 5,843,922	\$ 913,220
Loans Receivable (Note 6)	10,242,243	14,646,480
Total Financial Assets	16,086,165	15,559,700
Liabilities		
Accounts Payable and Accrued Liabilities (Note 9)	839,124	562,069
Due to Province of New Brunswick (Note 12)	15,250,000	15,000,000
Total Liabilities	16,089,124	15,562,069
Net Debt	(2,959)	(2,369)
Non-Financial Assets		
Prepaid Expenses	2,959	2,369
Accumulated Surplus	\$ -	\$ -

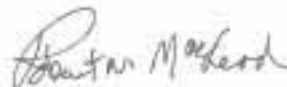
Contingent Liabilities (Note 8)

Commitments (Note 11)

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



Denis Losier
Chair - Board of Directors



Robert N. MacLeod
President and Chief Executive Officer

Statement of Operations

For the year ended March 31, 2013

Revenue	Budget 2013	2013	2012*
Province of New Brunswick	\$ 13,723,000	\$ 9,070,735	\$ 3,437,692
Loan Interest (Note 5)	914,000	620,198	262,929
Total Revenue	14,637,000	9,690,933	3,700,621
Expense			
Administration	4,137,000	3,432,500	2,914,156
Strategic Assistance	10,000,000	1,258,433	786,465
Provision for Doubtful Loans (Note 6)	500,000	5,000,000	-
Total Expense	14,637,000	9,690,933	3,700,621
Annual Surplus	\$ -	\$ -	\$ -

* Financial year 2011-2012 represented 10 months from June 16, 2011 to March 31, 2012
 The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

March 31, 2013

1. Invest New Brunswick - Nature of Operations

Invest New Brunswick's ("Invest NB") mandate is to:

- a. aggressively promote New Brunswick as an attractive location for investment;
- b. identify and pursue opportunities for strategic and commercially viable investment in New Brunswick;
- c. negotiate and provide financial assistance when required and as appropriate to secure such investments; and
- d. prudently manage its portfolio of investments.

The *Invest New Brunswick Act* was proclaimed and came into force June 16, 2011.

2. Summary of Significant Accounting Policies

General

These financial statements are prepared by management in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board. Invest NB has adopted the accounting standards contained in PS 1201 – *Financial statement presentation*, PS 3450 – *Financial instruments*, and PS 3410 – *Government transfers* in the preparation of these financial statements. The impact of these accounting standards is not significant, affecting only disclosures in the notes to the financial statements. The financial statements of prior periods, including comparative figures, have not been restated.

The 2012 comparative figures in the Statement of Operations only cover the 10 months period from June 16, 2011 to March 31, 2012 as this was the first year of operation of Invest NB.

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.

Tangible Capital Assets

Invest NB has adopted the policy of expensing capital assets acquired with an individual value of \$25,000 or less. Accordingly, there are no tangible capital assets to record or amortize.

Revenue and Receivables

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

Pension Expenses

Regular employees of Invest NB are covered by the Public Service Superannuation Plan of the Province of New Brunswick ("the Province"). The superannuation plan is a defined benefit plan under which contributions are made by both the Province and the employees. Refer to Invest NB Expenses Paid by Other Parties note below for further information.

Invest NB Expenses Paid by Other Parties

Employer costs such as Pension contributions (\$170,800) and Canada Pension Plan (\$65,400) are paid and expensed by the Province on behalf of Invest NB. Retirement allowance expenses and sick leave liability, if any, are accounted for by the Province. These expenses and the related asset/liability balances are not presented in these financial statements. Under the agreed operating terms of Invest NB, these benefit plan balances will remain obligations/assets of the Province and will not be assumed by Invest NB.

Financial instruments

Financial instruments consist of cash equivalents, loans receivables, accounts payable and accrued liabilities, and due to Province of New Brunswick.

Financial instruments are recognized at fair value, plus any directly attributable transaction costs, when Invest 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 Invest NB has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

Invest NB classifies its financial instruments in the following categories:

a. Cash Equivalents

Invest NB continues to use the Province bank account and the amounts noted in the financial statements as Due from Province of New Brunswick are classified as cash equivalents. Fair value is assumed to represent the carrying value, which is historical cost.

Notes to the Financial Statements

March 31, 2013

b. Loans receivable

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 allowances on the loans where management estimates amounts may be uncollectable in the future.

c. Accounts payable and accrued liabilities, and due to Province of New Brunswick

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.

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 loan provisions, 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

Invest NB does not record Harmonized Sales Tax (HST) in its financial statements because all HST paid is reimbursed to the Province.

Government Transfers

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

Government transfers are recognized in Invest NB's financial statements as expenses in the period the events underlying the transfer occurred, as long as the transfer is authorized and eligibility criteria have been met. Government transfers are comprised of strategic assistance.

Forgivable Loans

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

Allowances

Allowances are established for loans and loan guarantees. An annual review is performed on loans and loan guarantees and a provision is made, which reflects management's best estimate of probable losses.

Concessionary Loans

Loans that are concessionary because they earn a rate of return lower than the Province's borrowing rate are originally recorded as assets at the net present value of the expected future cash flows. The net present value is calculated at each year end using the Province borrowing rate at the time the loan was issued.

Concessionary Loan Interest

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

3. Statement of Cash Flows, Changes in Net Debt, and Accumulated Surplus

A Statement of Cash Flows, a Statement of Changes in Net Debt, and a Statement of Accumulated Surplus have not been prepared as the required information is readily apparent from the other financial statements.

4. Related Entity Transactions

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

Certain services are provided by departments in the normal course of operations and are recorded in these financial statements.

Invest NB is economically dependent on the Province. During the fiscal year, Invest NB received funding of \$9.1 million from the Province. Invest NB uses an office for which rent is paid by the Province. The Province also provides certain other services, such as legal services, accounts payable and payroll services.

5. Loan Interest

	2013	2012
Amortization of concessionary loan interest	\$ 357,658	\$ 262,929
Loan Interest	262,540	-
	\$ 620,198	\$ 262,929

Notes to the Financial Statements

March 31, 2013

6. Loans Receivable

	2013	2012
Concessionary Loan – Face value	\$ 15,250,000	\$ 15,000,000
Less: Interest free portion of concessionary loan	11,895	857,576
Plus: Amortized interest free portion into revenue	4,138	504,056
	\$ 15,242,243	\$ 14,646,480
Less: Provision for doubtful loans	5,000,000	-
Loans receivable	\$ 10,242,243	\$ 14,646,480

7. Risk Management

An analysis of significant risk from Invest 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. Invest NB manages this exposure through credit approval procedures for loan applicants and the monitoring of payments from debtors. Invest NB's maximum exposure to credit risk at March 31, 2013 is equal to the loans receivable balance of \$10,242,243. Credit risk is not disbursed as there are only two debtors included in the loans receivable balance.

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. Invest NB repays the Province when debtors make loan repayments, therefore if a debtor fails to meet their obligations, Invest NB may be unable to repay the Province.

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. Invest 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 Invest NB.

8. Contingent Liabilities

Invest 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.

9. Accounts Payable and Accrued Liabilities

	2013	2012
Regular accounts payable	\$ 164,158	\$ 325,356
Salary and benefits	1,500	1,000
Vacation liability	61,983	62,713
Grants and contributions	20,193	-
Strategic assistance	591,290	173,000
	\$ 839,124	\$ 562,069

10. Expenses by Object

	2013	2012
Personal services	\$ 2,207,700	\$ 1,611,008
Other services	1,118,219	1,176,542
Materials and supplies	21,209	37,201
Property and equipment	64,219	54,697
Grants and contributions	20,910	34,708
Bad debt and other charges	5,000,243	-
	8,432,500	2,914,156
Strategic Assistance	1,258,433	786,465
	\$ 9,690,933	\$ 3,700,621

Notes to the Financial Statements

March 31, 2013

11. Commitments

The following amounts have been committed subsequent to March 31, 2013 for Strategic Assistance agreements.

Year ending March 31	Commitment
2014	\$ 5,756,979
2015	4,158,458
2016	4,649,249
2017	4,290,254
2018	2,779,623
2019	221,400
2020	18,750

Such commitments are subject to funds being approved by the Legislative Assembly of New Brunswick.

12. Due to Province of New Brunswick

Invest NB issues loans on behalf of the Province that are payable to the Province upon repayment by clients. The loans payable are calculated at face value, less repayments received each year.