

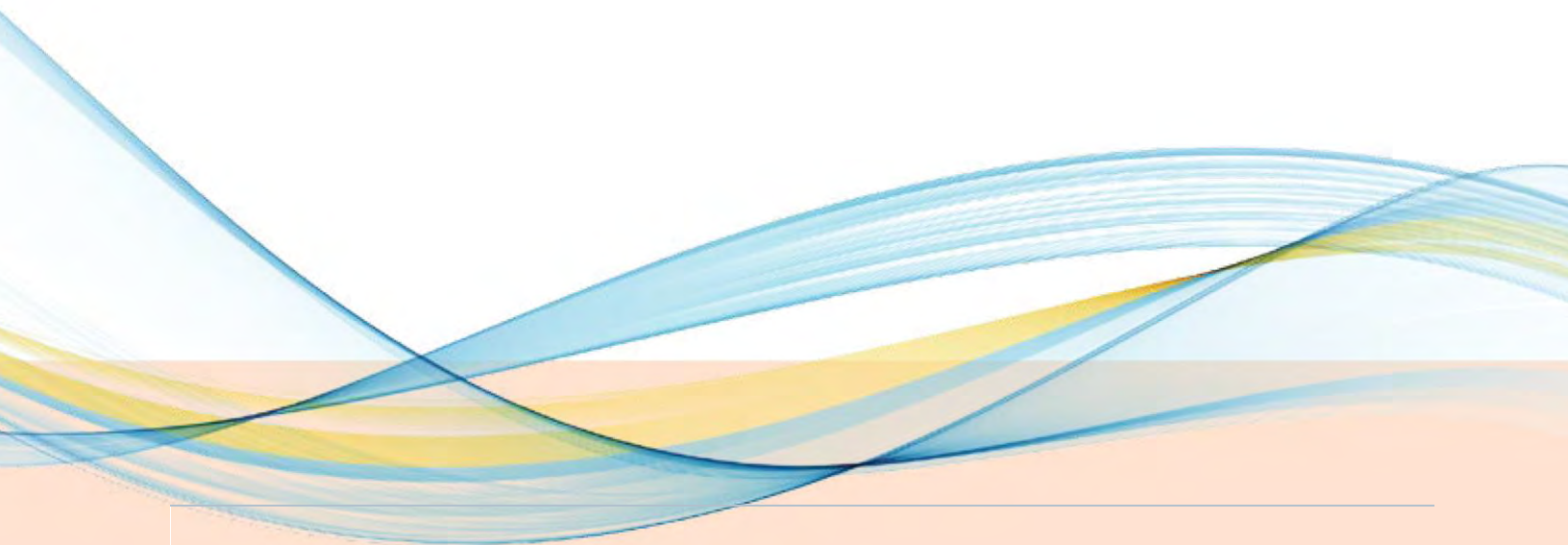


Rapport annuel 2022-2023



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Message du ministre



LE ²⁷ SEPTEMBRE 2023

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 2023, j'ai le plaisir de vous présenter le rapport annuel de Finances Î.-P.-É. pour l'exercice financier se terminant le 31 mars 2023.

Veuillez agréer l'expression de mes sentiments distingués.

Le ministre du Développement économique, de l'Innovation et du Commerce,


L'HON. GILLES ARSENAULT

Message de la présidente

LE 29 SEPTEMBRE 2023

À L'HONORABLE GILLES ARSENAULT

*Ministre du Développement économique, de l'Innovation et du Commerce
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 2023.

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.

La présidente du conseil d'administration de Finances Î.-P.-É.,


CORA LEE DUNBAR

Message de la présidente-directrice générale

LE 27 SEPTEMBRE 2023

À L'HONORABLE GILLES ARSENAULT

*Ministre du Développement économique, de l'Innovation et du Commerce
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 2023.

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

Veuillez agréer l'expression de mes sentiments distingués.

La présidente-directrice générale,



STEFANIE CORBETT

VUE D'ENSEMBLE DE L'ENTITÉ GOUVERNEMENTALE

Finances Î.-P.-É. est une société d'État relevant du Ministre du Développement économique, de l'Innovation et du Commerce 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.*

Vision de la réussite

Promouvoir la croissance de l'économie et de l'emploi dans l'ensemble de l'Île-du-Prince-Édouard en fournissant le soutien nécessaire aux industries et aux entreprises pour qu'elles connaissent un succès financier durable.

MISSION

Finances Î.-P.-É. compte trois divisions qui ont chacune leur 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, dont 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., dont 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, et 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. se donne également pour priorité d'offrir aux Insulaires des options de financement durables et abordables en matière de logement et d'énergie, tout en stimulant la croissance économique pour créer des possibilités d'emploi.

Pour atteindre ses objectifs, Finances Î.-P.-É. administre plusieurs programmes particuliers, y compris :

- Programme d'appui à la création de logements
- Programme de chauffage des immeubles résidentiels
- Programme de chauffage des propriétés locatives
- Financement de la pêche et de l'agriculture
- Programme de prêts pour les entrepreneurs
- Programme d'aide à la mise de fonds
- Programme de prêts pour l'efficacité énergétique solaire

- Financement des petites entreprises et du tourisme
- Développement des sciences biologiques et de l'aérospatiale

Pour appuyer les entreprises et la population de l'Île-du-Prince-Édouard, 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 D'APPUI À LA CRÉATION DE LOGEMENTS

Le programme pilote d'appui à la création de logements a été conçu pour inviter les promoteurs immobiliers, les entrepreneurs et les propriétaires à soumettre des propositions pour de nouveaux projets d'aménagement résidentiel à l'Île, y compris l'infrastructure. Ce nouveau programme de prêts vise à appuyer les promoteurs immobiliers, les entrepreneurs et les propriétaires à augmenter le parc de logements dans la province.

Ce nouveau programme d'appui à la création de logements comporte également un volet de remises d'impôt foncier grâce à la construction de nouveaux logements locatifs et est susceptible de bénéficier d'un financement par l'entremise du Fonds pour le logement communautaire (administré par le ministère du Développement social et du Logement ainsi que l'Association canadienne pour la santé mentale).

Un comité évalue chaque demande soumise au programme d'appui à la création de logements selon le principe du premier arrivé, premier servi. Un maximum de 50 000 000 \$ est affecté à ce programme pilote (20 millions de dollars pour les zones rurales et 30 millions pour les zones urbaines). En date du 31 mars 2023, le programme a permis à 13 sociétés de bénéficier d'un financement pour le développement de logements d'un montant de 48 667 394 \$.

PROGRAMME DE CHAUFFAGE DES IMMEUBLES RÉSIDENTIELS

Mis sur pied grâce à un partenariat entre Finances Î.-P.-É. et le ministère de l'Environnement, de l'Énergie et de l'Action climatique, ce prêt permet aux demandeurs admissibles de profiter d'options de financement pour moderniser le système de chauffage actuel de la résidence où ils habitent toute l'année, en le remplaçant par un appareil de chauffage plus propre et plus efficace tout en réduisant leur empreinte carbone.

Ce prêt offre un financement maximal de 30 000 \$ pour couvrir la totalité des coûts facturés admissibles pour l'achat et l'installation de mises à niveau écoénergétiques admissibles par un ou des entrepreneurs figurant dans la liste du Réseau d'excellence d'Efficacité Î.-P.-É.

Le prêt est remboursable sur un maximum de dix ans et l'emprunteur n'a pas à payer d'intérêts; les frais d'intérêt encourus pendant la durée du prêt seront payés pour le

compte de l'emprunteur par le ministère de l'Environnement, de l'Énergie et de l'Action climatique pour les prêts en règle.

En date du 31 mars 2023, Finances Î.-P.-É. et le ministère de l'Environnement, de l'Énergie et de l'Action climatique ont fourni une aide financière totalisant 906 920 \$ à 141 individus et ménages.

PROGRAMME D'AIDE À LA MISE DE FONDS

Le Programme d'aide à la mise de fonds est un programme pilote qui aide les résidentes et résidents de l'Île-du-Prince-Édouard, à revenu moyen, à acheter leur première maison.

Les demandeurs admissibles peuvent présenter une demande pour obtenir un prêt sans intérêt sous certaines conditions, s'élevant à un maximum de 5 % du prix d'achat de la maison, jusqu'à concurrence de 17 500 \$. Le prêt doit être utilisé comme mise de fonds sur la maison, et ne peut servir à couvrir les frais de financement, de clôture ou autres.

Le gouvernement provincial s'est engagé à prêter 5 000 000 \$ dans le cadre du programme, et a aidé 187 ménages à revenu modeste à faire l'acquisition de leur première résidence, pour un engagement cumulé de 1 499 211 \$.

PROGRAMME DE PRÊTS POUR LES ENTREPRENEURS

Initiative du gouvernement de l'Île-du-Prince-Édouard, le Programme de prêts pour les entrepreneurs est conçu pour faciliter la mise à disposition de financement en vue de stimuler la croissance économique et de créer des emplois pour les Insulaires.

Les fonds accordés ont pour but d'aider les nouvelles entreprises à démarrer et les entreprises établies à procéder à des améliorations et à prendre de l'expansion, améliorant ainsi l'accès aux prêts qui, autrement, ne seraient pas accessibles aux petites entreprises. Le programme pourrait couvrir jusqu'à 100 % de la demande de prêt, moins les taxes récupérables.

Le programme permet aux entrepreneurs d'accéder à un investissement pouvant atteindre 100 000 \$ pour des entreprises de l'Île-du-Prince-Édouard, qu'elles soient nouvelles ou bien établies. Les prêts sont octroyés directement par Finances Î.-P.-É. et ont une durée maximale de sept ans.

En date du 31 mars 2023, Finances Î.-P.-É. a fourni une aide financière de 1 331 525 \$ à 50 petites entreprises en croissance.

FAITS SAILLANTS DANS LES PRINCIPAUX SECTEURS SOUTENUS PAR FINANCES Î.-P.-É.

Agriculture

Les recettes monétaires agricoles en 2022 ont totalisé 740,7 millions de dollars, soit une hausse de 30,4 % par rapport à 2021. En comparaison, le Canada dans son ensemble a connu une hausse de 14,1 %. Les recettes de cultures à l'Î.-P.-É. ont totalisé 477,4 millions de dollars, soit une hausse de 29,2 %. Les recettes de pommes de terre, qui représentaient 69,2 % du total des recettes de cultures, ont augmenté de 41,0 % pour s'établir à 330,4 millions de dollars. Le total des recettes de bétail a augmenté de 12,8 % pour atteindre 188,6 millions de dollars, en grande partie à cause des hausses de 11,8 % des recettes laitières et de 23,1 % des recettes pour les bovins et les veaux. Les paiements directs aux agriculteurs ont augmenté de 137,6 %, puisque les producteurs de pommes de terre touchés par les perturbations commerciales provoquées par les États-Unis ont reçu 20,2 millions de dollars du Plan d'intervention pour la gestion des pommes de terre excédentaires, qui est un programme fédéral-provincial.

Exportations

Selon Industrie Canada, la valeur totale des biens exportés par l'Île-du-Prince-Édouard est passée de 1,7 milliard de dollars en 2021 à 2,0 milliards de dollars en 2022, une hausse de 17,2 %. Les exportations d'aliments congelés représentaient 27,8 % de toutes les exportations internationales en 2022. Leur valeur est passée de 402,8 millions de dollars en 2021 à 552,4 millions de dollars en 2022, une hausse de 37,1 %.

Commerce de détail

Les ventes au détail à l'Île-du-Prince-Édouard ont augmenté de 8,3 % en 2022, en hausse pour une treizième année de suite. Elles étaient évaluées à 3,4 milliards de dollars. Des hausses significatives ont été enregistrées par les stations-service, de l'ordre de 27,7 % ou de 119,8 millions de dollars, les supermarchés, de l'ordre de 10,1 % ou de 47,6 millions de dollars, et les commerces de matériaux de construction et de matériel pour le jardinage, de l'ordre de 12,0 % ou de 45,4 millions de dollars.

Pêches

Le ministère des Pêches et des Communautés estime que la valeur des prises totales de poisson a diminué de 10,9 % en 2022 pour atteindre 426,2 millions de dollars, après une hausse de 92,9 % en 2021. Les mollusques et crustacés demeurent de loin les espèces les plus pêchées à l'Île, représentant 97,6 % de la valeur des prises totales de poisson. Les débarquements totaux de homard ont diminué de 5,9 % en 2022, ce qui, combiné à la baisse des prix, a contribué à diminuer leur valeur totale de 15,6 %, celle-ci atteignant 312,9 millions de

dollars. Le prix moyen du homard a baissé par rapport à 2021 pour s'établir à 7,05 \$/lb en 2022.

Tourisme

En 2022, le tourisme est reparti à la hausse pour revenir aux niveaux observés avant la pandémie, et aucune restriction de voyage n'a été imposée pendant toute la saison. Les navires de croisière pouvaient accoster à Charlottetown pour la première fois depuis 2019, et la circulation était fluide sur le pont de la Confédération et les traversiers. Le nombre total de chambres-nuits vendues dans les établissements d'hébergement a augmenté de 70,0 % en 2022, après une hausse de 68,0 % en 2021, pour dépasser les niveaux pré-pandémiques. Les taux d'occupation dans les établissements d'hébergement de l'Île se sont améliorés, passant de 31,5 % en 2021 à 49,0 %, dépassant également les 45,6 % observés en 2019. Le nombre de nuitées vendues dans les terrains de camping a augmenté de 33,3 %, avec un taux d'occupation en hausse à 52,1 % par rapport à 39,2 % en 2021. En 2019, les terrains de camping avaient un taux d'occupation de 47,9 %.

Industrie manufacturière

Le total des livraisons manufacturières a augmenté de 16,8 % en 2022, pour atteindre 3,0 milliards de dollars, soit un nouveau record. Les livraisons ont connu une croissance annuelle depuis 2010, à l'exception de 2020, année de la pandémie. Les secteurs des biens durables et non durables ont enregistré une croissance de 29,5 % et 11,0 % respectivement. L'emploi dans le secteur manufacturier a progressé de 19,7 % en 2021, pour atteindre 8 500 en 2022.

Construction, investissement et logement

Statistique Canada estime que les dépenses totales d'immobilisations non résidentielles à l'Île-du-Prince-Édouard sont évaluées à 1,1 milliard de dollars en 2022, soit une augmentation de 20,4 % par rapport à 2021. Les investissements du secteur public sont passés de 373,5 millions de dollars en 2021 à 529,7 millions de dollars en 2022, c'est-à-dire une hausse de 41,8 %, tandis que les investissements du secteur privé, pour leur part, ont augmenté de 4,7 %, passant de 506,8 millions de dollars en 2021 à 530,5 millions de dollars en 2022.

AUTRES FAITS SAILLANTS ET RÉALISATIONS

Le portefeuille de prêts de Finances Î.-P.-É. s'élevait à 269,6 millions de dollars au 31 mars 2023, fournissant des services financiers à plus de 1 600 entreprises et résidents de l'Île. Cela représente une augmentation de 2,33 % par rapport à la période précédente.

Voici quelques observations sectorielles :

- Les prêts accordés aux entreprises du secteur de la pêche et de l'aquaculture se situaient à 113,11 millions de dollars, soit une baisse de 4,17 millions de dollars par rapport à

2022. Les prêts à ce secteur représentent environ 41,9 % de la valeur totale du portefeuille et 42,6 % de sa clientèle d'affaires.

- Le programme de développement d'immeubles d'habitation a pris fin et a été remplacé par le programme d'appui à la création de logements, et le portefeuille de prêts combiné propose un programme de financement destiné à aider les promoteurs qui souhaitent construire des immeubles d'habitation et des projets de logements abordables à l'Î.-P.-É. Ces programmes de prêts ont contribué à financer 21 nouveaux projets qui ont permis de créer 250 nouveaux logements locatifs à l'Île, avec un financement de l'ordre de 20,54 millions de dollars.
- Le portefeuille de prêts agricoles a diminué de 17,62 % au cours de l'année 2023, pour s'établir à 26,02 millions de dollars, à la suite de l'abandon du programme de financement de la pomme de terre. Ce portefeuille de prêts soutient une variété d'exploitations agricoles, dont les cultures arables, pastorales et mixtes.
- Les prêts liés au tourisme ont totalisé 31,3 millions de dollars à la fin de l'exercice, ce qui représente une augmentation marginale par rapport à la période précédente et qui est attribuable principalement à l'abandon de programmes mis en place dans le cadre de la COVID-19 pour venir en aide à l'industrie. Ces programmes ne sont plus nécessaires depuis la stabilisation de l'industrie du tourisme. 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 24,05 millions à 23,4 millions de dollars, le portefeuille de prêts plus diversifié du secteur des petites entreprises a augmenté d'une façon exponentielle par rapport à 2022, portant ce segment du portefeuille à 71,6 millions de dollars et répondant aux besoins de financement de plus de 245 petites entreprises.
- Le portefeuille de Finances Î.-P.-É. comprend des programmes de prêts élaborés pour soutenir les initiatives en matière d'efficacité énergétique du gouvernement provincial. Au 31 mars 2023, les prêts consentis en vertu de ces programmes totalisaient :
 - 1 245 700 \$ au titre du Programme de prêts pour l'efficacité énergétique qui a aidé 388 ménages à améliorer l'efficacité énergétique de leur domicile;
 - 370 289 \$ pour aider 24 ménages à acheter de l'équipement 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

Stefanie Corbett

Sous-ministre | Développement économique, Innovation et Commerce

Présidente-directrice générale | Finances Î.-P.-É.

Cindy Harris

Secrétaire | Conseil du Trésor

Brian Annear

Vice-président | Tourisme

Harold Publicover

Pêches

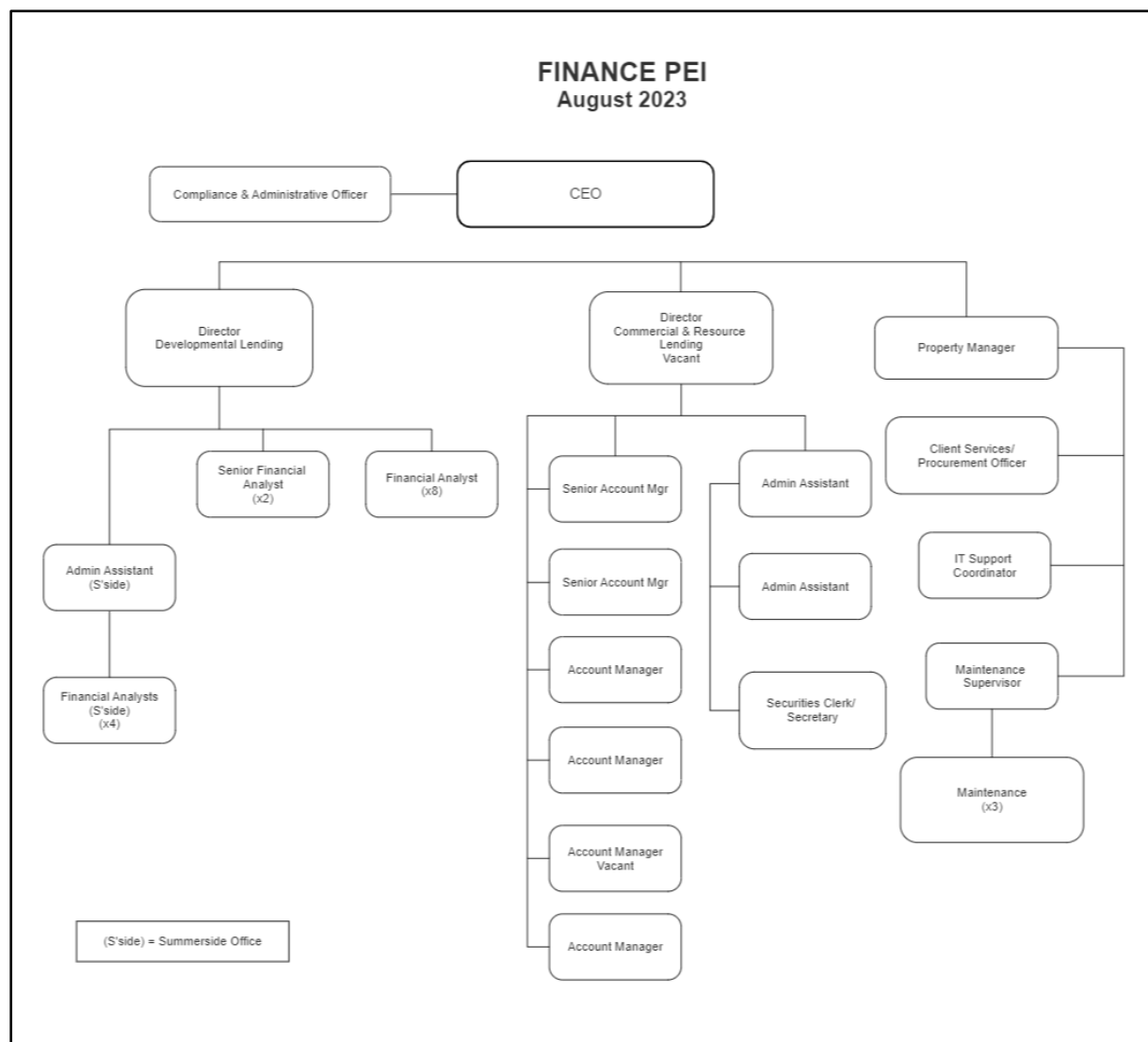
Ricky Sanderson

Agriculture

Jamie Lewis

Agriculture

STRUCTURE ORGANISATIONNELLE



FINANCES Î.-P.-É.

Finances Î.-P.-É.

Août 2023

CEO

Compliance & Administrative Officer

Director Developmental Lending

Senior Financial Analysts (x2)

Financial Analyst (x8)

Admin Assistant (S'side)

Financial Analyst (S'side) (x4)

Director Commercial and Resource Lending
(vacant)

Senior Account Manager

Senior Account Manager

Account Manager

Account Manager

Account Manager (vacant)

Account Manager

Admin Assistant

Admin Assistant

Securities Clerk/Secretary

Property Manager

Client Services Procurement Officer

IT Support Coordinator

Maintenance Supervisor

Maintenance (x3)

Président-directeur général

Responsable de la conformité et de
l'administration

Directeur des prêts au développement

Analystes financiers principaux (x2)

Analystes financiers (x8)

Adjoint administratif (Summerside)

Analystes financiers (Summerside) (x4)

Directeur des prêts commerciaux et des
ressources (poste vacant)

Gestionnaire de compte principal

Gestionnaire de compte principal

Gestionnaire de compte

Gestionnaire de compte

Gestionnaire de compte (poste vacant)

Gestionnaire de compte

Adjoint administratif

Adjoint administratif

Commis/secrétaire aux valeurs mobilières

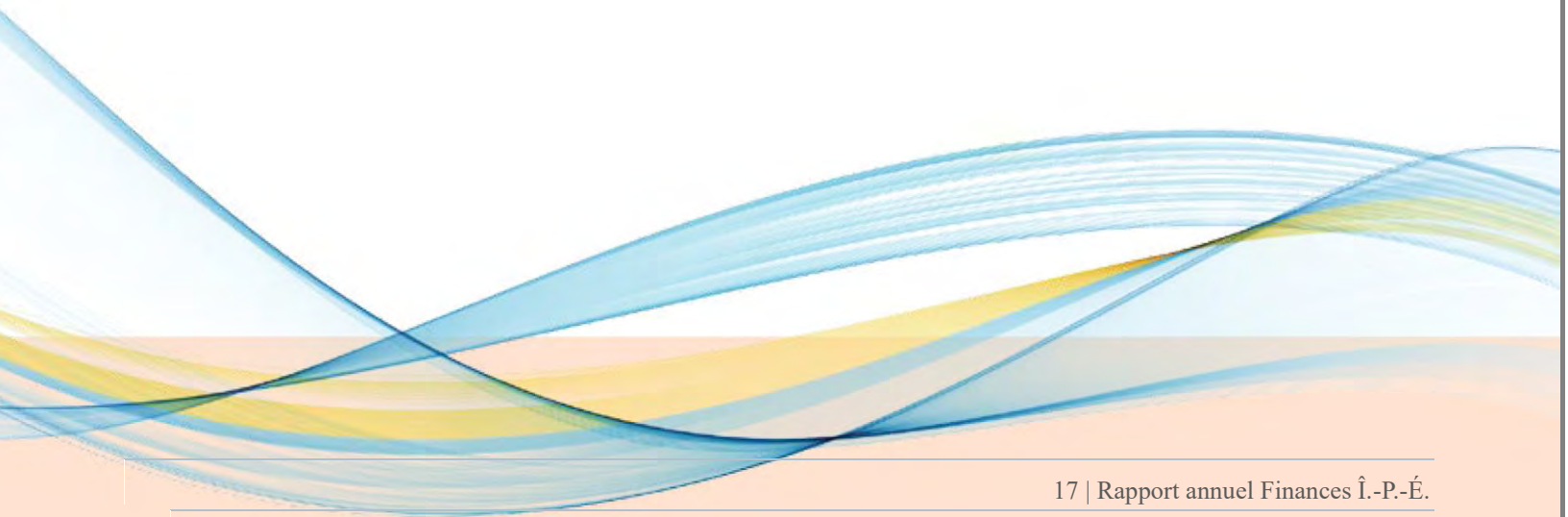
Gestionnaire immobilier

Responsable des services à la clientèle et de
l'approvisionnement

Coordonnateur en soutien informatique

Superviseur de la maintenance

Maintenance (x3)



Finance PEI

Consolidated Financial Statements
March 31, 2023

Management's Report

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

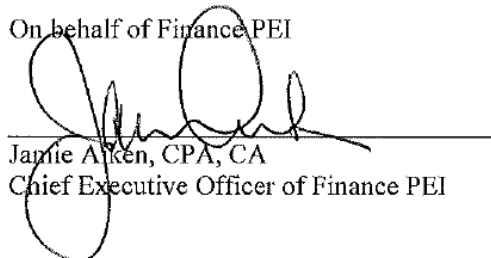
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note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

A handwritten signature in black ink, appearing to read 'Jamie Aiken', is written over a horizontal line.

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



June 29, 2023

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, 2023, 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, 2023, 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

(1)



- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

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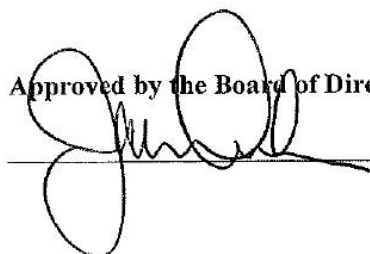
Chartered Professional Accountants

Finance PEI

Consolidated Statement of Financial Position As at March 31, 2023

	2023 \$	2022 \$
Assets		
Financial assets		
Cash	14,888,316	9,013,835
Accounts receivable (notes 3 and 11)	1,640,937	3,083,094
Loans receivable (note 4)	230,770,425	222,809,624
Advances to related company (note 11)	39,292	39,292
Due from the Province of Prince Edward Island (note 11)	11,163,647	11,163,647
	<u>258,502,617</u>	<u>246,109,492</u>
Liabilities		
Accounts payable and accrued liabilities (note 11)	2,623,070	2,278,601
Deferred revenue	997,515	1,122,141
Advances from related companies (note 11)	26,862,904	26,961,105
Short-term notes payable (note 5)	24,565,122	13,839,660
Long-term debt (note 6)	199,118,451	199,532,713
	<u>254,167,062</u>	<u>243,734,220</u>
Net financial assets	<u>4,335,555</u>	<u>2,375,272</u>
Contingent liabilities		
Commitments (note 10)		
Non-financial assets		
Prepaid expenses	109,724	41,716
Net investment in lease (note 7)	507,148	537,013
Foreclosed properties (note 9)	17,530	243,321
Property holdings (notes 6 and 11) (Schedule 2)	39,535,180	35,913,243
	<u>40,169,582</u>	<u>36,735,293</u>
Accumulated surplus	<u>44,505,137</u>	<u>39,110,565</u>

Approved by the Board of Directors



Director

(3)

Director

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CHARTERED PROFESSIONAL ACCOUNTANTS

Finance PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2023

	2023 \$	2022 \$
Accumulated surplus - Beginning of year	39,110,565	37,086,585
Operating surplus	5,394,572	2,023,980
Accumulated surplus - End of year	44,505,137	39,110,565

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Finance PEI

Consolidated Statement of Operations For the year ended March 31, 2023

	Budget (Unaudited) \$	Actual 2023 \$	Actual 2022 \$
Revenue			
Interest from borrowers (note 11)	13,875,000	12,026,481	11,561,137
Interest from deposits	26,200	74,381	26,216
Property operations (note 11)	5,358,000	6,051,406	5,459,782
Management fees (note 11)	500,000	500,000	500,000
Grant income	-	127,896	34,364
Gain on sale of property holdings	-	89,824	530,021
Miscellaneous	131,000	44,313	120,171
	<u>19,890,200</u>	<u>18,914,301</u>	<u>18,231,691</u>
Expenses (notes 6 and 11) (Schedule 1)			
Administration	795,000	1,000,280	972,111
Lending operations	9,434,500	7,420,320	6,022,968
Property operations	5,049,100	6,698,549	6,099,699
Provision for (recovery of) possible losses	4,500,000	(1,599,420)	3,112,933
	<u>19,778,600</u>	<u>13,519,729</u>	<u>16,207,711</u>
Operating surplus	<u>111,600</u>	<u>5,394,572</u>	<u>2,023,980</u>

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Finance PEI

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2023

	2023 \$	2022 \$
Annual surplus	5,394,572	2,023,980
Acquisition of property holdings	(5,774,825)	(864,450)
Amortization of property holdings	2,152,888	2,052,186
Gain on disposal of property holdings	(89,824)	(530,021)
Proceeds on disposal of property holdings	89,824	858,457
Payments received on foreclosed properties	230,130	34,673
Additions to foreclosed properties	(4,339)	(592)
	(3,396,146)	1,550,253
Decrease (increase) in prepaid expenses	(68,008)	28,890
Decrease in net investment in lease	29,865	28,782
	(3,434,289)	1,607,925
Increase in financial assets	1,960,283	3,631,905
Net financial assets (debt) - Beginning of year	2,375,272	(1,256,633)
Net financial asset - End of year	4,335,555	2,375,272

Finance PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Operating surplus	5,394,572	2,023,980
Items not affecting cash		
Amortization	2,152,888	2,052,186
Decrease in net investment in lease	29,865	28,782
Provision for (recovery of) possible losses	(1,599,420)	3,112,933
Gain on disposal of property holdings	(89,824)	(530,021)
	5,888,081	6,687,860
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	1,370,013	(1,511,199)
Decrease (increase) in prepaid expenses	(68,008)	28,890
Increase in accounts payable and accrued liabilities	344,469	121,666
Decrease in deferred revenue	(124,626)	(36,957)
	7,409,929	5,290,260
Financing activities		
Increase (decrease) in advances from related companies	(98,201)	2,613,424
Increase in short-term notes payable	17,000,000	21,834,538
Repayment of short-term notes payable	(6,274,538)	(47,250,000)
Increase in long-term debt	18,616,303	49,770,642
Repayment on long-term debt	(19,030,565)	(17,743,960)
	10,212,999	9,224,644
Investing activities		
Increase in loans receivable	(6,289,237)	(8,476,458)
Additions to and purchases of property holdings	(5,774,825)	(864,450)
Reductions and proceeds on disposal of property holdings	89,824	858,457
Additions to foreclosed properties	(4,339)	(592)
Disposal of foreclosed properties	-	(18,602)
Payments received on foreclosed properties	230,130	34,673
	(11,748,447)	(8,466,972)
Change in cash	5,874,481	6,047,932
Cash - Beginning of year	9,013,835	2,965,903
Cash - End of year	14,888,316	9,013,835

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CHARTERED PROFESSIONAL ACCOUNTANTS

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

1 Summary of significant accounting policies

The consolidated 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, 2023 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 1k).

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) 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

g) 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.

h) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when the following criteria have been met:

- there is a legal obligation for the Corporation to incur retirement costs;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. As of March 31, 2023, no asset retirement obligations have been identified by management.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

i) Impairment long-lived assets

The Corporation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

j) 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.

k) 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 \$16,072,713 (2022 - \$16,395,742).

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 \$28,229,150 (2022 - \$29,686,168) 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

l) 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, 2023.

m) 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.

n) 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.

o) 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

p) Financial instruments

(a) Measurement of financial instruments

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

The Corporation 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 Corporation 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:

- 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.

q) Management estimates and judgments

The presentation of consolidated 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 consolidated 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 Corporation's loans receivable, investments and accounts receivable as well as the valuation of the assets placed as security;

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

- 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 Corporation's property holdings; and
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

2 Adoption of new accounting standards

Effective April 1, 2022, Finance PEI adopted Public Sector Accounting Standard *PS 3280, Asset Retirement Obligations* ("ARO"). The standard requires an assessment of all Tangible capital assets ("TCA") to determine if there are legal obligations associated with the retirement of the TCA on acquisition, construction or development as defined by the standard, and to expense those costs systemically over the life of the asset. A complete inventory of TCA were assessed for ARO under the standard. In the year of adoption, there were no ARO assets or liabilities reported under the standard.

3 Accounts receivable

	2023 \$	2022 \$
Trade accounts receivable	1,279,521	1,037,930
HST receivable	451,901	897,826
Other	856,845	2,018,895
	<hr/>	<hr/>
	2,588,267	3,954,651
Allowance for possible losses	(947,330)	(871,557)
	<hr/>	<hr/>
	1,640,937	3,083,094
<i>Continuity of allowance for possible losses</i>		
Beginning of year	871,557	831,666
Provision (recovery) during the year	75,773	39,891
	<hr/>	<hr/>
	947,330	871,557

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

4 Loans receivable

	2023			2022	
	Total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
Working capital loans					
Agriculture	5,558,482	815,142	1,112,977	3,630,363	2,974,612
Tourism	13,609,709	1,794,238	-	11,815,471	10,646,112
Manufacturing and processing	3,443,670	330,393	91,493	3,021,784	2,715,809
Fisheries	2,443,815	-	-	2,443,815	2,461,968
Small business	28,486,592	3,322,633	681,040	24,482,919	14,217,429
	53,542,268	6,262,406	1,885,510	45,394,352	33,015,930
Long-term loans					
Agriculture	20,462,200	1,638,460	3,307,949	15,515,791	19,168,783
Tourism	17,688,812	3,592,529	188,400	13,907,883	15,284,932
Manufacturing and processing	19,957,343	1,836,717	1,394,048	16,726,578	17,074,385
Fisheries and aquaculture	110,661,801	10,700,569	1,641,527	98,319,705	102,467,145
Small business	43,134,642	3,778,640	2,211,364	37,144,638	32,856,107
Residential	4,181,307	419,829	-	3,761,478	2,942,342
	216,086,105	21,966,744	8,743,288	185,376,073	189,793,694
	269,628,373	28,229,150	10,628,798	230,770,425	222,809,624

Loans receivable are repayable over various terms to a maximum of 10 years with interest rates ranging from 3.00% to 11.20%.

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

	2023 \$	2022 \$
Allowance for possible losses - Beginning of year	40,529,512	37,475,073
Add: Provision (recoveries) recorded during year - net	(1,671,563)	3,054,439
Allowance for possible losses - End of year	38,857,949	40,529,512

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

5 Short-term notes payable

	2023 \$	2022 \$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	17,566,640	6,841,178
	<u>24,565,122</u>	<u>13,839,660</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, 2023 of \$6,998,482 (2022 - \$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 2023 in the amount of \$445,135 (2022 - \$189,887).

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

6 Long-term debt

	2023 \$	2022 \$
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	800,805	860,266
3.03% note payable to Province of Prince Edward Island, due November 30, 2023, repayable in \$189,252 quarterly payments including principal and interest	559,261	1,285,516
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	1,751,635	2,674,025
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	159,239	243,625
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	82,437	122,421
3.92% note payable to Province of Prince Edward Island, due June 24, 2027, repayable in \$117,998 quarterly payments including principal and interest	7,365,195	-
3.98% note payable to Province of Prince Edward Island, due February 13, 2028, repayable in \$99,191 quarterly payments including principal and interest	3,260,000	-
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in \$32,366 quarterly payments including principal and interest	901,353	997,541
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	2,887,198	3,128,596
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2022 and 2026	140,635,266	146,717,541
2.05% note payable to Province of Prince Edward Island, due September 30, 2036, repayable \$363,474 quarterly including principal and interest	17,052,705	18,143,017
2.36% note payable to Province of Prince Edward Island, due February 4, 2037, repayable \$302,544 quarterly including principal and interest	14,392,169	15,250,000
2.47% note payable to Province of Prince Edward Island, due October 31, 2040, repayable \$127,028 quarterly including principal and interest	7,283,843	7,607,038
2.31% note payable to Province of Prince Edward Island, repaid during the year	-	515,782
	<u>199,118,451</u>	<u>199,532,713</u>

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CHARTERED PROFESSIONAL ACCOUNTANTS

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

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.

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, 2024	21,438,454
2025	38,690,325
2026	30,087,332
2027	58,870,054
2028	33,818,849

Interest paid by Finance PEI and its subsidiaries on long-term debt in the amount of \$4,978,134 (2022 - \$3,726,070) 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:

	2023 \$	2022 \$
Total of lease payments to be received to December 2035	650,030	700,030
Less: Portion representing interest at 3.75%	(142,882)	(163,017)
Net present value of net investment in lease	507,148	537,013

8 Contingent liability

The Corporation is contingently liable under a loan guarantee, up to a maximum of \$6,368,000, to an organization building a 50-unit Community Care Facility in PEI. As of March 31, 2023, the loan balance is nil as the draw down of funds is not expected to start until September 2023.

The above guarantee expires ten years after the first disbursement of funds.

The guarantee is secured by a first position collateral mortgage conveying a first charge over the land and building to be constructed and a general security agreement conveying a first security interest in all present and after-acquired property.

There is no provision for possible losses included in the financial statements for the guarantee.

Finance PEI

Notes to Consolidated Financial Statements March 31, 2023

9 Foreclosed properties

	2023 \$	2022 \$
Foreclosed projects - land, buildings and equipment held for resale	4,698,371	4,924,162
Less: Allowance for possible losses	(4,680,841)	(4,680,841)
	<u>17,530</u>	<u>243,321</u>

Continuity of allowance for possible losses

	2023 \$	2022 \$
Allowance for possible losses - Beginning of year	4,680,841	4,680,841
Add: Provision recorded during the year	-	18,602
Less: Write-offs during the year	-	(18,602)
Allowance for possible losses - End of year	<u>4,680,841</u>	<u>4,680,841</u>

10 Commitments

Loans approved but not disbursed at March 31, 2023 total \$19,326,838 (2022 - \$22,798,009).

11 Related party account balances and transactions

Statement of Financial Position

	2023 \$	2022 \$
<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	11,110,385	11,150,995
Island Investment Development Inc.	5,696,630	5,706,130
Prince Edward Island Century 2000 Fund Inc.	<u>10,055,889</u>	<u>10,103,980</u>
	<u>26,862,904</u>	<u>26,961,105</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

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:

	2023 \$	2022 \$
Accounts receivable:		
Due from Province of Prince Edward Island	263,833	359,679
Due from related companies	94,442	92,721
Loans receivable:		
Accrued interest from Province of Prince Edward Island	199,567	-
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	435,208	256,077
Due to related companies	768,554	743,955

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 \$849,530 (2022 - \$830,263) from related parties.

During the year, management fees of \$500,000 (2022 - \$500,000) and rent of \$50,000 (2022 - \$50,000) were received from Island Investment Development Inc., a provincial Crown corporation and reimbursed expenses of \$75,379 (2022 - \$76,931) were received from Innovation PEI, a provincial Crown corporation. Included in interest from borrowers revenue is \$57,512 (2022 - \$146,387) and \$118,197 (2022 - \$417,387) 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 \$5,181,644 (2022 - \$3,752,599) in interest paid to Province of Prince Edward Island and \$286,558 (2022 - \$55,799) 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

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 nil (2021 - \$201,417) 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.

12 Contaminated site

On November 23, 2021, one of the properties owned by the corporation was placed on the Province of Prince Edward Island's Contaminated Site Registry, due to the fact that a portion of this property historically contained a dry cleaning business. The presence of chlorinated solvents that exceed regulatory criteria can be found in the deep groundwater aquifer on the property. No liability for remediation of the site has been recognized in these financial statements as there is no basis for a reasonable estimate. This assessment does not impact the operational cycle of the site.

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

The Corporation'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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

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

	2023 \$	2022 \$
Cash	14,888,316	9,013,835
Accounts receivable	1,640,937	3,083,094
Loans receivable	230,770,425	222,809,624
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,163,647	11,163,647
	<u>258,502,617</u>	<u>246,109,492</u>

(i) Loans receivable

For the loans receivable portfolio, the Corporation uses risk modelling that is customer based rather than product based. The Corporation 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 Corporation'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 Corporation 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, 2023	129,907	603,872	8,648,855	9,382,634
March 31, 2022	221,558	1,855,223	5,895,963	7,972,744

(b) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. Specifically, the Corporation 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 Corporation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

The table below analyzes the Corporation'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 \$	2023 Total \$
Accounts payable and accrued liabilities	2,623,070	-	-	2,623,070
Advances from related companies	26,862,904	-	-	26,862,904
Short-term notes payable	24,565,122	-	-	24,565,122
Long-term debt	21,438,454	161,466,560	16,213,437	199,118,451
	75,489,550	161,466,560	16,213,437	253,169,547

	Under 1 year \$	Between 1 - 5 years \$	Over 5 years \$	2022 Total \$
Accounts payable and accrued liabilities	2,278,601	-	-	2,278,601
Advances from related companies	26,961,105	-	-	26,961,105
Short-term notes payable	13,839,660	-	-	13,839,660
Long-term debt	38,488,416	152,823,035	8,221,262	199,532,713
	81,567,782	152,823,035	8,221,262	242,612,079

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Corporation'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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2023

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	54,828	245,651
1% decrease in interest rates	(54,828)	(245,651)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation'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 Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation'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, 2023

Schedule 1

	2023						2022								
	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	407,998	518,308	-	-	-	73,974	1,000,280		397,172	500,965	-	-	-	73,974	972,111
Lending operations	1,754,018	-	-	275,944	5,390,358	-	7,420,320		1,877,301	-	-	246,510	3,899,157	-	6,022,968
Property operations	551,209	183,413	3,852,102	-	32,911	2,078,914	6,698,549		529,832	134,629	3,452,346	-	16,300	1,966,592	6,099,699
Provision for (recovery of) possible losses	-	-	-	(1,599,420)	-	-	(1,599,420)		-	-	-	3,112,933	-	-	3,112,933
	2,713,225	701,721	3,852,102	(1,323,476)	5,423,269	2,152,888	13,519,729		2,804,305	635,594	3,452,346	3,359,443	3,915,457	2,040,566	16,207,711
Expenses															
Administration															
Lending operations															
Property operations															
Provision for (recovery of) possible losses															

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Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2023

Schedule 2

	Cost				Accumulated amortization		2023
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	
General							
Land	981,500	-	-	981,500	-	-	981,500
Land improvements	44,765	-	-	44,765	-	-	-
Building	3,442,206	35,852	-	3,478,058	1,782,450	132,554	1,563,054
	4,468,471	35,852	-	4,504,323	1,827,215	132,554	2,544,554
Property holdings held for resale							
Land	2,161,921	-	-	2,161,921	-	-	2,161,921
Buildings	1,212,434	-	-	1,212,434	433,742	48,481	730,211
	3,374,355	-	-	3,374,355	433,742	48,481	2,892,132
Industrial Sites							
Land	2,933,108	2,285,986	-	5,219,094	-	-	5,219,094
Land improvements	3,052,315	127,496	-	3,179,811	2,817,430	38,354	324,027
Leasehold improvements	1,293,873	723,342	-	2,017,215	659,647	115,886	1,241,682
Building	41,950,862	2,539,712	-	44,490,574	15,432,724	1,797,103	27,260,747
Equipment	7,406,754	62,437	-	7,469,191	7,395,737	20,510	52,944
	56,636,912	5,738,973	-	62,375,885	26,305,538	1,971,853	34,098,494
	64,479,738	5,774,825	-	70,254,563	28,566,495	2,152,888	39,535,180

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Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2022

Schedule 2

	Cost				Accumulated amortization		2022
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	
General							
Land	981,500	-	-	981,500	-	-	981,500
Land improvements	44,765	-	-	44,765	-	-	-
Building	3,421,500	20,706	-	3,442,206	1,649,784	132,666	1,659,756
	4,447,765	20,706	-	4,468,471	1,694,549	132,666	2,641,256
Property holdings held for resale							
Land	2,155,171	6,750	-	2,161,921	-	-	2,161,921
Buildings	1,212,434	-	-	1,212,434	385,245	48,497	778,692
	3,367,605	6,750	-	3,374,355	385,245	48,497	2,940,613
Industrial Sites							
Land	2,954,873	97,631	(119,396)	2,933,108	-	-	2,933,108
Land improvements	3,017,951	34,364	-	3,052,315	2,787,239	30,191	234,885
Leasehold improvements	1,024,652	269,221	-	1,293,873	578,499	81,148	634,226
Building	41,895,882	413,744	(358,764)	41,950,862	13,878,389	1,704,059	26,518,138
Equipment	7,384,720	22,034	-	7,406,754	7,340,112	55,625	11,017
	56,278,078	836,994	(478,160)	56,636,912	24,584,239	1,871,023	30,331,374
	64,093,448	864,450	(478,160)	64,479,738	26,664,033	2,052,186	35,913,243

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COORDONNÉES

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