



NOVA SCOTIA  
FISHERIES & AQUACULTURE  
LOAN BOARD

2020-2021

# Annual Report

Nova Scotia Fisheries and  
Aquaculture Loan Board

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Nova Scotia Fisheries and Aquaculture Loan Board Annual Report 2020-2021

Nova Scotia Fisheries and Aquaculture Loan Board

November 2021

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# Message from the Board Chair



The Nova Scotia Fisheries and Aquaculture Loan Board (FALB) has a long-standing history of providing valuable support to the fishing and aquaculture industries in Nova Scotia, and the importance of this role was highlighted this past year helping clients navigate through the pandemic. The FALB responded to COVID-19 with decisive action and are pleased to have been able to make decisions that were based on first-hand knowledge of the impacts on Nova Scotia fishing and aquaculture businesses.

A truly Nova Scotian organization, our Board members come from the private sector and are community and business leaders in the province. Members have hands on experience in harvesting, buying, processing, and in business and utilize their experience and expertise to help inform the board. Our eight Board members are geographically diverse with representation from Sydney to Yarmouth. All decisions are made here in Nova Scotia and this local approach continuous to resonate in the marketplace. With a deep understanding of the sector and a drive to stay up to date on industry trends, the FALB's strategic priorities

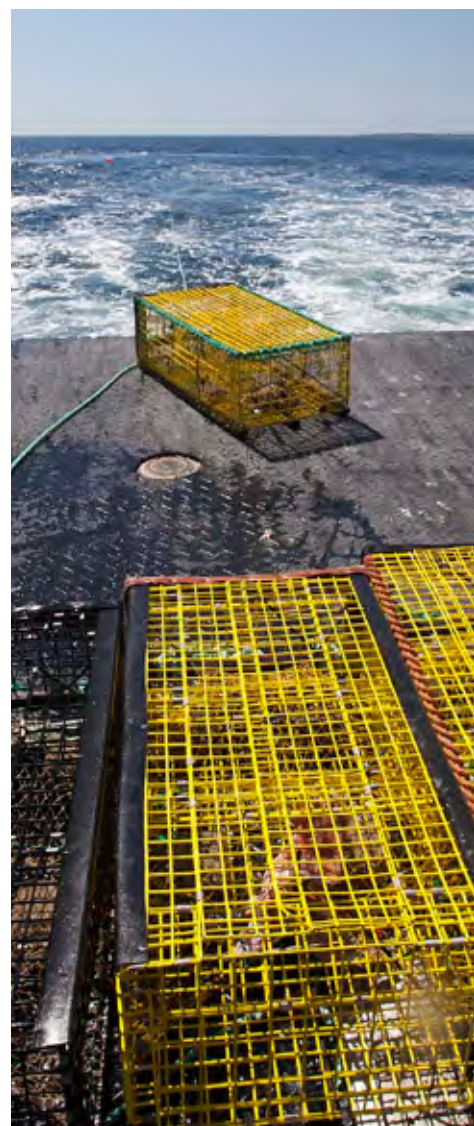
and policies work to foster economic growth while aligning with our risk appetite. As a self-sustaining Crown Corporation, members act as stewards over the provincial investment of the \$250 million portfolio. We take pride in our operations being here for over 80 years serving the fisheries and aquaculture sector as a trusted lending partner.

The FALB is a developmental lender that helps lower the risk for both the applicant and the Province, with the end goal of supporting successful fishing and aquaculture enterprises. The FALB is particularly pleased to be able to provide opportunities for new entrants, with flexible loan programs and a focus on ensuring success for the applicant. Last year, 21% of lending was to new entrants in the harvesting sector.

The FALB loans funds for projects that support Nova Scotia fishing and aquaculture industries, and range from vessels, licenses, purchase of existing operations and investments for seafood processors, aqua culturists, and boat builders. With projects in every region of the province, 226 loans and \$59.7 million dollars in 2020/21, the board's impact on the rural economy is clear.

The FALB looks forward to continuing to support the sector while the navigate through the upcoming year.

Denny Morrow, *Chair*  
*Fisheries and Aquaculture Loan Board*



## Message from the CEO



The past year was a challenging one for both the industry and the FALB with changing business needs for our clients resonating in evolving responses from FALB. Our response to COVID-19 pandemic was swift, quickly rolling out a payment deferral program beginning on April 1st, 2020 as a proud part of the Province's response to the impacts of COVID-19. Personal phone calls to every client tailored the program to individual business needs and left over \$5.5 million dollars in the hands of our fishing and aquaculture industries. COVID-19 working capital and Temporary Foreign Worker loan programs were launched with streamlined applications.

COVID-19 has continued to contribute to uncertainty for the sector and the FALB has effectively and efficiently responded to our client's changing business requirements. We have seen stable lending while launching new programs. The FALB continues to adapt, and with the creation of a new Senior Further Processing Specialist position, as well as a Junior Loan Officer, the board is making its services more accessible to the seafood processing sector while maintaining the same level of customer service to the harvesting



and aquaculture sectors. We have been assisting industry in taking advantage of the Atlantic Fish Fund program, with the FALB lending to successful applicants and we have a dedicated loan program for successful applicants to the Aquaculture Association of Nova Scotia's Shellfish Infrastructure Development Program. This year we also worked directly with a client to assist with the financing of a hybrid/electric fishing vessel, thought to be one of the first of its kind in Canada, we look forward to seeing its performance on its first trip in the upcoming fishing season.

Internally, we continue to work on the implementation of a new loan management system to offer increased flexibility and respond to the changing needs of industry. Staff remain committed to a continuous improvement culture to offer a simplified lending process for clients, while ensuring that success of our clients comes first.

I would like to recognize the commitment of my staff to support each other while serving their clients and industry, adapting with minimal notice to meet changing public health requirements - the successes of this year would not be possible without each of them. We will continue to look for new ways to provide the support fisheries and aquaculture businesses need during this challenging period in a safe and timely manner.

Jennifer Thompson, *CEO*  
*Fisheries and Aquaculture Loan Board*





# Board of Directors

The FALB has an industry-based Board of Directors that are active in their businesses and communities to provide leadership and direction. Board directors offer valuable insight into industry while shaping the strategic direction of the organization.

## 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.

“It’s important to me that new and evolving industries like our aquaculture and processing sectors have access to long term financing to support their continued growth.”

## Wayne Gaudet

Vice-Chair

Wayne has been a member of the Nova Scotia Legislative Assembly for twenty years, representing Clare. He has been the Minister for portfolios such as Agriculture and Marketing, Acadian Affairs, and Business and Consumer Affairs. Wayne has also served on the Board of Directors for the Church Point Credit Union. During his twenty-year political career, he had the opportunity to work with many fisherman and fish plant owners.

“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 in Business Administration and a Bachelor of Engineering, Industrial Discipline. He has a strong background in Asset Management, Customer Experience and Capital Investment Management. 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 since 1973. He has served on numerous committees in his community 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 18 years. He is an active member in his community and he has served on numerous committees.

“I am pleased to be a 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.”

## **Donna Upham**

Director

Donna has a strong financial background, working for over 26 years in the financial services industry. Donna has a keen interest in helping clients get off to the right start with a solid financial plan and responsible debt management.

Donna is an active member in her community serving and volunteering on several boards and clubs.

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

# Metrics

NET INCOME **\$3,598,000**

INTEREST REVENUE **\$10,689,000**

NUMBER OF CLIENTS **700**

NUMBER OF LOANS **934**

NEW LOANS ADVANCED

**\$59.6 M**

TOTAL PORTFOLIO PRINCIPAL

**\$229.3 MILLION**

APPROVED LOANS TO NEW ENTRANTS **21%**

NUMBER OF APPLICANTS **226**

INCREASE IN LENDING OVER LAST YEAR **18%**

AVERAGE INTEREST RATE **4.8%**

## Michael Pothier

Director

Michael is currently a seafood broker for Long Point Lobster Ltd. He is also a life licensed qualified professional with Qualified Financial Services. 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, from management and sales to public relations. Michael currently serves on the Board of the Nova Scotia Seafood Alliance.

“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.”

## Ronnie Heighton

Director

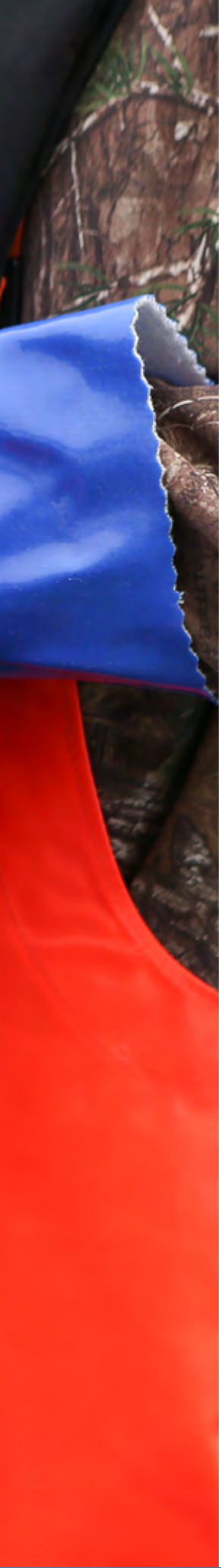
Ronnie Heighton is a self-employed Captain and owner of his own fishing vessel and enterprise. Ronnie has a strong understanding of the industry, with over 55 years of experience as a fish harvester and is the President on several industry boards.

“I am honoured to be appointed to the Fisheries and Aquaculture Loan Board. I am confident that I can bring relevant information to the Board from the fishermen of the Gulf of Nova Scotia.”





About  
the Nova Scotia  
Fisheries and Aquaculture  
Loan Board



## **Mission**

The FALB builds on the success of the fisheries and aquaculture industry in Nova Scotia by providing lending opportunities to expand, grow and innovate.

## **Vision**

To be a lender of choice in the development of fisheries and aquaculture industry in coastal and rural 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* (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

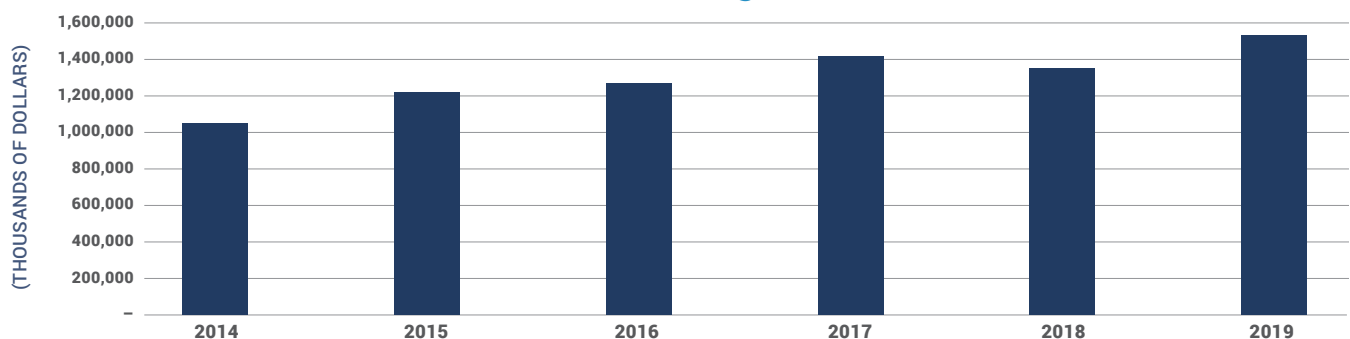


## Value of commercial fishery landings

Nova Scotia's harvesters landed 264,715 metric tonnes of commercial fish in 2019 which was valued at \$1.53 billion, this is a 13% increase in value from 2018. Lobster is Nova Scotia's top fishery and represents 57% of the total landed value. In 2019, Nova Scotia lobster harvesters landed 50,854 metric tonnes which was valued at \$880.9 million. Crab, scallop, and cold-water shrimp are the next most valuable species, with landings in 2019 valued at \$409.6 million.

Finfish species by landed value in 2019 were halibut (\$49.6 million), herring (\$34.6 million), and haddock (\$22.3 million).

## Nova Scotia Commercial Fisheries Landings



## Expanding international trade

Nova Scotia is Canada's seafood export leader, representing 31% of the country's total seafood export value. Fish and seafood products were Nova Scotia's largest export commodity in 2020, accounting for over one-third (39%) of the province's export of goods. Nova Scotia's fish and seafood exports were \$2.01 billion in 2020, down 13% from 2019 due to impacts of COVID-19 pandemic.

The top five species exported by value in 2020 made-up 81% of all fish and seafood exports: lobster (50%), crab (12%), scallop (7%), shrimp (7%), and halibut (5%).

Main export destination in 2020 were the United States (47%), followed by China (29%), and then the European Union (11.5%).

In 2020, 39% (\$782 million) of Nova Scotia seafood exports were destined for Asian

markets, most notably China, South Korea, Japan, Hong Kong, and Vietnam.

## Aquaculture growth

Nova Scotia's aquaculture industry produced 10.2 million kilograms in 2019 valued at \$82.1 million, compared to 10.1 million kilograms valued at \$88.6 million in 2018.

Salmon is Nova Scotia's leading aquaculture species with production in 2019 of 7.4 million kilograms, valued at \$63.2 million. Salmon accounts for 77% of all aquaculture production.

In 2020-21, there were 219 aquaculture licenses in Nova Scotia. Aquaculture harvest volumes represent an estimated 4% share of total harvest compared to the wild harvest. Globally aquaculture represents an estimated 50% of all fish and seafood production. This is a significant indicator of the growth potential for aquaculture in the Province.



## Nova Scotia Fisheries and Aquaculture

# Loan Program

FALB has continued to increase investments and broaden our lending program to support the growth in the fishing and aquaculture industries. In the past three years we have seen a significant increase in both loan size and portfolio growth. The average dollar value of loans has increased by 23% and the total portfolio has grown by 32% since 2018-19. The majority of the FALB lending is in the commercial fisheries, with 95% of the portfolio being invested in commercial fishing licenses, gear, and vessels. With the addition of a new staff position dedicated to the processing and aquaculture sector, work began to extend our services to these areas. The fishing and aquaculture industries are vital to the rural and coastal economy, and this increased investment and staff resources from FALB can be found in many coastal communities across the province.

FALB industry-based Board provides direction on the lending programs and strives to meet the needs of all regions and sectors within the fisheries and aquaculture

industries. With programming tailored to the industry, clients are then matched with viable loans and customized solutions based upon credit, risk assessment and client need.

The FALB offers a suite of lending programs which include loans for commercial harvesting for licenses, gear and vessels, loans for seafood processors, boat builders and aqua culturists for land, buildings, and specialized equipment. Our loans can also include operating funds for items such as seed, bait, and inventory. In 2020-21, we also launched COVID specific response programs to help clients navigate these unprecedented times. Loans can range from \$3,000 up to multi-million-dollar projects. Although the FALB does not set a maximum value for loans, those over \$5 million require Executive Council approval.

Unique to the FALB, we have an on-staff vessel inspector to ensure the boat fits the needs of the client and are suited to the long-term success of both the client and





## Proud to support industry across rural and coastal Nova Scotia

the FALB. Clients can be confident that if they finance with us, their loan has been fully analyzed and structured in order to meet their individual needs while ensuring the FALB's security.

The FALB supported the capitalization of rural Nova Scotia businesses with

investment of \$59.7 million in 2020-21; bringing our total loan portfolio to an all-time high at \$231.3 million. 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 both internal operational benefits as well as external lending and customer satisfaction outcomes. These goals were defined in 2018-19 and work has been done annually to continue to prioritize new work under each of these goals.

### ■ Growing the Rural Economy

This goal addresses how the FALB provides services across Nova Scotia and develops and utilizes lending programs designed to support industry. We are committed to the continued growth of our fishing and seafood industries, with a focus on increasing our lending portfolio and enhancing our product line to ensure our clients have access to lending programs they need to achieve growth. We continue to provide long-term fixed rate loans to support the established fishers with their continued growth, and new entrants in the development stage of their business. In 2020-21, we added dedicated loan programming to help industry navigate the COVID-19 pandemic. This programming included payment deferrals, working capital

loans, and loans to support increased costs with temporary foreign worker programs. These programs left \$5 million dollars in the hands of fishers as they worked to pivot their businesses through changing markets. We were also pleased to offer a loan program for successful applicants to the Aquaculture Association of Nova Scotia's Shellfish Infrastructure Development Program, designed to help aqua culturists make infrastructure improvements in their operations.

Provincial lending through the FALB make Nova Scotia a better and more productive place to harvest, grow and process fish. Loans to new entrants represented 21% of loan applicants in 2020-21. Loans for new and used vessels totaled over \$30 million dollars this year. While our vessel inspection



program mitigates the risks of the FALB in assessing applications and delivering loan advances, it also helps ensure the success of a new vessel build or used vessel purchase for all parties.

### ■ **Quality Lending**

Quality lending is at the forefront of the work of the FALB, and we are committed to financing projects that make sense for the applicant and the unique needs of their business. Each loan application gets a full risk assessment that looks at the viability of the project for the applicant, with risk areas identified. This important work ensures that every loan has a reasonable likelihood of success, and with less than 0.5% of the portfolio in arrears we are pleased to say that our process is helping clients succeed. The FALB strives to maintain a balanced portfolio with a wide range of loans from limited to higher risk. A balanced risk portfolio helps the FALB stay cost neutral and allows for continuous reinvestment of funds into the industry.

In 2020-21, the FALB continued to support innovative projects and projects to improve and preserve seafood quality from the time of harvest. We also supported projects that improve access to new technology and that minimize the environmental impact of fisheries and aquaculture operations. Entire communities benefit when businesses have access to new technologies that make them more efficient and effective. Examples of projects financed in this space range from live wells, to enhanced on-board vessel technology, to a hybrid fishing vessel. Total funds invested through new loans were \$59.7 million, representing 18% growth in the total size of our portfolio from last year.

### ■ **Continuous Improvement**

A culture of continuous improvement remains at the forefront of our work. The FALB made several key changes in the past year working to optimize our services, improving the quality of our agreements, reducing turn around times, and increasing client services.





We have added two new positions to our team, a Senior Further Processing Specialist and a Junior Loan Officer. These front-line positions are dedicated to specific sectors allowing our current lending team to effectively continue to service clients in the harvesting and aquaculture sectors.

The FALB continued to build and implement new and improved tools to be more flexible and responsive to projects of all sizes. This year staff streamlined the loan deferral processes to assist with COVID-19, as well as updated legal documents to support the deferral program. Aligning similar, internal activities between the FALB and the Nova Scotia Farm Loan Board is critical to meeting our goal of improving team effectiveness and continuous improvements.

### ■ **Positioned for Success**

This goal aims to ensure continued success through effective systems and responsiveness to industry changes. The procurement of a new loan management system to meet and exceed client expectations around service and flexibility remained a priority in 2020-21, with much work being done to create necessary procurement and information technology documentation.

Our regular client visits and information sessions were curtailed due to COVID-19, so we stayed in touch with clients and industry through personal phone calls to each client to discuss how we could be of assistance and offering virtual information sessions to industry groups. We were proud sponsors of the Minister's Conference, and staff participated in many





virtual industry meetings. Our vessel inspector continued to complete field work through the majority of the year, following public health restrictions as they developed and changed.

### ■ **Accountability**

The FALB's reputation of quality and timely work has contributed to its reputation in industry as a trusted partner. To meet this goal, we continued to review our current systems to determine gaps in client service and satisfaction. In 2019-20, a new loan management system was identified as a need to provide improved reporting to enable the FALB to keep track of commodity and other important trends.

Work continued on this important initiative this year. This year we also identified the need for additional support in our risk team as well as on our legal administration team and will have these positions filled in early 2021-22. To assist clients having difficulty meeting the payment terms of their loans, we have added Special Credit Counselling as a service to FALB clients. This specialized counselling will give struggling clients advice on how to get their loan payments back on track and make individual payment arrangements structured to meet their business needs. Clients receiving this service will also have more regular discussions and monitoring.





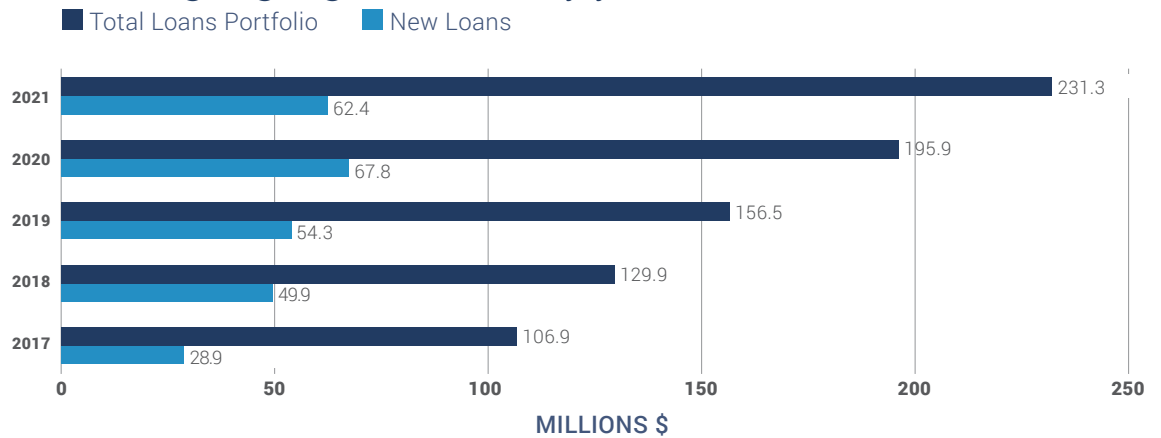
Lending

# Highlights





## Lending Highlights: Loans by year

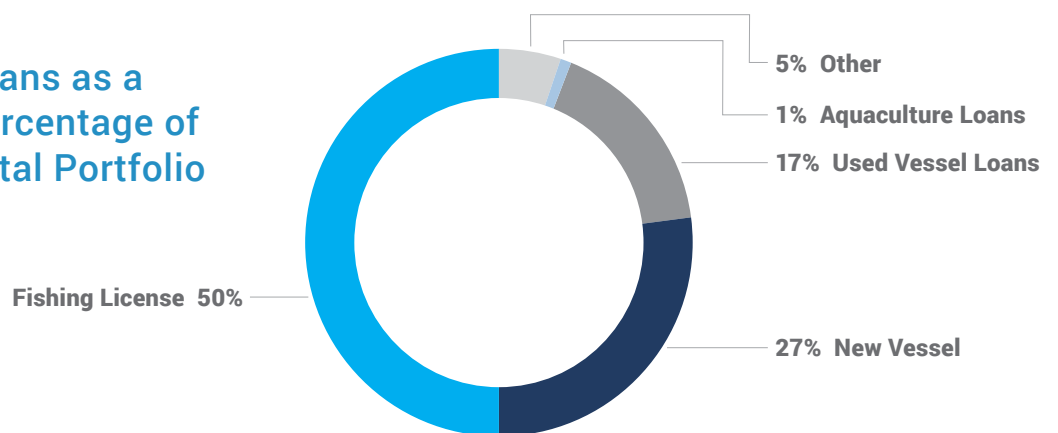


In 2020-21, the FALB approved a record 226 new applications, compared to 221 last year, totaling over \$64 million and increasing total portfolio investment to \$231.3 million.

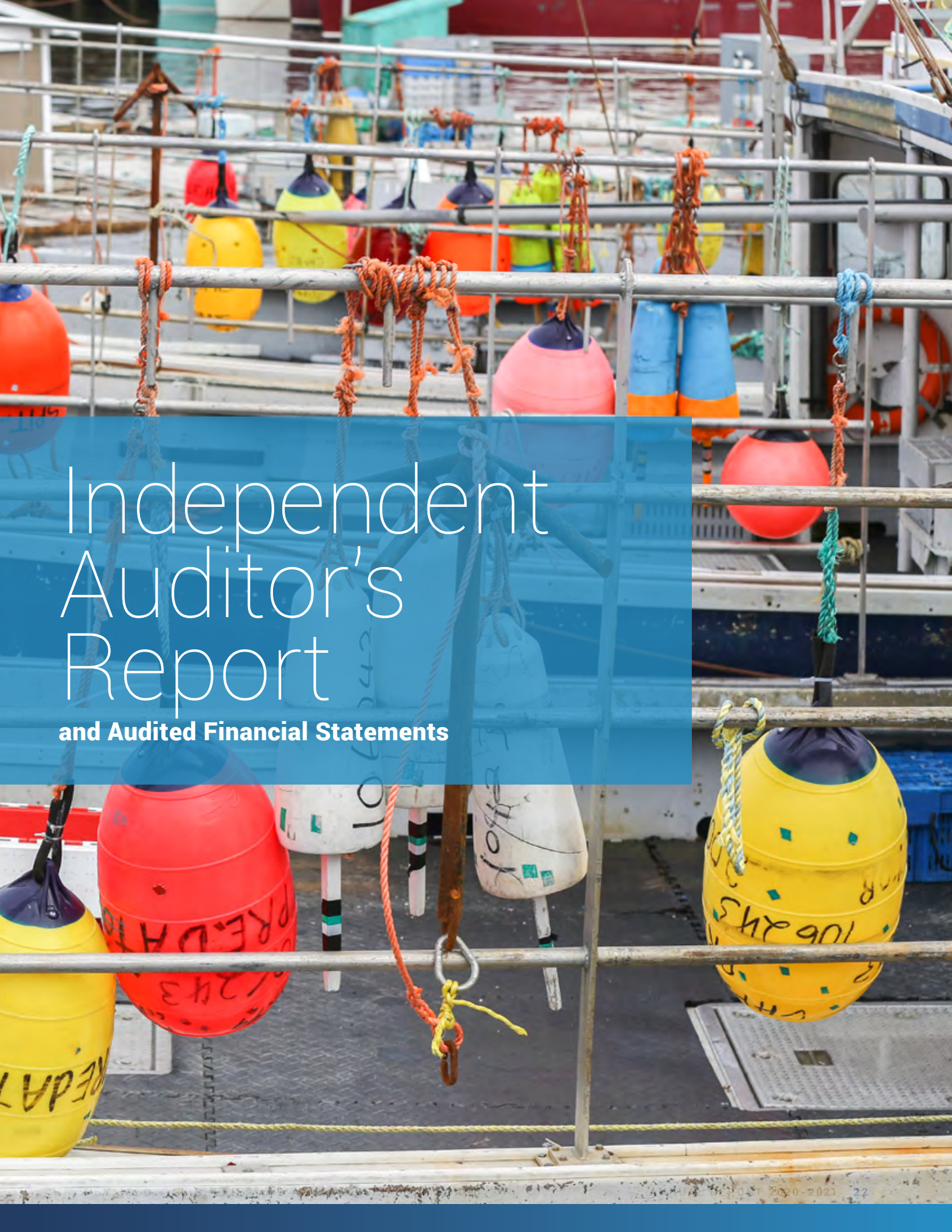
### Other 2020-21 highlights:

- The number of clients and the number of loans has continued to climb year-over-year since 2015, reaching 700 clients and 934 loans by the end of fiscal 2020-21.
- Fishing licenses made up 47% of total loans approved during the year and 50% of the total portfolio, while new vessels comprised 24% of loans approved during the year and 27% of the total lending portfolio. The value of used boats made up 24% of loans approved in 2020-21 and 17% of the total lending portfolio.
- 4.1% of clients in arrears compared to 5.5% in the previous year.
- All clients received financial guidance through loans processing as part of the FALB's regular services with twelve clients receiving additional special credit counseling.

### Loans as a Percentage of Total Portfolio







# Independent Auditor's Report

**and Audited Financial Statements**





## Financial Statements

### Nova Scotia Fisheries and Aquaculture Loan Board

March 31, 2021

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## Independent auditor's report

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To the Board of Directors of Nova Scotia Fisheries and Aquaculture Loan Board

### Opinion

We have audited the financial statements of the Nova Scotia Fisheries and Aquaculture Loan Board (“the Loan Board”), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, change in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2021, and its results of operations and accumulated surplus, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Loan Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Restated Comparative Information

We draw attention to Note 15 to the financial statements, which explains that certain comparative information presented for the March 31, 2020 year ended has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended March 31, 2020, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unqualified opinion on those financial statements on August 21, 2020.

As part of our audit of the financial statements for the year ended March 31, 2021, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Loan Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Loan Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Loan Board's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Loan Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Loan Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Loan Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Halifax, Canada  
June 16, 2021

Chartered Professional Accountants



## Nova Scotia Fisheries and Aquaculture Loan Board

### Statement of financial position

March 31 2021 2020  
 (in thousands of dollars)

**Financial assets**

Loans receivable (Note 4)	\$ 229,394	\$ 193,608	
Interest receivable, net of allowance \$287 (2020 - \$472)	4,206	3,734	
Due from the General Revenue Fund of the Province (Note 5)	<u>150,093</u>	<u>186,008</u>	
	<u>383,693</u>	<u>383,350</u>	

**Liabilities**

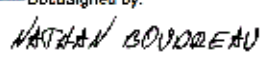
Applicants' funds on deposit (Note 5)	171	300	
Due to the General Revenue Fund of the Province	4,206	3,734	
Fisheries and Aquaculture Development Fund (Note 1)	<u>379,316</u>	<u>379,316</u>	
	<u>383,693</u>	<u>383,350</u>	

**Accumulated surplus** \$ - \$ -

Commitments and contingencies (Note 6)

On behalf of the Board

DocuSigned by:  
  
 DE-10-022803-0104484 \_\_\_\_\_ Director

DocuSigned by:  
  
 F-10-103345-4104-1 \_\_\_\_\_ Director

## Nova Scotia Fisheries and Aquaculture Loan Board Statement of operations and accumulated surplus

Year ended March 31	Budget 2021	2021	2020 Restated (Note 15)
(in thousands of dollars)			
<b>Revenues</b>			
Interest on loans	\$ 9,000	\$ 10,689	\$ 9,513
Loan processing and other fees	<u>464</u>	<u>372</u>	<u>349</u>
	<u>9,464</u>	<u>11,061</u>	<u>9,862</u>
<b>Expenses</b>			
Lending expenses (Note 8)	<u>7,185</u>	<u>7,514</u>	<u>9,543</u>
	<u>7,185</u>	<u>7,514</u>	<u>9,543</u>
<b>Annual surplus before distributions to the Revenue Fund of the Province</b>	<b>2,279</b>	<b>3,547</b>	<b>319</b>
<b>Distributions to the General Revenue Fund of the Province</b>	<u>(2,279)</u>	<u>(3,547)</u>	<u>(319)</u>
<b>Annual and accumulated surplus - Beginning and End of year</b>	<b>\$ _____ -</b>	<b>\$ _____ -</b>	<b>\$ _____ -</b>

See accompanying notes to the financial statements.

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## Nova Scotia Fisheries and Aquaculture Loan Board

### Statement of cash flows

March 31 2021 2020  
(in thousands of dollars)

Net increase (decrease) in cash and cash equivalents

#### Operating

Annual and accumulated surplus	\$ -	\$ -
Net charge (credits) to operations not involving cash		
(Decrease) increase in allowance for loan impairment	(540)	435
	<u>(540)</u>	<u>435</u>
Net change in non-cash operating working capital		
balances related to operations		
Increase in interest receivable	(472)	(514)
Decrease in due to the General Revenue Fund		
of the Province, net	472	514
(Increase) decrease in applicants' funds on deposit	(129)	185
	<u>(669)</u>	<u>620</u>

#### Financing activities

Increase in due from the General Revenue Fund of the		
Province, net	<u>35,915</u>	<u>39,051</u>

#### Investing activities

Increase in loans receivable, net	<u>(35,246)</u>	<u>(39,671)</u>
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Net change in cash and cash equivalents	<u>-</u>	<u>-</u>
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Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
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End of year	\$ <u>-</u>	\$ <u>-</u>
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See accompanying notes to the financial statements.

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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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### 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 purpose of the Fisheries and Aquaculture Development Fund (the "Fund") is to finance the loans and guarantees of the Loan Board.

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").

As at March 31, 2021, the total principal in loans outstanding was limited by Order-in-Council to \$400,000 less \$20,685 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, 2021, new advances were \$59,653 (2020 - \$61,450). During the year, the Loan Board received repayments of loan principal of \$24,289 (2020 - \$22,047).

	<u>2021</u>	<u>2020</u>
Fisheries and Aquaculture Development Fund – beginning of year	\$ 379,316	\$ 204,731
Add: loans written off (Note 4(c))	-	(415)
Add: additional capital added to Development Fund	<u>-</u>	<u>175,000</u>
Fisheries and Aquaculture Development Fund – end of year	<u>\$ 379,316</u>	<u>\$ 379,316</u>
Comprised of:		
Loans receivable (Note 4)	\$ 229,394	\$ 193,608
Loans authorized but not advanced (Note 5)	23,615	17,870
Funds available for additional loans (Note 5)	<u>126,307</u>	<u>167,838</u>
	<u>\$ 379,316</u>	<u>\$ 379,316</u>

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

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### 2. Capital management

As an agency of the Province of Nova Scotia, the Board does not maintain its own capital. Operations are funded by capital contributions from the Province.

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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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

#### **Basis of accounting**

These financial statements have been prepared by management by applying the principles of the Chartered Professional Accountants of Canada Public Sector Accounting Standards for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out generally accepted accounting principles for government organizations.

#### **Revenue recognition**

Revenue is recorded on an accrual basis. The main components of revenue are interest and various fees for loans and guarantees. Interest on loans is recognized in income 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 revenue.

#### **Loans receivable**

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are considered for impairment 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.

Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

#### **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 probable losses on certain loans and loan guarantees, which are recorded in the statement of operations and accumulated surplus as bad debt expense. Bad debt expense also reduces the balance of amount due to the Fisheries and Aquaculture Development Fund. Recoveries of bad debt does not increase the Fund's balance.

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 in the specific reserve. This is an estimate of incurred but unidentifiable losses based on a review of historic loan write-offs on an industry sector basis.



# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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

#### 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 revenue 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 carry value of loans approximates its 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, this statement has not been presented.

### 4. Loans receivable

#### a) Loans receivable

The following table sets out the scheduled maturities of the financial assets as at March 31, 2021, together with the weighted-average interest rates being earned on the financial assets:

	Under <u>1 year</u>	<u>1-5 years</u>	Over <u>5 years</u>	<b>2021</b> <b>Total</b>	2020 <u>Total</u>
Total performing loans	\$ 8,750	\$ 39,276	\$ 178,782	<b>\$ 226,808</b>	\$ 191,300
Average effective annual interest rate				<b>4.8%</b>	5.4%
Add: principal receivable On impaired loans				<b>4,470</b>	4,603
Total principal				<b>231,278</b>	195,903
Add: applicants' funds on deposit (Note 5)				<b>171</b>	300
Less: provision for loan impairment				<b>(2,055)</b>	(2,595)
<b>Loans receivable</b>				<b>\$ 229,394</b>	<b>\$ 193,608</b>

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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2020  
(in thousands of dollars)

### 4. Loans receivable (continued)

#### 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 a large sample 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.

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.

	<u>2021</u>		<u>2020</u>	
	Impaired loans	Allowance for impairment	Impaired loans	Allowance for impairment
Specific allowance	\$ 4,470	\$ 1,590	\$ 4,630	1,516
Collective allowance	-	509	-	1,153
	<u>\$ 4,470</u>	<u>\$ 2,099</u>	<u>\$ 4,630</u>	<u>\$ 2,669</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, 2021 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 for allowance for impaired loans

	<u>2021</u>	<u>2020</u>
Allowance for impaired loans – beginning of year	\$ 2,669	\$ 2,160
Add: Valuation allowance (recovery) for impaired loans	(570)	925
Less: Amounts written off	-	(416)
Allowance– end of year	<u>2,099</u>	<u>2,669</u>
Valuation allowance on principal	2,055	2,595
Valuation allowance on interest	<u>44</u>	<u>74</u>
	<u>\$ 2,099</u>	<u>\$ 2,669</u>

# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

### 4. Loans receivable (continued)

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

A loan is considered past due when a counterparty 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:

1-30 days	31-60 days	61-90 days	91 or more days	<u>2021</u>	<u>2020</u>
\$ -	\$ 504	\$ 184	\$ 2,131	<u>\$ 2,819</u>	<u>\$ 3,243</u>

### 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.

	<u>2021</u>	<u>2020</u>
Loan Board commitments (Note 6)		
Loans authorized but not advanced	23,615	17,870
Applicants' funds on deposit	171	300
Funds available for additional loans	<u>126,307</u>	<u>167,838</u>
Due from General Revenue Fund of the Province	<u>\$ 150,093</u>	<u>\$ 186,008</u>

### 6. Commitments

The Loan Board has committed to provide loans of \$23,615 (2020 - \$17,870) which were approved by the Loan Board but not advanced by year end.



# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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

Bad debt expense (recovery) includes:

	Budget	<u>2021</u>	<u>2020</u>
Bad debt expense net of recoveries	\$ 870	\$ (408)	\$ 1,011
Unpaid interest added to principal on refinance	-	(162)	(85)
	\$ <u>870</u>	\$ <u>(570)</u>	\$ <u>925</u>

### 8. Lending expenses

	Budget	<u>2021</u>	<u>2020</u> Restated (Note 15)
Bad debt expense (net of recoveries) (Note 4 (c) and 7)	\$ 870	\$ (570)	\$ 924
Interest expense (Note 9 and 10)	6,000	6,493	6,795
Other	-	57	59
Professional services	-	64	82
Salaries and benefits	1,395	1,331	1,474
Supplies and services	295	120	133
Training and development	-	4	13
Travel	65	15	63
	\$ <u>8,625</u>	\$ <u>7,514</u>	\$ <u>9,543</u>

### 9. Interest expense

Loans provided by the Loan Board are funded through advances from the General Revenue Fund of the Province. Interest is charged, at a fixed rate, to the Loan Board for these advances. 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. The weighted-average interest rate for the year was 3.05% (2020 – 3.95%).

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

Administration expenses of the Loan Board for the year ended March 31, 2021, totalling \$1,591 (2020 - \$1,823), were paid by the Department of Agriculture on behalf of the Loan Board. Interest expense on funds borrowed to make loans of \$6,493 (2020 - \$6,795) 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.

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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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### 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.

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### 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 \$98 (2020 - \$104) 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.

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### 13. Financial instruments

#### 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 performing loans as at March 31, 2021, is \$226,808 (2020 - \$191,300). The majority of loans are secured primarily by a first mortgage on a vessel. It is not practical to determine the maximum exposure to credit risk due to the cost associated in determining the fair value of security and collateral security on unimpaired loans.

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.



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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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### 13. Financial instruments (continued)

#### *Liquidity risk*

The Province provides funding and cash management services to the Loan Board. There is no 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 \$2,294 (2020- \$1,936) impact on interest revenue and expense.

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### 14. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The continued spread of COVID-19 and the actions being taken to limit its spread could adversely impact the Loan Board's operations, including among others, increasing the credit risk and default rates in its loan portfolio, limiting the Loan Board's ability to quickly respond to changes in credit risk and potentially limiting the Loan Board's ability to serve customers. The timing and extent of the economic recovery as vaccines are rolled out and provincial restrictions ease is as of yet unknown. The impact of COVID-19 on our customers may extend beyond the current period as the economy recovers. These could have an adverse impact on the Loan Board's business and financial results.

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# Nova Scotia Fisheries and Aquaculture Loan Board

## Notes to the financial statements

March 31, 2021  
(in thousands of dollars)

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### 15. Restatement of prior period financial statements

During the year, management identified that the allocation of common expenses between the Fund and the Nova Scotia Farm Loan Board was incorrectly allocated as a result of the use of legacy measurements of relative lending activity levels, which resulted in certain lending expenses being incorrectly over-allocated to the Nova Scotia Farm Loan Board, with a corresponding under-allocation to the Fund. As a result, the following financial items as at March 31, 2020, have been increased (decreased) as follows:

	<u>As previously reported</u>	<u>Impact of restatement</u>	<u>Restated</u>
Lending expenses	\$ 8,294	\$ 1,249	\$ 9,543
Distributions to the General Revenue Fund of the Province	(1,568)	1,249	(319)
Annual and accumulated surplus – beginning and end of year	-	-	-













**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  
3 Lovitt Street  
Yarmouth, Nova Scotia  
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