



A word cloud centered around the word "quality". The words are in various sizes and orientations, mostly in shades of blue and green. The words include: validation, excellence, competence, confidence, audit, ISO, certification, continuous improvement, training, method, calibration, assurance, repeatability, control chart, process, safety, standard, SOP, proficiency test, assessment, records, documentation, and competence.

validation
excellence
competence
confidence
audit
ISO
certification
continuous improvement
training
method
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assurance
repeatability
control chart
process
safety
standard
SOP
proficiency test
assessment
records
documentation
competence

ANNUAL REPORT

2015/2016

rpc
SCIENCE & ENGINEERING

STRATEGIC PLAN 2015-2020

RPC'S VISION STATEMENT

The Research and Productivity Council (RPC) will excel in scientific services and technological innovation, enabling our partners in business and industry to create wealth and high quality employment opportunities.

RPC'S MISSION STATEMENT

Our mission is to assist business and industry to develop and apply innovative technology, and to provide specialized laboratory-based technical services.

CORPORATE VALUES

RPC conducts business with the following core values:

Safety: RPC is committed to providing a safe work environment.

Quality: RPC is committed to quality in the work we perform.

Service: RPC is client-focused and committed to assisting clients to the best of our ability.

Respect: RPC is committed to treating clients, employees, and suppliers with respect and fairness.

QUALITY

AN RPC VALUE BACKED UP WITH ACCREDITATION

We often hear from our clients that RPC is “the best”; the go to place when you want results you can be confident in. This is a well-earned reputation that is rooted in our culture, a culture of quality and one we back up with comprehensive quality systems.

RPC holds extensive accreditations, starting with the ISO 9001:2008 which defines our business operations. Our ISO 9001 registration is with SAI Global. We are also ISO 17025 accredited; our extensive scope of accredited parameters is listed on the Standard Council of Canada's website. Additionally, we are certified by the Canadian Welding Bureau CSA Standard W178.1.



During an assessment, all the inputs necessary for producing quality data are examined, including:

- technical competence of staff including training records,
- validity and appropriateness of test methods,
- suitability, calibration and maintenance of test equipment,
- quality assurance of test and calibration data, and
- records and documents.

The on-site assessment process assures that the laboratory is capable of producing accurate, traceable and reproducible data. Accreditation enhances the confidence in test results, making it a logical requirement for data influencing important decisions. Accreditation is black and white; you either have an accreditation or you do not.

You can verify if a lab is accredited by checking with the accrediting body. Their website will list if the lab is accredited and what parameters/tests they are accredited for. You can check RPC's scope at: http://palcan.scc.ca/specs/pdf/28_e.pdf

Accreditation is an ongoing, active part of our business operations. Our competence is assured via training, standard operating procedures, internal audits, an on-site assessment process and participation in applicable proficiency testing programs.

STRATEGIC CORPORATE OBJECTIVES

Strategic objectives have been derived from the mission statement to reflect stakeholder input and the needs of the organization. The objectives are targets intended to challenge the organization and provide a basis for planning. The strategic plan has been endorsed by RPC's board of directors and defines the direction for the organization.

The strategic plan includes a description of the process, summary of inputs and results, objectives, rationale, measures, and preliminary actions. The objectives have been developed to be specific, measurable, actionable, realistic and timely (SMART).

Revitalization:

Position the Organization to Serve its Mandate

RPC's mandate is to be a leading authority and service provider for scientific services and research and development. To achieve this, we must have qualified people, leading edge equipment, and world-class facilities.

RPC will continue to invest in human capital including both succession hiring and strategic hiring to provide for new capabilities.

RPC's revitalization plan includes renewal, meaning increased annual capital spending on equipment replacement, and facilities maintenance. Much of the building infrastructure is approaching 50 years old and requires increased attention. RPC will commit up to \$1 million annually for capital improvements.

RPC will also be pursuing a revitalization project. This will build on our existing capabilities to provide increased capability and capacity. The last significant revitalization was a \$20 million project during 1987-1990.

Pursue Growth Opportunities

RPC's services must continue to evolve to remain relevant to industry.

As a provincial research organization (PRO), growth includes expansion of service offerings, modernizing of methods, obtaining accreditations, acquiring of expertise, acquiring of modern instruments and equipment, and developing appropriate labs and facilities. Growth is pursued with the objectives of better serving our clients and sustainability of RPC.

Three types of growth will be considered, with the primary focus on organic growth:

- a. Organic Growth: Core growth that involves expanding our service offerings, gaining a new accreditation, or offering a new service line.
- b. Acquisition: This is a rare opportunity that would involve a chance to acquire a private or perhaps public organization that fits with RPC's mandate.
- c. Expansion: This would be the opening of a new site or a new facility.

Communications and Business Development

Business development and communication is an on-going challenge for all businesses and RPC is no exception. Our plan is to build on our success through continuous improvement and new initiatives.

With continuous improvement, we will assess RPC's business development activities, and invest as necessary. Improvements will be made to our website, social media, trade show participation and tools, industry association involvement, and internal communications.

New initiatives may include sales and communications training, software tools, expanded social media use, and a competitive intelligence initiative.

Operational Excellence

Continue to develop business systems and processes to operate efficiently and effectively. Given the low government support environment, operating in a virtually self-sustaining mode will be a near term goal.

Expected tactics will include assessing and reviewing ERP/LIMS, developing and advancing a facility maintenance plan, sustaining our safety culture, investing in tools and training for human resource management, continuous improvement of quality systems, and building on RPC's board function, governance and oversight.

Corporate Social Responsibility

RPC will build on its well-earned reputation as a good corporate citizen, giving back to the community and complying with laws and regulations. Our goal is to have a positive impact on the community beyond our core operations.

Initiatives will include meeting our United Way contribution goals, sustaining fundraising efforts for the Fredericton Food Banks, encouraging employee-led charity initiatives, and continuing to expand our recycling initiatives.

FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

This was another excellent year of growth and investment for RPC. Our sales revenue grew to exceed \$10.3 million. We invested \$1.7 million in capital improvements. We served 1031 clients, which is a growth of 3%. We added new capabilities such as our automation lab and improved others such as our air quality lab. Costs were fully recovered, and we had a modestly positive net income (see *Consolidated Statement of Operations*, p. 14). RPC is a not-for-profit crown corporation, however a positive net income allows for replenishment of capital. This performance was achieved despite a stalled economy, and a global slump in key resource sectors including mining and energy.

Clients are counting on RPC because of our quality results and exceptional service (see *text box*, p. 2). During the year we had successful audits from SAI Global, Standards Council of Canada, Health Canada and others. A consistent observation is our employee's professionalism, cooperation and commitment to quality. All New Brunswickers can be proud of RPC.

Innovation continues to be a core component of RPC's mandate. There are numerous success stories but none better than that of an Iranian immigrant who RPC helped demonstrate his technology which went on to win an international Open Innovation Challenge sponsored by Statoil and General Electric (see *text box*, p. 9).

Another excellent example of innovation resulted in the engineering team winning the RPC merit award (see *RPC Merit Award*, p. 8). Details on this project are being withheld to protect the resulting intellectual property.

A third innovation success is RPC being selected for an international project led by the Natural History Museum in London (see *text box*, p. 10). The project focuses on cobalt, a strategic metal. RPC was asked to contribute expertise in bioleaching, an area where we are global leaders. Bioleaching utilizes bacteria to liberate minerals, displacing the traditional chemical techniques. We are proud that New Brunswick cleantech is recognized as the best in the world.

RPC's renewal program continued during the year with investments in new equipment and facilities. We are increasing capacity, functionality and capabilities with these investments.

RPC staff contributed to the government's strategic program review (SPR) seeking savings for government. We participated in a review of non-medical laboratory services.

THE OUTLOOK

These are exciting times for RPC as we continue our renewal efforts and develop our revitalization plan. Our board has approved a renewal effort supported with a commitment to invest \$1 million annually in facilities and equipment. The revitalization plan is more substantial with a \$40 million project in the conception stages.

All levels of government recognize the significance of innovation for economic performance. Increasingly, there is recognition for the significance of business-led innovation, RPC's *raison d'être*.

RPC is also part of a Strategic Program Review project announced in the February 2016 budget. This project is to see the reduction of duplication of non-medical laboratory services to result in savings estimated at up to \$600,000 annually.

While the economic outlook in New Brunswick and Canada is weak, there is reason for optimism. New opportunities such as the medical marijuana market and planned infrastructure spending present opportunity for RPC. There is some early signs of recovery in the mining sector, at least for certain minerals, and RPC will benefit when that sector recovers. Despite weak GDP forecasts, RPC has continued to grow in this climate. With the renewal and revitalization efforts, we are confident this trend will continue.

NOTES OF APPRECIATION

We are grateful for the loyalty and trust of over 1000 clients placed in RPC during the past year. Our quality surveys are consistently positive, with two ranking us 10 on a scale of 5 for customer satisfaction. This is a direct reflection of the dedication of our employees who are competent, professional and client focused.

We continue to enjoy productive relationships with agencies that are committed to advancing the New Brunswick economy including the Regional Development Corporation, the New Brunswick Jobs Board, the New Brunswick Innovation Foundation (NBIF), the Industrial Research Assistance Program (IRAP), Genome Atlantic and the Atlantic Canada Opportunities Agency (ACOA). Of note is the contribution from ACOA that has helped our renewal efforts.

Our volunteer board of directors enthusiastically support RPC, and selflessly share their expertise (see *RPC Board of Directors*, p. 10) helping to make RPC a professional organization that is effectively and efficiently serving its mandate.

Our goal is clear. We want to achieve our founders' vision for RPC to be New Brunswick's 'Epicenter of Innovation'. We are making excellent progress towards this goal.



Lee H. Corey
Chairman



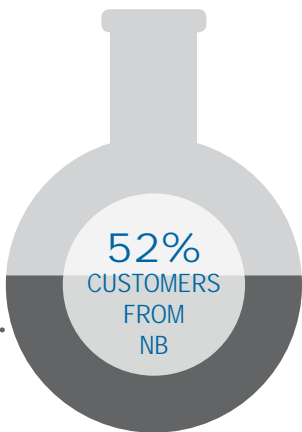
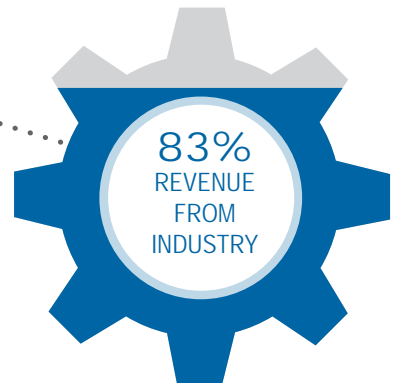
Eric Cook, P.Eng., MBA
Executive Director/CEO

+10 million
TOTAL REVENUE



\$ 1.7 million

INVESTED IN
CAPITAL ASSETS



100%
COST RECOVERY

96 HQP
HIGHLY QUALIFIED PERSONNEL



+100
ACCREDITATIONS
& CERTIFICATIONS

Over 1000 customers in more than 30 countries!



ANNUAL PLAN GOALS FOR 2015-2016

RPC's Annual Plan for 2015-2016 is a subsidiary document to the Strategic Plan 2010-2015. The Annual Plan cross references the strategic corporate objectives and is endorsed by the board of directors.

Progress achieved regarding **Corporate Objectives** identified in the 2015-2016 Annual Plan is summarized below.

I. Produce a positive net income, evaluate growth opportunities.

This objective was partially achieved. Financially, RPC finished with a positive net income (see *Consolidated Statement of Operations*, p. 14) but did not meet our targeted net income. We grew capacity, market share and capability of existing and new service lines. We continued to utilize innovation funding programs such as the Industrial Research Assistance Program (IRAP) and NBIF to assist small and medium-sized enterprises (SMEs).

Challenging economic conditions continued in New Brunswick with GDP reported as stagnate or slightly negative. However, RPC grew our revenue by \$360,000, or about 3.5%. The downturn in the mining sector persisted, having a direct impact to our minerals and industrial processing group and indirect on our environmental analytical services.

The Revenue Sources Profile (Chart 1) illustrates that the bulk of RPC's sales revenue (82%) continues to come from industry. Revenue from federal contracts was just over 6%, our second most significant source of revenue. Revenue from the provincial government grew representing \$313,918 in sales revenue, about 3.0% of total sales.

The Clients by Location (Chart 2) illustrates that 531 of RPC's 1031 clients (51.5%) were from New Brunswick. Other clients were regional (21.5%), national (23.5%) and international (3.5%). These results are consistent with performance in recent years.

RPC's expertise attracted 500 clients from outside New Brunswick, including 34 international clients. Our export revenue (outside New Brunswick) is a crucial component of our sustainability and contributes to the provincial economy.

As illustrated in **Chart 3, Clients Served by Revenue**, RPC exported nearly \$4.8 million of services from the province, helping to create and maintain employment opportunities for highly skilled personnel in New Brunswick. This is up from \$4.5 million last year and accounts for the growth in sales revenue. International exports were just \$461,000, about half the values we expect when the mining sector is booming.

As detailed by the analysis above and the results presented in the financial statements presented in this report, the objective of producing a profitable result was fulfilled, but RPC fell short of the targeted \$213,700 net income. RPC is a not for profit operation, however we target positive net income to replenish our capital needs. We are proud that this is the thirteenth successive year of profitable performance.

CHART 1: REVENUE SOURCES PROFILE

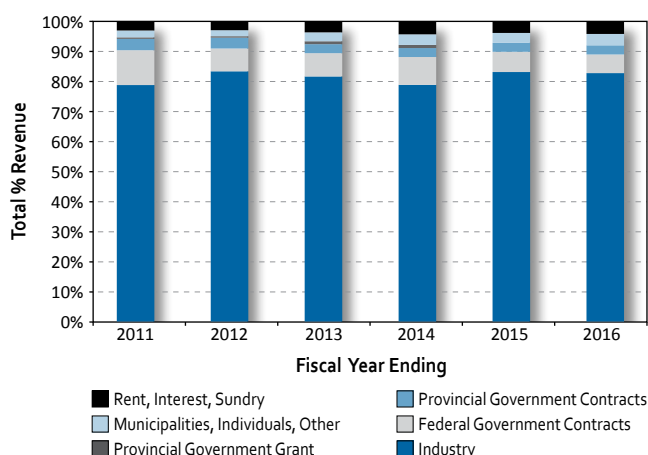


CHART 2: CLIENTS BY LOCATION

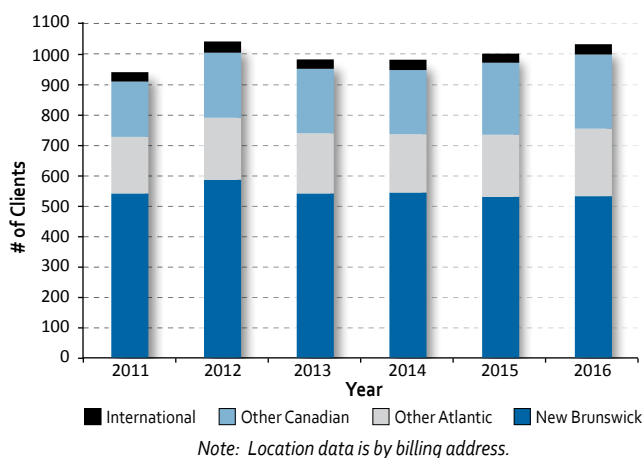
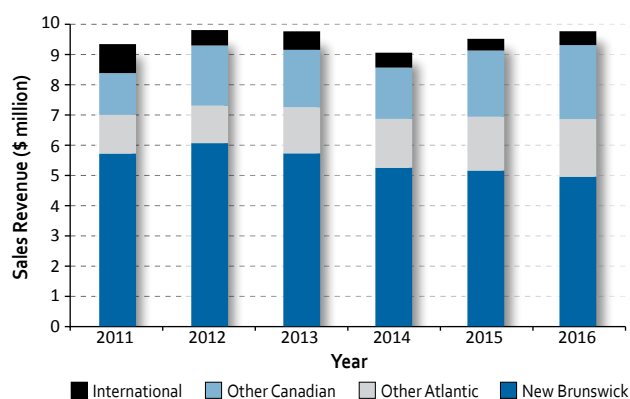


CHART 3: CLIENTS SERVED BY REVENUE



II. Develop a facility maintenance plan and begin executing priorities.

Much of RPC's laboratory space is 50 years old, with the newest part now over 25 years old. Facility maintenance is an ongoing need and our objective is to proactively plan for it. A plan has been developed and prioritized. Execution of the plan is ongoing and will continue for several years. Significant facility improvements in the last year include a new roof on the main engineering building, new electrical entrance and panels, and new windows. We have also renovated both the air quality and automation labs.

III. Business development.

Business development is an ongoing need with changing market conditions. There was good progress on this objective. We added new clients by accessing new markets and promoting new services. We remain active in industry groups, serving as board and committee members. We accessed funding programs for both RPC and our clients. We have further developed our relationships with New Brunswick clients completing a number of site visits. We completed a sales lead training program and we will be launching an updated website in 2016.

IV. Operations improvements.

Excellent progress was made on this objective. We identified and implemented cost saving opportunities via a shipping review. We completed some energy saving initiatives. A comprehensive insurance review was completed and implemented and a revitalization concept was developed and shared. We also made changes in senior management to increase both capacity and competency.

V. Corporate social responsibility.

This objective was achieved and is ongoing. Our primary corporate charity is the United Way and we surpassed our fundraising goal. Employees have also supported the Fredericton area food banks and did so again this year with both cash donation and donation of food items.

We supported some community activities, such as the Canada Wide Science Fair which was held in Fredericton. We also supported employee-led charitable efforts such as the Run for the Cure.

INNOVATION WEEK

PREMIER GALLANT TOURS RPC

During Innovation week in May, Premier Brian Gallant toured RPC, to learn about the innovation ongoing at New Brunswick's research and technology organization (RTO). The tour included an overview of RPC's comprehensive analytical labs as well as some examples of RPC's business-led research projects, a specialization of RPC.

RPC was created in 1962, joining a network of RTOs across the country. RPC's expertise includes environmental chemistry which is critical to support natural resource development, aquaculture with specialization in fish health, industrial process development including support for the mining sector, and specialized engineering services in support of the manufacturing, food processing and energy sectors. Premier Gallant was shown examples of successes in all these areas. During the tour, Premier Gallant enjoyed meeting and interacting with many of RPC's 96 scientists, engineers, technologists and support staff.





Merit Award Team Members:

*Back (L-R): Steve Holmes, Ben Forward, Troy Young, John Aikens, John King
Front (L-R): Scott Sanford, Brian Bell, Melanie Lalonde, Chris Davenport*

2015-2016 RPC MERIT AWARD

Each year an individual or team of individuals who are responsible for a substantial achievement at RPC and are recognized with a merit award. The 2015-2016 merit award is presented to the team who developed and manufactured a Automated Laboratory Workcell*.

This project is an excellent example of how RPC can complete complex objectives utilizing modern technology and a cross functional team including close collaboration with the client.

The challenge was to automate a labour intensive biotech process within a tightly controlled environment. This was not a standard automation project. The solution required complex research,

advanced industrial design, robotics, and machine vision. The Engineering Services team developed the complete process, detailed the design, manufacturing and testing of the prototype machine. After successful testing, operator training, machine installation and commissioning at the client's site were completed.

The 'prototype' was assembled and put into full production in December 2015, exceeding targeted first year production rates. An ideal example of industry-driven innovation, the RPC team delivered.

**Project details have been excluded to protect the resulting intellectual property*

2015-2016 EMPLOYEE CAREER MILESTONES

Each year, RPC recognizes employee service milestones for 5-year increments.

5 Years	Michael Lawlor Lisa MacLellan Steve Holmes
10 Years	Jodi Buckingham Ben Forward Matt Ness
15 Years	Cathy Hay
20 Years	John Speelman
25 Years	Bev Byers Kirk Kierstead Theresa Logan Stacey Munn Krista Skinner Troy Young
30 Years	Brian Bell

RPC SENIOR MANAGEMENT TEAM

(as of June 1st, 2016)

Executive Management

Eric Cook, Executive Director/CEO
Adele Levesque, Chief Financial Officer
Steve Holmes, Director of Operations
Martin Connors, Acting Chief Financial Officer

Department Heads

John Aikens, Engineering Services
Dr. Ben Forward, Food, Fisheries and Aquaculture
Ross Kean, Inorganic Analytical Services
Bruce Phillips, Organic Analytical Services
Dr. Diane Botelho, Air Quality Services
Leo Cheung, Minerals and Industrial Services

LOCAL TALENT, GLOBAL EXCELLENCE

BIOPOLYNET WINS STATOIL - GE OPEN INNOVATION CHALLENGE

Biopolynet, a Fredericton company founded by Mostafa Aghaei, has developed an innovative product that makes fluid more viscous, thus increasing its ability to support a solid. It has application in reducing trucking requirements in onshore oil and gas operations.

Working with RPC, Biopolynet prepared a demonstration of the technology, videotaped it (available on RPC's YouTube channel) and submitted an application to a global innovation challenge sponsored by General Electric and Statoil. The submission was a winner! Biopolynet's technology was selected from over 100 applicants across 30 countries. The award includes a cash prize and an opportunity to pursue a larger pool of capital to further develop the technology.

The Open Innovation Challenge was launched by GE and Statoil with the goal to accelerate the development of environmentally and economically sustainable energy solutions. This joint technology-focused program is aimed at driving an industrial response to some of the biggest challenges facing global oil and gas development.

The project is an excellent example of how RTO's can assist with innovation process by providing support in demonstration and scale up of technology.


BIOPOLYNET



*Biopolynet and RPC team members (L-R):
Amy Brown, Leo Cheung, Mostafa Aghaei, Matt Ness,
Alma Zangeneh, Neri Botha*

BOARD OF DIRECTORS

(as of June 1st, 2016)

Lee H. Corey

Chairman
Founder, Corey Nutrition Company

Eric Cook, P.Eng.

Executive Director/CEO, RPC

Wayne Arsenault

CEO, Corey Nutrition

Jean Boudreau, P.Eng.

Senior Transportation Engineer, GEMTEC Ltd.

Dr. David Burns

Vice-President (Research), University of New Brunswick

Bill Levesque

Deputy Minister, Regional Development Corporation

Janet Gagnon

(Retired) Vice President, ACOA New Brunswick

Jeff Jennings

Owner, Strategic Direction

Daniel Laplante

Director of Operations, Enseignes Pattison Sign Group

Bernard Morin

President, Thermopak

Karen Murdoch

Director of International Business and Entrepreneurship Centre,
UNB

Shannon Farrell

Corporate Secretary

Adele Levesque

Treasurer

A NIGHT AT THE MUSEUM

RPC PART OF RESEARCH COLLABORATION LED BY THE NATURAL HISTORY MUSEUM

RPC is very pleased to be part of a collaborative research team led by the Natural History Museum in London, England. The project is titled, "CoG³: The Geology, Geometallurgy and Geomicrobiology of Cobalt Resources Leading to New Product Streams". Its principal investigator is Professor Richard Herrington, Head of Earth Sciences Department of the Natural History Museum, and is funded by the Natural Environment Research Council (NERC), leading funder of independent research, training and innovation in environmental science in the UK.

The collaborative team includes industrial partners such as Glencore, Brazilian Nickel, and eight academic partners. This project is focused on developing cobalt knowledge and technology with four work packages: 1) New Sources of Cobalt, 2) Natural Biogeochemistry of Cobalt, 3) Bioprocess, and 4) Improving the Cobalt Supply Chain. RPC will contribute to the project wherever asked, but our specialization lies in bioprocessing.

RPC's Executive Director, Eric Cook noted, "RPC has several decades of experience in bioleaching for the mining sector. We are proud that our innovative skills are recognized globally." Leo Cheung, Department Head for RPC's Mineral and Industrial Services will be participating on the technical advisory committee. "We are very excited to work with this impressive team and we look forward to contributing to this project," said Cheung.

The project, valued at over £2 million, involves eight academic institutions and seven industrial partners. Bioleaching, an expertise of RPC, is gaining in popularity as a greener mineral extraction process.

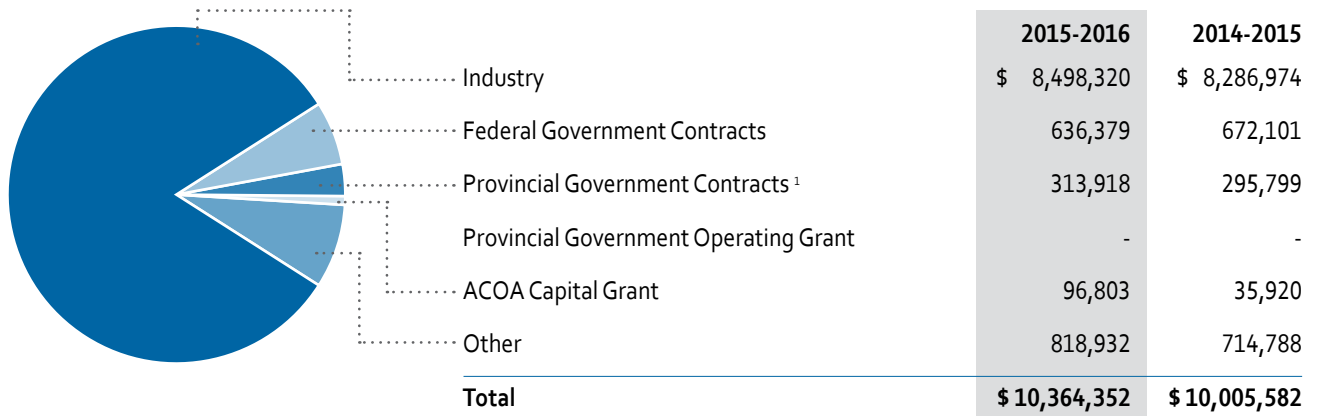


Cobalt

Geology, Geomicrobiology, Geometallurgy

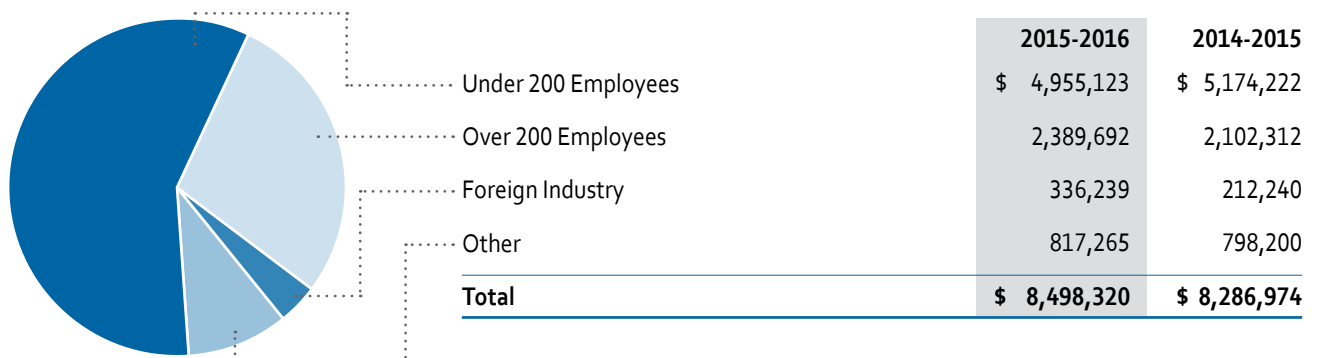
REVENUE HIGHLIGHTS

SOURCES OF REVENUE

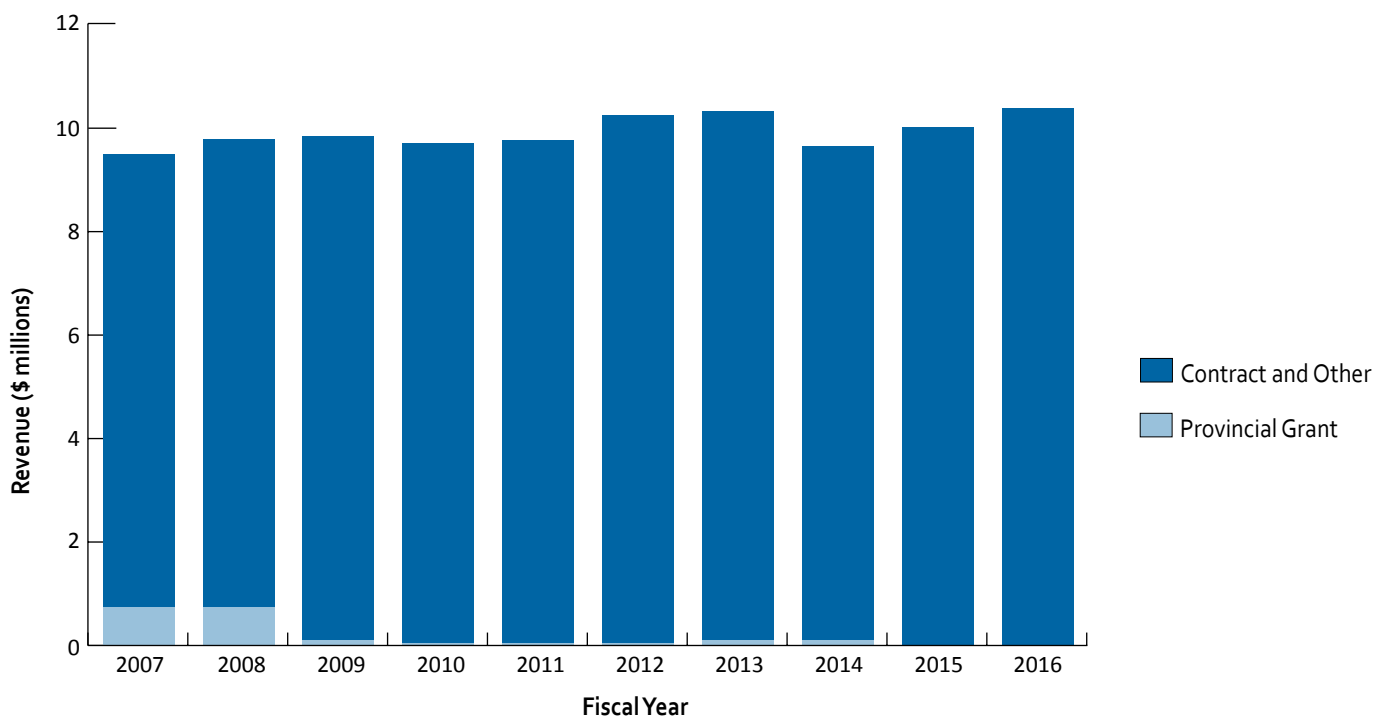


¹ Excludes provincial crown corporations such as NB Power.

DISTRIBUTION OF INDUSTRIAL REVENUE



TOTAL INCOME 2007-2016



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INDEPENDENT AUDITORS' REPORT

To the Premier of the Province of New Brunswick and the Chairman and Members of the New Brunswick Research and Productivity Council

We have audited the accompanying consolidated financial statements of the New Brunswick Research and Productivity Council, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the New Brunswick Research and Productivity Council as at March 31, 2016, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
June 29, 2016
Fredericton, Canada

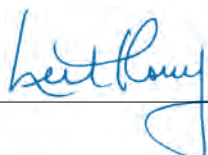
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

ASSETS	2016	2015
Current assets		
Cash	\$ 1,082,751	\$ 1,540,978
Accounts receivable	1,784,487	2,059,076
Work in progress	193,148	171,395
Prepaid expenses	93,450	95,305
	<u>3,153,836</u>	<u>3,866,754</u>
Investments (Note 4)	7,958,031	8,224,043
Capital assets, net (Note 5)	3,775,474	3,190,774
	<u>\$ 14,887,341</u>	<u>\$ 15,281,571</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 959,470	\$ 1,456,032
Deferred revenue	236,673	301,526
	<u>1,196,143</u>	<u>1,757,558</u>
Deferred capital contributions (Note 6)	542,278	251,440
Employee future benefits (Note 7)	1,102,000	1,068,900
	<u>1,644,278</u>	<u>1,320,340</u>
Net Assets		
Unrestricted	1,642,679	2,293,294
Internally restricted (Note 9)	7,171,045	6,971,045
Invested in capital assets	3,233,196	2,939,334
	<u>12,046,920</u>	<u>12,203,673</u>
	<u>\$ 14,887,341</u>	<u>\$ 15,281,571</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Council



Chairman



Executive Director

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Operations	\$ 9,837,310	\$ 9,585,231
Investment	324,343	246,293
Sundry	105,896	138,138
Amortization of deferred capital contributions	96,803	35,920
	<u>10,364,352</u>	<u>10,005,582</u>
EXPENSE (Note 10)		
Operations	7,805,636	7,070,888
Administration	1,961,651	2,313,957
Amortization of capital assets	586,838	573,705
Bad debts	1,716	23,941
	<u>10,355,841</u>	<u>9,982,491</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 8,511</u>	<u>\$ 23,091</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ACCUMULATED REMEASUREMENT GAINS, Beginning of year	\$ 1,255,765	\$ 940,741
Unrealized gains attributable to:		
Foreign exchange	68,792	145,868
Investments	(241,145)	193,847
Amounts reclassified to the statement of operations:		
Losses realized during the year	4,192	23,940
Foreign exchange	<u>2,897</u>	<u>(48,631)</u>
Change in accumulated remeasurement gains/(losses) for the year	<u>(165,264)</u>	<u>315,024</u>
ACCUMULATED REMEASUREMENT GAINS, End of year	<u>\$ 1,090,501</u>	<u>\$ 1,255,765</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2016

	Unrestricted	Internally Restricted	Invested in Capital Assets	Total 2016	Total 2015
BALANCE, Beginning of year	\$ 2,293,294	\$ 6,971,045	\$ 2,939,334	\$ 12,203,673	\$ 11,865,558
Excess of revenue over expense	8,511	-	-	8,511	23,091
Change in accumulated remeasurement gains (losses)	(165,264)	-	-	(165,264)	315,024
Purchase of capital assets	(1,171,538)	-	1,171,538	-	-
Amounts funded by capital contributions	387,641	-	(387,641)	-	-
Amortization of capital assets	586,838	-	(586,838)	-	-
Amortization of deferred capital contributions	(96,803)	-	96,803	-	-
Transfer (Note 9)	(200,000)	200,000	-	-	-
BALANCE, End of year	\$ 1,642,679	\$ 7,171,045	\$ 3,233,196	\$ 12,046,920	\$ 12,203,673

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY (USED FOR):		
Operating activities		
Excess of revenue over expense	\$ 8,511	\$ 23,091
Items not involving cash:		
Amortization of capital assets	586,838	573,705
Amortization of deferred capital contributions	(96,803)	(35,920)
Change in employee future benefits	33,100	42,200
Change in non-cash working capital	33,424	(132,709)
	<u>565,070</u>	<u>470,367</u>
Capital activities		
Purchase of capital assets*	(1,745,078)	(385,853)
Financing activities		
Capital contributions*	675,001	-
Investing activities		
Net change in investments	<u>46,780</u>	<u>406,275</u>
NET INCREASE (DECREASE) IN CASH	(458,227)	490,789
Cash, Beginning of year	<u>1,540,978</u>	<u>1,050,189</u>
CASH, End of year	<u>\$ 1,082,751</u>	<u>\$ 1,540,978</u>

* Purchase of capital assets in the amount of \$10,045 (2015- \$583,585) is included in accounts payable and accrued liabilities at year end.

During the year, the Council paid cash for the purchase of capital assets that was unpaid and included in accounts payable and accrued liabilities in the prior year, in the amount of \$583,585. This cash payment is reflected in the current year's purchase of capital assets. In addition, the Council received cash for contributions relating to capital assets that was accrued in accounts receivable in the prior year in the amount of \$287,360. This cash receipt is reflected in the current year's capital contributions.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. PURPOSE OF THE ORGANIZATION

The New Brunswick Research and Productivity Council (the Council) is a government not-for-profit organization incorporated under the Research and Productivity Council Act 1962. The objectives of the Council are to promote, stimulate and expedite continuing improvement in productive efficiency and expansion in the various sectors of the New Brunswick economy. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. A summary of the significant accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Consolidation policy

These consolidated financial statements include the accounts of the Council and those of its inactive wholly-owned subsidiary, Minuvar Ltd.

(b) Revenue recognition

Revenue from operations and sundry are recognized when the services are provided. The value of work completed but not yet billed is reported as work in progress; amounts received, but for which work has not been performed, are reported as deferred revenue.

Investment income includes dividends, interest, and realized gains and losses on investments. All investment income is recognized as revenue in the year it is earned.

The Council follows the deferral method of accounting for grants received for operations and specific projects. Grants to be used for restricted purposes are recognized as revenue in the period in which the related expenditures are incurred. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues on a straight-line basis corresponding with the amortization rates of the related assets. Unrestricted grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants approved but not received at the end of an accounting period are accrued.

(c) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of assets, as follows:

Land and buildings	3%
Operating equipment	12.50%
Computer equipment	25%
Vehicle	25%

(d) Financial instruments

Financial instruments are contracts that establish rights and obligations to receive or deliver economic benefits. Financial assets consist of cash, accounts receivable, investments, and financial liabilities consist of accounts payable and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. Investments quoted in an active market are measured at fair value. All other financial instruments are measured at cost or amortized cost unless management has elected to carry the instrument at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Financial instruments measured at fair value are classified as Level 1, 2 or 3 for purposes of describing the basis of the inputs used to measure the fair values of the financial instruments in the fair value measurement category, as described below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Financial instruments - continued

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses to the Statement of Operations. Transaction costs for financial instruments measured at fair value are expensed. Financial assets are assessed annually to determine whether there is any objective evidence of impairment.

(e) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transactions.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the consolidated financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(f) Investments

Investments held by the Council include publicly traded short and long term fixed income and equity securities. Interest on fixed income securities is accrued as earned and reported on the Statement of Operations along with dividends and other investment income. Equity securities are classified as Level 1 according to the fair value hierarchy and are valued at year end quoted closing prices where available. Fixed income securities are classified as Level 2 according to the fair value hierarchy and are valued at year end quoted closing prices where available. Where quoted prices are not available estimated fair values are calculated using comparative securities.

(g) Employee future benefits

(i) Pension

Qualifying employees of the Council are members of the New Brunswick Public Service Shared Risk Plan. The plan is a Shared Risk Plan under which contributions are made by both the Council and its employees. The Council is not responsible for any unfunded liability in the plan nor does it have access to any plan surplus. The Council's cost is limited to its annual contributions which were \$626,240 for the year ended March 31, 2016 (2015 - \$606,062).

Pension administration services are provided by the Province of New Brunswick's Office of Human Resources at no cost to the Council.

(ii) Retirement allowances

Employees who began full-time employment prior to April 1, 2011 are entitled to retirement allowance benefits. The Council recognized a liability and an expense in the period in which employees render services in return for the benefits. The accrued liability for this retirement allowance benefit was determined by an actuarial valuation carried out as of March 31, 2015 and extrapolated to March 31, 2016.

(iii) Accrued sick pay benefits

Employees are entitled to sick pay benefits which accumulate but do not vest. The Council recognized a liability and an expense in the period in which employees render services in return for the benefits. The accrued liability for this benefit was determined by an actuarial valuation carried out as of March 31, 2015.

(h) Measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Significant estimates included in these consolidated financial statements include: assumptions used in determining liabilities for retirement allowance and sick pay benefits; accounts receivable which are, or may become, uncollectible; the valuation of work in progress and deferred revenue; and the useful life over which capital assets are amortized.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information. Actual results could differ from these estimates.

3. RISK MANAGEMENT

The Council follows a conservative investment policy (Note 4) in order to mitigate financial risk. The Council has no derivative investments and has not entered into hedging transactions to manage risk.

An analysis of significant risks from the Council's financial instruments is provided below:

i) 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. The Council manages this exposure through credit approval procedures for new customers and obtaining advanced payment from high risk customers. The Council's maximum exposure to credit risk is equal to the receivables balance of \$1,784,487 at March 31, 2016 (2015 - \$2,059,076). The total receivables balance is net of an estimated allowance for doubtful accounts of \$97,809 (2015 - \$100,710).

The Council is also exposed to credit related risk in the event the counterparty to a fixed income security defaults or becomes insolvent. The Council manages this risk by dealing only with reputable banks and financial institutions and following a conservative framework governing the eligible investments, including a required credit rating of A or higher for bond issuers.

There have been no significant changes to credit risk exposure during the year.

ii) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The Council's investments in fixed-income securities are normally held until maturity, reducing the impact of rate fluctuations on cash flows. The fair value of these securities may vary with market rates.

The Council's investments are disclosed in Note 4.

iii) Currency risk

Currency risk arises on financial instruments denominated in a foreign currency. A portion of the Council's investments are equity securities denominated in USD as well as a portion of accounts receivable and payables. The impact of a change in currency rate at March 31, 2016 would be limited to these balances:

Financial Instruments demoninated in USD	2016	2015
Cash	\$ 201,294	\$ 50,336
Accounts receivable	98,858	63,793
Equity securities	651,221	626,436
Accounts payable	31,196	7,429
	<u>\$ 982,569</u>	<u>\$ 747,994</u>

4. INVESTMENTS

The Council's objective in managing its investments is to remain a sustainable operation while fulfilling its overall mandate to provide independent research, testing and technical services organization

The Council's investments are managed by a 3rd party subject to an investment policy with target allocations as follows:

Cash and equivalents	10%
Fixed Income	55%
Equity	35%

The objective of the investments is to optimize the quality long-term income and growth with a conservative risk framework. Within the overall objective the portfolio should seek to earn a return equal to the risk free rate plus inflation over the long run.

4. INVESTMENTS - continued

Investments in the fair value category	Fair value hierarchy level	2016	2015
Equity securities	Level 1	\$ 2,968,133	\$ 3,022,902
Fixed income securities	Level 2	4,989,898	5,201,141
		<u>\$ 7,958,031</u>	<u>\$ 8,224,043</u>

There were no transfers between Level 1 and Level 2 during the year. Fixed income securities have interest rates from 1.7% to 5.17% (2015 – 2.4% to 5.17%) and mature between April 2016 and March 2021.

5. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
Land and buildings	\$ 3,859,941	\$ 1,996,327	\$ 1,863,614	\$ 1,430,081
Operating equipment	10,023,340	8,164,253	1,859,087	1,698,502
Computer equipment	659,148	606,375	52,773	56,957
Vehicle	20,937	20,937	-	5,234
	<u>\$ 14,563,366</u>	<u>\$ 10,787,892</u>	<u>\$ 3,775,474</u>	<u>\$ 3,190,774</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2016	2015
Balance, beginning of year	\$ 251,440	\$ -
Contributions	387,641	287,360
Amounts amortized to revenue	(96,803)	(35,920)
Balance, end of year	<u>\$ 542,278</u>	<u>\$ 251,440</u>

7. EMPLOYEE FUTURE BENEFITS

(a) Retirement allowances

Those employees who began full-time employment prior to April 1, 2011 are entitled to payment of a retirement allowance based upon one week's pay for each full year of service to a maximum of 25 years. The retirement allowance is paid upon retirement after the age of 55, at the employee's final rate of pay. An actuarial valuation has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

(b) Sick pay benefits

Employees working full-time accumulate sick pay benefits that accumulate at 1.25 days per month and if unused can be carried forward to a maximum of 240 days. An actuarial valuation has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

Significant economic and demographic assumptions used in the actuarial valuations are:

Discount rate	2.85%	(2015 - 3.10%)
Salary increases	3.5%	(2015 - 3.5%)
Retirement age	Age 60	(2015 - Age 60)
Probability of excess sick leave usage	6.2%	(2015 - 6.2%)

7. EMPLOYEE FUTURE BENEFITS - continued

	2016			2015		
	Retirement Allowances	Sick Pay Benefits	Total	Retirement Allowances	Sick Pay Benefits	Total
Accrued benefit obligation, April 1	\$ 1,199,600	\$ 110,200	\$ 1,309,800	\$ 1,000,000	\$ 77,000	\$ 1,077,000
Current service cost	60,900	-	60,900	67,400	5,000	72,400
Interest on obligation	36,900	-	36,900	37,500	2,900	40,400
Benefit payments	(79,800)	-	(79,800)	(69,900)	(4,300)	(74,200)
Actuarial gain	31,600	-	31,600	164,600	29,600	194,200
Accrued benefit obligation, March 31	1,249,200	110,200	1,359,400	1,199,600	110,200	1,309,800
Unamortized actuarial loss	(225,100)	(32,300)	(257,400)	(208,600)	(32,300)	(240,900)
Accrued benefit liability at March 31	\$ 1,024,100	\$ 77,900	\$ 1,102,000	\$ 991,000	\$ 77,900	\$ 1,068,900

8. OPERATING CREDIT LINE

The Council has a demand operating credit line available in the amount of \$500,000 for general business purposes at the bank's prime lending rate plus 0.25%. As at year end, the operating credit line has not been drawn upon.

9. INTERNALLY RESTRICTED NET ASSETS

The Council's board of directors has internally restricted resources amounting to \$7,171,045 as at March 31, 2016 (2015 - \$6,971,045). This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. This amount includes the March 31, 2016 transfer of \$200,000 (2015 - \$750,000).

10. EXPENSES BY OBJECT

	2016	2015
Personnel	\$ 6,379,779	\$ 6,471,641
Supplies	1,018,909	817,391
Facilities	717,120	646,485
Amortization of capital assets	586,838	573,705
Rechargeable	606,959	559,064
Office	701,077	544,817
Other	310,405	309,186
Safety	33,038	36,261
Bad debt	1,716	23,941
	<u>\$ 10,355,841</u>	<u>\$ 9,982,491</u>

11. RELATED PARTY TRANSACTIONS

During the year the Council provided services to government departments and Crown agencies of the Province of New Brunswick. The Council provides these services under its normal terms and conditions.

	2016	2015
Revenue from services provided for the year		
Government departments and agencies	\$ 250,903	\$ 295,799
NB Power and related entities	320,948	398,761
	<u>\$ 571,851</u>	<u>\$ 694,560</u>
Accounts receivable at 31 March		
Government departments and agencies	\$ 38,411	\$ 49,566
NB Power and related entities	92,305	15,140
	<u>\$ 130,716</u>	<u>\$ 64,706</u>