



2020-2021 Annual Report

Rapport annuel 2020-2021

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TABLE DES MATIÈRES

Message du ministre	1
Message de la présidente	2
Message du président-directeur général	3
VUE D'ENSEMBLE DE L'ENTITÉ GOUVERNEMENTALE	4
ÉVÈNEMENTS ULTÉRIEURS	7
INDICATEURS CLÉS	10
RÉSUMÉ DU PLAN STRATÉGIQUE ET DES ORIENTATIONS FUTURES	12
FAITS SAILLANTS ET RÉALISATIONS	13
CONSEIL D'ADMINISTRATION	15
STRUCTURE ORGANISATIONNELLE	16
ÉTATS FINANCIERS VÉRIFIÉS	18
COORDONNÉES	43



Message du ministre



À L'HONORABLE ANTOINETTE PERRY

Lieutenante-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 2021, j'ai le plaisir de vous présenter le rapport annuel de Finances Î.-P.-É. pour l'exercice financier se terminant le 31 mars 2021.

Veuillez agréer l'expression de mes sentiments distingués.

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

L'HONORABLE MATTHEW MACKAY

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

Message de la présidente

À L'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 2021.

Ce rapport annuel est déposé conformément à la Finance PEI Act (loi sur Finances Î.-P.-É.).

Veuillez agréer l'expression de mes sentiments distingués.



CORA LEE DUNBAR

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

Message du président-directeur général

À L'HONORABLE MATTHEW MACKAY

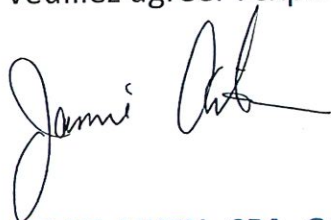
*Ministre de la Croissance économique, du Tourisme et de la Culture
Île-du-Prince-Édouard*

Monsieur le Ministre,

J'ai le plaisir de vous présenter notre rapport annuel pour l'exercice financier se terminant le 31 mars 2021.

Ce rapport annuel est déposé conformément à la Finance PEI Act (loi sur Finances Î.-P.-É.).

Veuillez agréer l'expression de mes sentiments distingués.



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 plusieurs programmes particuliers, y compris :

- 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

FINANCES Î.-P.-É.

- Programme de prêts pour l'efficacité énergétique

FINANCES Î.-P.-É.

ÉVÈNEMENTS ULTÉRIEURS

En mars 2020, en réponse à la pandémie mondiale de COVID-19, le gouvernement de l'Île-du-Prince-Édouard a déclaré un état d'urgence de santé publique, qui demeure en place.

Pour appuyer les entreprises de l'Île-du-Prince-Édouard durant cette période de perturbations, le gouvernement provincial a introduit plusieurs mesures de soutien économique et de soutien aux entreprises, y compris les programmes suivants, qui sont administrés par Finances Î.-P.-É., en totalité ou en partie.

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

Ce programme continue à fournir des prêts pour aider les entreprises admissibles à maintenir leurs activités durant cette période difficile et pour être mieux positionnées pour le rétablissement après la pandémie de 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.). Ces prêts sont remboursables sur 6 ans, avec un report des paiements du principal et des intérêts pour les premiers 12 mois après le décaissement.

En date du 31 mars 2021, Finances Î.-P.-É. a fourni à 164 entreprises du financement pour un total de 8 418 446 \$.

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 de 20 ans, avec une durée de cinq ans à un taux d'intérêt fixe de 4 %.

En date du 31 mars 2021, Finances Î.-P.-É. et Tourisme Î.-P.-É. avaient fourni à 25 entreprises de l'aide financière pour un total de 5 605 570 \$.

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.

En date du 31 mars 2021, Finances Î.-P.-É. et Tourisme Î.-P.-É. avaient fourni à 183 entreprises l'exemption d'intérêts pour un total de 3 699 021 \$.

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.

Les prêts approuvés ont reporté les paiements du principal pour un maximum de 18 mois à partir de la date du premier décaissement, et le ministère des Pêches et des Communautés paiera la portion d'intérêts du prêt pour la même période de 18 mois, pour un maximum cumulatif de 2,4 millions de dollars.

En date du 31 mars 2021, Finances Î.-P.-É. et le ministère des Pêches et des Communautés ont fourni à 33 pêcheurs de l'Île une aide financière pour un total de 806 131 \$.

PROGRAMME D'EXEMPTION DES INTÉRÊTS SUR LES PÊCHES

Le Programme d'exemption des intérêts sur les pêches est administré par Finances Î.-P.-É. en partenariat avec le ministère des Pêches et des Communautés, où le ministère des Pêches et des Communautés rembourse aux pêcheurs de l'Î.-P.-É. leurs dépenses en intérêts engagées pendant un maximum de 12 mois seulement sur les dettes à terme (les lignes de crédit sont exclues) avec leurs institutions financières.

FINANCES Î.-P.-É.

En date du 31 mars 2021, Finances Î.-P.-É. et le ministère des Pêches et des Communautés ont fourni à 840 pêcheurs de l'Î.-P.-É. l'exemption d'intérêts pour un montant de 10 068 508 \$.

PROGRAMME DE REPORT DES LOYERS DES BAUX COMMERCIAUX

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.

À la fermeture du programme le 30 avril 2020, 65 locateurs et 121 locataires s'étaient inscrits à ce programme d'indemnité, avec des accords de report du paiement du loyer d'une valeur de 1,06 M\$. Au 31 mars 2021, 2 550 \$ en réclamation ont été payés à un locateur.

FINANCES Î.-P.-É.

INDICATEURS CLÉS

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 1,25 milliard de dollars en 2018, qui ont contribué pour 863 millions de dollars au PIB, et 433 millions de dollars de revenus du travail à l'Île, et 9 938 emplois.
- L'activité économique générée par ces entreprises s'est traduite par des recettes fiscales estimées à 99 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 323 millions de dollars; 50 millions de dollars pour les denrées alimentaires, 82 millions de dollars pour le logement, 74 millions de dollars pour les transports, 23 millions de dollars pour les soins de santé et les services personnels, 17 millions de dollars pour les loisirs et 11 millions de dollars pour les cadeaux et les dons de charité.
- Pour chaque valeur d'un dollar (1 \$) de l'argent des contribuables, une valeur de 23,44 \$ en paiement des intérêts et en avantages fiscaux est fournie à la province de l'Î.-P.-É.
- Les entreprises soutenues ont largement contribué à ce que la province connaisse la croissance la plus rapide du pays, entre 2015 et 2018, dans les domaines suivants :
 - 26 % d'augmentation de la valeur de la production industrielle;
 - 10 % d'augmentation de l'emploi total du secteur manufacturier;
 - 31 % d'augmentation de la valeur des exportations internationales, les secteurs suivants étant en tête :
 - production de fruits de mer (hausse de 25 %),
 - fabrication de produits alimentaires surgelés (principalement des produits de pomme de terre) (hausse de 25 %)
 - fabrication de moteurs, de turbines et de produits connexes (hausse de 85 %),

FINANCES Î.-P.-É.

- fabrication de produits aérospatiaux et de leurs pièces (hausse de 62 %),
- fabrication de produits pharmaceutiques et de médicaments (hausse de 59 %).

¹Source : Grant Thornton, LLP. (Décembre 2020). *The Fiscal 2018 Economic Impact of Finance PEI and Island Investment Development Inc. Supported Firms.*

RÉSUMÉ DU PLAN STRATÉGIQUE ET DES ORIENTATIONS FUTURES

Au début 2021, par l'intermédiaire d'un processus ouvert et compétitif d'appel d'offres, Grant Thornton a obtenu un contrat pour aider Finances Î.-P.-É. à élaborer un plan stratégique de trois ans. Au cours de plusieurs mois, Grant Thornton a consulté divers intervenants, y compris des groupes communautaires, des associations de l'industrie, le personnel de Finances Î.-P.-É. et les membres du conseil d'administration pour obtenir des idées afin d'appuyer la création d'un plan d'action stratégique complet qui guidera les avancées de l'organisation au cours des trois prochaines années.

Par l'intermédiaire de ce processus, 4 objectifs stratégiques ont été identifiés, et les actions connexes pour atteindre les buts ont aussi été définies.

Objectif stratégique n° 1 – Tirer avantage d'une approche axée sur le client en collaborant avec les partenaires stratégiques, les clients et les professionnels de l'industrie pour développer et adapter des offres qui reflètent les changements requis pour répondre aux besoins des entreprises de l'Î.-P.-É.

Objectif stratégique n° 2 – Appuyer le développement économique à l'Î.-P.-É. par l'intermédiaire de décisions ciblées en matière de prêts et d'investissements dans des industries stratégiques.

Objectif stratégique n° 3 – Appuyer les occasions d'apprentissage et de perfectionnement pour le personnel de Finances Î.-P.-É. pour améliorer de façon continue les ensembles d'aptitudes pour refléter les conditions économiques en constante évolution afin de fournir le meilleur service et d'avoir les connaissances pour mieux servir nos clients.

Objectif stratégique n° 4 – Établir des initiatives de programmes de technologies propres et des initiatives vertes (harmonisées aux priorités gouvernementales) pour promouvoir une adoption accrue dans l'industrie et dans la communauté.

FAITS SAILLANTS ET RÉALISATIONS

Le portefeuille de prêts de Finances Î.-P.-É. s'élevait à 254,8 millions de dollars au 31 mars 2021, fournissant des services financiers à plus de 1 200 entreprises et résidents de l'Île, ce qui représente une augmentation de 10 % 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 117,3 millions de dollars, soit une hausse de 8,5 % par rapport à 2020. Les prêts à ce secteur représentent environ 46,1 % de la valeur totale du portefeuille et 60 % de sa clientèle d'affaires.
- Le portefeuille de prêts agricoles a augmenté de 12,4 % au cours de l'année 2021, pour atteindre 37,2 millions de dollars, soutenant une variété d'exploitations agricoles, y compris les cultures arables, pastorales et mixtes.
- Les prêts liés au tourisme ont totalisé 27,8 millions de dollars à la fin de l'exercice, ce qui représente une augmentation de 21,9 % par rapport à la période précédente. Le portefeuille soutient les 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 ont diminué légèrement, passant de 29,3 millions à 25,7 millions de dollars, le portefeuille de prêts plus diversifié du secteur des petites entreprises a augmenté de 11,5 % par rapport à 2020, portant ce segment du portefeuille à 41,7 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 2021 :
 - 1 341 576 \$ au titre du Programme d'aide à la mise de fonds venant en aide à 159 ménages à revenu modeste pour faire l'acquisition de leur première résidence;
 - 1 027 834 \$ au titre du Programme de prêts pour l'efficacité énergétique venant en aide à 253 ménages pour augmenter l'efficacité énergétique de leur domicile;

FINANCES Î.-P.-É.

- 322 549 \$ venant en aide à 18 ménages pour acheter l'équipement solaire par l'intermédiaire du Programme de prêt pour l'efficacité énergétique pour l'équipement solaire photovoltaïque.

CONSEIL D'ADMINISTRATION

Cora Lee Dunbar | Présidente
Particuliers 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

Harold Publicover
Pêches

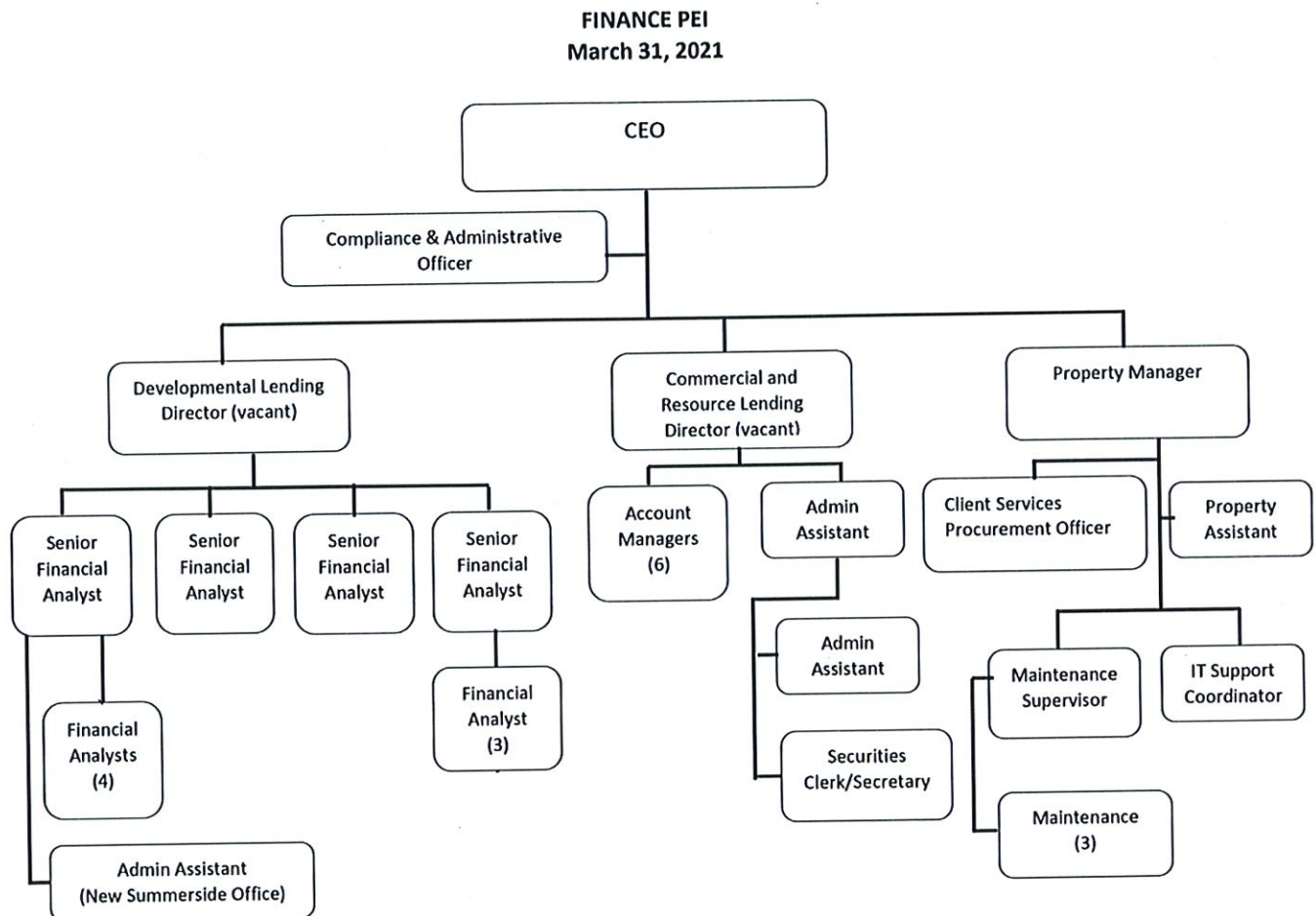
Ricky Sanderson
Agriculture

Jamie Lewis
Agriculture

Brian Annear
Tourisme

FINANCES Î.-P.-É.

STRUCTURE ORGANISATIONNELLE



English	French
FINANCE PEI	FINANCES Î.-P.-É.
March 31, 2021	Le 31 mars 2021
CEO	Président-directeur général

FINANCES Î.-P.-É.

Compliance & Administrative Officer	Responsable de la conformité et de l'administration
Developmental Lending Director (vacant)	Directeur des prêts au développement (poste vacant)
Commercial and Resource Lending Director (vacant)	Directeur des prêts commerciaux et des ressources (poste vacant)
Property Manager	Gestionnaire immobilier
Senior Financial Analyst	Analyste financier principal
Account Managers (6)	Gestionnaire de compte
Admin Assistant	Adjoint administratif
Client Services Procurement Officer	Responsable des services à la clientèle et de l'approvisionnement
Property Assistant	Assistant à l'immobilier
Financial Analysts (4)	Analyste financier (4)
Financial Analyst (3)	Analyste financier (3)
Securities Clerk/Secretary	Commis/secrétaire aux valeurs mobilières
Maintenance Supervisor	Superviseur de la maintenance
IT Support Coordinator	Coordonnateur en soutien informatique
Admin Assistant (New Summerside Office)	Adjoint administratif (nouveau bureau de Summerside)
Maintenance (3)	Maintenance (3)

Finance PEI

Consolidated Financial Statements
March 31, 2021

Management's Report

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

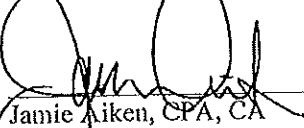
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 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



ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants &
Business Advisors
Prince Edward Place
18 Queen Street, Suite 100
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (902) 368-3100
Fax (902) 566-5074
www.acgca.ca

June 29, 2021

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, 2021, 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, 2021, 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

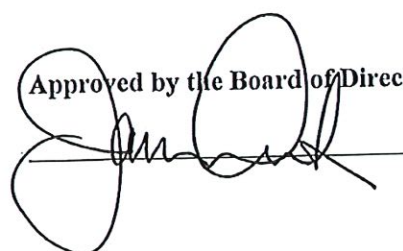
Chartered Professional Accountants

Finance PEI

Consolidated Statement of Financial Position As at March 31, 2021

	2021 \$	2020 \$
Assets		
Financial assets		
Cash	2,965,903	18,837,195
Accounts receivable (notes 2 and 10)	1,611,786	666,061
Loans receivable (note 3)	217,387,606	196,823,415
Advances to related company (note 10)	39,292	39,292
Due from the Province of Prince Edward Island (note 10)	11,163,647	11,163,650
	<u>233,168,234</u>	<u>227,529,613</u>
Liabilities		
Accounts payable and accrued liabilities (note 10)	2,156,935	2,159,722
Deferred revenue	1,159,098	1,202,092
Advances from related companies (note 10)	24,347,681	19,003,442
Short-term notes payable (note 5)	39,255,122	42,505,122
Long-term debt (note 6)	167,506,031	153,155,059
	<u>234,424,867</u>	<u>218,025,437</u>
Net financial assets (debt)	<u>(1,256,633)</u>	<u>9,504,176</u>
Contingent liabilities		
Commitments (note 9)		
Non-financial assets		
Prepaid expenses	70,606	97,904
Net investment in lease (note 7)	565,795	593,538
Foreclosed properties (note 8)	277,402	285,664
Property holdings (notes 6 and 10) (Schedule 2)	37,429,415	28,147,802
	<u>38,343,218</u>	<u>29,124,908</u>
Accumulated surplus	<u>37,086,585</u>	<u>38,629,084</u>

Approved by the Board of Directors

 Director

(3)

 Director

Finance PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2021

	2021 \$	2020 \$
Accumulated surplus - Beginning of year	38,629,084	38,419,008
Operating surplus (deficit)	(1,542,499)	210,076
Accumulated surplus - End of year	37,086,585	38,629,084

Finance PEI

Consolidated Statement of Operations For the year ended March 31, 2021

	Budget (Unaudited) \$	Actual 2021 \$	Actual 2020 \$
Revenue			
Interest from borrowers	9,900,000	11,417,091	10,352,541
Interest from deposits	26,200	24,904	24,419
Property operations (note 10)	4,475,000	5,014,457	4,900,283
Management fees (note 10)	500,000	500,000	497,826
Grant income	-	11,125	133,424
Gain (loss) on sale of property holdings	-	(222,001)	887,722
Miscellaneous	131,000	121,271	197,605
	<u>15,032,200</u>	<u>16,866,847</u>	<u>16,993,820</u>
Expenses (notes 6 and 10) (Schedule 1)			
Administration	735,900	1,022,186	818,200
Lending operations	5,789,500	5,999,607	5,741,848
Property operations	4,582,000	5,257,582	5,231,400
Provision for possible losses	5,450,000	6,129,971	4,992,296
	<u>16,557,400</u>	<u>18,409,346</u>	<u>16,783,744</u>
Operating surplus (deficit)	<u>(1,525,200)</u>	<u>(1,542,499)</u>	<u>210,076</u>

Finance PEI

Consolidated Statement of Changes in Net Financial Assets (Debt) For the year ended March 31, 2021

	2021 \$	2020 \$
Operating surplus (deficit)	<u>(1,542,499)</u>	<u>210,076</u>
Acquisition of property holdings	(11,991,139)	(1,062,607)
Amortization of property holdings	1,807,986	1,618,846
Loss (gain) on disposal of property holdings	222,001	(887,722)
Proceeds on disposal of property holdings	679,539	994,923
Transfer of provision to foreclosed properties	14,334	-
Additions to foreclosed properties	<u>(6,072)</u>	<u>(7,762)</u>
	(9,273,351)	655,678
Decrease (increase) in prepaid expenses	27,298	(11,770)
Decrease in net investment in lease	<u>27,743</u>	<u>26,711</u>
	<u>(9,218,310)</u>	<u>670,619</u>
Decrease (increase) in net debt	(10,760,809)	880,695
Net financial assets - Beginning of year	<u>9,504,176</u>	<u>8,623,481</u>
Net financial assets (debt) - End of year	<u>(1,256,633)</u>	<u>9,504,176</u>

Finance PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Operating surplus (deficit)	(1,542,499)	210,076
Items not affecting cash		
Amortization	1,807,986	1,618,846
Decrease in net investment in lease	27,743	26,711
Provision for possible losses	6,129,971	4,990,320
Loss (gain) on disposal of property holdings	222,001	(887,722)
	<u>6,645,202</u>	<u>5,958,231</u>
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(945,725)	76,786
Decrease (increase) in prepaid expenses	27,298	(11,770)
Increase (decrease) in accounts payable and accrued liabilities	(2,787)	415,415
Decrease in deferred revenue	(42,994)	(68,728)
	<u>5,680,994</u>	<u>6,369,934</u>
Financing activities		
Increase in advances from related companies	5,344,238	4,173,376
Increase in short-term notes payable	11,500,000	30,750,000
Repayment of short-term notes payable	(14,750,000)	(440,000)
Increase in long-term debt	36,000,000	16,450,000
Repayment on long-term debt	(21,649,028)	(16,135,861)
	<u>16,445,210</u>	<u>34,797,515</u>
Investing activities		
Increase in loans receivable	(26,779,824)	(24,785,600)
Additions to and purchases of property holdings	(11,991,139)	(1,062,607)
Reductions and proceeds on disposal of property holdings	679,539	994,923
Additions to foreclosed properties	(6,072)	(7,762)
Payments received on investment in private companies	100,000	240,000
	<u>(37,997,496)</u>	<u>(24,621,046)</u>
Change in cash	<u>(15,871,292)</u>	<u>16,546,403</u>
Cash - Beginning of year	<u>18,837,195</u>	<u>2,290,792</u>
Cash - End of year	<u>2,965,903</u>	<u>18,837,195</u>

Finance PEI

Notes to Consolidated Financial Statements March 31, 2021

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, 2021 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 by 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 1j).

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, 2021

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 foreclosed properties, land and buildings held for resale and industrial site buildings, is its property tax assessed value. Estimated realizable value for industrial sites is the expected proceeds on resale. 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, 2021

i) Deferred revenue

Government contributions received and not expended on land purchases and grants to finance future 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 \$16,993,432 (2020 - \$17,638,044).

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 \$26,295,250 (2020 - \$19,529,051) 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, 2021.

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, 2021

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 various 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, 2021

- 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. 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, 2021. 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, 2021

2 Accounts receivable

	2021 \$	2020 \$
Trade accounts receivable	1,530,161	1,003,458
HST receivable	558,139	136,311
Other	355,152	368,011
	<u>2,443,452</u>	<u>1,507,780</u>
Allowance for possible losses	<u>(831,666)</u>	<u>(841,719)</u>
	<u>1,611,786</u>	<u>666,061</u>
<i>Continuity of allowance for possible losses</i>		
Beginning of year	841,719	857,143
Less: recovery during the year	<u>(10,053)</u>	<u>(15,424)</u>
	<u>831,666</u>	<u>841,719</u>

3 Loans receivable

	2021			2020	
	Total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
Working capital loans					
Agriculture	2,692,567	1,340,727	1,056,843	294,997	9,175
Tourism	2,234,056	33,086	-	2,200,970	2,255,800
Manufacturing and processing	3,080,073	212,772	278,238	2,589,063	2,519,349
Fisheries	2,719,196	-	-	2,719,196	2,352,903
Small business	12,366,544	3,070,268	558,917	8,737,359	3,127,885
	<u>23,092,436</u>	<u>4,656,853</u>	<u>1,893,998</u>	<u>16,541,585</u>	<u>10,265,112</u>
Long-term loans					
Agriculture	34,488,448	3,929,419	3,532,175	27,026,854	26,791,642
Tourism	25,606,848	6,486,000	351,430	18,769,418	16,073,523
Manufacturing and processing	22,595,957	1,715,203	1,931,999	18,948,755	22,594,627
Fisheries and aquaculture	117,305,875	7,675,000	1,368,690	108,262,185	95,911,669
Small business	29,325,040	1,590,776	2,091,539	25,642,725	23,931,436
Residential	2,419,910	241,991	-	2,177,919	1,216,679
Shipbuilding/Shipping	10,000	-	10,000	-	-
Eco energy	18,165	-	-	18,165	38,727
	<u>231,770,243</u>	<u>21,638,389</u>	<u>9,285,833</u>	<u>200,846,021</u>	<u>186,558,303</u>
	<u>254,862,679</u>	<u>26,295,242</u>	<u>11,179,831</u>	<u>217,387,606</u>	<u>196,823,415</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

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

	2021 \$	2020 \$
Allowance for possible losses - Beginning of year	31,257,775	26,172,364
Add: Provision recorded during year	7,270,859	5,770,982
Less: Recoveries during year	(1,053,199)	(663,071)
Less: Loans written off	-	(22,500)
Allowance for possible losses - End of year	<u>37,475,435</u>	<u>31,257,775</u>

4 Investment in private companies

	2021 \$	2020 \$
Investment in private companies		
Small Business and Venture Capital Equity Program investments	438,910	438,910
Less: Allowance for possible losses	<u>(438,910)</u>	<u>(438,910)</u>
	-	-
Investment in preferred shares of private companies	42,812	142,812
Less: Allowance for possible losses	<u>(42,812)</u>	<u>(142,812)</u>
	-	-
	-	-

Continuity of allowance for possible losses

	2021 \$	2020 \$
Allowance for possible losses - Beginning of year	581,722	681,909
Less: Recovery during the year	<u>(100,000)</u>	<u>(100,187)</u>
Allowance for possible losses - End of year	<u>481,722</u>	<u>581,722</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

5 Short-term notes payable

	2021 \$	2020 \$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	32,256,640	35,506,640
	<u>39,255,122</u>	<u>42,505,122</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, 2021 of \$6,998,482 (2020 - \$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.

Demand notes payable are issued by Island Investment Development Inc and the Province of Prince Edward Island 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.

Interest paid by Finance PEI on short-term notes payable is included in the expenditure category to which it relates. Included is interest for 2021 in the amount of \$222,198 (2020 - \$296,396).

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

6 Long-term debt

	2021 \$	2020 \$
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	935,373	977,127
2.31% note payable to Province of Prince Edward Island, due August 22, 2023, repayable in \$260,127 quarterly payments including principal and interest	1,529,695	2,520,521
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	3,543,381	4,362,753
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	323,522	399,171
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in \$32,366 quarterly payments including principal and interest	1,090,472	1,180,256
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	3,362,442	3,588,971
3.03% note payable to Province of Prince Edward Island, due November 30, 2023, repayable in \$189,252 quarterly payments including principal and interest	1,990,176	2,673,883
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2021 and 2026	144,659,650	135,265,032
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	161,603	200,000
2.47% note payable to Province of Prince Edward Island, due October 31, 2040, repayable \$127,028 quarterly including principal and interest	7,922,372	-
	<u>167,506,031</u>	<u>153,155,059</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, 2021

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, 2022	36,682,473
2023	31,121,388
2024	33,807,359
2025	26,259,710
2026	30,068,233

Interest paid by Finance PEI and its subsidiaries on long-term debt in the amount of \$3,621,630 (2020 - \$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:

	2021 \$	2020 \$
Total of lease payments to be received to December 2035	750,030	800,030
Less: Portion representing interest at 3.75%	(184,235)	(206,492)
Net present value of net investment in lease	<u>565,795</u>	<u>593,538</u>

8. Forclosed properties

	2021 \$	2020 \$
Foreclosed projects - land, buildings and equipment held for resale	4,958,243	4,952,171
Less: Allowance for possible losses	(4,680,841)	(4,666,507)
	<u>277,402</u>	<u>285,664</u>

Continuity of allowance for possible losses

	2021 \$	2020 \$
Allowance for possible losses - Beginning of year	4,666,507	4,666,507
Add: Provision recorded during the year	<u>14,334</u>	<u>-</u>
Allowance for possible losses - End of year	<u>4,680,841</u>	<u>4,666,507</u>

Finance PEI

Notes to Consolidated Financial Statements March 31, 2021

9 Commitments

Loans approved but not disbursed at March 31, 2021 total \$25,671,514 (2020 - \$21,961,511).

10 Related party account balances and transactions

Statement of Financial Position

	2021 \$	2020 \$
<i>Advances to related company:</i>		
Biocommons Development Inc.	39,292	39,292
<i>Advances from related companies:</i>		
Innovation PEI	11,151,050	11,065,496
Island Investment Development Inc.	6,044,150	5,818,648
Prince Edward Island Century 2000 Fund Inc.	7,152,481	2,119,298
	<u>24,347,681</u>	<u>19,003,442</u>

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:

	2021 \$	2020 \$
Accounts receivable:		
Due from Province of Prince Edward Island	551,646	157,019
Due from related companies	21,699	32,605
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	302,574	302,915
Due to related companies	738,275	748,160

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.

Finance PEI

Notes to Consolidated Financial Statements March 31, 2021

Statement of operations

Included in property operations revenue is \$807,018 (2020 - \$793,589) from related parties and \$200,000 (2020 - nil) in capital grants received from Innovation PEI, a provincial Crown corporation.

During the year, management fees of \$500,000 (2020 - \$497,826) were received from Island Investment Development Inc., a provincial Crown corporation. Included in interest from borrowers revenue is \$3,810,715 (2020 - nil) and \$214,799 (2020 - nil) received from the Fisheries Interest Relief Program and Tourism Interest Relief Program, respectively. These programs were funded by the Province of Prince Edward Island.

Included in expenditures is \$3,543,135 (2020 - \$3,296,918) in interest paid to Province of Prince Edward Island and \$46,035 (2020 - \$154,519) 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 Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

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

During the year, Finance PEI administered the Fisheries Interest Relief Program on behalf of the Province of Prince Edward Island. The corporation administered \$10,077,061 in funds for the program. As the corporation was acting as an agent of the Province of Prince Edward Island, this expenditure is not included as an expense of the corporation.

11 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, 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

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:

	2021 \$	2020 \$
Cash	2,965,903	18,837,195
Accounts receivable	1,611,786	666,061
Loans receivable	217,387,606	196,823,415
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,163,647	11,163,650
	<u>233,168,234</u>	<u>227,529,613</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.

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, 2021	265,173	732,466	5,478,628	6,476,267
March 31, 2020	1,123,391	682,340	4,023,800	5,829,531

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

(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 \$	2021 Total \$
Accounts payable and accrued liabilities	2,156,935	-	-	2,156,935
Advances from related companies	24,347,681	-	-	24,347,681
Short-term notes payable	39,255,122	-	-	39,255,122
Long-term debt	36,682,473	121,256,690	9,566,868	167,506,031
	102,442,211	121,256,690	9,566,868	233,265,769

	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
	82,753,907	130,340,475	3,728,963	216,823,345

(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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2021

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	67,420	392,551
1% decrease in interest rates	(67,420)	(392,551)

(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, 2021

Schedule 1

2021

	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
Expenses							
Administration	407,936	542,141	-	-	-	72,109	1,022,186
Lending operations	1,686,825	-	-	489,111	3,823,671	-	5,999,607
Property operations	544,518	131,606	2,825,424	-	20,157	1,735,877	5,257,582
Provision for possible losses	-	-	-	6,129,971	-	-	6,129,971
	2,639,279	673,747	2,825,424	6,619,082	3,843,828	1,807,986	18,409,346

2020

	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
Expenses							
Administration	323,048	424,916	-	-	-	70,236	818,200
Lending operations	1,444,988	-	-	249,293	4,047,567	-	5,741,848
Property operations	423,057	126,239	3,101,351	-	32,144	1,548,609	5,231,400
Provision for possible losses	-	-	1,976	4,990,320	-	-	4,992,296
	2,191,093	551,155	3,103,327	5,239,613	4,079,711	1,618,845	16,783,744

(23)

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2021

Schedule 2

	Cost				Accumulated amortization			2021	
	Beginning \$	Additions \$	Disposals \$	Disposals/ Ending \$	Beginning \$	Amortization \$	Disposals/ adjustments \$		Ending \$
General									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,328,098	93,402	-	3,421,500	1,519,400	130,384	-	1,649,784	1,771,716
	4,354,363	93,402	-	4,447,765	1,564,165	130,384	-	1,694,549	2,753,216
Property holdings held for resale									
Land	1,705,171	600,000	(150,000)	2,155,171	-	-	-	-	2,155,171
Buildings	1,212,434	-	-	1,212,434	336,748	48,497	-	385,245	827,189
	2,917,605	600,000	(150,000)	3,367,605	336,748	48,497	-	385,245	2,982,360
Industrial Sites									
Land	3,139,663	79,448	(264,238)	2,954,873	-	-	-	-	2,954,873
Land improvements	2,923,226	94,725	-	3,017,951	2,763,312	23,927	-	2,787,239	230,712
Leasehold improvements	1,001,339	23,313	-	1,024,652	507,589	70,910	-	578,499	446,153
Building	31,505,294	11,049,104	(658,516)	41,895,882	12,566,013	1,483,590	(171,214)	13,878,389	28,017,493
Equipment	7,333,573	51,147	-	7,384,720	7,289,434	50,678	-	7,340,112	44,608
	45,903,095	11,297,737	(922,754)	56,278,078	23,126,348	1,629,105	(171,214)	24,584,239	31,693,839
	53,175,063	11,991,139	(1,072,754)	64,093,448	25,027,261	1,807,986	(171,214)	26,664,033	37,429,415

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 \$	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	3,328,098	-	-	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
	4,937,000	-	(4,937,000)	-	3,552,818	-	(3,552,818)	-	-
	57,232,952	1,062,607	(5,120,496)	53,175,063	27,037,528	1,618,846	(3,629,113)	25,027,261	28,147,802

(25)

COORDONNÉES

Finances Î.-P.-É.

94, rue Euston, 2e étage, Charlottetown (Î.-P.-É.) C1A 7M8

Tél. : 902-368-6200

Télec. : 902-368-6255

Financepei.ca

