



NOVA SCOTIA
FISHERIES & AQUACULTURE
LOAN BOARD

2022-2023

Annual Report

Nova Scotia Fisheries and
Aquaculture Loan Board



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Nova Scotia Fisheries and Aquaculture Loan Board Annual Report 2022-2023

Nova Scotia Fisheries and Aquaculture Loan Board

June 2023

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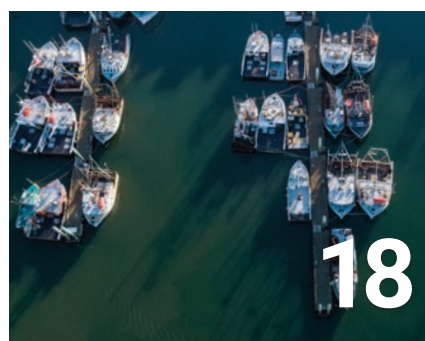
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Message from the Board Chair



I am pleased to present this Annual Report for the Nova Scotia Fisheries and Aquaculture Loan Board (FALB), which provides an overview of the activities of the Board during the 2022-23 fiscal year.

The FALB has provided financing to Nova Scotia's seafood sector since 1936. We are Nova Scotia's only lender focused 100% on that sector. The loans we provide represent long-term commitments, the FALB's approach is to work closely with clients to fully understand their business goals and ensure every loan can be successful, not only today and tomorrow, but well into the future.

The provision of affordable and predictable financing to an ever-changing industry is essential to supporting the next generation of Nova Scotian seafood businesses. The importance of the capital we provide is once again reflected in the value of loans advanced in 2022-23, which represents the second-highest year on record. Particularly significant is that over 40% of new loans approved were to new entrants to the harvesting sector, underscoring the optimism of the next generation of fishers and their long-term commitment to their businesses and communities. The FALB is proud to support new entrants, while at the same working with them to understand the risks associated with long-term financing in a cyclical industry.

2022-23 represented a turning point in terms of the impacts of the COVID-19 pandemic. The reduction of public health restrictions enabled both staff and Board members to engage more directly with the industry. Because we pride ourselves on being a relationship-based lender, these opportunities to meet in-person with existing and prospective clients are important to the work of the FALB.

Nevertheless, it was not a year without challenges and uncertainty for the seafood sector. Increased costs of fishing inputs, such as fuel, bait, and supplies, cut into the bottom line of fish harvesters and farmers. With many fishing communities impacted by Hurricane Fiona, the FALB quickly responded by reaching out to clients in the hardest hit areas to ascertain damages, discuss needs, and see where we could help.

The unpredictability of conditions within the seafood sector is one reason why the FALB places such great emphasis on providing predictable financing. The FALB has long had a reputation as a reliable partner to the fisheries and aquaculture industries, and has recently taken strides to cultivate a similar reputation with the seafood processing and boatbuilding sectors. Working to ensure that the breadth of Nova Scotia's seafood sector is successful not only strengthens the FALB's portfolio but strengthens the industry as a whole.

Decisions of the FALB are made by a cross-section of dedicated and talented Nova Scotians who offer unique insights and perspectives to the efficient operation of the Board. I would like to acknowledge and thank

my fellow Board members for their leadership, insight, and commitment to the industries we serve. I would also like to thank the staff of the Board, whose knowledge, dedication, and focus on results are truly impressive.

The 2022-23 Annual Report allows for the many accomplishments of the FALB to be highlighted to all Nova Scotians. In addition, the release of an Annual Report allows for reflection on challenges faced and ways to turn such challenges into future opportunities for the organization and the Province. The recent experiences of high inflation, global economic uncertainty, and climate change require that we take stock of the FALB's operations and adjust our offerings to continue providing critical financing, while protecting the portfolio into the future.

Robert Verge, Acting Chair



Message from the Director



2022 represented yet another record year for seafood exports in Nova Scotia, demonstrating the continued importance of the industry. The Nova Scotia Fisheries and Aquaculture Loan Board advanced near-record financing to the sector in 2022-23, providing over \$65 million in new lending to Nova Scotia businesses. This caps off a five-year period during which the FALB's overall portfolio has more than doubled, while portfolio arrears remain at record low levels. New entrants to the fishery represented over 1/3 of the FALB's clients again this year. This success provided a solid foundation for the FALB to respond to new opportunities.

Financing of Nova Scotia's seafood sector is all that we do at the FALB. Our sole focus is on ensuring the success of Nova Scotia's varied seafood sector, not only in the short-term, but over the long-term. Many clients of the FALB choose our financing services based on the positive experiences of friends, neighbours, and family members. In fact, a number of current clients are the children and grandchildren of past FALB clients. The importance of these strong relationships with our clients cannot be overstated. Our talented and insightful staff work with clients to understand the complete picture of their business, and structure a loan that provides a foundation for success.



The variation in Nova Scotia's seafood sector is immense, particularly as it relates to geography, species, and technology. Our loan officers understand that no two files are alike and take the time to address business specific needs. We also understand the importance of direct and personal communication with our clients. When Hurricane Fiona struck, our staff quickly began reaching out to clients in highly impacted areas to understand impacts and offer supports.

The reach of the FALB is extensive, with record highs of capital advanced to over 750 small and medium sized businesses throughout Nova Scotia; however, we recognize that adequately supporting all areas of the sector requires collaboration and partnerships. In 2022-2023, we worked closely with the Department of Fisheries and Aquaculture to advance their objectives relating to export development, local seafood consumption, and climate change adaptation and mitigation. Partnerships with other provincial agencies, the Federal government, and non-governmental organizations were continued. The FALB was pleased to be a

key sponsor and participant at the Minister of Fisheries and Aquaculture Conference. In addition, our increased participation at other industry events and conferences in light of reduced public health restrictions allowed for relationships to be created and renewed.

The staff of the FALB are what makes our organization successful, which in turn allows the FALB to contribute to the success of the Province of Nova Scotia. I would like to thank the staff for the great work they do on a daily basis to support our industries and the Province.

**Brennan Goreham, Director
Crown Lending Agencies**

Board of Directors



Robert Verge

Vice-Chair and Director
(June 2022-June 2025)

Bob has a Bachelor's Degree in Industrial Engineering and a Master's Degree in Business Administration. He also holds professional designations as a Professional Engineer, Chartered Professional Accountant, and Certified Management Consultant. He recently retired as Managing Director of the Canadian Centre for Fisheries Innovation.



Nathan Boudreau

Director and Audit Committee Chair
(January 2021-January 2024)

Nathan has a strong accounting background and has been the Chief Operations Officer for Petit De Gras Packers in Arichat for over 20 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.



Matthew Tapper

Director
(June 2022-June 2025)

Matt has a strong background in business financing, spending 17 years working in the field of Indigenous business development for the Federal Government and more recently working as the General Manager of an Aboriginal Financial Institution (Ulnooweg Development Group). He spends a lot of his time volunteering within the sports sector and is currently the CEO of the Aboriginal Sport Circle.



Donna Upham

Director
(June 2022-June 2025)

Donna has a strong financial background, working at IG Wealth since 2016 and obtaining her CFP® during that time. Donna works closely with business owners and pre-retirees to build a solid financial plan which includes tax planning, retirement and insurance protection, and responsible debt management. Donna is an active member in her community serving and volunteering on several boards and clubs.



Sean Borden

Director
(January 2021-January 2024)

Sean has a Master's Degree in Business Administration and a Bachelor's Degree in Engineering, Industrial Discipline. He has a strong background in asset management, operations management, customer experience and capital investment management through his work at Emera and Nova Scotia Power. Sean is currently the Director of Operations Support at Emera and was previously the Director of Regional Operations and the Director of Customer Experience at Nova Scotia Power.



Fanel Vasile

Director
(June 2022-June 2025)

Fanel is a licensed professional engineer in Nova Scotia and Ontario and has 23 years engineering experience in manufacturing, machine design, and shipbuilding. Fanel gained a deep expertise by managing and developing R&D projects in seafood processing after working over 5 years in this industry. Currently, Fanel is working as an Industrial Engineering Team Lead at Irving Shipbuilding.



Denny Morrow

Chair and Director
(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.

Claude Poirier

Director
(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.



Metrics

**NET
INCOME**

\$2.950 M

**NUMBER
OF LOANS**

1052

**INTEREST
REVENUE**

\$12.11 M

**APPLICATIONS
APPROVED**

147

**NUMBER
OF CLIENTS**

752

**AVERAGE
INTEREST RATE**

4.6%

**NEW LOANS
ADVANCED**

\$66.0 M

**TOTAL PORTFOLIO
PRINCIPAL**

\$303.3 M



About

the Nova Scotia
Fisheries and Aquaculture
Loan Board



For 87 years, the FALB has been supporting Nova Scotia's ocean economy by providing affordable and reliable access to capital to support growth, expansion, innovation, and more recently, sustainability in our seafood sector. The FALB along with Nova Scotia Farm Loan Board and the Timber Loan Board operate under a shared-services model, under the name Crown Lending Agencies.

Mission

FALB builds on the success of Nova Scotia's fishing, aquaculture, and seafood industry by providing lending opportunities to business enterprises seeking to expand, grow, innovate, and succeed.

Vision

To be a preferred and trusted lender for those involved in and directly supporting the fishing, aquaculture, and seafood industries in communities throughout 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

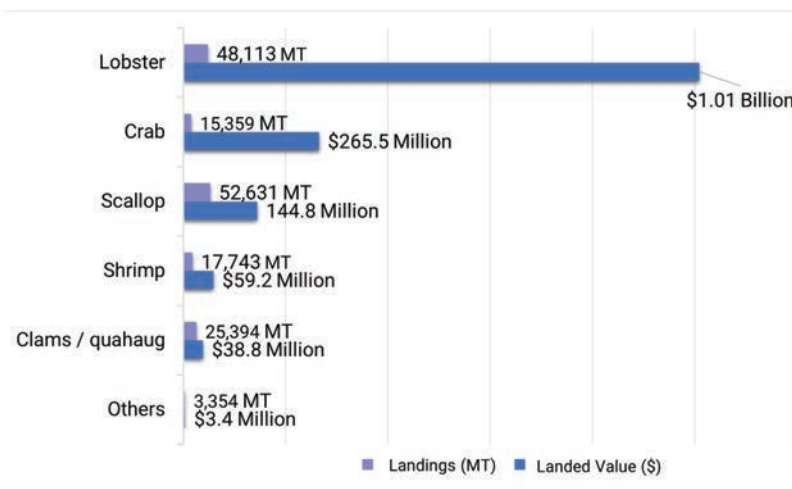
Landscape



Commercial Fishery Landings

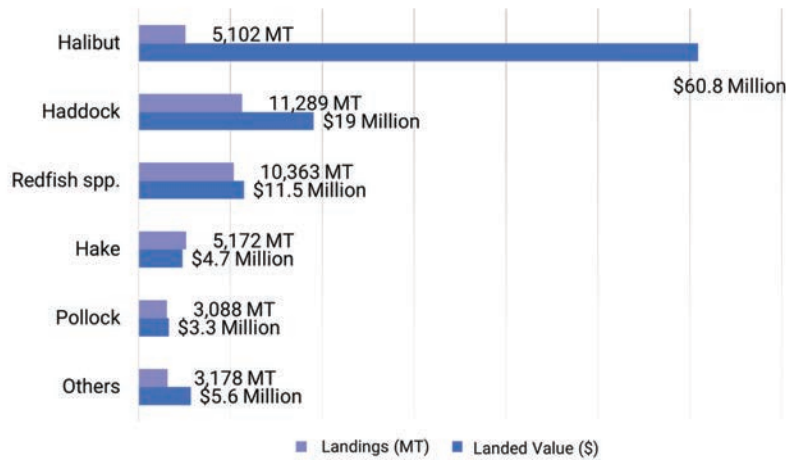
In 2021, lobster remained Nova Scotia's top fishery, with landings of 48,113 metric tonnes valued at \$1.01 billion. Other top shellfish species by landed value were Snow Crab, Sea Scallop, Shrimp and Clam/Quahaugs.

Nova Scotia Shellfish Landings and Landed Value (2022)



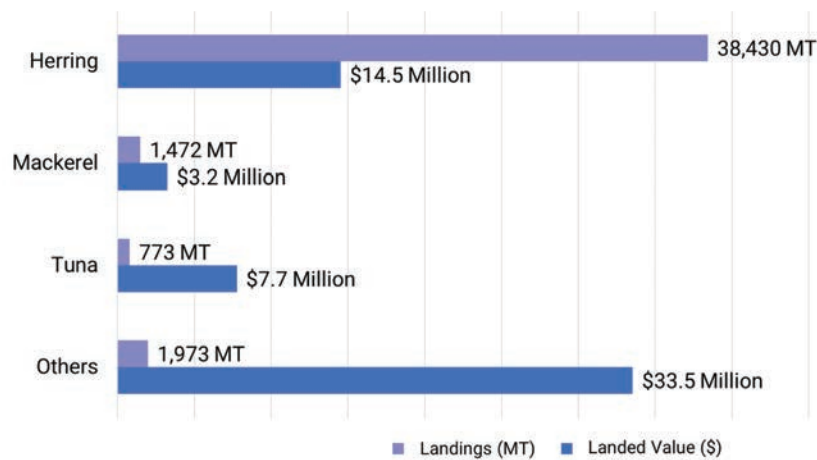
The top groundfish species was Halibut, followed by Haddock, Redfish, Hake, and Pollock.

Nova Scotia Groundfish Landings and Landed Value (2022)



Herring was the top pelagic species, followed by Mackerel and Tuna.

Nova Scotia Pelagics Landings and Landed Value (2022)

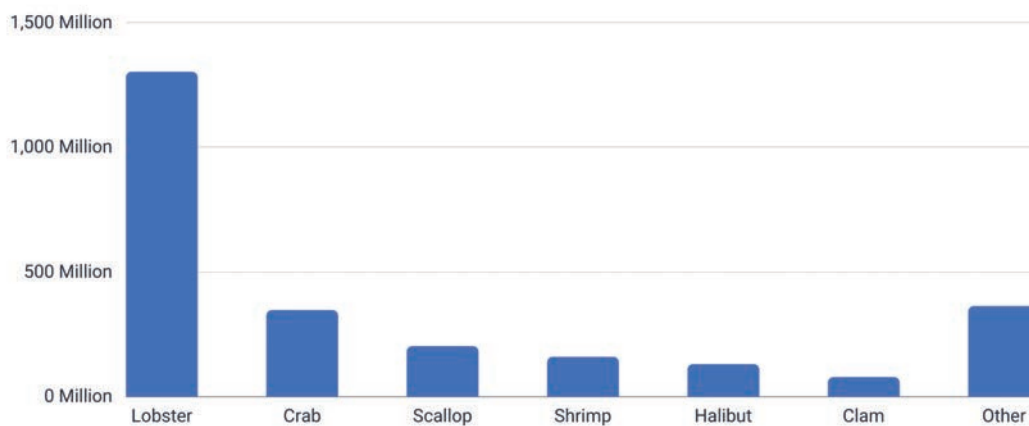




International Trade

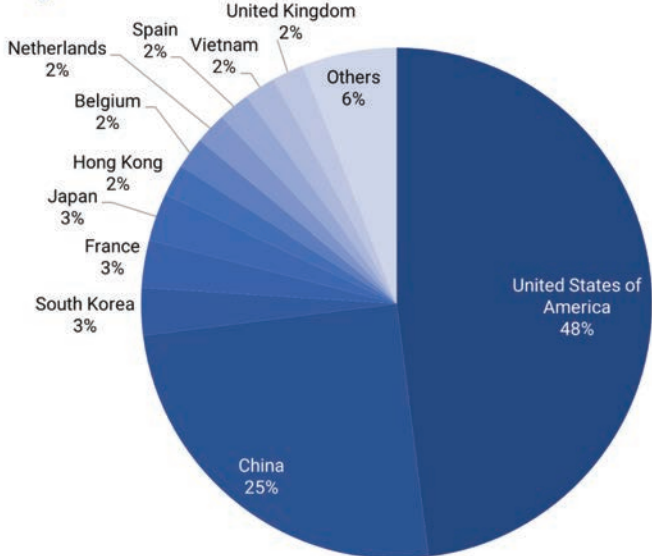
Nova Scotia's fish and seafood exports were valued at \$2.6 billion in 2022, up by 4% from 2021. Nova Scotia is Canada's seafood export leader, increasing its share of Canada's seafood exports from 28% in 2021 to 31% in 2022. Fish and seafood products remained Nova Scotia's largest export commodity in 2022, accounting for 36% of the province's exports. Lobster remained Nova Scotia's top exported seafood product, followed by Crab, Scallops, Shrimp, Halibut, and Clams.

Nova Scotia Seafood Exports (2022)



The United States of America remained Nova Scotia’s top destination for seafood exports, followed by China, South Korea, France and Japan. Six additional destinations each accounted for 2% of Nova Scotia’s seafood exports.

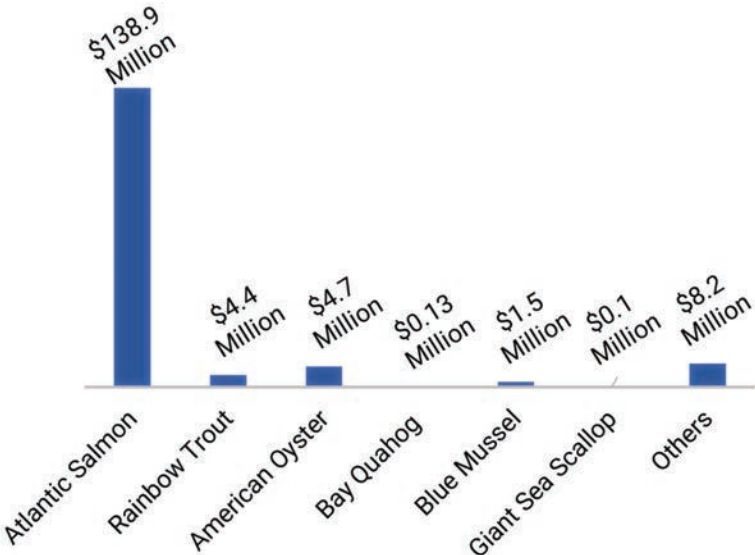
Nova Scotia Top Export Destinations (2022)



Aquaculture Production

Nova Scotia’s aquaculture industry produced 15.2 million kilograms of farmed seafood in 2022 with a value of \$158 million. This represented an increase from 11 million kilograms valued at \$83 million in 2021.

Value of Nova Scotia Aquaculture Production (2022)





Fisheries & Aquaculture Loan

Programs



LICENCE(S) AND GEAR LOAN

License(s) and gear loans allow new fishers to join the industry, and established fishers to expand or diversify operations.



NEW VESSEL CONSTRUCTION LOAN

Our New Vessel Construction Loan provides fishers an opportunity to build a new, customized vessel.



USED VESSEL PURCHASE LOAN

Our Used Vessel Loan is designed to provide financing for used vessel purchases with repayment periods set based on the remaining useful life of the vessel.



MODIFICATIONS TO A VESSEL LOAN

Our Modifications to a Vessel Loan offers financing for upgrades like a new engine, vessel extensions, or equipment changes.



AQUACULTURE LOAN

Aquaculture loans are available to aquaculture operators in starting, expanding, or purchasing an aquaculture business. Aquaculture loans can be tailored to production cycles.



PROCESSING SECTOR

Our lending products support shore-based processing and value-added businesses looking to grow, seeking productivity and efficiency improvements, or transitioning a family business to the next generation.



BOATBUILDING SECTOR

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

Focus on Clients

Efforts continued throughout 2022-23 to improve our client service and product offerings, ensuring that financing solutions continued to match the needs of a continuously evolving industry. Our dedicated team of professionals placed great emphasis on meeting client expectations, and responded admirably to changes in external circumstances such as storm events and economic uncertainty. Several internal process improvements were implemented for 2023-2024 that are anticipated to yield positive results for clients.

Maintaining communication with clients, both during the early phases of a new application and after many years of established business, allowed staff to be responsive to their needs. Planned expansion of the FALB's social media accounts is another tool to maintain strong relationships with those involved in the fisheries and aquaculture sectors.

Focus on People

The commitment of FALB staff to the success of the industries we serve remained one of the organization's strongest assets. Staff-led teams continued to undertake initiatives driven by the results of the provincially administered "How's Work Going?" survey. Staff continued to identify areas for reducing administrative burden to both enhance their work efforts, and benefit the clients we serve. Opportunities for cross-training and employee development were pursued, with a vision towards ensuring an engaged and stable workforce.



Four members (three new and one returning) were appointed to the FALB in 2022-2023 to enable an adequate Board complement and to allow for new perspectives and insights to be brought to the table. A long-term Board of Director recruitment strategy was developed to support board stability and the onboarding of new Directors. Part of the recruitment strategy seeks to attract Directors from a wide variety of demographic and professional backgrounds, to ensure that the FALB is representative not only of the province's seafood industry, but of the province overall.

Focus on Development

The FALB increased outreach to existing and prospective clients through attendance of several conferences and events such as the Minister of Fisheries and Aquaculture's Conference and the Eastern Canadian Fisheries Expo. The FALB expanded its reach to clients and stakeholders with targeted advertising through industry trade publications and the revamping of the FALB's online and social media presences. The FALB welcomed a new team member whose focus will be on outreach and engagement efforts in support of portfolio development and diversification.

Staff increased opportunities to visit new and existing clients at their places of business to gain insights into how FALB financing could best support them. The FALB's in-house vessel inspection program continued to work closely with applicants, existing clients, and the boatbuilding sector in particular, to support the delivery of FALB financing. Financing products continued to be reviewed for their applicability to the FALB's mandate to expand financing into new areas. Increased connections with the Province's seafood processors, boatbuilders, and aquaculturalists positioned the FALB for continued growth in serving these sectors. The FALB continued to seek partnerships with other lending and development agencies and institutions.

Areas of Focus

Responding to Evolving Conditions

The FALB continued to support businesses across the Province involved in the seafood industry through changing economic and environmental circumstances. Building on client-focused efforts taken during the height of the COVID-19 pandemic, the FALB provided flexibility to clients in light of rising costs and inflation, the impacts of Hurricane Fiona, and continued global economic uncertainty. The FALB worked closely with colleagues in the Department of Fisheries and Aquaculture to offer supports to borrowers in areas directly impacted by Hurricane Fiona. The Board also offered a streamlined working capital loan to provide short-medium term financing for clients who suffered damages from Fiona, allowing them to rebuild and replace equipment quickly. FALB staff continued to consider individual client circumstances and work with them to consider adjustments to payment terms such as interest and/or principal deferrals to support temporary cash flow challenges that arose from rising input costs and changes in global markets. Climate change continues to be a defining issue facing the seafood sector. The FALB's lending programs can be adopted to help clients finance changes to their individual fishing operations to address issues that relate directly to climate change.

Capital at Competitive Rates

The Board offers specialized lending programs that reflect the unique needs of Nova Scotia's seafood industry and strives to provide competitive rates to our clients. The Board offers predictability by allowing clients to lock in long term rates of up to 25 years, which allows businesses to have long term payment stability that can aid in managing and predicting cash flows. The board also offers a major benefit to clients who select full fixed-term amortizations from 7 -25 years: their interest rates are reviewed at their 5 year anniversary. They get the benefit of a lower rate if rates have dropped, or they stay locked in at their original rate if rates have increased.

Strategic Planning

The FALB was part of the review of Agencies, Offices, and Crown Corporations that was conducted in 2022. The FALB welcomed the opportunity to review the effectiveness of program offerings and service delivery. The review provided an opportunity to reflect on recent changes made to regulations and how the FALB conducts its work. No changes were recommended as a result of this review.

Upon completion of the above-noted review, Board strategic planning focused on identifying areas for developing the FALB loans portfolio to ensure that all viable opportunities in the seafood sector have the potential to be supported by the FALB, while also attempting to diversify the portfolio as an approach to risk management.

Development and Value-Add Sectors

The FALB continued to explore new ways to reach newcomers and those historically excluded from the seafood industry and support them in establishing roots in the province's seafood economy. In the summer of 2022, Crown Lending Agencies was pleased to continue to lead the Black Youth Planting Their Futures Program. This ongoing commitment provides youth and students summer employment opportunities with the Board and introduces them to the various sectors within the fisheries and aquaculture industry.

In addition, the FALB held discussions with organizations and individuals to better understand how the Board can offer supportive and complementary lending for Indigenous persons. Work in this area includes discussions on innovative solutions to ensure Indigenous people in Nova Scotia have equitable access to Fisheries and Aquaculture Loan Board lending programs. Efforts also continued to review loan application documentation to ensure inclusivity for underrepresented and underserved communities.

In 2022-2023, staff continued to develop working relationships with industry associations in the processing sector and look forward to continuing to offer financing for these businesses. Efforts to expand the FALB's profile in the commercial boatbuilding sector were also undertaken, in recognition of the important role served by these businesses.

Support for New Entrants

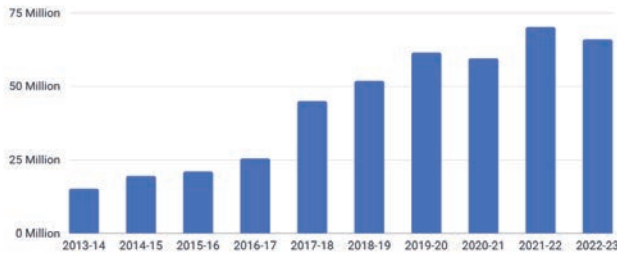
The FALB continued to offer financing to new entrants/young fishers. The new entrant program (first-time commercial license holder) requires a minimum deposit of 5% on license purchases, in comparison the FALB standard minimum deposit of 10% on other license purchases. The FALB also supports new entrants through payment flexibility in terms of payment dates, amortization lengths, fixed terms, interest rates, and potential deferral options. 43% of loans approved went to clients 35 and under. Supporting the financing needs of new entrants is a key priority of the FALB.



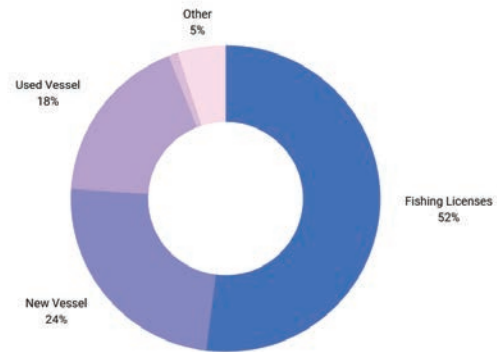
Lending

Highlights

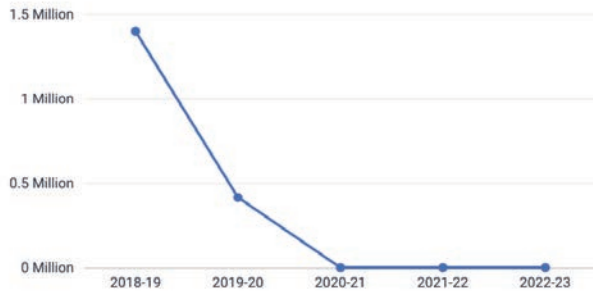
Loans by Year - Funds Advanced



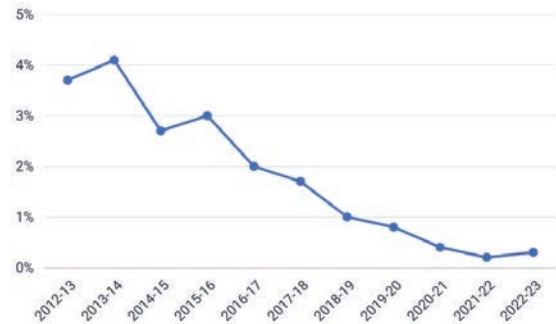
Loans as a Percentage - Total Portfolio (\$)



Write-offs - 5 Year Trend



Year-End Arrears - % of Total Principal



Other 2022-23 Highlights

- 43% of loans approved went to clients 35 and under. Supporting the financing needs of new entrants is a key priority of the FALB.
- The number of loans outstanding increased by 6.69% from 2021-22, rising from 986 to 1052.
- The number of clients served by the FALB went from 724 to 752, an increase of 3.8% from 2021-22.
- FALB staff continued to provide financial guidance to all clients as part of our regular loan application process. An additional 16 clients received additional special credit counseling.



Independent

Auditor's Report

and Audited Financial Statements



Financial Statements

Nova Scotia Fisheries and Aquaculture Loan
Board

March 31, 2023

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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, 2023, and the statements of operations and accumulated surplus 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, 2023, and its results of operations and accumulated surplus, 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.

Halifax, Canada
June 15, 2023

Chartered Professional Accountants

Nova Scotia Fisheries and Aquaculture Loan Board

Statement of financial position

March 31

(in thousands of dollars)

2023

2022

Financial assets

Loans receivable (Note 4)	\$ 303,250	\$ 262,528
Interest receivable, net of allowance \$330 (2022 - \$244)	4,787	4,247
Due from the General Revenue Fund of the Province (Note 5)	<u>76,227</u>	<u>116,961</u>
	<u>384,264</u>	<u>383,736</u>

Liabilities

Applicants' funds on deposit (Note 5)	149	173
Accounts Payable	12	
Due to the General Revenue Fund of the Province	4,787	4,247
Fisheries and Aquaculture Development Fund (Note 1)	<u>379,316</u>	<u>379,316</u>
	<u>384,264</u>	<u>383,736</u>

Net assets and accumulated surplus

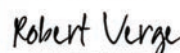
\$	<u>-</u>	\$	<u>-</u>
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Commitments (Note 6)

On behalf of the Board

DocuSigned by:

 EDCE9338AE4D4F1... _____ Director

DocuSigned by:

 04FC27C63AF84A6... _____ Director

See accompanying notes to the financial statements.

4

Nova Scotia Fisheries and Aquaculture Loan Board

Statement of operations and accumulated surplus

Year ended March 31

(in thousands of dollars)

	Budget 2023	2023	2022
Revenues			
Interest on loans	\$ 9,000	\$ 12,112	\$ 10,945
Loan processing and other fees	<u>464</u>	<u>328</u>	<u>349</u>
	<u>9,464</u>	<u>12,440</u>	<u>11,294</u>
Expenses			
Lending expenses (Note 8)	<u>8,938</u>	<u>9,490</u>	<u>7,499</u>
	<u>8,938</u>	<u>9,490</u>	<u>7,499</u>
Annual surplus before distributions to the Revenue Fund of the Province	526	2,950	3,795
Distributions to the General Revenue Fund of the Province	<u>(526)</u>	<u>(2,950)</u>	<u>(3,795)</u>
Annual and accumulated surplus - Beginning and End of year	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

See accompanying notes to the financial statements.

5

Nova Scotia Fisheries and Aquaculture Loan Board

Statement of cash flows

March 31

(in thousands of dollars)

2023

2022

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>(376)</u>		<u>614</u>
		<u>(376)</u>		<u>614</u>
Net change in non-cash operating working capital balances related to operations				
Increase in interest receivable		<u>(540)</u>		<u>(41)</u>
Increase in accounts payable		<u>12</u>		
Increase in due to the General Revenue Fund of the Province, net		<u>540</u>		<u>41</u>
Increase (decrease) in applicants' funds on deposit		<u>(24)</u>		<u>2</u>
		<u>(388)</u>		<u>616</u>

Financing activities

Decrease in due from the General Revenue Fund of the Province, net		<u>40,734</u>		<u>33,132</u>
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Investing activities

Increase in loans receivable, net		<u>(40,346)</u>		<u>(33,748)</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, 2023

(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, 2023, 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, 2023, new advances were \$65,956 (2022 - \$70,110). During the year, the Loan Board received repayments of loan principal of \$24,684 (2022 - \$24,289).

	<u>2023</u>	<u>2022</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)	\$ 303,250	\$ 262,528
Loans authorized but not advanced (Note 5)	14,643	13,047
Funds available for additional loans (Note 5)	<u>61,423</u>	<u>103,741</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, 2023

(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, 2023

(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, 2023, 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>	2023 Total	2022 <u>Total</u>
Total performing loans	\$ 13,752	\$ 60,104	\$ 221,552	\$ 295,408	\$ 260,442
Average effective annual interest rate	4.5%	4.5%	4.6%	4.6%	4.3%
Add: principal receivable on impaired loans				9,510	\$ 3,354
Total principal				304,918	263,796
Add: applicants' funds on deposit (Note 5)				149	173
Less: provision for loan impairment				(1,817)	(1,441)
Loans receivable				\$ 303,250	\$ 262,528

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Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2023

(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>2023</u>		<u>2022</u>	
	Impaired loans	Allowance for impairment	Impaired loans	Allowance for impairment
Specific allowance	\$ 9,510	\$ 1,518	\$ 3,354	\$ 1,138
Collective allowance	-	328	-	321
	<u>\$ 9,510</u>	<u>\$ 1,846</u>	<u>\$ 3,354</u>	<u>\$ 1,459</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, 2023 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>2023</u>	<u>2022</u>
Allowance for impaired loans – beginning of year	\$ 1,459	\$ 2,099
Less: Valuation recovery for impaired loans	<u>387</u>	<u>(640)</u>
Allowance – end of year	<u>1,846</u>	<u>1,459</u>
Valuation allowance on principal	1,817	1,441
Valuation allowance on interest	<u>29</u>	<u>18</u>
	<u>\$ 1,846</u>	<u>\$ 1,459</u>

Nova Scotia Fisheries and Aquaculture Loan Board

Notes to the financial statements

March 31, 2023

(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:

<u>1-30</u> <u>days</u>	<u>31-60</u> <u>days</u>	<u>61-90</u> <u>days</u>	<u>91 or</u> <u>more days</u>	<u>2023</u>	<u>2022</u>
\$ -	\$ 4,613	\$ 3,670	\$ 1,801	\$ 10,084	\$ 2,010

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>2023</u>	<u>2022</u>
Loan Board commitments (Note 6)		
Loans authorized but not advanced	\$ 14,643	\$ 13,047
Applicants' funds on deposit	149	173
Accounts payable	12	-
Funds available for additional loans	<u>61,423</u>	<u>103,741</u>
Due from General Revenue Fund of the Province	\$ 76,227	\$ 116,961

6. Commitments

The Loan Board has committed to provide loans of \$14,643 (2022 - \$13,047) 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, 2023

(in thousands of dollars)

7. Bad debt expense (net of recoveries)

Bad debt expense (recovery) includes:

	<u>Budget</u>		<u>2023</u>		<u>2022</u>
Bad debt expense net of recoveries	\$ 850	\$	474	\$	(491)
Unpaid interest added to principal on refinance	-		<u>(94)</u>		<u>(157)</u>
	<u>\$ 850</u>	\$	<u>380</u>	\$	<u>(648)</u>

8. Lending expenses

	<u>Budget</u>		<u>2023</u>		<u>2022</u>
Bad debt expense (net of recoveries) (Note 4 (c) and 7)	\$ 850	\$	380	\$	(648)
Interest expense (Note 9 and 10)	6,000		7,593		6,623
Other	379		27		29
Professional services	95		65		63
Salaries and benefits	1,424		1,317		1,314
Supplies and services	122		85		99
Training and development	9		8		8
Travel	59		15		11
	<u>\$ 8,938</u>	\$	<u>9,490</u>	\$	<u>7,499</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 2.67% (2022 – 2.68%).

10. Distributions to the General Revenue Fund of the Province

Administration expenses of the Loan Board for the year ended March 31, 2023, totalling \$1,517 (2022 - \$1,524), were paid by the Department of Agriculture on behalf of the Loan Board. Interest expense on funds borrowed to make loans of \$7,593 (2022 - \$6,623) 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, 2023

(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 \$97 (2022 - \$96) 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, 2023, is \$295,408 (2022 - \$260,442). 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, 2023

(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 \$3,033 (2022- \$2,625) impact on interest revenue and expense.



**NOVA SCOTIA
FISHERIES & AQUACULTURE
LOAN BOARD**

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