

Finances Î.-P.-É.

RAPPORT ANNUEL

EXERCICE FINANCIER 2020

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Message du ministre



HONORABLE ANTOINETTE PERRY

Lieutenant-gouverneure de l'Île-du-Prince-Édouard

Votre Honneur,

Conformément au cadre de reddition annuelle de comptes de la *Financial Administration Act* (loi sur la gestion des finances publiques) régissant les sociétés d'État et exigeant la publication du rapport annuel avant le 30 septembre 2020, j'ai le plaisir de vous présenter le rapport annuel de Finances Î.-P.-É. pour l'exercice financier se terminant le 31 mars 2020.

Je vous prie d'accepter, votre Honneur, l'expression de ma très haute considération.

A handwritten signature in black ink that reads "Matthew Mackay". The signature is written in a cursive, flowing style.

HON. MATTHEW MACKAY

Ministre de la Croissance économique, du Tourisme et de la Culture

Message de la présidente

HONORABLE MATTHEW MACKAY

*Ministre de la Croissance économique, du Tourisme et de la Culture
Île-du-Prince-Édouard*

Monsieur le Ministre,

J'ai le plaisir de vous présenter notre rapport annuel pour l'exercice financier se terminant le 31 mars 2020.

Ce rapport annuel est déposé conformément à la *Finance PEI Act*.

Je vous prie d'accepter, votre Honneur, l'expression de ma très haute considération.



CORA LEE DUNBAR

Présidente du conseil d'administration
Finances Î.-P.-É.

Message du président-directeur général

HONORABLE MATTHEW MACKAY

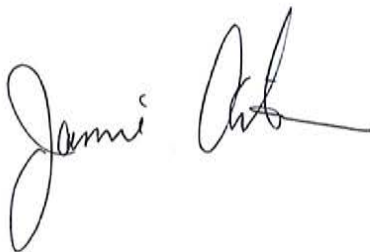
*Ministre de la Croissance économique, du Tourisme et de la Culture
Île-du-Prince-Édouard*

Monsieur le Ministre,

J'ai le plaisir de vous présenter notre rapport annuel pour l'exercice financier se terminant le 31 mars 2020.

Ce rapport annuel est déposé conformément à la *Finance PEI Act*.

Je vous prie d'accepter, Monsieur le Ministre, l'expression de ma très haute considération.

A handwritten signature in black ink, appearing to read 'Jamie Aiken', with a stylized flourish at the end.

JAMIE AIKEN, CPA, CA,

Président-directeur général

Vue d'ensemble de l'entité gouvernementale

Finances Î.-P.-É. est une société d'État relevant du ministère de la Croissance économique, du Tourisme et de la Culture et, avec ses deux filiales, agit à titre d'organisme principal en matière de financement et d'infrastructure stratégique du gouvernement de l'Île-du-Prince-Édouard.

Les directives de Finances Î.-P.-É. sont, notamment, les suivantes : mobiliser, gérer et fournir des capitaux financiers et des infrastructures dans le cadre de possibilités de développement économique et d'affaires stratégiques; voir à l'équilibre entre les risques et le rendement économique; collaborer avec des institutions financières traditionnelles et des organismes gouvernementaux; et agir à titre de prêteur professionnel.

MISSION

Finances Î.-P.-É. dispose de trois divisions, chacune ayant son propre centre d'intérêt :

PRÊTS COMMERCIAUX ET DE RESSOURCES

Fournir un soutien financier au moyen de prêts à l'appui du développement économique afin de soutenir les entreprises qui font preuve d'une viabilité raisonnable et qui maintiennent ou élargissent le développement économique.

PRÊTS AU DÉVELOPPEMENT

Fournir des prêts et des investissements stratégiques afin de soutenir les entreprises qui créent, maintiennent ou développent des secteurs prioritaires, en mettant l'accent sur les entreprises engagées dans l'exportation vers les marchés nationaux et internationaux, le remplacement des importations et la transformation à valeur ajoutée.

INITIATIVES STRATÉGIQUES ET IMMOBILIÈRES

Promouvoir la création de nouvelles possibilités d'affaires et encourager l'expansion des entreprises existantes par la mise à disposition d'infrastructures facilement accessibles, notamment des parcs d'affaires, des terrains et des bâtiments.

MANDAT

La société fonctionne selon les objectifs suivants :

- Assurer un leadership dans le soutien et la mise en œuvre de la stratégie de développement du gouvernement;
- Agir comme un prêteur responsable et professionnel fournissant une aide prudente et nécessaire aux entreprises et aux particuliers qui poursuivent les objectifs de développement économique du gouvernement;
- Fournir des prêts et une aide au crédit aux entreprises de l'Î.-P.-É. afin de maintenir ou d'étendre l'activité de développement de l'Î.-P.-É.;
- Fournir des prêts et des aides au crédit aux secteurs de l'économie de l'Î.-P.-É. déterminés par le gouvernement comme étant d'une importance stratégique pour le développement économique;
- Appuyer la planification et la mise en œuvre de projets de développement économique parrainés par le gouvernement.

Finances Î.-P.-É. fournit du financement à terme et des fonds de roulement aux emprunteurs admissibles dans de nombreux secteurs prioritaires de l'Î.-P.-É., notamment les petites entreprises, la fabrication et la transformation, l'agriculture, les technologies de l'information et des communications, les biosciences, l'aérospatiale, le tourisme, la pêche et l'aquaculture, ainsi que les énergies renouvelables.

Les priorités de Finances Î.-P.-É. comprennent les entreprises engagées dans l'exportation vers les marchés nationaux et internationaux, le remplacement des importations et la transformation à valeur ajoutée. Les petites et moyennes entreprises sont les principaux générateurs de l'économie de l'Î.-P.-É. et l'accès au capital financier est essentiel pour que ces entreprises puissent prospérer et se développer à leur plein potentiel.

Finances Î.-P.-É. administre un certain nombre de programmes précis, notamment :

- Programme de financement des terres agricoles
- Programme de prêts pour le bétail
- Programme de prêts à faible taux d'intérêt pour les pêcheurs
- Programme de microcrédit
- Programme de prêts pour les entrepreneurs

- Programme d'aide à la mise de fonds
- Programme de prêts pour l'efficacité énergétique

ÉVÉNEMENTS ULTÉRIEURS

Depuis le 31 janvier 2020, l'épidémie de COVID-19 a contraint les gouvernements du monde entier à adopter des mesures d'urgence pour lutter contre la propagation du virus.

Le 16 mars 2020, le gouvernement de l'Île-du-Prince-Édouard a déclaré l'état d'urgence sanitaire pour permettre au gouvernement de gérer les menaces à la santé publique posées par la pandémie de COVID-19, dont l'exigence que les entreprises jugées non essentielles soient fermées au public.

Reconnaissant que la situation perturberait la réalité des habitants et des entreprises de l'Île, le gouvernement provincial, en collaboration avec le gouvernement fédéral, s'est engagé à fournir un soutien économique et commercial pour atténuer les difficultés financières qui allaient en résulter.

Le soutien aux entreprises de la province, dans le contexte de la COVID-19, comprend les programmes suivants, lesquels sont administrés, en totalité ou en partie, par Finances Î.-P.-É. :

PROGRAMME DE FONDS DE ROULEMENT D'URGENCE POUR LES PETITES ENTREPRISES

En mars 2020, le gouvernement de l'Île-du-Prince-Édouard s'est engagé à verser 10 millions de dollars à ce programme, qui fournit un financement de fonds de roulement d'urgence pour aider les petites entreprises de l'Î.-P.-É. pendant la perturbation économique sans précédent des opérations par la pandémie de COVID-19. Ce programme fournit des prêts pour aider les entreprises admissibles à maintenir leurs activités commerciales pendant cette période difficile, et à être mieux positionnées pour la reprise après la COVID-19.

Les demandeurs admissibles peuvent obtenir un prêt de fonds de roulement d'un montant maximal de 100 000 \$ à un taux d'intérêt fixe de 4 % par année, afin de faire face aux coûts d'exploitation fixes (y compris les salaires, le loyer, les services publics, etc.). Le prêt est remboursable sur six ans, avec un report des paiements du principal et des intérêts d'au moins 12 mois.

PROGRAMME DE PRÊTS D'AIDE AU TOURISME

Établi grâce à un partenariat entre Finances Î.-P.-É. et Tourisme Î.-P.-É., ce programme vient en appui aux exploitants d'entreprises touristiques de l'Î.-P.-É. au moyen de prêts remboursables aux demandeurs admissibles. Les paiements d'intérêts sur les prêts approuvés dans le cadre de ce programme sont admissibles à une exonération d'intérêts de Tourisme Î.-P.-É. pour une période de 18 mois, Finances Î.-P.-É. offrant des reports de capital pour correspondre à la même période de 18 mois.

Les demandeurs admissibles peuvent accéder à un financement d'un montant allant jusqu'à un million de dollars, remboursable sur une période maximale de 20 ans, avec une durée de cinq ans à un taux d'intérêt fixe de 4 %.

Le gouvernement de l'Île-du-Prince-Édouard a engagé jusqu'à 50 millions de dollars dans le cadre de ce programme, lequel acceptera les demandes jusqu'au 31 décembre 2020.

PROGRAMME D'EXEMPTION DES INTÉRÊTS TOURISTIQUES

Une initiative conjointe de Finances Î.-P.-É. et de Tourisme Î.-P.-É., le Programme d'exemption des intérêts touristiques fournit une contribution non remboursable aux exploitants d'entreprises touristiques de l'Île afin d'alléger les frais d'intérêt de la dette à terme. Pour être admissible, l'exploitant d'une entreprise touristique doit faire la preuve soit d'une diminution minimale de 30 % des recettes liées au tourisme provenant d'opérations situées à l'Île-du-Prince-Édouard par rapport au même mois de l'année précédente, soit de l'inexistence de revenus touristiques. Le gouvernement de l'Île-du-Prince-Édouard a engagé jusqu'à 10 millions de dollars dans le cadre de ce programme, la période d'admissibilité étant du 1^{er} avril 2020 jusqu'au 1^{er} septembre 2021.

PROGRAMME DE PRÊTS D'URGENCE POUR LES PÊCHES

Le Programme de prêts d'urgence pour les pêches offre un prêt pouvant atteindre 25 000 \$ (basé sur la propriété cumulative des entreprises sous contrôle commun aux termes de la *Loi de l'impôt sur le revenu du Canada*), et est offert à tous les pêcheurs de l'Î.-P.-É. Le prêt peut être utilisé pour payer des dépenses de fonctionnement non reportables, y compris, sans s'y limiter, les salaires, le loyer, les services publics, l'assurance, l'impôt foncier et le service régulier de la dette. Il ne peut être utilisé pour financer des paiements ou des dépenses comme le remboursement anticipé d'un prêt, le

refinancement d'une dette existante, le paiement de dividendes ou de distributions, et l'augmentation de la rémunération de gestionnaires.

Les prêts approuvés auront la possibilité de différer le paiement du principal pendant un maximum de 18 mois à compter de la date du premier décaissement, et le ministère des Pêches et des Communautés de l'Î.-P.-É. paiera les intérêts des 18 premiers mois, à partir de la date du premier décaissement, jusqu'à un maximum cumulé de 2,4 millions de dollars.

PROGRAMME D'EXEMPTION DES INTÉRÊTS SUR LES PÊCHES

Administré par Finances Î.-P.-É. au nom du ministère des Pêches et des Communautés, le Programme d'exemption des intérêts sur les pêches prévoit une exemption de paiement des intérêts pendant une période maximale de 12 mois pour les demandeurs admissibles du secteur des pêches de l'Î.-P.-É. pour une dette à long terme auprès de leur institution financière (les marges de crédit sont exclues).

L'obligation totale du gouvernement de l'Île-du-Prince-Édouard dans le cadre du Programme d'exemption des intérêts sur les pêches ne dépassera pas 12,5 millions de dollars.

PROGRAMME DE REPORT DES LOYERS DES BAUX COMMERCIAUX

En avril 2020, la province a établi un fonds d'indemnisation pouvant atteindre 1,5 million de dollars dans le cadre de ce programme, lequel fournit une indemnité limitée aux propriétaires participants pour les pertes réelles subies à la suite de la conclusion d'une entente de report de loyer avec des locataires commerciaux admissibles qui ont été directement touchés par des directives ou des décrets liés à la COVID-19, en vertu de la *Public Health Act* (loi sur la santé publique).

Ce programme a fourni un cadre permettant aux locataires commerciaux concernés de travailler avec leur propriétaire pour restructurer les obligations de location qui seraient normalement dues entre le 1^{er} avril et le 30 juin 2020, en étalant le paiement de ces loyers différés sur le reste de la durée de leur bail, ou sur une autre période future convenue d'un commun accord.

Si un locataire ne respecte pas cet accord de report de loyer avant le 30 juin 2021, et que le propriétaire a pris des mesures commercialement raisonnables pour percevoir le loyer

reporté, le propriétaire peut potentiellement faire une réclamation contre le programme pour la partie du loyer reporté réel qui reste impayée, jusqu'à un maximum de 15 000 \$ par locataire ou de 50 000 \$ par locateur.

PRINCIPAUX INDICATEURS

Sur une base annuelle, Finances Î.-P.-É. fait appel aux services d'économistes du cabinet comptable Grant Thornton, pour préparer une analyse statistique qui estime l'impact économique des entreprises soutenues par le portefeuille de prêts administré par Finances Î.-P.-É.

Le modèle d'impact économique, basé sur les tableaux d'entrées-sorties de Statistique Canada, estime la production combinée du produit intérieur brut, de l'emploi, du revenu d'emploi et des dépenses de consommation, ainsi qu'un ensemble plus large de données montrant l'impact collectif que ces entreprises ont sur l'économie de l'île.

Quelques résultats clés pour la période la plus récente disponible¹ sont notés ci-dessous :

- Collectivement, les entreprises aidées par Finances Î.-P.-É., ont généré des ventes de 1,65 milliard de dollars en 2016, qui ont contribué pour 972 millions de dollars au PIB, et 526 millions de dollars de revenus du travail à l'île, et plus de 13 000 emplois.
- L'activité économique générée par ces entreprises s'est traduite par des recettes fiscales estimées à 106 millions de dollars pour les gouvernements provincial et locaux.
- Les revenus du travail générés par les entreprises ont entraîné des dépenses de consommation estimées à 390 millions de dollars; 59 millions de dollars pour les denrées alimentaires, 99 millions de dollars pour le logement, 83 millions de dollars pour les transports, 26 millions de dollars pour les soins de santé et les services personnels, 29 millions de dollars pour les loisirs et 12 millions de dollars pour les cadeaux et les dons de charité.
- Les entreprises soutenues ont largement contribué à ce que la province connaisse la croissance la plus rapide du pays, entre 2013 et 2017, dans les domaines suivants :
 - 28,9 % d'augmentation de la valeur de la production industrielle;
 - 30 % d'augmentation de l'emploi total du secteur manufacturier;
 - 51 % d'augmentation de la valeur des exportations internationales, les secteurs suivants étant en tête :
 - production de fruits de mer (hausse de 45 %),
 - fabrication de moteurs, de turbines et de produits connexes (hausse de 146 %),
 - fabrication de produits aérospatiaux et de leurs pièces (hausse de 100 %),

- fabrication de produits pharmaceutiques et de médicaments (hausse de 116 %).

¹ Source : Grant Thornton, LLP. (décembre 2018). *The Fiscal 2016 Economic Impact of Finance PEI and Island Investment Development Inc. Supported Firms.*

RÉSUMÉ DU PLAN STRATÉGIQUE ET DES ORIENTATIONS FUTURES

Finances Î.-P.-É. continuera d'assurer un leadership dans le soutien et la mise en œuvre de la stratégie de développement du gouvernement et d'agir comme un prêteur responsable et professionnel fournissant une aide prudente et nécessaire aux entreprises et aux particuliers qui poursuivent les objectifs de développement économique du gouvernement.

POINTS SAILLANTS ET RÉALISATIONS

Le portefeuille de prêts de Finances Î.-P.-É. s'élevait à 228 millions de dollars au 31 mars 2020, fournissant des services financiers à plus de 1 200 entreprises et résidents de l'Île, ce qui représente une augmentation de 12,2 % par rapport à la période précédente.

Les observations sectorielles sont, notamment, les suivantes :

- Les prêts accordés aux entreprises du secteur de la pêche et de l'aquaculture se sont élevés à 107,3 millions de dollars, soit une hausse de 13,4 % par rapport à 2019. Les prêts à ce secteur représentent environ 47 % de la valeur totale du portefeuille et 60 % de sa clientèle d'affaires.
- Le portefeuille de prêts agricoles a augmenté de 6,6 % au cours de l'année 2020, pour atteindre 32,6 millions de dollars, soutenant une variété d'exploitations agricoles, y compris les cultures arables, pastorales et mixtes.
- Les prêts liés au tourisme ont totalisé 21,7 millions de dollars à la fin de l'exercice, ce qui représente une augmentation de 16,6 % par rapport à la période précédente. Le portefeuille soutient 49 exploitants en leur fournissant des capitaux et des fonds de roulement afin d'aider les clients à couvrir les coûts de démarrage de la saison, d'acquisition, de rénovation et d'expansion de leurs entreprises liées au tourisme.
- Alors que les prêts au secteur de la fabrication et de la transformation sont restés relativement inchangés à 29,3 millions de dollars, le portefeuille de prêts plus diversifié du secteur des petites entreprises a augmenté de 22,3 % par rapport à 2019, portant ce segment du portefeuille à 36,9 millions de dollars et répondant aux besoins de financement de plus de 150 petites entreprises.
- Le portefeuille de Finances Î.-P.-É. comprend des programmes de prêts élaborés pour soutenir la disponibilité des logements et les initiatives en matière d'efficacité énergétique du gouvernement provincial. Total des prêts accordés dans le cadre de ces programmes au 31 mars 2020 :

- 703 246 \$ au titre du Programme d'aide à la mise de fonds venant en aide à 93 ménages à revenu modeste pour faire l'acquisition de leur première résidence;
- 597 137 \$ au titre du Programme de prêts pour l'efficacité énergétique venant en aide à 149 ménages afin d'accroître l'efficacité énergétique de leur domicile.

Conseil d'administration

Cora Lee Dunbar | présidente
Général et petites entreprises

Erin McGrath-Gaudet
Sous-ministre | ministère de la Croissance économique, du
Tourisme et de la Culture

Cindy Harris
Secrétaire | Conseil du Trésor

Jamie Aiken
Président-directeur général | Finances Î.-P.-É.

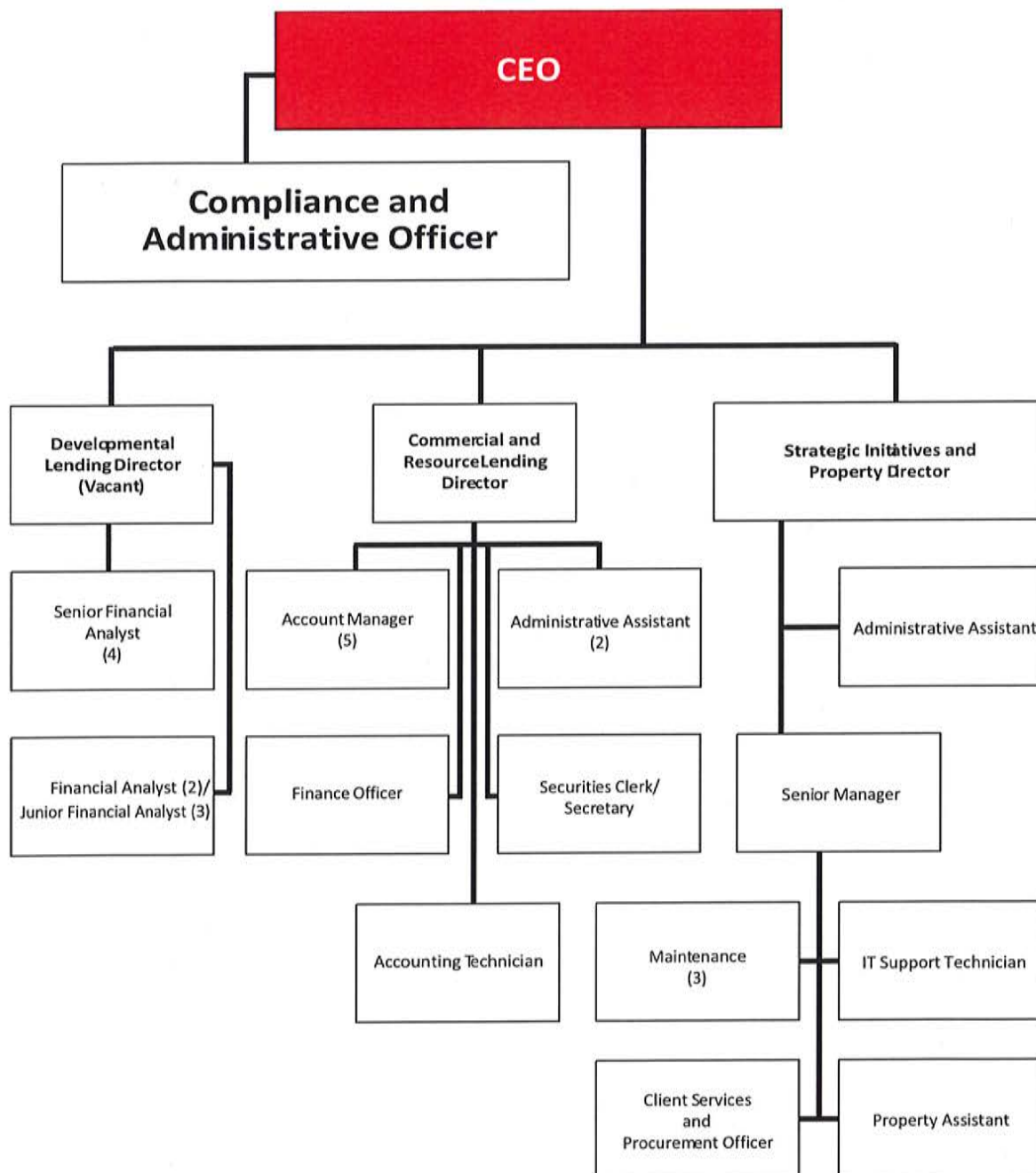
Muncey Harris
Agriculture

Ricky Sanderson
Agriculture

Harold Publicover
Pêches

Brian Annear
Tourisme

Structure organisationnelle



Président-directeur général			
Responsable de la conformité et de l'administration			
Directeur des prêts au développement (poste vacant)	Directeur des prêts commerciaux et des ressources		Directeur des initiatives stratégiques et immobilières
Analyste financier principal (4)	Gestionnaire de compte (5)	Adjoint administratif (2)	Adjoint administratif
Analyste financier (2)/ analyste financier junior (3)	Agent financier	Commis/secrétaire aux valeurs mobilières	Gestionnaire principal
	Technicien en comptabilité	Maintenance (3)	Technicien en soutien informatique
		Responsable des services à la clientèle et de l'approvisionnement	Assistant à l'immobilier

Finance PEI

Consolidated Financial Statements
March 31, 2020

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Finance PEI on matters of financial reporting and internal controls. Management provides the Board with internal consolidated financial statements on a monthly basis and externally audited consolidated financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Finance PEI



Jamie Aiken, CPA, CA
Chief Executive Officer of Finance PEI



July 21, 2020

Independent Auditor's Report

To the Board of Directors of Finance PEI

Opinion

We have audited the accompanying consolidated financial statements of Finance PEI, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Finance PEI as at March 31, 2020, and the consolidated results of its operations 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 Finance PEI 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 the 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 Finance PEI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Finance PEI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Finance PEI'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 Finance PEI'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 Finance PEI'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 Finance PEI 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.

Arsenault Best Cameron Ellis

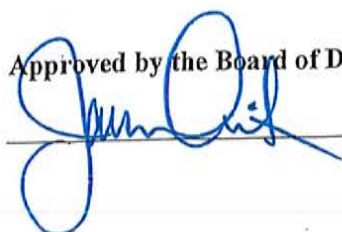
Chartered Professional Accountants

Finance PEI


Consolidated Statement of Financial Position As at March 31, 2020

	2020	2019
	\$	\$
Assets		
Financial assets		
Cash	18,837,195	2,290,792
Accounts receivable (notes 2 and 11)	666,061	725,447
Loans receivable (note 3)	196,823,415	177,145,723
Advances to related company (note 11)	39,292	39,292
Due from the Province of Prince Edward Island (note 11)	11,163,650	11,163,650
Investment in private companies (note 4)	-	139,813
	<u>227,529,613</u>	<u>191,504,717</u>
Liabilities		
Accounts payable and accrued liabilities (note 11)	2,159,722	1,744,307
Deferred revenue	1,202,092	1,270,821
Advances from related companies (note 11)	19,003,442	14,830,066
Short-term notes payable (note 5)	42,505,122	12,195,122
Long-term debt (note 6)	153,155,059	152,840,920
	<u>218,025,437</u>	<u>182,881,236</u>
Net financial assets	<u>9,504,176</u>	<u>8,623,481</u>
Contingent liabilities (note 9)		
Commitments (note 10)		
Non-financial assets		
Prepaid expenses	97,904	86,134
Net investment in lease (note 7)	593,538	620,249
Foreclosed properties (note 8)	285,664	277,902
Property holdings (notes 6 and 11) (Schedule 2)	28,147,802	28,811,242
	<u>29,124,908</u>	<u>29,795,527</u>
Accumulated surplus	<u>38,629,084</u>	<u>38,419,008</u>

Approved by the Board of Directors



Director



Director

Finance PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2020

	2020	2019
	\$	\$
Accumulated surplus - Beginning of year	38,419,008	29,396,578
Operating surplus	210,076	9,022,430
Accumulated surplus - End of year	38,629,084	38,419,008

Finance PEI

Consolidated Statement of Operations For the year ended March 31, 2020

	Budget (Unaudited) \$	Actual 2020 \$	Actual 2019 \$
Revenue			
Interest from borrowers	9,250,000	10,352,541	9,576,461
Interest from deposits	32,200	24,419	29,116
Property operations (note 11)	4,275,000	4,900,283	4,381,243
Post-receivership income	-	-	13,282
Management fees (note 11)	500,000	497,826	500,000
Grant income	-	133,424	-
Gain on sale of property holdings	-	887,722	366,135
Miscellaneous	125,000	197,605	241,899
	<u>14,182,200</u>	<u>16,993,820</u>	<u>15,108,136</u>
Expenses (notes 6 and 11) (Schedule 1)			
Administration	717,700	818,200	817,502
Lending operations	5,116,500	5,741,848	5,613,242
Property operations	4,702,500	5,231,400	5,014,089
Provision for (recovery of) possible losses	1,500,000	4,992,296	(5,359,127)
	<u>12,036,700</u>	<u>16,783,744</u>	<u>6,085,706</u>
Operating surplus	<u>2,145,500</u>	<u>210,076</u>	<u>9,022,430</u>

Finance PEI

Consolidated Statement of Changes in Net Financial Assets (Debt) For the year ended March 31, 2020

	2020 \$	2019 \$
Annual surplus	210,076	9,022,430
Acquisition of property holdings	(1,062,607)	(868,520)
Amortization of property holdings	1,618,846	1,496,041
Gain on disposal of property holdings	(887,722)	(366,135)
Proceeds on disposal of property holdings	994,923	1,413,600
Increase in provision on foreclosed properties	-	44,800
Additions to foreclosed properties	(7,762)	(9,975)
	655,678	1,709,811
Decrease (increase) in prepaid expenses	(11,770)	25,214
Decrease in net investment in lease	26,711	25,804
	670,619	1,760,829
Increase in financial assets	880,695	10,783,259
Net financial assets (debt) - Beginning of year	8,623,481	(2,159,778)
Net financial asset - End of year	9,504,176	8,623,481

Finance PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2020

	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Operating surplus	210,076	9,022,430
Items not affecting cash		
Amortization	1,618,846	1,496,041
Change in net investment in lease	26,711	25,804
Provision for (recovery of) possible losses	4,990,320	(5,359,127)
Gain on disposal of property holdings	(887,722)	(366,135)
	5,958,231	4,819,013
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	76,786	(117,278)
Decrease (increase) in prepaid expenses	(11,770)	25,214
Increase in accounts payable and accrued liabilities	415,415	157,569
Increase (decrease) in deferred revenue	(68,728)	7,928
	6,369,934	4,892,446
Financing activities		
Increase in advances from related companies	4,173,376	251,649
Increase in short-term notes payable	30,750,000	-
Repayment of short-term notes payable	(440,000)	(7,500,020)
Increase in long-term debt	16,450,000	25,600,000
Repayment on long-term debt	(16,135,861)	(21,526,442)
	34,797,515	(3,174,813)
Investing activities		
Increase in loans receivable	(24,785,600)	(1,632,743)
Decrease in advances to related companies	-	123,858
Additions to and purchases of property holdings	(1,062,607)	(868,520)
Reductions and proceeds on disposal of property holdings	994,923	1,413,600
Additions to foreclosed properties	(7,762)	(9,975)
Payments received on investment in private companies	240,000	200,000
	(24,621,046)	(773,780)
Change in cash	16,546,403	943,853
Cash - Beginning of year	2,290,792	1,346,939
Cash - End of year	18,837,195	2,290,792

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements:

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, Atlantic Technology Centre Inc., P.E.I. Infrastructure Inc. and 100417 P.E.I. Inc., all having March 31, 2020 year ends.

b) Cash

Cash is comprised of cash on hand and cash in banks and is recorded at cost.

c) Accounts receivable

Accounts receivable arise from tenant rents, trade sales, staff advance and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

d) Loans receivable

Loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Allowances for possible losses are calculated on loans receivable as outlined in note 1i).

e) Due from Province of Prince Edward Island

The amount due from Province of Prince Edward Island is funding receivable related to the allowance for possible credit losses.

f) Investments in private companies

Investment in private companies, except for two preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% was charged to development programs when the funds were invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The two investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in lending operations expense.

It is not practical within the constraints of timeliness and cost to determine the fair market value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments is based on expected future cash flows.

g) Net investment in lease

Net investment in lease represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option for leases with a deferred purchase option.

h) Property holdings, foreclosed properties and amortization

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value. Property holdings are amortized using the straight-line method at the following annual rates:

Land improvements	10%
Leasehold improvements	7%
Buildings	14 - 30 years
Equipment	20%, 33% and 100%

Proceeds on the sale of land included in industrial sites is recorded as a reduction in the carrying value of the asset.

ii) Foreclosed properties

Foreclosed properties are carried at the lower of cost of the impaired asset prior to realization of the related security and the underlying estimated realizable value of the security.

Reductions from the carrying value of the impaired asset to estimated realizable value is recorded as a provision for possible losses.

iii) Estimated realizable value

Estimated realizable value for land and buildings held for resale or under lease purchase options and industrial site buildings, is its property tax assessed value. Estimated realizable value for industrial sites is the expected proceeds on resale. Estimated realizable value for the test cells is the net cost to construct the assets supported by payments under a long-term lease agreement. If property and equipment carrying value should exceed estimated realizable value, additional amortization or a writedown is provided.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

i) Deferred revenue

Contributions received and not expended on land purchases and grants to finance infrastructure costs and contributions to occupants of the Biocommons park are recorded as deferred revenue.

j) Allowance for possible losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses of financial position items including guarantees. The allowance is deducted from the applicable asset on the statement of financial position, except for guarantees. The allowance for guarantees is included in accounts payable and accrued liabilities.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions for loans receivable, accounts receivable, investments in private companies and foreclosed properties total \$17,638,044 (2019 - \$18,318,008).

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio accounts receivable, investments and advances, foreclosed properties and property holdings and guarantees on an ongoing basis to assess whether an allowance is required.

A variety of methods are used to determine the amount expected to be recovered from accounts receivable, loans receivable, investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of \$19,529,051 (2019 - \$13,881,263) includes accumulated allowances for losses which are prudential in nature and are not specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

k) Employee pension plan

The Corporation's staff are members of the Province of Prince Edward Island pension plan. The pension plan obligation is a liability of the Province and not Finance PEI and no liability for these costs has been accrued by the Corporation at March 31, 2020.

l) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

m) Revenue recognition

Interest on loans from borrowers is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Revenue from property operations are recorded when collection is reasonably assured and all other significant conditions of service are met.

Revenue from service fees, post-receivership income, management fees and miscellaneous income are recorded when earned and collection is reasonably assured.

Government contributions and interest from deposits are recorded in the period earned.

n) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

o) Financial instruments

(a) Measurement of financial instruments

Finance PEI's financial instruments consist of cash, accounts receivable, loans receivable, advances to company, due from Province of Prince Edward Island, investment in private companies, accounts payable and accrued liabilities, short-term notes payable, long-term debt and advances from related companies.

The company initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The company subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

- i) The present value of the cash flows expected to be generated by the asset or group of assets;
- ii) The amount that could be realized by selling the asset or group of assets;
- iii) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the amount of the previously recognized impairment.

p) Management estimates and judgments

The presentation of financial statements in conformity with Canadian public sector standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from the following estimates:

- The amount recorded regarding the allowance for possible credit losses is subject to management's assessment of the performance of the company's loans receivable, investments and accounts receivable as well as the valuation of the assets placed as security;
- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at March 31, 2020. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

2 Accounts receivable

	2020	2019
	\$	\$
Trade accounts receivable	1,003,458	909,629
HST receivable	136,311	76,978
Other	368,011	595,983
	<u>1,507,780</u>	<u>1,582,590</u>
Allowance for possible losses	(841,719)	(857,143)
	<u>666,061</u>	<u>725,447</u>
 <i>Continuity of allowance for possible losses</i>		
Beginning of year	857,143	790,958
Add: provision recorded	(15,424)	66,185
	<u>841,719</u>	<u>857,143</u>

3 Loans receivable

				2020	2019
	Total	Allowance for possible losses General	Allowance for possible losses Specific	Net	Net
	\$	\$	\$	\$	\$
Working capital loans					
Agriculture	2,466,018	1,400,000	1,056,843	9,175	750,283
Tourism	2,424,067	168,267	-	2,255,800	1,942,698
Manufacturing and processing	2,976,328	186,284	270,695	2,519,349	1,902,193
Fisheries	2,352,903	-	-	2,352,903	1,731,737
Small business	5,424,512	466,027	613,921	4,344,564	2,438,515
	<u>15,643,828</u>	<u>2,220,578</u>	<u>1,941,459</u>	<u>11,481,791</u>	<u>8,765,426</u>
 Long-term loans					
Agriculture	30,201,888	3,389,615	3,659,720	23,152,553	19,920,146
Tourism	19,336,490	2,886,000	376,967	16,073,523	15,786,437
Manufacturing and processing	26,337,078	1,651,325	2,091,126	22,594,627	23,025,258
Fisheries and aquaculture	104,959,788	7,675,000	1,373,119	95,911,669	86,282,065
Small business	31,553,391	1,706,533	2,276,333	27,570,525	23,319,664
Shipbuilding/Shipping	10,000	-	10,000	-	-
Eco energy	38,727	-	-	38,727	46,727
	<u>212,437,362</u>	<u>17,308,473</u>	<u>9,787,265</u>	<u>185,341,624</u>	<u>168,380,297</u>
	<u>228,081,190</u>	<u>19,529,051</u>	<u>11,728,724</u>	<u>196,823,415</u>	<u>177,145,723</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

Working capital loans are repayable over various terms to a maximum of 5 years with interest rates ranging from 4.95% to 8.45%.

Long-term loans are repayable over various terms to a maximum of 10 years with interest rates ranging from 4.00% to 9.25%.

Security for working capital loans and long-term loans consists of promissory notes, land, building, inventory and personal guarantees from the borrowers.

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	26,172,364	31,422,669
Add: Provision recorded during year	5,770,982	4,272,569
Less: Recoveries during year	(663,071)	(9,522,874)
Less: Loans written off	(22,500)	-
	<hr/>	<hr/>
Allowance for possible losses - End of year	<u>31,257,775</u>	<u>26,172,364</u>

4 Investment in private companies

	2020	2019
	\$	\$
Investment in private companies		
Small Business and Venture Capital Equity Program investments	438,910	438,910
Less: Allowance for possible losses	(438,910)	(438,910)
	<hr/>	<hr/>
	-	-
Investment in preferred shares of private companies	142,812	382,812
Less: Allowance for possible losses	(142,812)	(242,999)
	<hr/>	<hr/>
	-	139,813
	<hr/>	<hr/>
	-	139,813

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	681,909	801,721
Less: Recovery during the year	(100,187)	(119,812)
	<hr/>	<hr/>
Allowance for possible losses - End of year	<u>581,722</u>	<u>681,909</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

5 Short-term notes payable

	2020	2019
	\$	\$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	35,506,640	5,196,640
	<u>42,505,122</u>	<u>12,195,122</u>

The demand notes payable to Island Investment Development Inc. includes a \$15,000,000 available operating line of credit with an outstanding balance at March 31, 2020 of \$6,998,482 (2019 - \$6,998,482).

The demand note to Island Investment Development Inc. is secured by a promissory note for \$15,000,000 and a revolving credit agreement. The demand notes to Province of Prince Edward Island are unsecured.

Interest paid by Finance PEI is included in the expenditure category to which it relates. Included is interest for 2020 in the amount of \$504,459 (2019 - \$352,136).

Demand notes payable are issued by the Province of Prince Edward Island and Island Investment Development Inc. with interest set monthly based on the Province's short-term lending rate in existence at the first day of the month. These notes are renewed on an ongoing basis with interest payable monthly.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

6 Long-term debt

	2020	2019
	\$	\$
4.00% note payable to Island Investment Development Inc., no specific repayment terms	556,846	556,846
4.00% note payable to Island Investment Development Inc., no specific repayment terms	1,430,499	1,430,499
4.00% note payable to Island Investment Development Inc., due April 2018, repayable \$8,165 monthly including principal and interest	977,127	1,034,945
2.31% note payable to Province of Prince Edward Island, due August 22, 2023, repayable in \$260,127 quarterly payments including principal and interest	2,520,521	3,488,785
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	4,362,753	5,135,014
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	399,171	470,797
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in \$32,366 quarterly payments including principal and interest	1,180,256	1,270,653
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	3,588,971	3,808,411
3.03% note payable to Province of Prince Edward Island, due November 30, 2023, repayable in \$189,252 quarterly payments including principal and interest	2,673,883	3,337,261
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2019 and 2024	135,265,032	132,307,709
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	200,000	-
	<u>153,155,059</u>	<u>152,840,920</u>

Island Investment Development Inc. is a provincial Crown corporation. The repayment terms of the \$556,846 and \$1,430,499 loans are to be determined at a future date.

The 6.01% and 5.54% notes payable are secured by a general security agreement covering certain property holdings with a net book value of nil.

All other notes payable are unsecured.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

	\$
Year ending March 31, 2021	19,085,621
2022	39,418,162
2023	33,963,764
2024	24,638,378
2025	32,320,171

Interest paid by Finance PEI and its subsidiaries in the amount of \$3,575,252 (2019 - \$3,688,355) is included in the expenditure category to which it relates.

7 Net investment in lease

Net investment in lease representing the purchase option receivable from a lessee, due December 2035.

The net investment in this lease is recorded at the net present value of the total lease payments using a discount rate of 3.75%, calculated as follows:

	2020	2019
	\$	\$
Total of lease payments to be received to December 2035	800,030	850,030
Less: Portion representing interest at 3.75%	(206,492)	(229,781)
Net present value of net investment in lease	<u>593,538</u>	<u>620,249</u>

8 Foreclosed properties

	2020	2019
	\$	\$
Foreclosed projects - land, buildings and equipment held for resale	4,952,171	4,944,409
Less: Allowance for possible losses	(4,666,507)	(4,666,507)
	<u>285,664</u>	<u>277,902</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	4,666,507	5,999,582
Add: Provision recorded during the year	-	44,800
Less: Write-offs during the year	-	(1,377,875)
Allowance for possible losses - End of year	<u>4,666,507</u>	<u>4,666,507</u>

9 Contingent liabilities

A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim has been ongoing since 1996.

10 Commitments

Loans approved but not disbursed at March 31, 2020 total \$21,961,511 (2019 - \$6,534,022).

11 Related party account balances and transactions

Related parties

The related companies are provincial Crown corporations or subsidiaries of provincial Crown corporations.

Statement of Financial Position

	2020	2019
	\$	\$
<i>Advances to related company:</i>		
Biocommons Development Inc.	<u>39,292</u>	<u>39,292</u>
<i>Advances from related companies:</i>		
Innovation PEI	11,065,496	11,153,660
Island Investment Development Inc.	5,818,648	1,156,172
Prince Edward Island Century 2000 Fund Inc.	<u>2,119,298</u>	<u>2,520,234</u>
	<u>19,003,442</u>	<u>14,830,066</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The advances to/from related companies and due from the Province of Prince Edward Island, are non-interest bearing and have no specific terms of repayment. Innovation PEI and Island Investment Development Inc. are provincial Crown corporations. Prince Edward Island Century 2000 Fund Inc. is a subsidiary of a provincial Crown corporation. Biocommons Development Inc. is a non-profit company with a similar Board of Directors as P.E.I. Infrastructure Inc.'s Board of Directors.

Included in accounts receivable, accounts payable and accrued liabilities are the following amounts due from/due to related parties:

	2020	2019
	\$	\$
Accounts receivable:		
Due from Province of Prince Edward Island	157,019	94,714
Due from related companies	32,605	200,000
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	302,915	168,513
Due to related companies	748,160	750,864

Property holdings

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Statement of operations

Included in property operations revenue is \$793,589 (2019 - \$553,696) from related parties.

During the year, management fees of \$497,826 (2019 - \$500,000) were received from Island Investment Development Inc., a provincial Crown corporation.

Included in expenditures is \$3,296,918 (2019 - \$3,408,549) in interest paid to Province of Prince Edward Island and \$154,519 (2019 - \$160,720) in interest paid to Island Investment Development Inc., a provincial Crown corporation.

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

Other

The Corporation rents land for the annual amount of \$2,120 plus applicable taxes from Slemmon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

Slemmon Park Corporation is a wholly-owned subsidiary of Island Investment Development Inc.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

12 Financial risk management objectives and policies

Finance PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Finance PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's loans receivable.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The company's maximum exposure to credit risk at the reporting date was:

	2020	2019
	\$	\$
Cash	18,837,195	2,290,792
Accounts receivable	666,061	725,447
Loans receivable	196,823,415	177,145,723
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,163,650	11,163,650
Investment in private companies	-	139,813
	<u>227,529,613</u>	<u>191,504,717</u>

(i) Loans receivable

For the loans receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital assets such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

Credit is approved by staff and the company's Board of Directors with loans in excess of \$1 million requiring approval by Treasury Board and loans in excess of \$2.5 million requiring approval by Executive Council. The company factors the financial strength of each borrower, the security available, their position in industry and past payment history when assessing all potential loans.

A loan is considered past due when a party has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired:

	0 - 60 days \$	60 - 120 days \$	+120 days \$	Total \$
As at:				
March 31, 2020	1,123,391	682,340	4,023,800	5,829,531
March 31, 2019	297,698	442,701	6,689,864	7,430,263

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, advances from related companies, notes payable and mortgages as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Under 1 year \$	Between 1 - 5 years \$	Over 5 years \$	2020 Total \$
Accounts payable and accrued liabilities	2,159,722	-	-	2,159,722
Advances from related companies	19,003,442	-	-	19,003,442
Short-term notes payable	42,505,122	-	-	42,505,122
Long-term debt	19,085,621	130,340,475	3,728,963	153,155,059
	<u>82,753,907</u>	<u>130,340,475</u>	<u>3,728,963</u>	<u>216,823,345</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

	Under 1 year \$	Between 1 - 5 years \$	Over 5 years \$	2019 Total \$
Accounts payable and accrued liabilities	1,744,307	-	-	1,744,307
Advances from related companies	14,830,066	-	-	14,830,066
Short-term notes payable	12,195,122	-	-	12,195,122
Long-term debt	17,966,766	129,867,398	5,006,756	152,840,920
	46,736,261	129,867,398	5,006,756	181,610,415

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Corporation, mismatches in the balances of assets, liabilities and off-statement of financial position financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Corporation manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Corporation's management initiatives.

	Net interest income change \$	Interest expense change \$
Impact of		
1% increase in interest rates	63,241	512,885
1% decrease in interest rates	(63,241)	(512,885)

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of Finance PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Finance PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Finance PEI

Consolidated Schedule of Expenses by Type
For the year ended March 31, 2020

Schedule 1

	2020						2019								
	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Expenses															
Administration	323,048	424,916	-	-	-	70,236	818,200	335,170	413,987	-	-	-	68,345	817,502	
Lending operations	1,444,988	-	-	249,293	4,047,567	-	5,741,848	1,299,089	-	-	311,996	4,002,157	-	5,613,242	
Property operations	423,057	126,239	3,101,351	-	32,144	1,548,609	5,231,400	516,602	123,418	2,908,038	-	38,335	1,427,696	5,014,089	
Provision for possible losses	-	-	1,976	4,990,320	-	-	4,992,296	-	-	16,559	(5,375,686)	-	-	(5,359,127)	
	2,191,093	551,155	3,103,327	5,239,613	4,079,711	1,618,845	16,783,744	2,150,861	537,405	2,924,597	(5,063,690)	4,040,492	1,496,041	6,085,706	
Expenses															
Administration															
Lending operations															
Property operations															
Provision for possible losses															

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2020

Schedule 2

	Cost						Accumulated amortization			2020
	Beginning \$	Additions \$	Disposals \$	Disposals/Ending \$	Beginning \$	Amortization \$	Disposals/adjustments \$	Ending \$	Net book value \$	
General										
Land	981,500	-	-	981,500	-	-	-	-	981,500	
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-	
Building	3,328,098	-	-	3,328,098	1,390,884	128,516	-	1,519,400	1,808,698	
	4,354,363	-	-	4,354,363	1,435,649	128,516	-	1,564,165	2,790,198	
Property holdings held for resale										
Land	1,705,171	-	-	1,705,171	-	-	-	-	1,705,171	
Buildings	1,212,434	-	-	1,212,434	288,251	48,497	-	336,748	875,686	
	2,917,605	-	-	2,917,605	288,251	48,497	-	336,748	2,580,857	
Industrial Sites										
Land	3,109,976	29,687	-	3,139,663	-	-	-	-	3,139,663	
Land improvements	2,789,802	133,424	-	2,923,226	2,750,684	12,628	-	2,763,312	159,914	
Leasehold improvements	1,001,339	-	-	1,001,339	437,495	70,094	-	507,589	493,750	
Building	30,835,989	852,801	(183,496)	31,505,294	11,379,277	1,263,031	(76,295)	12,566,013	18,939,281	
Equipment	7,286,878	46,695	-	7,333,573	7,193,354	96,080	-	7,289,434	44,139	
	45,023,984	1,062,607	(183,496)	45,903,095	21,760,810	1,441,833	(76,295)	23,126,348	22,776,747	
	52,295,952	1,062,607	(183,496)	53,175,063	23,484,710	1,618,846	(76,295)	25,027,261	28,147,802	

Finance PEI

Schedule of Property Holdings

As at and for the year ended April 01, 2019

Schedule 2

	Cost						Accumulated amortization			2019
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$	
General										
Land	981,500	-	-	981,500	-	-	-	-	981,500	
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-	
Building	3,275,679	52,419	-	3,328,098	1,264,248	126,636	-	1,390,884	1,937,214	
	4,301,944	52,419	-	4,354,363	1,309,013	126,636	-	1,435,649	2,918,714	
Property holdings held for resale										
Land	1,584,302	120,869	-	1,705,171	-	-	-	-	1,705,171	
Buildings	1,200,000	12,434	-	1,212,434	240,000	48,251	-	288,251	924,183	
	2,784,302	133,303	-	2,917,605	240,000	48,251	-	288,251	2,629,354	
Industrial Sites										
Land	4,104,442	52,999	(1,047,465)	3,109,976	-	-	-	-	3,109,976	
Land improvements	2,789,802	-	-	2,789,802	2,745,255	5,429	-	2,750,684	39,118	
Leasehold improvements	1,001,339	-	-	1,001,339	367,401	70,094	-	437,495	563,844	
Building	30,296,556	539,433	-	30,835,989	10,161,681	1,217,596	-	11,379,277	19,456,712	
Equipment	7,196,512	90,366	-	7,286,878	7,165,319	28,035	-	7,193,354	93,524	
	45,388,651	682,798	(1,047,465)	45,023,984	20,439,656	1,321,154	-	21,760,810	23,263,174	
Test cell	4,937,000	-	(4,937,000)	-	3,552,818	-	(3,552,818)	-	-	
	57,411,897	868,520	(5,984,465)	52,295,952	25,541,487	1,496,041	(3,552,818)	23,484,710	28,811,242	

Pour nous joindre

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