



**NOVA SCOTIA  
FISHERIES & AQUACULTURE  
LOAN BOARD**

**2018-2019**

# ANNUAL REPORT

**NOVA SCOTIA FISHERIES AND  
AQUACULTURE LOAN BOARD**



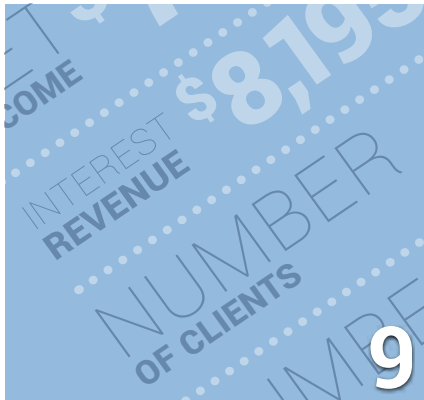


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# MESSAGE FROM THE BOARD CHAIR



This has been another year of continued unprecedented growth for the Nova Scotia Fisheries and Aquaculture Loan Board (FALB). The Board supports the fishing industries by providing financial assistance through responsible lending to individuals and companies throughout the Province. All communities benefit when new and experienced fisherman, aquaculturists and processors are able to access funds to develop and grow their businesses, and the Board is pleased to have loaned over \$52 million into rural Nova Scotia in 2018-19 to make that happen. Loans are available for a wide range of projects from used vessels to licenses to the purchase of existing operations.

The Board is a developmental lender that strives to understand the full business model of the applicant to lower risk to the fisher and the Province, with the goal of each loan

applicant having a successful fishing career. The Board is pleased to be able to provide new entrants with an opportunity to enter the fishing industry with minimal down payments and long amortization periods; 31% of all loans were to new entrants in 2018-19.

The FALB Board of Directors is responsible for providing leadership and independent oversight for the organization's lending program. The Board consists of members from across the Province, from Yarmouth to Sydney. Its complement of Directors come from diverse backgrounds, bringing extensive experience in all aspects of the fishing industry, finance and executive leadership.

The Board is proud of the work staff and management have done to responsibly deliver on the organization's goals. The Fisheries and Aquaculture Loan Board is pleased to be playing an essential role as our industry continues to build an economic future for our coastal and rural communities.

**Denny Morrow**

*Chair, Nova Scotia Fisheries and Aquaculture Loan Board*



## MESSAGE FROM THE CEO



It is an exciting time to be a part of the fishing, seafood and aquaculture industries. With exports at an all-time high, the industries are seeing steady growth. The Fisheries and Aquaculture Loan Board is pleased to be growing with industry and has focused 2018-19 on positioning the Board for continued success.

As the Department of Fisheries and Aquaculture's lending agency, the FALB is a self-sustaining Crown Corporation with a talented and dedicated staff of 27 over 5 locations. The FALB team has intimate knowledge of the industries and how to build loan programs to support their growth. With a suite of enhanced lending programs offered for the first time in 2018-19, our commitment to evolving to meet industry needs is clear. We are happy to say that our results show we are on the right track. The FALB has processed the most loans and loaned the largest amount of funds in the Board's 83-year history, ending the year with a record setting number of loans and clients.

A priority has been to connect with industry, demonstrated by establishing our first regional FALB office in Yarmouth, the largest fishing community in 2018, offering daily in-person service. We have also taken our Board meetings “on the road”, hosting information sessions around the province to hear directly from communities on how to best meet their needs.

Steps have been taken to modernize the tools the FALB has available to build capacity, and further strengthen our role as a leader in fisheries and aquaculture lending. With the work done in 2018-19 to procure new lending technology, build a web and social media presence, and streamline administrative processes, the FALB is positioned to continue to grow with industry.

It is the commitment of the Board and staff to industry that has made these successes possible. It would not have been possible without their knowledge, expertise and enthusiasm. I am looking forward to continuing to build on the successes in 2019-20.

**Jennifer Thompson**

*CEO, Fisheries and Aquaculture Loan Board*





# BOARD OF DIRECTORS

FALB has an industry-based Board of Directors that are active in their businesses and communities while providing leadership and direction to the Loan Board. They offer valuable insight into industry and shape the strategic direction of the organization.

## DANNIE HANSON

Dannie was Chair of the FALB until his passing in July of 2018. Dannie’s passion for the fishing industry was evident in his leadership. He was instrumental in driving the FALB forward, and the Board is pleased to have continued with his initiatives this year.

## DENNY MORROW CHAIR

Denny has worked in administrative roles in the fishing industry since 1993 and currently runs his own consulting business. Denny has served on advisory committees related to the fishing industry and on several Boards and groups in the Yarmouth area.

“ I am pleased to be part of a board that is there to support the next generation of Nova Scotia fishers as they start their careers and continue to move our industry forward.”

## WAYNE GAUDET VICE-CHAIR

Wayne was a Member of the Nova Scotia Legislative Assembly for twenty years, representing Clare. He has been past Minister of the Department of Agriculture and Marketing, Acadian Affairs, and the Department of Business and Consumer Affairs. During his 20-year political career, he had the opportunity to work with many fishermen and fish plant owners. Wayne has served on the Board of Directors of the Church Point Credit Union for several years.

“ I am proud to be part of a board that has such a direct impact on our communities and gives young fishers the opportunity to get into the industry.”





## **SEAN BORDEN**

### DIRECTOR

Sean has a Masters degree in Business Administration and a Bachelor of Engineering, Industrial Discipline. He has a strong background in asset management, customer experience and capital investment management through his work at Nova Scotia Power. Sean is currently the Director of Customer Experience and was previously the Manager of Transmission and Distribution Capital Program at Nova Scotia Power.

“Working with the Fisheries and Aquaculture Loan Board has been an incredibly rewarding experience. The impact this organization is having for Nova Scotians trying to enter or stay in the fisheries industry is truly impressive.”

## **CLAUDE P. POIRIER**

### DIRECTOR

Claude has strong business and relationship experience with the fishing industry. He has been the owner of Cheticamp Welding and Machine Shop since 1993 and an employee there since 1973. He has served on numerous committees such as the Harbour Authority of Cheticamp, the Cheticamp Economic Council and the Cheticamp Development Council in various roles.

“I appreciate seeing the work of the Board and staff and the impact it has, not only on the lives of our fishers, but in the economy of Nova Scotia.”



## **NATHAN BOUDREAU**

### DIRECTOR

Nathan has a strong accounting background and has been the Chief Operations Officer for Premium Seafoods Group in Arichat for over 16 years. He is an active member of his community and he has served on numerous committees.

“**This is truly a Nova Scotian organization – we have representation from Yarmouth to Sydney and work hard to support the unique needs of all aspects of our seafood industry.**”

## **MICHAEL POTHIER**

### DIRECTOR

Michael is currently a seafood broker of live lobster, Atlantic halibut, swordfish and tuna for Long Point Lobster Ltd. He is also a Life Licensed Qualified Professional. Michael was the senior sales, general manager and Chairman of the Board of Fishermen’s Premium Atlantic lobster where he managed all aspects of this business. Supported by his years of experience in the industry, Michael serves on the Board to help assess and assist in the decision making required to make this provincial loan board as effective and efficient as possible.

“**It is good to serve on a board that provides such a direct impact. I am proud of the work we do to make a difference in the lives of fishers and their families.**”



# METRICS

NET INCOME **\$751,000**

INTEREST REVENUE **\$8,195,000**

NUMBER OF CLIENTS **637**

NUMBER OF LOANS **817**

NEW LOANS ADVANCED  
**\$52 M**

REGIONAL OFFICES **2**

INFORMATION SESSIONS **2**

NEW LOAN PROGRAMS **5**

AVERAGE INTEREST RATE **5.8%**

## **DONNA UPHAM** DIRECTOR

After 25 years in the service industry, Donna joined IG Wealth Management because she felt there was a gap in the financial industry in providing full and complete financial planning. Planning for young clients who are building their roadmaps to more established clients starting retirement planning, Donna provides advice on how to protect their wealth for their retirement and their estate. Donna is currently working on her Certified Financial Planner designation and is also an active member of the Rotary Club in Dartmouth North and volunteers with the Freedom Foundation and the Boys and Girls Club.

“ I feel connected to my community serving on the Board and appreciate the opportunity to contribute to a sector that supports rural Nova Scotia. ”



# ABOUT

THE NOVA SCOTIA  
FISHERIES AND AQUACULTURE  
LOAN BOARD



## **MISSION**

The Board supports the development of fisheries and aquaculture businesses in Nova Scotia through responsible lending.

## **VISION**

To be a recognized leader in fisheries and aquaculture lending, creating opportunities in rural and coastal Nova Scotia.

## **MANDATE**

The mandate of the FALB is to support the fisheries and aquaculture industry through the provision of capital financing. The FALB operates as a Crown Corporation established under the *Fisheries and Coastal Resources Act*. This Act provides authority to the FALB to make loans to, or guarantee loans of, a borrower for any purpose which will encourage, sustain, improve or develop the fishing and aquaculture industries in the province. Regulations made under the Act govern the terms and conditions of loans provided by the FALB.



ECONOMIC

# LANDSCAPE



## **INTERNATIONAL EXPORTS CONTINUE TO BREAK RECORDS**

Exports are critical to the Nova Scotia fishery and in recent years, fish and seafood exports have been the single largest export from the province. In 2018, Nova Scotia fish and seafood exports were valued at \$2.042 billion, accounting for 35% of the province's exports of goods.



## **AQUACULTURE BECOMING AN INCREASINGLY IMPORTANT ECONOMIC DRIVER**

Nova Scotia aquaculture production was valued at \$88.6 million in 2018 with production volume of 10.1 million kilograms in the same year. Nova Scotia aquaculture compared to wild capture harvest volumes represents an estimated 4% share. Globally aquaculture represents an estimated 50% of fish and seafood production highlighting how aquaculture is positioned for growth in the province.





## NOVA SCOTIA FISHERIES AND AQUACULTURE

# LOAN PROGRAM

The Board is committed to meeting the needs of industry and to growing businesses by matching clients with viable loans programs and customized solutions based on credit, risk assessment and client need. The Fisheries and Aquaculture Loan Board offers a suite of lending programs for harvesting, aquaculture and processing, with loans for everything from seed, bait and inventory to vessels, buildings and equipment. Loans can start as low as \$3,000 or be multi-million-dollar projects. Although the Board does not set a maximum value for loans, loans over \$5 million require Order-in-Council approval.

Staff are well versed in the fishing industry, understanding various business cycles. Regularly visiting clients throughout the province providing advice and connecting with industry, staff work

to ensure loans are set up to meet clients' needs. Vessel inspection services, unique to the FALB, provide clients with guidance throughout the build of their new vessel or provide an independent assessment of used vessels being purchased. Clients can be confident if they finance with the Board, that their loan has been fully analyzed and structured to meet their individual needs.

The Board supported the capitalization of rural Nova Scotia businesses, increasing new investments year over year, with a total investment of \$156.5 million in fisheries and aquaculture businesses. This represents a 20% increase in lending over the previous year. The investment has the added advantage of spin-offs supporting building and materials suppliers, boat builders, bait and gear shops and marine brokers.





## PROGRESS ON GOALS

Our operational plan includes five goals that have internal operational benefits and external lending and customer satisfaction outcomes.

### ■ Growing the Rural Economy

This goal considers both how we communicate with clients and reach across Nova Scotia, as well as the development and utilization of programs designed to support growth. We are committed to growing rural and coastal communities through responsible lending, with a focus on growing our lending portfolio and enhancing our product line. FALB continues to provide long-term fixed rate loans to support established fishers and new entrants in the development stage of their business.

The Board extended 93 loans supporting vessel acquisition and construction with a value of \$24.1 million. Thirty-one percent of loans

applicants in 2018-19 represented loans to new entrants.

The Board supports innovative fisheries and aquaculture businesses to extract value from new fisheries and species and in the adoption of new technologies.

Provincial investments through Board loans make Nova Scotia a better and more productive place to harvest, grow and process fish. We partner with other agencies, when it makes good business sense, to maximize client benefits, whether it is with a funding partner (Atlantic Canada Opportunities Agency, Atlantic Fisheries Fund) or another lender.

## ■ Quality Lending

The Board has a legacy of excellent client relationships. To maintain our success, we are committed to continuous monitoring of our portfolio's risk, client profiles and client satisfaction. It is also important for the Board to maintain balanced portfolios, with a range of risk scores from limited risk to more risky loans. Not only does this help the Board remain cost-neutral, it ensures that our resource commodities are sustainable in market downturns.

The Board disbursed the majority of funds for traditional vessel, licenses, and gear loans. In addition, seafood production and process improvements, as well as seafood quality improvements loans were made. The total funds invested were \$52 million representing a doubling in investments from just three years ago.

## ■ Continuous Improvement

Streamlining processes between the provincial Fisheries and Aquaculture Loan Board and the Farm Loan Board is critical to meeting our goal of improving team effectiveness and continuous improvements.

This year, the Board began streamlining procedures through LEAN to result in faster and more effective processing of loans. We are working to reduce turn-around time, make it easier to apply for a loan, obtain information on loans, build new applications and provide website tools.

Nova Scotia Fisheries & Aquaculture Loan Board has been rebranded, with a logo and new marketing materials. The first website for the FALB is anticipated to be launched in 2019.

## ■ Positioned for Success

This goal aims to ensure continued success through effective systems and responsiveness to industry changes.

The Micro-Loans Program, Group Life Insurance and Risk Adjusted Rates are some of our programming examples that help us meet this goal.

The Board also continued to support businesses seeking new markets, both domestically and overseas.

We pride ourselves on client relationships through the delivery of excellent advisory and customer services.

## ■ Accountability

The Board's reputation of quality and timely work has contributed to its reputation in industry as a trusted partner. To meet this goal, we began reviewing our current systems to determine gaps in client service and satisfaction. These include our financial reporting and loans management systems. During the fiscal year the Board began the process of developing and preparing to issue a Request for Proposals to replace its legacy loans management system.



# REGULATORY REVIEW —

**MODERNIZING LENDING SERVICE  
AND EXCELLING IN CUSTOMER SERVICE**

Last year, the Board reviewed the *Nova Scotia Fisheries and Aquaculture Loan Board Regulations* to modernize them to reflect current operations and align with those of the *Nova Scotia Farm Loan Board*. In 2018-19, regulatory changes were made to enhance the Board's ability to streamline services, improve lending capabilities, address risk issues and allow for sustainable funding options. For example, these new regulations resulted in

increased approval limits of \$5 million at the Board level. Improved efficiencies will be achieved by integrating the administrative and operational functions of the staff that support both the Farm Loan Board and the Fisheries and Aquaculture Loan Board. Desired outcomes also include an improved application process and website. The two Boards will continue to operate separately to maintain their unique sector supports.

LENDING

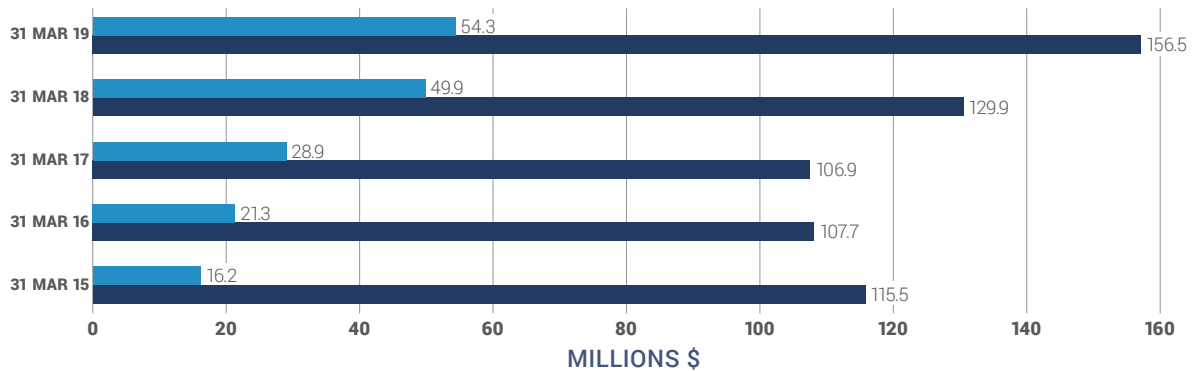
# HIGH- LIGHTS





## LENDING HIGHLIGHTS: LOANS BY YEAR

■ NEW LOANS ■ TOTAL LOANS PORTFOLIO



In 2018-19, the Board hit an all-time lending high, approving 166 new applications totaling over \$54 million, with a total investment of \$156.5 million.

### Other 2018-19 highlights:

- The Board continued its life insurance program for fisheries and aquaculture clients, first implemented in 2017-18, and experienced growth in last year's launching of the share purchase loans.
- There was an increase in the number of clients and the number of loans annually since 2015. Anecdotally, industry has indicated the value of fishing licenses and vessels have increased and this may be a contributing reason for the increase in the value of the portfolio.
- Fishing licenses made up 52% of total loans approved during the year and 54% of the total portfolio, while new vessels comprised 28% of loans approved during the year and 26% of the total lending portfolio. The value of used boats made up 15% of loans approved in 2018-19 and 13% of the total lending portfolio.
- Aquaculture is on the rise as an economic contributor, representing 4.5% of the portfolio.
- 6% of clients (37 out of 637) in arrears compared to 7% (43 out of 601) in the previous year.
- All clients received financial guidance through loans processing as part of the Board's regular services with eight clients receiving additional special credit counseling.



INDEPENDENT AUDITOR'S  
REPORT AND  
AUDITED  
FINANCIAL STATEMENTS



Financial Statements  
**March 31, 2019**  
(in thousands of dollars)



## Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditor, PricewaterhouseCoopers LLP, conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the financial statements. The external auditor has full and free access to financial management of the Nova Scotia Fisheries and Aquaculture Loan Board and meets when required.

On behalf of the Nova Scotia Fisheries and Aquaculture Loan Board



Jennifer Thompson, Director of Crown Lending Agencies

October 29, 2019

# Nova Scotia Fisheries and Aquaculture Loan Board

## Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

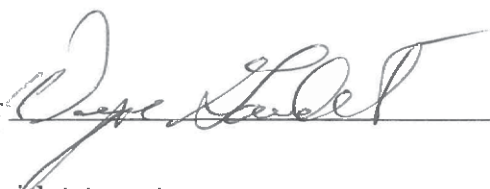
	2019 \$	2018 \$
<b>Assets</b>		
<b>Financial assets</b>		
Loans receivable, net (note 4)	154,372	124,407
Interest receivable, net	3,220	2,972
Due from the General Revenue Fund of the Province (note 5)	50,475	81,889
	<u>208,067</u>	<u>209,268</u>
<b>Liabilities</b>		
<b>Financial liabilities</b>		
Applicants' funds on deposit (note 5)	116	421
Due to the General Revenue Fund of the Province	3,220	2,972
Fisheries and Aquaculture Development Fund, net (note 1)	204,731	205,875
	<u>208,067</u>	<u>209,268</u>
<b>Accumulated surplus</b>	<u>-</u>	<u>-</u>

**Commitments and contingencies** (note 6)

**Approved by the Board of Directors**



Director



Director

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

# Nova Scotia Fisheries and Aquaculture Loan Board

## Statement of Operations and Accumulated Surplus

For the year ended March 31, 2019

(in thousands of dollars)

	2019 Budget \$ (unaudited)	2019 Actual \$	2018 Actual \$
<b>Revenues</b>			
Interest on loans (note 4)	6,500	8,195	6,682
Loan processing and other fees	184	500	451
	<hr/> 6,684	<hr/> 8,695	<hr/> 7,133
<b>Expenses</b>			
Lending expenses (note 8)	5,071	7,944	5,150
<b>Annual surplus before distribution to the General Revenue Fund of the Province</b>	1,613	751	1,983
<b>Distribution to the General Revenue Fund of the Province</b>	<hr/> (1,613)	<hr/> (751)	<hr/> (1,983)
<b>Annual and accumulated surplus – Beginning and end of year</b>	<hr/> -	<hr/> -	<hr/> -

# Nova Scotia Fisheries and Aquaculture Loan Board

## Statement of Cash Flows

For the year ended March 31, 2019

(in thousands of dollars)

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	-	-
Net charge (credits) to operations not involving cash		
Increase in allowance for loan impairment	767	(183)
	767	(183)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in interest receivable	(248)	(435)
Increase (decrease) in due to the General Revenue Fund of the Province – net	248	435
Increase (decrease) in applicants' funds on deposit	(305)	21
	462	(162)
<b>Financing activities</b>		
Increase (decrease) in due from the General Revenue Fund of the Province – net	30,270	22,742
<b>Investing activities</b>		
Decrease (increase) in loans receivable – net	(30,732)	(22,580)
<b>Net change in cash for the year</b>	-	-
<b>Cash – Beginning of year</b>	-	-
<b>Cash – End of year</b>	-	-

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

(in thousands of dollars)

### 1 Nature of operations

#### Authority

The Nova Scotia Fisheries and Aquaculture Loan Board (the "Loan Board") was established pursuant to Section 34 of the Fisheries and Coastal Resources Act.

The objective and purpose of the Loan Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province of Nova Scotia (the "Province").

The Loan Board receives funding from the Fisheries and Aquaculture Development Fund (the "Fund") to finance the loans and guarantees of the Loan Board.

The Loan Board is responsible to forward interest earned on loans receivable to the General Revenue Fund of the Province. Lending expenses incurred are funded by the General Revenue Fund.

As of March 31, 2019, the total principal in loans outstanding was limited by Order-in-Council to \$225,000 less \$20,269 in bad debt since the inception of the Fund. Maximum advances disbursed in any given year are established through the annual budgeting process, which requires approval of government. For the year ended March 31, 2019, new advances were \$51,963. These were able to exceed the capital allocation authorized of \$35,000 by using the unfilled allocation of the Nova Scotia Farm Loan Board. The Loan Board received repayments of loan principal of \$22,542 during the year.

	2019 \$	2018 \$
Fisheries and Aquaculture Development Fund – Beginning of year	205,875	205,875
Less: Loans written off	(1,144)	-
Fisheries and Aquaculture Development Fund – End of year	<u>204,731</u>	<u>205,875</u>
Comprised of:		
Loans receivable, net (note 4)	154,372	124,407
Loans authorized but not advanced (note 5)	14,888	12,810
Funds available for additional loans (note 5)	<u>35,471</u>	<u>68,658</u>
	<u>204,731</u>	<u>205,875</u>

Loans in excess of \$5,000 and any loan write-offs, require approval by Governor in Council.

### 2 Capital management

As an agency of the Province, the Loan Board does not maintain its own capital. Operations are funded by contributions from the General Revenue Fund.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

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(in thousands of dollars)

### 3 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS").

The following significant accounting policies were used in preparation of these financial statements:

#### Cash

The Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

#### Revenue recognition

Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees. Interest received on impaired loans is recognized in earnings only if there is no longer doubt as to the collectability of principal.

#### Expenses

Expenses are recorded on the accrual basis. Net expenses include recoveries which are directly related to the expenses and are not normally considered to be revenues.

#### Loans receivable

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are classified as impaired when loan payments are in arrears for more than 90 days or when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

#### Valuation allowance for loan impairment

The valuation allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Loan Board's portfolio. The valuation allowance is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the remaining portfolio. These judgments are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities, as well as the Loan Board policy to act as a patient lender, providing time for repayment where full future repayment appears reasonable.

Valuation allowances are made for estimated losses on certain loans and loan guarantees, which are recorded in the statement of operations and accumulated surplus as bad debt expense. Loans written off also reduce the balance of the Fisheries and Aquaculture Development Fund. Recoveries of bad debts do not increase the Fund's balance.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

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(in thousands of dollars)

### 3 Summary of significant accounting policies (continued)

#### Valuation allowance for loan impairment (continued)

The Loan Board records a specific valuation allowance based on a loan-by-loan review. Impaired loans are valued at the lower of their recorded investment or the estimated net recoverable value of their underlying security.

In addition, the Loan Board calculates a collective valuation allowance. This is an estimate of incurred but unidentified losses based on a review of historic loan write-offs.

#### Management estimates

PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. By their nature, as described further in note 4, these estimates are subject to measurement uncertainty and any changes in those estimates could have an impact on the results of the future period financial statements.

#### Financial instruments

The Loan Board has adopted Handbook Section PS3450 "Financial Instruments" and is required to designate its financial instruments into one of the following two categories: (i) fair value; or (ii) cost or amortized cost. All of the Loan Board's financial instruments are measured at amortized cost using the effective interest method.

The Loan Board's financial instruments consist of loans receivable, interest receivable, applicants' funds on deposit and amounts due to/from the General Revenue Fund of the Province. Transaction costs relating to loans are recorded as part of the total amount outstanding. The carrying value of loans approximates their net recoverable value. The Loan Board holds all loans to maturity.

#### Remeasurement gains and losses

Under PSAS, the Loan Board is required to present a statement of remeasurement of gains and losses. As the Loan Board has no remeasurement gains and losses, a statement of remeasurement gains and losses has not been presented.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

(in thousands of dollars)

### 4 Loans receivable

#### a) Loans receivable, net

The following tables set out the scheduled maturities of the financial assets as at March 31, 2019, together with the weighted-average interest rates being earned on the financial assets:

	2019			2018	
	Under 1 year \$	1 – 5 years \$	Over 5 years \$	Total \$	Total \$
Total performing loans	4,819	21,434	126,431	152,684	122,410
Average effective annual interest rate	5.8%	5.9%	5.8%	5.8%	5.8%
Add: Principal receivable on impaired loans				3,848	4,366
Total principal				156,532	126,776
Less: Provision for loan impairment				2,160	2,369
<b>Net loans receivable</b>				<b>154,372</b>	<b>124,407</b>

#### b) Allowance for impaired loans

Loans are considered impaired when there has been deterioration in credit quality to the extent the Loan Board no longer has reasonable assurance of timely collection of the full amount of principal and interest. The allowance calculated is comprised of two components, the specific allowance for individually identified impaired loans and a collective allowance for impaired loans.

The specific allowance for individually identified loans was established based upon a review of impaired loans. Primary factors considered in estimating the specific allowance on individual loans were the estimated net realizable value of security pledged and the financial condition of the borrower and/or, where applicable, guarantors.



# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

(in thousands of dollars)

### 4 Loans receivable (continued)

#### b) Allowance for impaired loans (continued)

The collective allowance for impaired loans has been determined by management's best estimate of the loss that is likely to be experienced on impaired loans that were not known to be impaired at the year-end. The collective allowance was calculated based on management's judgment.

	2019		2018	
	Impaired loans \$	Allowance for impairment \$	Impaired loans \$	Allowance for impairment \$
Specific allowance	3,848	1,527	4,366	2,114
Collective allowance	-	633	-	423
	<u>3,848</u>	<u>2,160</u>	<u>4,366</u>	<u>2,537</u>

Significant judgment was exercised by management in estimating the allowance for impaired loans. As such, actual losses that occurred on loans outstanding as at March 31, 2019, will differ from these estimates and the difference could be material. The actual realization of impaired loans could be significantly different from the estimated amounts.

#### c) Continuity of allowance for impaired loans

	2019 \$	2018 \$
Allowance – Beginning of year	2,537	2,578
Add: Current year provision (recovery)	767	(41)
Less: Loans written off	(1,144)	-
Allowance – End of year	<u>2,160</u>	<u>2,537</u>
Valuation allowance on principal	2,089	2,369
Valuation allowance on interest	71	168
	<u>2,160</u>	<u>2,537</u>

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

(in thousands of dollars)

### 4 Loans receivable (continued)

#### d) Loans receivable past due but not impaired

A loan is considered past due when a counter-party has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because: (i) they have no payments over 90 days in arrears; or (ii) in management's opinion, there is reasonable assurance of the timely collection of the full amount of principal and interest. Loans that are past due but not impaired are as follows:

	16 to 30 days \$	31 to 60 days \$	61 to 90 days \$	91 days or more \$	Total \$
2019	272	530	-	1,700	2,502
2018	290	1,015	14	2,633	3,952

### 5 Due from the General Revenue Fund of the Province

The portion of the Fund that has not been advanced as loans is maintained in the General Revenue Fund of the Province. The maximum amount disbursed in any given year is established through the annual budgeting process, which requires approval by government (note 1). Deposits provided to the Loan Board by loan applicants are also maintained in the General Revenue Fund. Financial commitments made by the Loan Board reduce the amount of this account which is available for additional loans.

	2019 \$	2018 \$
Board commitments (note 6)		
Loans authorized but not advanced	14,888	12,810
Applicants' funds on deposit	116	421
Funds available for additional loans	35,471	68,658
Due from General Revenue Fund of the Province	50,475	81,889

### 6 Commitments and contingencies

#### a) Commitments

The Loan Board has committed to provide loans of \$14,888 (2018 - \$12,810) which were approved by the Loan Board but not advanced by year-end.

#### b) Contingencies

The Loan Board has been named as a counterparty in a lawsuit relating to issues with the construction of a vessel for which the Loan Board provided financing. It is the view of management that the amount and the likelihood of the claim being successful is not reasonably determinable and therefore no amount has been accrued in these statements.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

(in thousands of dollars)

### 7 Bad debt expense (net of recoveries)

	Budget 2019 \$ (unaudited)	2019 \$	2018 \$
Bad debt expense (net of recoveries)	78	899	(41)
Unpaid interest added to principal on refinance	-	(132)	(142)
	<u>78</u>	<u>767</u>	<u>(183)</u>

### 8 Lending expenses

	Budget 2019 \$ (unaudited)	2019 \$	2018 \$
Bad debt expense (net of recoveries) (notes 4 (b), 4 (c) and 7)	78	767	(183)
Interest expense (notes 9 and 10)	4,300	6,481	4,544
Other	4	6	19
Professional services	41	38	41
Travel	46	57	73
Salaries and benefits (net of recoveries)	577	549	577
Supplies and services	25	46	79
	<u>5,071</u>	<u>7,944</u>	<u>5,150</u>

### 9 Interest expense

Loans provided by the Loan Board are funded through advances from the Fisheries and Aquaculture Development Fund. Interest is charged, at a fixed rate, to the Loan Board for these advances on the assumption that the funds are borrowed by the Province to lend to the Loan Board. Interest expense is calculated by the Loan Board based on loan estimates provided quarterly by the Department of Finance at the rate at which the Province could borrow funds over the next quarter. Interest expense on funds borrowed to make loans of \$6,481 (2018 - \$4,544) is an expense of the Department of Finance. The weighted-average interest rate for the year was 4.16% (2018 - 3.95%).

### 10 Distributions to the General Revenue Fund of the Province

Administration expenses of the Loan Board for the year ended March 31, 2019, totalling \$696 (2018 - \$789), net of bad debt expense, were paid by the Department of Fisheries and Aquaculture on behalf of the Loan Board. Interest expense on funds borrowed to make loans of \$6,481 (2018 - \$4,544) is an expense of the Department of Finance. Accordingly, the total of these expenses are included in Distributions to the General Revenue Fund of the Province in the statement of operations and accumulated surplus. Interest received on the loans receivable is paid to the General Revenue Fund of the Province.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

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(in thousands of dollars)

### 11 Related party transactions

The Loan Board is related to all other departments, agencies, board and commissions of the Province. The General Revenue Fund of the Province is the sole source of funding for loans (note 5). Transactions with other provincial entities were entered into in the normal course of business.

The Province pays certain expenses, including salaries and benefits, rent, travel, professional fees and miscellaneous office expenses on behalf of, and with no charge to, the Loan Board.

### 12 Pension and post-retirement benefits

All full-time employees of the Loan Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The pension plan is funded by equal employee and employer contributions. The employer's contributions of \$33 (2018 - \$40) are included in the Loan Board's operating expenses. The Public Service Superannuation Fund is administered by the Public Service Superannuation Trustee Inc. and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the pension plan.

### 13 Financial instruments and risk management

#### Risk management

##### *Credit risk*

The Loan Board is exposed to financial risk that arises from the credit quality of the individuals and entities to which it provides loan services. Credit risk arises from the possibility that the individuals and entities to which the Loan Board provides loan services may experience financial difficulty and be unable to fulfill their obligations.

The risk that clients may not pay amounts owing on loans, resulting in a loss to the Loan Board, is managed through an initial assessment of the client's ability to pay and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties, it is the Loan Board's policy to work with clients on an individual basis to provide time for recovery. See note 4 for additional loan information.

The total loans receivable as at March 31, 2019, is \$154,372 (2018 - \$124,407). The majority of loans are secured primarily by a first mortgage on a vessel and a security agreement over fishing licenses. The maximum exposure to credit risk is the total loans outstanding.

All clients are involved in fishing and aquaculture industries in Nova Scotia. Regulations provide that loan deposits shall be a minimum of 5% of the total loan. Collateral held for security is assigned a value by a vessel inspector considering known transactions of similar vessels and condition of the vessel based on an inspection.

The Loan Board adjusts the allowance for impaired loans to recognize management's estimate of recoveries on impaired accounts. Impairment is primarily identified by review of arrears.

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to Financial Statements

For the year ended March 31, 2019

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(in thousands of dollars)

### 13 Financial instruments and risk management (continued)

#### Risk management (continued)

##### *Liquidity risk*

The Province provides funding and cash management services to the Loan Board. There is considered to be minimal risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on spending authority as identified in note 1.

##### *Interest rate risk*

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Loan Board attempts to match terms of loans offered with those of funds drawn through the Province. The interest on loans offered and the interest on funds drawn through the Province are both at fixed rates. A 1% change in interest rates would have a \$1,582 impact on interest revenues and interest expense.







**NOVA SCOTIA  
FISHERIES & AQUACULTURE  
LOAN BOARD**

**OFFICE LOCATIONS**

**Truro - Head Office**

74 Research Drive  
Bible Hill, Nova  
Scotia  
B6L 2R2

**902-896-4800**

**Kentville - Field Office**

Kentville Agricultural Centre  
32 Main Street  
Kentville, Nova Scotia  
B4N 1J5

**902-679-6009**

**Yarmouth - Field Office**

Harbourfront Place 101  
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Yarmouth, Nova Scotia  
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**902-749-8180**

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