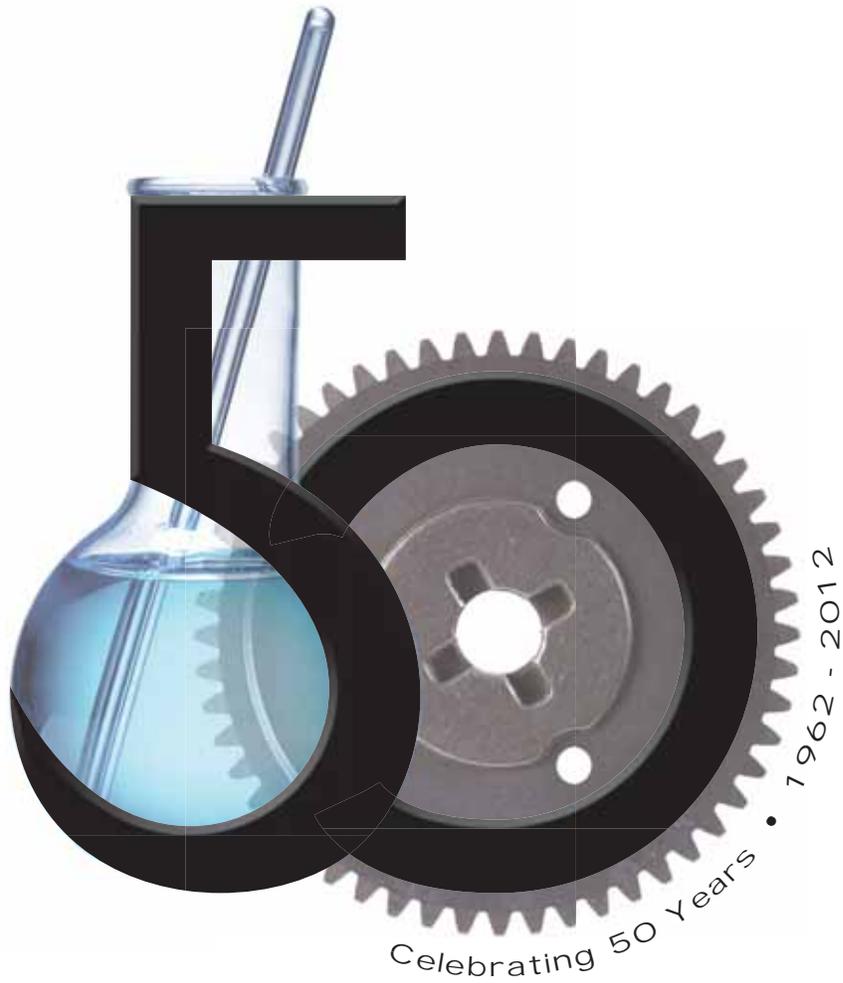


rpc

SCIENCE & ENGINEERING



ANNUAL REPORT 2011-2012

STRATEGIC PLAN 2010-2015

RPC's Vision Statement

RPC will excel in 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 small and medium size enterprises (SMEs) in New Brunswick to develop and apply innovative technology, and to provide specialized laboratory-based technical services to clients in New Brunswick and the global marketplace.

Strategic Corporate Objectives

Strategic corporate 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).

1 **Grow our revenue, invest in our business**
The RPC business model for recovering overheads and reinvesting consists of two components: 1) a modest provincial grant; and, 2) margin from technical services. Growth of our business requires growth in both of these components.

Specific measures of success have been identified, including a 4% annual sales revenue growth target (\$11 million by 2015), introduction of new service offerings at the rate of at least one per year, and maintenance of our 95% customer satisfaction through our survey process.

2 **Balance our innovation activities**
RPC services can be categorized as:
1) Technical services (analyses, tests, and investigations).
2) Applied research.

Technical services have predictable costs and minimal financial risk and, if effectively managed, can generate positive margins. While New Brunswick industry depends on RPC delivering these services locally, they also benefit from RPC's applied research capabilities. This initiative aims to place more focus on the applied research aspects of our organization.

Applied research is a key component of our mandate and consistent with the scope of other provincial research organizations. In fact, with the tremendous resources focused on basic research, RPC has an important role in balancing innovation strategy by delivering applied research services for industry. However, increasing applied research introduces more risk and more cost to the organization. Balancing our innovation activities will involve hiring new employees with new capabilities and is likely to have a moderating affect on our net income.

Measures of success include the introduction of at least two new or substantially advanced technology offerings associated specifically with new capabilities through recruitment and equipment purchases, and growing our applied research and consulting services by 15% from the 2009/2010 billing levels.



3 Grow our human capital

RPC's success requires continued investment in our human capital. Demographic trends are sure to increase the significance of human capital. RPC will experience a number of retirements in the coming five-year period and will need successors. Additionally, the strategic objective to balance our innovation activities will require new hires.

Our plan calls for growth in human capital. Measures of success include: 1) increasing the percentage of Masters and PhD level employees from 15% of our workforce to 20% by 2015; 2) adding five strategic hires that expand our capabilities over the next five years; and, 3) reducing our exposure to specific risks identified in our Succession Plan.

4 Revitalize our relationship with our owner

There are opportunities for improving the relationship with our owner as ongoing issues with duplication and reduction of our annual grant indicate there is a lack of awareness regarding RPC's role as New Brunswick's provincial research organization. As globalization and productivity challenges place renewed significance on applied research and technology, RPC's role is critically important.

Measures of success include: 1) restoration of the annual provincial grant; 2) recognition of RPC's leading role in provincial innovation and applied research policy; 3) 50% increase in sales to provincial government; and, 4) increased activity and communications with government.

5 Expand RPC awareness and understanding

RPC enjoys an excellent relationship with established customers and attracts new customers annually. However, to maximize our value and avoid initiatives that duplicate established RPC capabilities, we need to create widespread awareness and understanding of the organization. This initiative is to improve the awareness and understanding of RPC's role as the provincial research organization.

Measures of success include: 1) meet the sales revenue increases identified in strategic objective # 1; 2) retention of top 10 customers; 3) zero examples of government duplication through new lab construction; and, 4) recognition of our 50th anniversary (in 2012).

Analyze This: RPC Continues to Expand Analytical Service Offerings

RPC offers an extensive scope of analytical services and we are constantly working to add new capabilities. During 2011-2012, the Standards Council of Canada (SCC) approved scope extensions to include accreditation for PCB congeners, a new medical gas standard, a variety of food chemistry parameters, dissolved methane and dissolved ethane. RPC offers the most extensive suite of accredited analysis under one roof in Atlantic Canada. We are continuously expanding our capabilities in anticipation and response to business needs.

PCB Congeners

Polychlorinated biphenyls (PCB) are toxic and classified as a persistent organic pollutant (POP), meaning they are resistant to typical environmental degradation.

Medical Gas

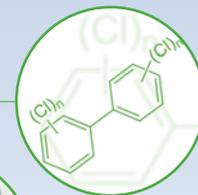
Medical facilities that are installing or renovating medical gas piping systems are required to have the system certified through an accredited inspection.

Food Chemistry

Most prepackaged foods sold in retail outlets in Canada require nutritional labeling including information on calories and 13 nutrients as defined in the Food and Drug Regulation and outlined in the Guide to Food Labeling and Advertising.

Methane and Ethane

Dissolved methane and dissolved ethane are both potential drinking water contaminants.



FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

The 2011-2012 year was one of significant achievements. A milestone was reached as we surpassed 1000 customers served. Another milestone was reached as we surpassed \$10 million in sales revenue for the first time. Finally, a third milestone was achieved as we celebrated our 50th year in operation. These achievements underscore RPC's relevance and our effectiveness.

During the year RPC continued to grow its capabilities. We invested in new people, new equipment and maintenance of our facilities. We added new accreditations to expand our services (see "Analyze This", p. 3). These additions helped to attract over 100 additional customers, propelling our total revenue to \$10.2 million. The growth originated in revenue from industry with an \$841,000, or 10%, growth over the prior year. Industry continues to be RPC's largest source of revenue accounting for 83.4% of total revenue.

We made very good progress with our annual plan goals (see "Annual Plan Goals 2011-2012", p. 7). The goals are developed to complement our 5-year strategic plan (inside cover). A significant accomplishment was the achievement of our targets, a satisfying outcome in turbulent economic conditions. The Canadian economy grew by only 2.6% in 2011, the New Brunswick economy was nearly stagnant with 0.1% growth but RPC surpassed its targeted net income and realized a 4.8% growth in total revenue. (See "Sources of Revenue", p. 11)

In recognition of our 50th anniversary, we have taken a look back (see "RPC Recognizes 50 Years of Service", p. 6). Readers are encouraged to familiarize themselves with our rich history. RPC has a reputation for leadership and excellence within New Brunswick, and increasingly outside New Brunswick for niche business areas such as nuclear energy, extractive metallurgy, analytical chemistry, and fish health. We are proud of how far we have come but appreciate there is more work to be done.

Below (L-R): RPC's First board meeting, September 1962. K.V. Cox (Vice-President and General Manager NBTel), A. Savoie (Barrister), H. Fredericks (Management Consultant), Harrison McCain (President, McCain Foods), L.W. Flett (Businessman), Dr. L.W. Shemilt, RPC Board Chairman, D.W. Gallagher, RPC Executive Director (temporary), Dr. D.W.B. Robinson (Assistant Director of Research, Bathurst Pulp and Paper).



Recognizing RPC Chairmen

RPC's relevance to business has been facilitated by a board of directors that represents industry in the province. There have been four RPC chairpersons since inception.

The late Dr. L.W. Shemilt, a chemical engineer and professor, was the first chairman serving from 1962 through to 1970.

In 1970, the late Dr. K.V. Cox, an electrical engineer and past President of NBTel, was appointed chairman and served through until 1986.

Dr. Knut Grotterod, a mechanical engineer and Past President and CEO of Fraser Paper, served as Chairman from 1986 until 2008.

RPC's current Chairman, Ken Reeder, a civil engineer and Past President of Neill and Gunter, became Chairman in 2008.

RPC has been fortunate to have many community leaders serve on the board of directors. Their efforts have helped to guide the organization over the past 50 years. We thank all who contributed to RPC's success.



Professor R.N. Scott, of UNB's department of electrical engineering is shown (seated) being advised by Dr. L.W. Shemilt, RPC Chairman, that he was awarded a \$2,000 research grant.

Dr. Kenneth V. Cox, Chairman of RPC, presents Dr. Claude Bursill with a painting on the occasion of Dr. Bursill's retirement as RPC's Executive Director in 1983.



Ken Reeder and Dr. Knut Grotterod pictured here on February 19, 2009, on the occasion of Dr. Grotterod's retirement.

The Near Future

As growth in global economies continues to slow and spending restraints continue to be implemented at all levels of government, the opportunities for growth are scarce. Certainly these are challenging economic times. However, with challenge comes opportunity.

RPC can play an important role in helping our clients address the challenging economic conditions. As clients work to pursue new markets, they will need new products, improved productivity and new test and inspection requirements; RPC can help in all these areas and will be working closely with clients, and potential clients, to equip and position the organization to meet market needs. This will require continued investments in people and equipment.

Our analytical services have been delivering solid performance; however, in a recessionary economy without stimulus spending, we normally see a decline in demand for analytical services. An effort to compensate for this with new service lines and new clients will be made. However, we will be looking to our applied research services for revenue growth. Competition for applied research services is growing as the increased government focus on this issue has resulted in other institutions, such as community colleges, starting to offer services. As competitors enter our traditional market, it will be important to maintain our high standards of customer service and ensure we deliver value to our clients.

During the past year, government initiatives that duplicate RPC's services became a significant concern as government departments used their subsidized status to underbid RPC and employed their regulatory authority to direct analytical business to their own labs. RPC will be working with government to present our value proposition and identify cost saving opportunities for government.

Finally, as all levels of government are seeking economic development opportunities and recognize innovation as a key enabler for growth, RPC will be working to create awareness of the provincial research organization value proposition. With regards to innovation policy, we will continue to advocate market-led research so that New Brunswick has more opportunity to realize commercial benefits from research investments. Traditional innovation strategies have been supply-driven where curiosity-driven research produces discoveries that must seek out applications. Market-led research is a demand-driven approach that focuses on commercial opportunities and problems to drive research needs; this aligns perfectly with RPC's mandate.

Notes of Appreciation

A success story is made up of many contributors. RPC's success can be attributed to a variety of factors, none more important than our clients and our employees.

RPC's client base is diverse and loyal; many of our clients have done business with RPC for much of our existence. We appreciate this loyalty and work hard to retain it. While we have equipment, facilities and accreditations that make it possible to deliver service to our clients, a large portion of our value proposition is the level of customer care our clients receive. Our employees have outstanding expertise and an even more impressive client focus. We extend sincere appreciation to both our clients and our employees.

We are grateful to many other entities that contribute to our success including our board of directors who recognize the importance for New Brunswick to have a provincial research organization and volunteer their time to provide guidance and direction. (see "Board of Directors", p. 10)

We thank supportive agencies who are committed to advancing the New Brunswick economy including Business New Brunswick, the New Brunswick Innovation Foundation, Invest New Brunswick, the Industrial Research Assistance Program, Natural Science and Engineering Research Council and the Atlantic Canada Opportunities Agency.

Finally, as we celebrate 50 years of service, it is appropriate to thank the visionary leaders who founded RPC. Premier Louis J. Robichaud, and others, foresaw the need for a provincial research organization and acted to create RPC. At the time, there was widespread recognition that technology and productivity were keys to competitiveness and prosperity. Five decades later, these principles remain relevant. While we cannot know what these leaders may have imagined RPC would become by 2012, undoubtedly they would be proud of our evolution; a self-sustaining organization with world class science and engineering expertise that attracts over 1000 clients from over 30 countries. RPC employees are proud of these accomplishments and all New Brunswickers can be proud of RPC; here's to the next 50 years.



Kenneth Reeder, P.Eng.
Chairman



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

RPC RECOGNIZES 50 YEARS OF SERVICE

RPC recognized its golden anniversary in 2012. Legislation to establish the New Brunswick Research and Productivity Council, widely known as RPC, was assented to on April 13, 1962. RPC was created to facilitate the research and productivity needs of business. At the time, there was widespread recognition that industry needed to utilize technology and improve productivity if they were to be competitive.

Like many businesses, RPC had modest beginnings, working from 300 square feet of rented office space in a building located on the present day site of Fredericton's King's Place. With a temporary Executive Director and one employee, RPC began to address its mandate, "to promote, stimulate and expedite continuing improvement in productive efficiency and expertise in the various sectors of the New Brunswick economy", as assigned by the Legislature.

Over the years, RPC has tackled some of the province's most significant challenges and opportunities. The spruce budworm problem, Point Lepreau Nuclear Generating Station development and maintenance, the acid rain issue, numerous mining and mineral extraction projects, numerous highway and infrastructure projects, the Saint John Frigate program, the aquaculture industry's ISAV crisis, the Agent Orange investigation, and the LNG terminal project are examples of New Brunswick projects where RPC made significant contributions with research, technology, analysis and investigations. Our past projects read like a history of the New Brunswick economy; while we are pleased to contribute to these prominent projects, our daily work is with small and emerging companies.

In the inaugural annual report, RPC's Chairman, the late Dr. Les Shemilt, reported: "The Council will, and must, develop facilities suitable for fulfilling its role. To an increasing extent it hopes to be a scientific, research and technical service arm for the industry of the Province". This visionary statement is an accurate description of RPC's evolution: RPC's facilities, staff, equipment and certifications have grown to the point where we now serve over 1000 clients annually. Our Fredericton facilities on College Hill Road are home to 98 scientists, engineers, technologists and support staff operating from a well-equipped 13,000 square meter facility. In 2010, we opened our Moncton laboratory to better serve our clients in southeastern New Brunswick.

While the tools, tactics and technology have changed over the years, RPC's values remain true to our original mandate. We have talented experts who are highly committed to quality, safety and customer service. RPC has expertise in sectors that define the provincial economy, for example, aquaculture, food and beverage, environment, energy, mining, and manufacturing. Our research and technical service capabilities are developed and expanded to respond to, and anticipate, industry needs. In that regard, RPC has specialized in market-led research; research that is driven by market needs.

Fifty years after RPC's inception, and fuelled by the need for business to be globally competitive, the importance for business to effectively employ technology and applied research has never been greater. Helping business use technology to address the challenges of global competition is RPC's mandate in 2012, as it was in 1962.



RPC's first office was located on King Street on the present day site of the King's Place mall. Today, we operate from our 13,000 square meter facilities located on College Hill Road (pictured below) as well as a satellite laboratory in Moncton.



May 1964:
Hon. Louis J. Robichaud, then Premier of New Brunswick, turns the sod at the construction site of RPC's current facilities on College Hill Road.



ANNUAL PLAN GOALS FOR 2011-2012

RPC's Annual Plan for 2011-2012 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. The annual plan goals, and the relevant progress made, are reported below.

Progress achieved regarding *Corporate* Priorities identified in the 2011-2012 Annual Plan is summarized below.

I. Produce a positive net income, meet our targets.

RPC sales revenue grew to over \$10.2 million in 2011-2012 (see "Consolidated Statement of Operations", p. 15) propelled by a 10% increase in revenue from industry. We are very pleased with this result. Despite an economic downturn and the end of stimulus spending, gross margins were sustained in most analytical service lines. We were also pleased with the revenues and gross margins in our engineering and consulting services. Overall, we produced a positive net income significantly surpassing our target.

The Revenue Sources Profile (Chart 1), illustrates that the bulk of RPC's sales revenue (83%) continues to come from industry. Revenue from federal sources declined but remained the second largest revenue source (8%). The provincial grant remained at \$50,000, a much-appreciated contribution but substantially below what would be considered as adequate core support for a provincial research organization.

The Clients by Location chart (Chart 2), illustrates that 585 of RPC's 1040 clients (56%) were from New Brunswick. Other clients were regional (20%), national (21%) and international (3%). The number of clients served increased in all categories.

We are pleased that our expertise continues to attract clients from outside New Brunswick, with 455 this year including 37 international clients. As illustrated in the Clients Served by Revenue chart (Chart 3), RPC exported over \$3.7 million of services from the province helping to create and maintain highly skilled labour opportunities here at home. The completion of a large project from a United Kingdom based client resulted in revenue from international clients declining; however, there was a substantial increase in national revenue with a large mineral project and a large energy project both with Ontario-based companies. Closer to home, we saw an increase in our revenue from New Brunswick, mostly attributed to the opening of our Moncton lab facility.

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.

CHART 1: REVENUE SOURCES PROFILE

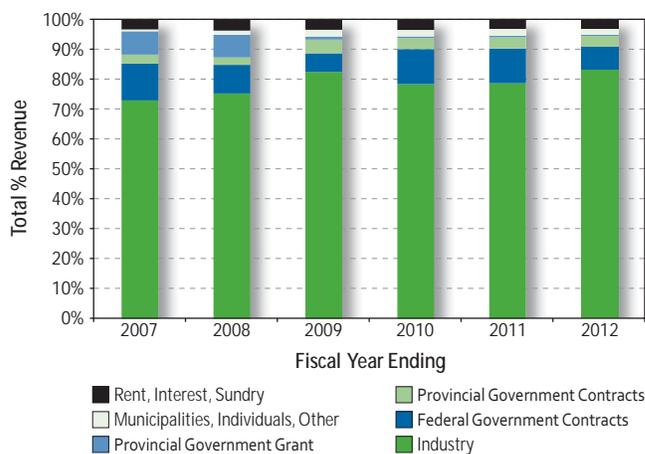
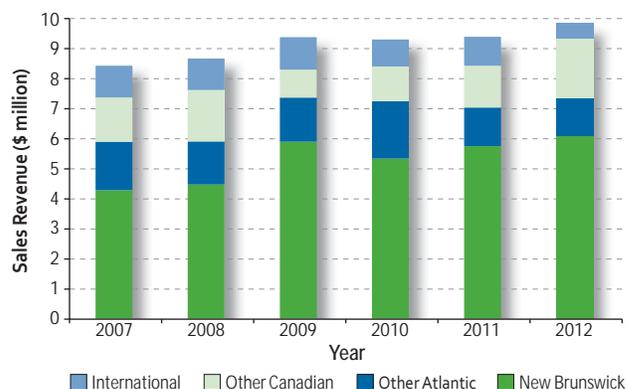


CHART 2: CLIENTS BY LOCATION



CHART 3: CLIENTS SERVED BY REVENUE



ANNUAL PLAN GOALS FOR 2011-2012 continued

II. Promotion of RPC including our applied research capabilities.

Good progress was made with promoting RPC and specifically our applied research activities. We continue to generate leads with our company visit program, an effort to visit New Brunswick industry to promote our services. Our IRAP Network Members' agreement was fully utilized and extended. The Network Members' agreement is an IRAP program that allows RPC to provide consulting services for small projects and is an excellent means to assist companies and develop relationships. We were active with trade shows, speaking opportunities and web advertizing. RPC is included in three Atlantic Canada Opportunities Agencies' Atlantic Innovation Fund proposals. Additional activities included investment in resources to facilitate applied research and planning of our anniversary celebrations.

Our strategic plan goal is a 15% increase in our applied research revenue by 2015. The applied research revenue is measured by our professional services revenue. This translates to an increase from \$3.3 million (2010) to \$3.8 million by 2015. As of 2012, we have achieved a 4% increase. We have a good activity level with inventors and entrepreneurs but the projects tend to be smaller in nature. To achieve the strategic goal by 2015, we intend to increase efforts to pursue larger projects.

III. Make strategic hires to complement our succession plan.

RPC's success is directly influenced by the expertise and effectiveness of our employees. With a number of key retirements planned in the coming years, we have focused on making progress with our succession efforts. Over the past year, a key hire was made to succeed a senior manager. We also planned an internal promotion to compensate for a planned retirement and are searching for a qualified candidate to backfill for that person when the promotion is enacted. We continued to participate in co-op programs as well as hiring summer students; this has proven to be mutually beneficial for both RPC and the candidates and some positions have translated into full time employment. We have effectively managed our succession issues, however, an ongoing effort will be needed.

IV. Build our relationship with the Province of New Brunswick.

A highlight of this effort was a visit and tour from Premier Alward in August. In July, RPC hosted Robert McLeod, CEO of the newly formed Invest NB. In January, we hosted Enterprise Fredericton for a presentation and tour. We were involved with a number of other government entities throughout the year.

We continued to market to government departments and generally have good business relations. Exceptions are departments who have previously built a redundant lab capability. The government renewal process has mandated revenue growth. Since RPC has the majority of analytical market share in New Brunswick, when government labs seek new analytical revenue, it essentially has to be taken away from RPC. This is a significant concern for RPC, and has led to some confusion for clients who find it peculiar to have a government department bidding against their traditional supplier, RPC, a provincial crown corporation. We will attempt to turn this problem into an opportunity by highlighting that the Province has a wonderful cost saving opportunity simply by procuring services from its provincial research organization rather than trying to duplicate the service internally. This works effectively in other provinces and was once the norm in New Brunswick. As successive governments have established redundant capabilities, revenues from the Province have steadily declined from \$1.2 million in 1986 to \$369,255 in 2011-2012. If the provincial government chose to procure analytical services from its provincial research organization rather than invest in capital-intensive redundant labs, it would be supportive of RPC and provide cost saving opportunities for the government.



RPC EMPLOYEES

2011-2012 Merit Award

Each year RPC recognizes an individual or team of individuals who are responsible for a substantial achievement at RPC. The 2011-2012 Merit Award was recently presented to the Mechanical Systems and Diagnostics team who developed a system for measuring feedwater flow and temperature in a nuclear power plant.

This effort required the design, build, test and calibration of a complete turnkey system including ultrasonic transducers, brackets, software, and cabling. RPC utilizes the innovation for making high temperature flow and temperature measurements at nuclear power facilities in Ontario. These measurements are critical to safe and efficient reactor operation.

In presenting the award, Eric Cook, Executive Director noted, "This is an excellent example of market-led research and development. A client had a technical challenge and RPC conducted research to develop an innovative solution."



Mechanical Systems & Diagnostics Team Members (from left to right): Robert Kirouac, Dr. Pawel Kielczynski, Troy Young, Pat Hudson, John Aikens, Brian Bell, John King

2011-2012 Employee Career Milestones

5 Years	Ryan Tarr Corrie Maston
10 Years	Steven Davenport Brannen Burhoe Jill Hay Nikki Layton
15 Years	Melanie Lalonde Peter Crowhurst
20 Years	Kent Walsh Leo Cheung Brenda Gould Susi Chamberlain
25 Years	Sandra McDonough Cathy Jensen Linda Horsman
30 Years	Sandi Walker Tim Doherty Sue Harris
35 Years	Ross Gilders

Senior Management Team

Executive Management

Eric Cook, Executive Director/CEO
Stephen Fox, Chief Operating Officer/CFO

Department Heads

John Aikens, Mechanical Systems & Diagnostics and Physical Metallurgy
Eric Cook, Process and Environmental Technology
Dr. Ben Forward, Food, Fisheries and Aquaculture
Ross Kean, Inorganic Analytical Chemistry
Bruce Phillips, Organic Analytical Chemistry

Section Heads

Ross Gilders, Mining and Industrial Services
Thelma Green, Air Quality Services
Dr. John Macaulay, High Resolution Mass Spectrometry
John Speelman, Senior Metallurgist

Bugs as Drugs: Probiotics Have Human Health Potential

Probiotics are bacteria that confer benefit to their environment. Already widely employed in food products such as yogurts, bacteria have many other applications including mineral extraction, environmental processes and aquaculture.

Dr. Ben Forward, Head of Food, Fisheries and Aquaculture has been leading a project to develop probiotics and other novel bacterially derived products for use in aquaculture. This research, initiated by an industry need and funded by the Atlantic Canada Opportunities Agency's (ACOA) Atlantic Innovation Fund (AIF), allowed RPC to establish significant expertise in the areas of probiotic discovery, testing and application, and in the related area of bio-prospecting.

Dr. Forward has established a collection of over 1800 bacteria derived from a variety of New Brunswick's unique coastal marine environments. Many of the bacteria in the library appear to be new species as well as those that have not been previously cultured. These bacteria have been screened for probiotics and antimicrobials for use in aquaculture.

Recent collaboration with MARBIONC's Dr. Jeffrey Wright in North Carolina has identified potential for human health applications such as cancer treatments and new antibiotics. RPC announced this discovery in January leading to national radio, television, and newspaper stories and interviews. Dr. Forward observes that, "The neat thing about bacteria is that they can have quite complex biochemistries, which allows them to synthesize some very complicated molecules that you probably couldn't synthesize in a lab."

Land-based microbials have led to important drug discoveries; the ocean represents a new and expansive source of new biomolecules that may hold the solutions to the next generation of human health products.

BOARD OF DIRECTORS

Ken Reeder, P.Eng.

Chairman

(Past) President & CEO, Neill and Gunter Ltd., Saint John, NB

Eric Cook, P.Eng.

Executive Director / CEO, RPC, Fredericton, NB

Dr. Bev Bacon

President, RDI Strategies, Fredericton, NB

David Beattie, P.Eng.

Vice-President, exp.com, Fredericton, NB

Stephen Beatty, CMA

CFO, AL-PACK Enterprises Ltd., Moncton, NB

Lee Corey

President, Corey Nutrition Company, Fredericton, NB

Bob Crawford, P.Eng.

(Past) Vice President, NB Power, Mactaquac, NB

Doug Ettinger

President and CEO, Ganong Bros., Limited, St. Stephen, NB

Dr. Greg Kealey

Provost and VP Research, University of New Brunswick, Fredericton, NB

Daniel Laplante

Director of Operations, Enseignes Pattison Sign Group, Edmundston, NB

Bernard F. LeBlanc, P.Eng.

President and CEO, Saint John Airport Inc., Saint John, NB

Bill Levesque

Deputy Minister

Business New Brunswick, Fredericton, NB

Dr. Sharon McGladdery

Director, St. Andrews Biological Station, St. Andrews, NB

Michelyne Paulin

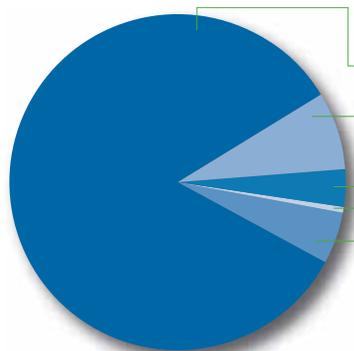
Regional Director - Atlantic

Foreign Affairs and International Trade Canada, Moncton, NB



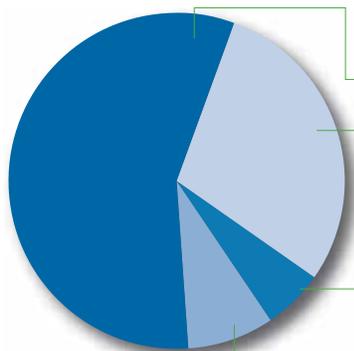
REVENUE HIGHLIGHTS

SOURCES OF REVENUE



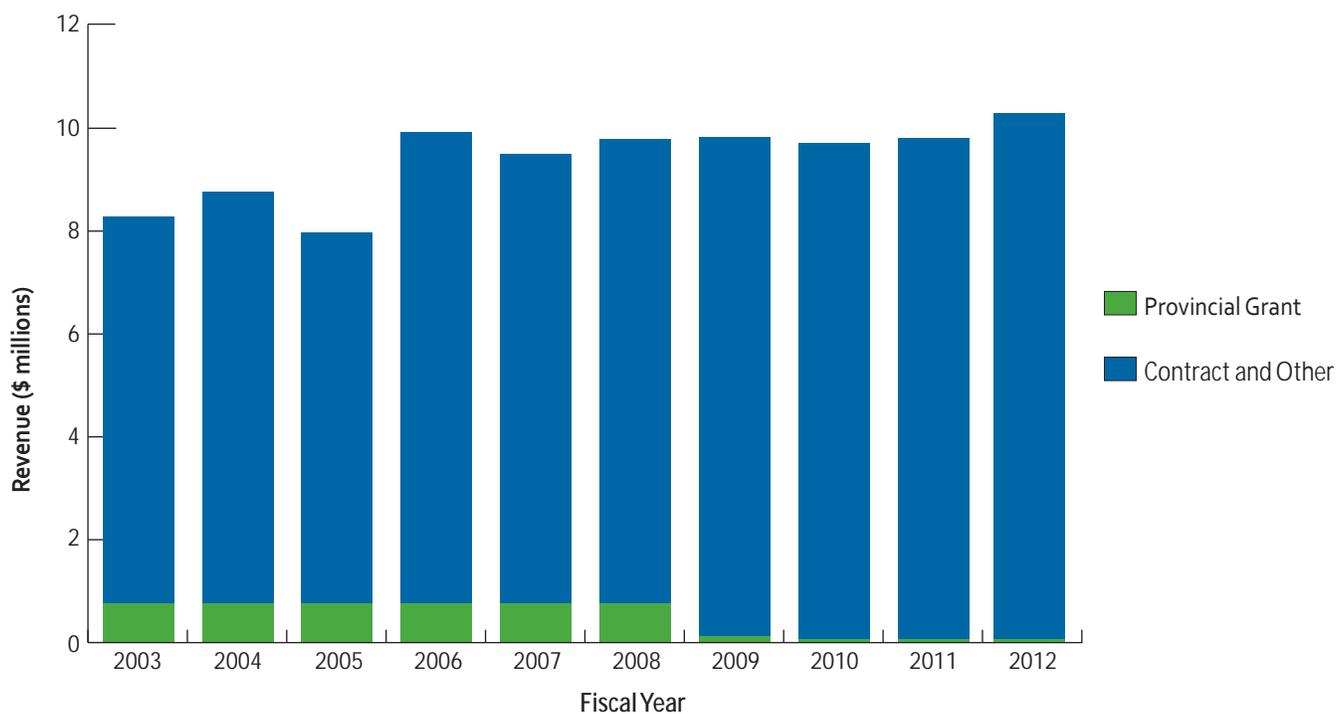
	2011-2012	2010-2011
Industry	\$ 8,526,678	\$ 7,685,672
Federal Government Contracts	776,724	1,132,361
Provincial Government Contracts	369,255	368,346
Provincial Government Grant	50,000	50,000
Other	505,101	518,868
Total	\$ 10,227,758	\$ 9,755,247

DISTRIBUTION OF INDUSTRIAL REVENUE



	2011-2012	2010-2011
Under 200 Employees	\$ 4,843,400	\$ 4,691,949
Over 200 Employees	2,497,431	1,695,899
Foreign Industry	484,198	964,810
Other	701,649	333,014
Total	\$ 8,526,678	\$ 7,685,672

TOTAL INCOME 2003-2012





AUDITOR GENERAL OF NEW BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

To The Honourable David Alward
Premier of the Province of New Brunswick
- and -

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

I 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, 2012, March 31, 2011, and April 1, 2010, and the consolidated statements of operations, changes in fund balances, cash flows and remeasurement gains and losses for the years ended March 31, 2012 and March 31, 2011, 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated 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 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 the auditor's 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, the auditor considers 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.

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, these consolidated financial statements present fairly, in all material respects, the financial position of the New Brunswick Research and Productivity Council as at March 31, 2012, March 31, 2011, and April 1, 2010 and the results of its operations, its changes in fund balances, its cash flows and remeasurement gains and losses for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.


Kim MacPherson, CA
Auditor General

Fredericton, N. B.
June 27, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2012

	Operating Fund	Capital Fund	March 31 2012	March 31 2011	April 1 2010
ASSETS					
Current assets					
Cash	\$ 858,622	\$ -	\$ 858,622	\$ 706,638	\$ 1,188,674
Accounts receivable	1,632,184	-	1,632,184	1,712,855	1,767,903
Work in progress	180,285	-	180,285	361,224	154,769
Prepaid expenses	72,221	-	72,221	110,370	84,157
	<u>2,743,312</u>	<u>-</u>	<u>2,743,312</u>	<u>2,891,087</u>	<u>3,195,503</u>
Portfolio investments (Note 6)	3,172,991	4,472,318	7,645,309	7,110,299	6,891,520
Capital assets, net (Note 7)	-	2,808,281	2,808,281	2,806,514	2,985,215
	<u>\$ 5,916,303</u>	<u>\$ 7,280,599</u>	<u>\$ 13,196,902</u>	<u>\$ 12,807,900</u>	<u>\$ 13,072,238</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 972,567	\$ -	\$ 972,567	\$ 1,212,817	\$ 1,492,661
Deferred revenue	377,686	-	377,686	412,962	554,223
Current portion of note payable (Note 9)	-	28,591	28,591	27,503	26,456
	<u>1,350,253</u>	<u>28,591</u>	<u>1,378,844</u>	<u>1,653,282</u>	<u>2,073,340</u>
Long term liabilities					
Accrued retirement benefits (Note 8)	961,100	-	961,100	878,500	788,583
Accrued sick pay benefits (Note 8)	68,200	-	68,200	64,500	61,300
Note payable (Note 9)	-	18,152	18,152	46,743	74,246
	<u>1,029,300</u>	<u>18,152</u>	<u>1,047,452</u>	<u>989,743</u>	<u>924,129</u>
Deferred contributions (Note 10)	-	22,108	22,108	42,684	72,245
Fund balances					
Unrestricted	3,536,750	-	3,536,750	2,986,433	2,679,864
Internally restricted (Note 11)	-	4,472,318	4,472,318	4,446,174	4,510,392
Invested in capital assets	-	2,739,430	2,739,430	2,689,584	2,812,268
	<u>3,536,750</u>	<u>7,211,748</u>	<u>10,748,498</u>	<u>10,122,191</u>	<u>10,002,524</u>
	<u>\$ 5,916,303</u>	<u>\$ 7,280,599</u>	<u>\$ 13,196,902</u>	<u>\$ 12,807,900</u>	<u>\$ 13,072,238</u>

Approved by the Council



Chairman



Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 MARCH 2012

	Operating Unrestricted	Capital Board Restricted	Capital Invested in Capital Assets	Total 2012	Total 2011
Balance, opening	\$ 2,986,433	\$ 4,446,174	\$ 2,689,584	\$ 10,122,191	\$ 10,002,524
Excess of revenue over expense	557,893			557,893	119,667
Change in accumulated remeasurement gains and (losses)	68,414			68,414	
Acquisition of capital assets		(545,265)	545,265	-	-
Reduction in term loans payable	1,088	(28,591)	27,503	-	-
Amortization of capital assets	522,922		(522,922)	-	-
Interfund transfer (Note 11)	(600,000)	600,000	-	-	-
Balance, closing	\$ 3,536,750	\$ 4,472,318	\$ 2,739,430	\$ 10,748,498	\$ 10,122,191

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

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
REVENUE		
Operations	\$ 9,876,494	\$ 9,408,638
Operating grant		
Province of New Brunswick	50,000	50,000
Investment	145,341	183,748
Sundry	155,923	112,861
	10,227,758	9,755,247
EXPENSE		
Operations	7,125,982	6,805,841
Administration	2,008,539	2,066,279
Amortization (Note 7)	522,922	535,855
Purchase premium paid on acquisition of Moncton laboratory (Note 3)	-	395,458
Bad debts (Recovery)	12,422	(2,343)
	9,669,865	9,801,090
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FROM OPERATIONS	557,893	(45,843)
Adjustment for unrealized gains on marketable securities	-	165,510
	\$ 557,893	\$ 119,667
EXCESS OF REVENUE OVER EXPENSE	\$ 557,893	\$ 119,667

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Operating Fund	Capital Fund	2012 Total	2011 Total
CASH PROVIDED BY (USED FOR):				
Operating activities				
Excess of revenue over expense	\$ 557,893	\$ -	\$ 557,893	\$ 119,667
Amortization	522,922	-	522,922	535,855
Unrealized gains		-	-	(165,510)
Net change in non-cash working capital	111,621		111,621	(504,561)
Net cash provided by (used in) operating activities	<u>1,192,436</u>	-	<u>1,192,436</u>	<u>(14,549)</u>
Capital activities				
Acquisition of capital assets	-	(545,265)	(545,265)	(386,715)
Net cash used in capital activities	<u>-</u>	<u>(545,265)</u>	<u>(545,265)</u>	<u>(386,715)</u>
Investing activities				
Purchase or transfer of long-term investment	(440,452)	(26,144)	(466,596)	(53,269)
Net cash used in investing activities	<u>(440,452)</u>	<u>(26,144)</u>	<u>(466,596)</u>	<u>(53,269)</u>
Financing activities				
Reduction in note payable	-	(28,591)	(28,591)	(27,503)
Net cash used in financing activities	<u>-</u>	<u>(28,591)</u>	<u>(28,591)</u>	<u>(27,503)</u>
NET INCREASE (DECREASE) IN CASH	751,984	(600,000)	151,984	(482,036)
Cash, beginning of year	706,638	-	706,638	1,188,674
Interfund transfer (Note 11)	(600,000)	600,000	-	-
CASH, end of year	<u>\$ 858,622</u>	<u>\$ -</u>	<u>\$ 858,622</u>	<u>\$ 706,638</u>

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012

	<u>2012</u>
Accumulated remeasurement gains (losses) upon adoption of PSAS beginning of year (Note 3)	<u>\$ 344,979</u>
Unrealized gains attributable to:	
Portfolio investments (equity instruments)	(62,592)
Designated fair value financial instruments	99,284
Amounts reclassified to the statement of operations:	
Portfolio investments (equity instruments)	<u>31,722</u>
Change in remeasurement gains and (losses) for the year	<u>68,414</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ 413,393</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2012

1. Purpose of the organization

The New Brunswick Research and Productivity Council (the Council) is a government non-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 financial statements are prepared by management in accordance with Canadian public sector accounting standards for not-for-profit organizations. A summary of the significant accounting policies used in the preparation of these financial statements are as follows:

(a) Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Council has adopted public sector accounting standards ("PSAS") for not for profit entities as issued by the Public Sector Accounting Board. These consolidated financial statements are the first consolidated financial statements for which the Council has applied PSAS. The council has early adopted the accounting standards contained in PS 1201- Financial statement presentation, PS 2601- Foreign currency translation and PS 3450 – Financial instruments in the preparation of these statements.

Detailed information on the impact of the conversion to PSAS is provided in Notes 3 and 4.

(b) Fund accounting

Revenue and expense associated with delivery of services and administrative support are reported in the Operating Fund. The Capital Fund reports assets, liabilities, gains and expenditures related to the acquisition, disposal and financing of capital assets, as well as the amount of net assets restricted for capital purposes.

(c) Consolidation policy

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

(d) Revenue recognition

Revenue is determined to be earned and is recorded in the Operating Fund on a percentage of completion basis when services are performed. The value of work completed but not billed is reported as Work in Progress, while amounts which have been paid or billed in advance, but for which work has not been done, are reflected as Deferred Revenue.

Investment income includes dividends, interest, and gains and losses on securities. All investment income is reported in the Operating Fund in the year it is earned including unrealized gains and losses on held-for-trading financial assets.

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.

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.

(e) Portfolio investments

The Council invests in long and short duration fixed term investments (bonds) and publically traded equities.

Equity investments are quoted in an active market and are reported at fair value. The Council has elected to measure investment in bonds at fair value to correspond with how they are evaluated and managed. Fair value is determined by quoted market rates.

(f) Financial instruments

Financial instruments consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities and note payable. Except for portfolio investments, discussed above, carrying value is assumed to approximate fair value because of their short term to maturity.

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 and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. Impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs are expensed for financial instruments measured at fair value.

(g) Capital assets

Capital assets are recorded in the Capital Fund at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Amortization is recorded in the Operating Fund as part of the cost of service delivery at rates as disclosed in Note 6.

(h) Pension

Full-time employees of the Council are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Council and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Council's obligation is limited to the amount of these contributions.

(i) Accrued retirement benefits

Employees who began full-time employment prior to April 1, 2011 are entitled to retirement allowance benefits. The accrued liability for this retirement allowance benefit is determined by an actuarial valuation carried out as of March 31, 2012.

(j) Accrued sick pay benefits

Employees are entitled to sick pay benefits which accumulate but do not vest. The accrued liability for this benefit is determined by an actuarial valuation carried out as of March 31, 2012.

(k) Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant estimates included in these financial statements pertain to: assumptions used in determining retirement allowance benefits 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. Adoption of new accounting framework

Effective April 1, 2011, the Council adopted the Canadian public sector accounting standards applicable to government not-for-profit organizations. These new standards were retroactively adopted and therefore, 2011 comparative figures have been restated.

The council has not elected to use any optional elections or exemptions on transition to these standards. Accounting estimates were not retroactively restated as a result of this transition.

Key adjustments resulting from adoption of these standards are as follows:

- the accrued liability for retirement allowances has been adjusted to reflect the results of an actuarial valuation;
- an accrued liability for sick pay benefits has been recorded ;
- goodwill allowed under the previous accounting framework has been derecognized and
- remeasurement gains (losses) on portfolio investments are now reported in the Statement of Remeasurement Gains and Losses.

	March 31, 2011	April 1, 2010
Operating fund balance, as previously reported	\$ 3,471,395	\$ 2,790,945
Adjustment to accrued retirement benefits	(25,004)	(49,781)
Recognition of accrued liability for sick pay benefits	(64,500)	(61,300)
Purchase premium paid on acquisition of Moncton laboratory	(395,458)	
Operating fund balance, as restated	<u>\$ 2,986,433</u>	<u>\$ 2,679,864</u>
Excess of revenue over expense, as previously reported, March 31, 2011		\$ 493,548
Adjustment to accrued retirement benefits		24,777
Recognition of accrued liability for sick pay benefits		(3,200)
Purchase premium paid on acquisition of Moncton laboratory		(395,458)
Excess of revenue over expense, as restated, March 31, 2011		<u>\$ 119,667</u>

4. Early adoption of new accounting standards - Financial instruments

The council has early adopted sections PSAS 2601 *Foreign currency translation* and PSAS 3450 *Financial instruments*. The comparative figures have not been restated for the Council's adoption of these standards. Under the Council's previous reporting standards, the adjustment for unrealized gains and losses was accumulated in the unrestricted fund balance. This accumulated unrealized gain is now presented on the statement of remeasurement gains and losses.

5. Risk management

When investing excess cash, the Council follows a conservative investment policy (Note 13) in order to mitigate financial risk. The Council 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 requesting advanced payment from high risk customers. There is no concentration of risk as collection risk is spread over multiple customers. There have been no significant changes to credit risk exposure since the previous year.

The council's maximum exposure to credit risk at March 31, 2012 is equal to the accounts receivable balance of \$1,632,184.

ii) Liquidity risk

Liquidity risk is the risk of not being able to settle or meet an obligation on time or at a reasonable price. As the council's cash and portfolio investment balance exceeds its future obligations, it is not subject to significant liquidity risk.

iii) **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. A change in the interest rate could impact the fair value of the bonds held in the Council's portfolio.

iv) **Currency risk**

Currency risk arises on financial instruments denominated in a foreign currency. The Council has an insignificant number of transactions with customers and vendors denominated in foreign currency.

The Council also maintains a portfolio of US\$ Equity investments. The impact of a change in currency rate at March 31, 2012 would be limited to the US\$ accounts receivable balance and balance of US\$ equities in their portfolio as follows:

Financial Instruments demoninated in US\$	
Accounts receivable	\$ 119,003
Equity investments	414,449
	<hr/>
	\$ 533,452

A 1% change in the exchange rate would have the impact of increasing or decreasing the value of these assets by \$5,335 depending on whether the rate increases or decreases.

6. Portfolio investments

Portfolio investments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of 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.

Portfolio investments in the fair value category	Fair value hierarchy level	March 31, 2012	March 31, 2011	April 1, 2010
Equity instruments quoted in an active market	level 1	\$ 2,333,358	-	-
Fixed income securities, designated to be in the fair value category	level 2	5,311,951	-	-
Portfolio investments recorded at fair value in the prior year		-	\$ 7,110,299	\$ 6,891,520
Total portfolio investments reported at fair value		<hr/> \$ 7,645,309	<hr/> \$ 7,110,299	<hr/> \$ 6,891,520

7. Capital assets

	Amortization rates	2012			2011	April 1, 2010
		Cost	Accumulated amortization	Net book value	Net book value	Net book value
Vehicle	25%	\$ 11,880	\$ 11,880	\$ -	\$ -	\$ -
Computer equipment	25%	1,654,756	1,599,807	54,949	70,261	47,785
Operating equipment	12.50%	9,715,140	8,418,871	1,296,269	1,370,705	1,560,648
Land and buildings	3%	3,092,198	1,635,135	1,457,063	1,365,548	1,376,782
		<u>\$ 14,473,974</u>	<u>\$ 11,665,693</u>	<u>\$ 2,808,281</u>	<u>\$ 2,806,514</u>	<u>\$ 2,985,215</u>

Amortization expense is comprised of the following amounts:

	2012	2011
Amortization of assets	\$ 543,498	\$ 565,416
Amortization of deferred contributions (Note 9)	(20,576)	(29,561)
	<u>\$ 522,922</u>	<u>\$ 535,855</u>

8. 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. 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 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 financial statements.

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

Discount rates	3.5% to 4.8%
Salary cost increase	3.5% per year
Retirement age	Age 60
Probability of excess sick leave	6.41%

	2012		2011	
	Retirement Benefit	Sick Pay	Retirement Benefit	Sick Pay
Accrued benefit obligation, April 1	\$ 904,400	\$ 66,400	\$ 802,900	\$ 61,300
Current service cost	57,900	5,400	52,300	5,000
Interest on obligation	41,500	3,000	39,300	2,900
Benefit payments	(18,400)	(4,800)	(16,000)	(4,700)
Actuarial loss	59,100	4,000	25,900	1,900
Accrued benefit obligation, March 31	<u>1,044,500</u>	<u>74,000</u>	<u>904,400</u>	<u>66,400</u>
Unamortized actuarial loss	(83,400)	(5,400)	(25,900)	(1,900)
Accrued benefit liability at March 31	<u>\$ 961,100</u>	<u>\$ 68,600</u>	<u>\$ 878,500</u>	<u>\$ 64,500</u>

9. Note payable

	2012	2011	April 1, 2010
Atlantic Canada Opportunities Agency, interest free, payable \$7,500 quarterly through November 1, 2013	\$ 46,743	\$ 74,246	\$ 100,702
Less: current portion	(28,591)	(27,503)	(26,456)
	<u>\$ 18,152</u>	<u>\$ 46,743</u>	<u>\$ 74,246</u>

10. Deferred contributions

Deferred contributions reported in the Capital Fund represent the unamortized portion of external contributions received towards the cost of specific capital assets. Amortization of deferred contributions is calculated at the same rate as amortization of the assets to which they relate, and is netted with amortization expense for presentation purposes.

The changes for the year in the deferred contributions balance reported in the Capital Fund are as follows:

	2012	2011	April 1, 2010
Deferred contributions at 1 April	\$ 42,684	\$ 72,245	\$ 107,509
Amortization of deferred contributions	(20,576)	(29,561)	(35,264)
Deferred contributions at 31 March	<u>\$ 22,108</u>	<u>\$ 42,684</u>	<u>\$ 72,245</u>

11. Inter-fund transfers and internally restricted fund balances

The board of directors of the New Brunswick Research and Productivity Council internally restricted resources amounting to \$4,472,318 as at 31 March 2012 (2011 - \$4,446,174). 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 a 31 March 2012 transfer of \$600,000 from the Operating Fund to the Capital Fund (2011 - \$350,000).

12. 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.

	2012	2011
Revenue from services provided for the year		
Government departments and agencies	\$ 1,176,717	\$ 1,005,694
Accounts receivable at 31 March		
Government departments and agencies	\$ 239,939	\$ 222,878

13. Management of fund balances

The Council's objective in managing its fund balances is to remain a sustainable operation while fulfilling its overall mandate of being an independent research, testing and technical services organization. It achieves this objective through strong day-to-day management of cash flows and by regularly monitoring revenues and expenditures against its annual operating and capital budgets.

The Council's investment policy has a target investment allocation as follows:

Cash and equivalents	10%
Fixed Income	65%
Equity	25%

The objective of the portfolio 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.

14. Comparative figures

Comparative figures have been reclassified or restated to be consistent with current year presentation.