



**NOVA SCOTIA
FISHERIES & AQUACULTURE
LOAN BOARD**

2021 -2022

Annual Report

**Nova Scotia Fisheries and
Aquaculture Loan Board**



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Nova Scotia Fisheries and Aquaculture Loan Board Annual Report 2021-2022
Nova Scotia Fisheries and Aquaculture Loan Board
November 2021

ISBN: 978-1-77448-253-7

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Message from the Board Chair



Our annual report looks back on the prior year, highlighting both the successes realized and challenges faced, and is meant to update the public on the results of our annual business plan. While this report looks backwards, I can assure you that the Nova Scotia Fisheries and Aquaculture Loan Board (FALB) is focused on the future of seafood harvesting and processing in the province.

The 2021-22 year was a banner year for FALB. Despite the ongoing impacts of the COVID-19 pandemic and continued global uncertainty, we started to see a rebound in economic activity with Nova Scotia seafood export values returning to pre-pandemic levels. The FALB worked hard to meet the growing demand for our lending products this past year, setting a record both in terms of loans approved and dollars advanced to the sector. The board was a steadfast partner through the early days of the global pandemic and continued to work with our clients throughout the recovery. Our quick response to support the sector through uncertain times has enhanced our relationships with clients, built trust in the sector, and elevated the value proposition of working with a local lender.

Local expertise and decision-making allow the board to react quickly not only in times of crisis but

also to support producers and processors to seize opportunities to grow our seafood sector in the province.

While we worked through the busiest year on record, we've continued to look to the future by ensuring we are adapting our lending products to meet the needs of industry. Important examples of this can be found in the partnerships we have fostered with the Nova Scotia Department of Fisheries & Aquaculture and the Atlantic Fish Fund to support innovation in the sector and our strengthened partnerships with industry representatives.

FALB supports many small businesses that contribute so much to our rural and coastal communities. We are energized and encouraged by the resilience of the sector in our province. Industry has heard the call to focus on the quality of our seafood products, meet the growing global demand for Nova Scotia seafood, and tackle climate change. They are answering that call through increasing fuel efficiency, new modern vessels, improved storage equipment and methods, and expanding capabilities to reach consumers around the world.

You will find fulsome updates on the activities of the board throughout the 2021-22 year contained in this report. As outgoing board Chair I would like to take this opportunity to thank my fellow board directors and staff support for their professionalism, expertise, and passion for the industry. The board acts as a key pillar in support of the industry and is well positioned to continue playing a leading role into the future.

Denny Morrow, *Chair*



Message from the

CEO/Executive Director



The past year saw the Fisheries and Aquaculture Loan Board continue to adapt our operations and lending program offerings to meet the needs of industry. While public health restrictions continued to impact how staff serve clients, staff continued to develop new relationships and work cooperatively with our existing client base to offer lending solutions that meet our client needs. This focus on client relationships is evident by the continued increase in our lending portfolio and the record value in new loans advanced. In 2021-22, \$70.1 Million was advanced to increase the total portfolio to \$263.8 million.

The FALB continued to support clients as their businesses navigated the continued impacts of the pandemic. In-depth knowledge of each businesses unique circumstances allowed for the FALB to support continued business viability. Continued partnerships with industry associations, provincial partners, and other organizations allowed the FALB to maximize our impact on the sector. The FALB continued to offer lending programs to support industry to access other funding programs such as the Atlantic Fisheries Fund. Our vessel inspection program, a unique service afforded to applicants, continued to serve industry as they financed both new and used vessels.

Ensuring that our staff can continue to effectively serve clients underpins our commitment to continuous improvement. Each member of our team plays an important role in support these efforts, and during 2021-2022, staff collectively worked to identify areas for process improvement and offer solutions for implementation. Internally, we continue to work on the development of a modern loan management system that will allow for increased flexibility in our loan offerings, improve client relationship management, and allow us to better respond to the changing needs of industry.

The Fisheries and Aquaculture Loan Board continued to work collaboratively with the Department of Fisheries and Aquaculture in support of the Department's 2021-2022 strategic themes.

- Enabling responsible economic growth
- Supporting research and innovation
- Building public trust and market acceptance
- Increasing trade and market access
- Encouraging quality initiatives and value-added opportunities

Offering term lending products that are tailored to the needs of the sectors, the efforts of the FALB continue to enable responsible economic growth. We continued to encouraged value added opportunities in the seafood sector through the work of our Senior Further Processing Specialist staff. With seafood continuing to be Nova Scotia's number one export good, the FALB's provision of fair and affordable capital allowed for the continued

export of high-quality Nova Scotian seafood to markets around the world. Ensuring public trust and market acceptance are critical for the success of the seafood sector, and our efforts to support new entrants and established players from across Nova Scotia continued to form an important part of Nova Scotia's seafood story. The FALB recognizes that the needs of the sector are rapidly evolving, and our lending solutions are designed to support the adoption of innovative technologies and processes to maintain Nova Scotia's seafood advantage.

In the fall of 2021-22, Government committed to undertake a review of agencies, offices, and crown corporations, which included the Fisheries and Aquaculture Loan Board. This review examined the mandate and legislation of the Fisheries and Aquaculture Loan Board to ensure we continued to offer effective, efficient, and accountable services to our sectors. Completed in July 2022, this review did not recommend any changes for the Fisheries and Aquaculture Loan Board.

The work of our staff, and their focus on clients, is the foundation of the success of the Fisheries and Aquaculture Loan Board. Their desire to see individual business operators as well as the sector as a whole succeed is what drives their daily work. I would like to thank them for their commitment to serving their clients and working together in the midst of changing COVID-19 pandemic public health requirements.

Jennifer Thompson, CPA, MBA
Executive Director/CEO



Board of Directors

Denny Morrow

Board Chair
(May 2019-May 2022)

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.

Wayne Gaudet

Vice Chair
(August 2018-August 2021)

Wayne served as a member of the Nova Scotia Legislative Assembly for twenty years, representing Clare. He held Ministerial portfolios such as the Minister of 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.



Michael Pothier

(May 2019-May 2021)

Michael is currently a seafood broker for Long Point Lobster Ltd. He is also life licensed 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.

Ronnie Heighton

(January 2020-January 2022)

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 54 years of experience as a fish harvester and is the President on several industry boards.



Donna Upham

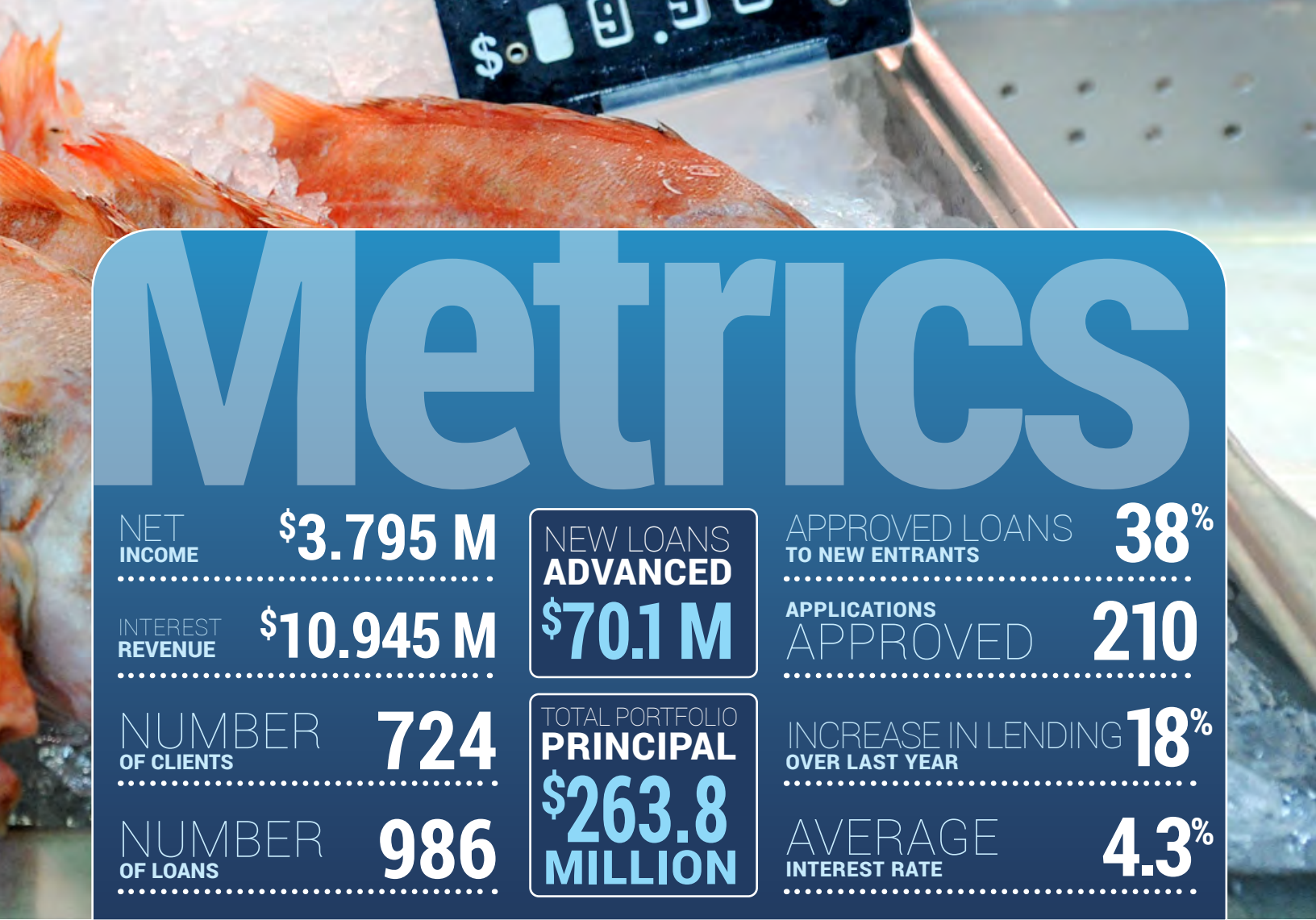
(November 2018-November 2021)

Donna has a strong financial background, working for over 5 years in the financial services industry. Donna has a keen interest in helping clients get off to the right start with solid financial planning which includes retirement and income protecting, and responsible debt management. Donna is an active member in her community serving and volunteering on several boards and clubs.

Sean Borden

(January 2021-January 2024)

Sean has a Master's in Business Administration and a Bachelor of Engineering, Industrial Discipline. He has a strong background in Asset Management, Operations Management, Customer Experience and Capital Investment Management through his work at Nova Scotia Power. Sean is currently the Director of Regional Operations and was previously the Director of Customer Experience at Nova Scotia Power.



Metrics

NET INCOME **\$3.795 M**

INTEREST REVENUE **\$10.945 M**

NUMBER OF CLIENTS **724**

NUMBER OF LOANS **986**

NEW LOANS ADVANCED

\$70.1 M

TOTAL PORTFOLIO PRINCIPAL

\$263.8 MILLION

APPROVED LOANS TO NEW ENTRANTS **38%**

APPLICATIONS APPROVED **210**

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

AVERAGE INTEREST RATE **4.3%**

Nathan Boudreau

(January 2021-January 2024)

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. Nathan is currently in his third term on the FALB.

Claude Poirier

(January 2021-January 2024)

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.



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*, which 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 Nova Scotia. Regulations made under the *Fisheries and Coastal Resources Act* govern the terms and conditions of loans provided by the FALB.



Economic

Landscape

Commercial Fishery Landings

In 2020, lobster remained Nova Scotia's top fishery, with landings of 42,400 metric tonnes valued at \$650.9 Million. Other top shellfish species by landed value were Snow Crab (\$123.2 Million), Sea Scallop (\$118.3 Million), and Shrimp (\$59.6 Million). Top groundfish species by landed value were Halibut (\$50.6 Million) and Haddock (\$21.7 Million). In addition, 2020 Nova Scotia landings of Herring were valued at \$38.8 Million.

International Exports

Nova Scotia's fish and seafood exports were \$2.5 billion in 2021, up 23% from 2020. Nova Scotia is Canada's seafood export leader, representing 28% of the country's total seafood export value. Fish and seafood products were Nova Scotia's largest export commodity in 2021, accounting for 40% of the province's export of goods.

The top five species exported by value in 2021 made-up 84% of all fish and seafood exports: lobster (\$1.3 billion, 53% of exports), crab (\$351 million, 14% of exports), scallop (\$169 million, 7% of exports), shrimp (\$144 million, 6% of exports), and halibut (\$116 million, 5% of exports).

Main export destinations in 2021 were: United States (49% of exports), China (24% of exports), European Union (13% of exports), and the United Kingdom (1.5% of exports). In 2021, 35% (\$865 million) of Nova Scotia seafood exports were destined for Asian markets, most notably China, South Korea, Japan, Hong Kong, and Vietnam.

Aquaculture Production

Nova Scotia's aquaculture industry produced 11.06 million kilograms in 2020 valued at \$82.98 million, compared to 12.6 million kilograms valued at \$90.2 million in 2020.

Atlantic salmon is Nova Scotia's leading aquaculture species with production in 2021 of 8.59 million kilograms, valued at \$68.67 million. Salmon accounts for 82.75% of all aquaculture production. Rainbow trout accounted for 375,000 kg of production for a value of \$2.76 million. American Oyster aquaculture had a value of \$4.76 million on approximately 491,000 of production. Other species cultivated in Nova Scotia in 2021 included Blue Mussel, Giant Sea Scallop, Irish Moss, and Soft-Shell Clam.



Nova Scotia Fisheries and Aquaculture

Loan Program

General

The Fisheries and Aquaculture Loan Board continues to offer a wide range of industry-specific lending products. Based on continued feedback from participants and industry stakeholders, we have a strong desire to ensure that our products meet the ever changing needs of the seafood sector. FALB maintains its commitment to addressing the needs of Nova Scotia's diverse fisheries, aquaculture, and seafood industries by offering clients diverse loan programs with individualized solutions based on each applicant's unique credit, risk profile, and business needs. Financing with the FALB ranges from as low as \$3,000 to millions of dollars, with no upward limit on the value of loans; however, Executive Council approval is required for applicants entering into FALB indebtedness of more than \$5 million.

FALB's full suite of lending programs includes financing to purchase licences and gear, new vessels, used vessels, vessel modification, aquaculture operations, and seafood processing. FALB helps develop Nova Scotia's next generation of fishers by supporting new entrants to establish or acquire an existing fishing enterprise. FALB complements its lending services by offering creditor life insurance via a partnership with SunLife.

License(s) and Gear Loan

FALB's lending for Licenses and gear loans allowed new fishers to join the industry as well as allowed established fishers to expand or diversify operations. A Licenses & Gear Loan comes with all the flexibility of other loans as repayment can be amortized over any period from 1-20 years. Understanding that the cost of licensing and gear has become more expensive in recent times, the FALB helps fishers allowing these purchases as part of long-term financing. The FALB offers options for clients with respect to interest rate risk, by providing fixed rate full term financing or shorter duration and open financing options. FALB's lending products differentiate from other lenders by allowing interest rates to reset based on prevailing interest rates at the time of renewal.



New Vessel Construction Loan

Today's fishing vessels are built to each operator's specific needs. The FALB continues to support fishers in having new vessels constructed, offering repayment terms of between one and twenty years. We work with clients to tailor the repayment schedule to fit the cash flow of their business, by offering semi-annual or annual payment schedules to match fishing seasons. In some cases, interest-only payments are arranged for certain periods of time. Our in-house vessel inspection expertise continues to bring significant value to our clients.

Used Vessel Purchase Loan

We recognize that a brand new build is not the solution for everyone. Our in-house vessel inspection expertise allows us to work with purchasers of used vessels to arrange terms that match the remaining useful life of the vessel, offering repayment terms of between one and twenty years based on the age and condition of the vessel. As with our new vessel construction loans, our flexible repayment arrangements continue to make the FALB a lender of choice for purchasers of used vessels.

Modifications to a Vessel Loan

Even fishers who have no desire to purchase a vessel, whether new or used, can take advantage of the FALB's offerings. The FALB is able to lend for vessel modification including lengthening and widening, complete rebuilds, new electronics and fixed equipment, and fiber-glassing existing wooden boats. Like used vessels, all modified vessels are repaid over their remaining useful life. After an inspection, we assist in setting the repayment period from 1-20 years. A combination of type of improvement, age and vessel condition are used to determine the length of the loan. The goal is to make the modified vessel affordable for the client. As with our other vessel loans, flexible repayment arrangements can be made.



Aquaculture Loan

The Fisheries and Aquaculture Loan Board supports the role of aquaculture in economic development, job growth and the growing success of Nova Scotia's seafood exports. Our offering of aquaculture loans supports aquaculture operators in starting, expanding, or purchasing an aquaculture business. Aquaculture loans can be tailored to production cycles, understanding the longer time horizons for cashflow generation. For example, most new shellfish projects will not see cash flow generation for 4 years from start-up. In these situations, we will consider applications for interest-only payments with a final repayment when the product is sold. For shorter duration production cycles, we can reduce the payment timelines to match income streams.

Processing Sector

Since regulation changes in December 2018, the FALB has been able to lend to the shore-based processing and value-add seafood sector. Our lending products can support processors wanting to grow their business, seeking productivity and efficiency improvements, or transitioning a family business to the next generation. We understand that consumer tastes are changing and accessing traditional and new markets can add complexity to a business. Our ability to offer local and industry-specific financing to the processing sector can support development of innovative and high-quality seafood products and allow businesses to capitalize on new market opportunities.

Boatbuilding Sector

The Fisheries and Aquaculture Loan Board understands that the strength of Nova Scotia's seafood sector extends beyond harvesting, cultivating, or processing the product. To that end, the FALB has the ability to provide financing to enterprises involved in the boatbuilding sector. This includes loans for vessel molds, buildings and land, business acquisition and succession planning, and equipment or new technology.



Progress

on Goals

■ Quality Lending

Total funds invested through new loans were \$70.1 million, representing a record year of activity for the board. While setting record high advances and investment levels in the past year, quality lending remained at the forefront for the FALB. The board is committed to thoroughly assessing applications and the unique situation of each borrower to ensure our financing makes sense and will contribute to the success of their business. Our assessment process identifies risk areas and ways to mitigate for both the applicant and the board. In many cases the assessment process stress tests loans against lower landing values and prices to ensure the enterprise has a reasonable likelihood of success even through volatile economic conditions. It is through this process we are able to ensure we are maintaining a balanced overall portfolio of loans – supporting a wide range of established operators while playing an important role in supporting the next generation of fishers. In 2021-22, the FALB saw a major increase in new entrant lending, with a full 38% of approvals to applicants in the 19-35 age bracket. At the same time, less than 0.5% of the portfolio is in arrears, which is a good indication that our careful approach is working to ensure clients and the board are both positioned for success.

■ Accountability

The FALB team expanded in 2021-22 to add additional supports on our risk and lending teams. We welcomed a new risk analyst to ensure we are able to maintain our reputation for quality advice in a timely manner and have converted a previously temporary junior loan officer position to permanent in an effort to ensure we are developing talent internally while providing needed support to the broader lending team.

In our first full year of offering Special Credit Counselling to clients who are struggling to meet their obligations to the board, 13 clients were supported in getting their loans back into good standing with payment arrangements structured to position them for success. These clients have regular check-in discussions with a Special Credit Officer to ensure mutual understanding of the situation and plan to restore the file to good standing.



■ **Continuous Improvements**

To maintain our position as a trusted partner with industry, we continue to review our systems and processes to identify areas where we can improve client service and satisfaction levels. FALB encourages and empowers staff to bring forward ideas to optimize our services, improve the quality of our agreements, improve our response times, and enhance customer satisfaction. Staff teams are currently working on projects to streamline approval processes for lower value and lower risk loans and update our policy manuals and standard operating procedures. FALB is also investing in staff through professional development and working to source industry data, research, and guest speakers. These projects highlight our commitment to ongoing improvement and will ensure the board is positioned for success into the future.

■ **Growing the Rural Economy**

The FALB now has investments in excess of \$260 million. 89% of those funds are invested in enterprises located outside of the province's largest municipality (HRM). These funds help support and maintain jobs and economic activity in coastal communities from one end of the province to the other. Supporting our fisheries in turn supports the businesses and people that rely on this important sector for their livelihoods. Seafood continues to be Nova Scotia's #1 export product.

We are committed to supporting the rural economy through our lending programs. We will continue to listen to our clients and broader industry to adapt and adjust our offerings to meet their needs. The board plays an important and growing role in ensuring lending products



are available to new entrants. This allows people to live and work where they are from and supports continued vitality of our communities.

■ **Positioned for Success**

Positioning the FALB for success has looked different over the last couple of years. COVID-19 required us to adapt to phone and virtual check ins with clients. In person visits and information sessions to promote the board's services were on hold. We look forward to getting our staff back out to meet with industry groups, presenting at trade shows, and visiting clients in person.

Industry outreach remained a key method to promote the value of working with the board as a lending partner. The board achieves this by sponsoring trade shows and placing ads in industry publications. We were proud sponsors of the Nova Scotia Minister of Fisheries and Aquaculture's Conference sessions which occurred through February and March 2022 in a modified virtual speakers' series this year. Our Vessel Inspector remained in the field following public health guidelines.

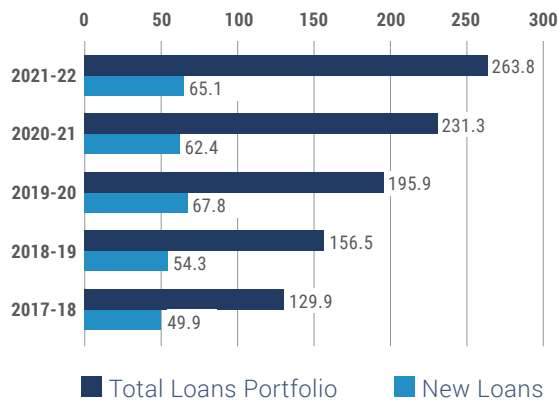


Lending

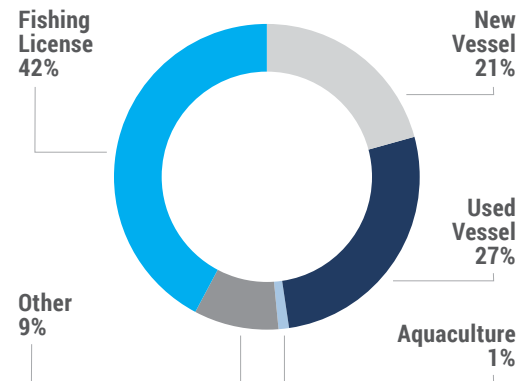
Highlights



Lending Highlights: Loans by year [Millions \$]



Loans as a Percentage of Total Portfolio



In 2021-22, the FALB approved 210 new applications totalling over \$65 million. These approvals increased the overall portfolio investment to \$263.8 million at year end, more than two and a half times the total loans portfolio at year end from five years prior.

Other 2021-22 Highlights

- 38% of loans approved in 2021-22 were to new entrants, an increase of 17% from 2020-21. Supporting the financing needs of new entrants is a key priority of the FALB.
- The number of loans outstanding increased by 5.6% from 2020-2021, rising from 934 to 986.
- The number of clients served by the FALB went from 700 to 724, an increase of 3.4% from 2020-2021
- Both total number of loans (986) and number of clients (724) increased over 2020-2021.
- As a percentage of loans approved in 2021-22
 - Fishing licences represented 38% of approvals, (42% of overall portfolio)
 - New vessel loans represented 14% of approvals (21% of overall portfolio)
 - Used vessel loans represented 37% of approvals (27% of overall portfolio)
- The percentage of clients in arrears was 0.2%, a decrease of more than half from 0.5% in 2020-21.
- FALB staff continued to provide financial guidance to all clients as part of our regular loan application process. An additional 13 clients received additional special credit counselling.



Independent Auditor's Report

and Audited Financial Statements



Financial Statements

Nova Scotia Fisheries and Aquaculture Loan
Board

March 31, 2022

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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, 2022, 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, 2022, 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.

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 font.

Halifax, Canada
June 15, 2022

Chartered Professional Accountants

Nova Scotia Fisheries and Aquaculture Loan Board

Statement of financial position

March 31 2022 2021
(in thousands of dollars)

Financial assets

Loans receivable (Note 4)	\$	262,528	\$	229,394
Interest receivable, net of allowance \$244 (2021 - \$287)		4,247		4,206
Due from the General Revenue Fund of the Province (Note 5)		<u>116,961</u>		<u>150,093</u>
		<u>383,736</u>		<u>383,693</u>

Liabilities

Applicants' funds on deposit (Note 5)		173		171
Due to the General Revenue Fund of the Province		4,247		4,206
Fisheries and Aquaculture Development Fund (Note 1)		<u>379,316</u>		<u>379,316</u>
		<u>383,736</u>		<u>383,693</u>


Accumulated surplus \$ - \$ -

Commitments and contingencies (Note 6)

On behalf of the Board

DocuSigned by:

EDCE9338AE4D4F1... _____ Director

DocuSigned by:

E680EFC5E1A241F... _____ Director

See accompanying notes to the financial statements.

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

Year ended March 31 (in thousands of dollars)	Budget 2022	2022	2021
Revenues			
Interest on loans	\$ 9,000	\$ 10,945	\$ 10,689
Loan processing and other fees	<u>464</u>	<u>349</u>	<u>372</u>
	<u>9,464</u>	<u>11,294</u>	<u>11,061</u>
Expenses			
Lending expenses (Note 8)	<u>8,874</u>	<u>7,499</u>	<u>7,514</u>
	<u>8,874</u>	<u>7,499</u>	<u>7,514</u>
Annual surplus before distributions to the Revenue Fund of the Province	590	3,795	3,547
Distributions to the General Revenue Fund of the Province	<u>(590)</u>	<u>(3,795)</u>	<u>(3,547)</u>
Annual and accumulated surplus - Beginning and End of year	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

See accompanying notes to the financial statements.

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Nova Scotia Fisheries and Aquaculture Loan Board

Statement of cash flows

March 31 2022 2021
(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	<u>614</u>	<u>(540)</u>
	614	(540)
Net change in non-cash operating working capital balances related to operations		
Increase in interest receivable	(41)	(472)
Decrease in due to the General Revenue Fund of the Province, net	41	472
Increase (decrease) in applicants' funds on deposit	<u>2</u>	<u>(129)</u>
	616	(669)

Financing activities

Decrease in due from the General Revenue Fund of the Province, net	<u>33,132</u>	<u>35,915</u>
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Investing activities

Increase in loans receivable, net	<u>(33,748)</u>	<u>(35,246)</u>
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Net change in cash and cash equivalents - -

Cash and cash equivalents, beginning of year - -

End of year \$ - \$ -

See accompanying notes to the financial statements.

6

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(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 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, 2022, 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, 2022, new advances were \$70,110 (2021 - \$59,653). During the year, the Loan Board received repayments of loan principal of \$38,389 (2021 - \$24,289).

	<u>2022</u>	<u>2021</u>
Fisheries and Aquaculture Development Fund – beginning of year	\$ <u>379,316</u>	\$ <u>379,316</u>
Fisheries and Aquaculture Development Fund – end of year	\$ <u>379,316</u>	\$ <u>379,316</u>
Comprised of:		
Loans receivable (Note 4)	\$ 262,528	\$ 229,394
Loans authorized but not advanced (Note 5)	13,047	23,615
Funds available for additional loans (Note 5)	<u>103,741</u>	<u>126,307</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.

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.

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(in thousands of dollars)

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, 2022

(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, 2022, together with the weighted-average interest rates being earned on the financial assets:

	Under <u>1 year</u>	1-5 years	Over <u>5 years</u>	2022 Total	2021 <u>Total</u>
Total performing loans	\$ <u>11,692</u>	\$ <u>50,694</u>	\$ <u>198,056</u>	\$ <u>260,442</u>	\$ <u>226,808</u>
Average effective annual interest rate				4.3%	4.8%
Add: principal receivable On impaired loans				<u>3,354</u>	<u>4,470</u>
Total principal				263,796	231,278
Add: applicants' funds on deposit (Note 5)				173	171
Less: provision for loan impairment				<u>(1,441)</u>	<u>(2,055)</u>
Loans receivable				<u>\$ 262,528</u>	<u>\$ 229,394</u>

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Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(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>2022</u>		<u>2021</u>	
	Impaired loans	Allowance for impairment	Impaired loans	Allowance for impairment
Specific allowance	\$ 3,354	\$ 1,138	\$ 4,470	1,590
Collective allowance	<u>-</u>	<u>321</u>	<u>-</u>	<u>509</u>
	<u>\$ 3,354</u>	<u>\$ 1,459</u>	<u>\$ 4,470</u>	<u>\$ 2,099</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, 2022 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>2022</u>	<u>2021</u>
Allowance for impaired loans – beginning of year	\$ 2,099	\$ 2,669
Less: Valuation recovery for impaired loans	<u>(640)</u>	<u>(570)</u>
Allowance— end of year	<u>1,459</u>	<u>2,099</u>
Valuation allowance on principal	1,441	2,055
Valuation allowance on interest	<u>18</u>	<u>44</u>
	<u>\$ 1,459</u>	<u>\$ 2,099</u>

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(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	2022	2021
	\$ 4	\$ 747	\$ 716	\$ 543	\$ 2,010	\$ 2,819

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.

	2022	2021
Loan Board commitments (Note 6)		
Loans authorized but not advanced	\$ 13,047	\$ 23,615
Applicants' funds on deposit	173	171
Funds available for additional loans	103,741	126,307
Due from General Revenue Fund of the Province	\$ 116,961	\$ 150,093

6. Commitments

The Loan Board has committed to provide loans of \$13,047 (2021 - \$23,615) 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, 2022

(in thousands of dollars)

7. Bad debt expense (net of recoveries)

Bad debt expense (recovery) includes:

	<u>Budget</u>	<u>2022</u>	<u>2021</u>
Bad debt expense net of recoveries	\$ 850	\$ (491)	\$ (408)
Unpaid interest added to principal on refinance	<u>-</u>	<u>(157)</u>	<u>(162)</u>
	<u>\$ 850</u>	<u>\$ (648)</u>	<u>\$ (570)</u>

8. Lending expenses

	<u>Budget</u>	<u>2022</u>	<u>2021</u>
Bad debt expense (net of recoveries) (Note 4 (c) and 7)	\$ 850	\$ (648)	\$ (570)
Interest expense (Note 9 and 10)	6,000	6,623	6,493
Other	231	29	57
Professional services	106	63	64
Salaries and benefits	1,468	1,314	1,331
Supplies and services	139	99	120
Training and development	14	8	4
Travel	<u>66</u>	<u>11</u>	<u>15</u>
	<u>\$ 8,874</u>	<u>\$ 7,499</u>	<u>\$ 7,514</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 2.68% (2021 – 3.05%).

10. Distributions to the General Revenue Fund of the Province

Administration expenses of the Loan Board for the year ended March 31, 2022, totalling \$1,524 (2021 - \$1,591), were paid by the Department of Agriculture on behalf of the Loan Board. Interest expense on funds borrowed to make loans of \$6,623 (2021 - \$6,493) 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.

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(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 \$96 (2021 - \$98) 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

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, 2022, is \$260,442 (2021 - \$226,808). 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.

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2022

(in thousands of dollars)

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 \$2,625 (2021- \$2,294) impact on interest revenue and expense.



**NOVA SCOTIA
FISHERIES & AQUACULTURE
LOAN BOARD**

OFFICE LOCATIONS

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