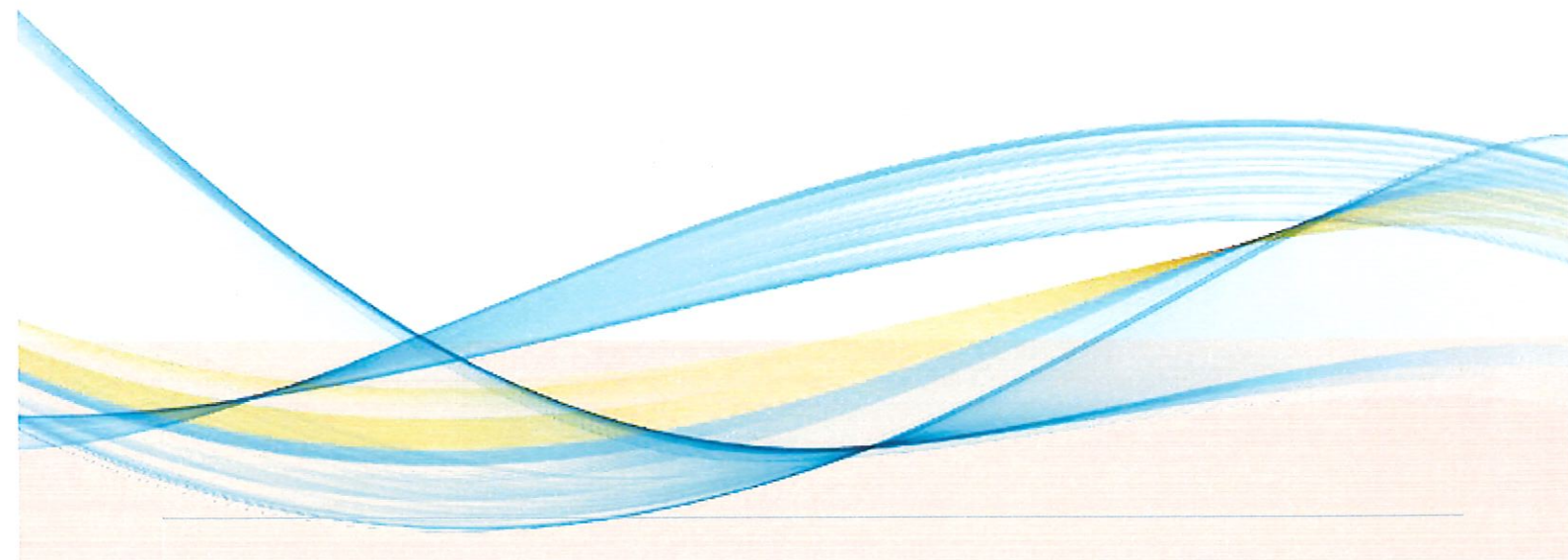




Rapport annuel 2023-2024

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Message du ministre



LE 24 SEPTEMBRE 2024

À L'HONORABLE ANTOINETTE PERRY

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

Votre Honneur,

Conformément au cadre de reddition annuelle de comptes de la *Financial Administration Act* (loi sur la gestion des finances publiques) régissant les sociétés d'État et exigeant la publication du rapport annuel avant le 30 septembre 2024, j'ai le plaisir de vous présenter le rapport annuel de Finances Î.-P.-É. pour l'exercice financier se terminant le 31 mars 2024.

Veuillez agréer l'expression de mes sentiments distingués.

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

L'HONORABLE GILLES ARSENAULT

Message de la présidente

LE 24 SEPTEMBRE 2024

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 le rapport annuel pour l'exercice financier terminé le 31 mars 2024.

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

Veillez 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 24 SEPTEMBRE 2024

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 le rapport annuel pour l'exercice financier terminé le 31 mars 2024.

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

APERÇU DE L'ENTITÉ GOUVERNEMENTALE

Finances Î.-P.-É. est une société d'État relevant du ministère du Développement économique, de l'Innovation et du Commerce et, avec ses 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 sciences biologiques, 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. gère plusieurs initiatives spécialisées, telles que :

- 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
- Programme pilote de prêts à faible intérêt pour les centres de la petite enfance
- Programme pilote de location-achat

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, mené en partenariat avec le ministère du Logement, des Terres et des Communautés, vise à inciter les promoteurs immobiliers, les entrepreneurs et les propriétaires à soumettre des propositions pour de nouveaux projets de développement résidentiel à l'Île-du-Prince-Édouard. Ce programme vise à appuyer les promoteurs immobiliers, les entrepreneurs et les propriétaires à augmenter le parc de logements dans la province.

Jusqu'au 31 mars 2024, il y a eu deux séries de demandes dans le cadre du programme d'appui à la création de logements, permettant aux demandeurs retenus d'obtenir jusqu'à 135 millions de dollars de financement sous forme de prêts :

- Dans le cadre de la première série, un financement de 43,8 millions de dollars a été approuvé en novembre 2022 pour 12 projets de construction de 197 logements locatifs et de 45 lots résidentiels. Tous les lots résidentiels et 106 des appartements se trouvent dans des communautés rurales.

Au 31 mars 2024, 22,1 millions de dollars ont été avancés : 167 unités sont en voie d'achèvement et 30 unités sont encore en construction.

- Dans le cadre de la deuxième série, un financement de 82,2 millions de dollars a été approuvé en décembre 2023 pour 20 projets de construction de 377 unités, dont 113 dans des communautés rurales.

Au 31 mars 2024, aucun fonds n'avait encore été avancé au titre de la deuxième série.

PROGRAMME DE CHAUFFAGE DES IMMEUBLES RÉSIDENTIELS

En décembre 2022, le Programme de chauffage des immeubles résidentiels a été mis en place 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 2024, Finances Î.-P.-É., en partenariat avec le ministère de l'Environnement, de l'Énergie et de l'Action climatique, a fourni une aide financière totalisant 9,5 millions de dollars à 1007 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.

La province s'est engagée à prêter 6 millions de dollars aux participants et participantes au programme issus de ménages à revenus moyens pour l'achat de leur première maison. En date du 31 mars 2024, Finances Î.-P.-É. a avancé 2,6 millions de dollars de prêts à 277 ménages.

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 2024, Finances Î.-P.-É. a fourni une aide financière de 3,1 millions de dollars à 89 petites entreprises en croissance.

PROGRAMME DE LOCATION-ACHAT

Conçu en partenariat avec la Société de logement de l'Î.-P.-É., le programme pilote de location-achat aide les résidents et résidentes de l'Île à atteindre leurs objectifs en matière d'accession à la propriété.

Le programme est administré par Finances Î.-P.-É., qui achète d'abord le logement choisi par le demandeur approuvé et le lui loue ensuite dans le cadre d'un contrat de location de cinq ans. À la fin du bail, le locataire aura la possibilité d'exercer une option d'achat sur le logement auprès de Finances Î.-P.-É.

Le loyer du locataire pendant le bail de 5 ans sera basé sur un paiement hypothécaire équivalent pour le logement, calculé sur la base du prix d'achat du logement à un taux d'intérêt de 5 % pour une durée de 5 ans, amorti sur une période de 25 ans.

Pour faciliter l'achat, le locataire pourra bénéficier d'une contribution non remboursable qu'il utilisera pour verser la mise de fonds nécessaire à l'achat de la maison.

Cela permet au locataire d'être mieux placé pour obtenir un prêt hypothécaire traditionnel afin d'acheter la maison à l'issue de la période de cinq ans.

En date du 31 mars 2024, 54 demandeurs avaient été approuvés pour le programme, Finances Î.-P.-É. ayant engagé 1,6 million de dollars pour l'achat de 6 maisons qui seront louées aux 6 ménages dont la demande a été approuvée.

PROGRAMME PILOTE DE PRÊTS À FAIBLE INTÉRÊT POUR LES CENTRES DE LA PETITE ENFANCE

Annoncé en novembre 2023, le Programme de prêts à faible intérêt pour les centres de la petite enfance, avec un engagement total de 7 millions de dollars, est le plus récent des programmes offerts par Finances Î.-P.-É. Ce programme est conçu, en partenariat avec le ministère de l'Éducation et de la Petite enfance, pour appuyer la construction de centres de la petite enfance et l'expansion de centres existants. Le financement a pour but de

faciliter la création d'espaces supplémentaires dans les centres de garde agréés de la province.

À la fin de l'exercice financier, le 31 mars 2024, le personnel était engagé dans des discussions préliminaires avec quatre demandeurs potentiels, bien qu'aucun fonds n'ait été engagé.

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

Agriculture

Les recettes monétaires agricoles en 2023 ont totalisé 811,8 millions de dollars, soit une hausse de 11,3 % par rapport à 2022. En comparaison, le Canada dans son ensemble a connu une hausse de 3,6 %. Les recettes de cultures à l'Î.-P.-É. ont totalisé 550,9 millions de dollars, soit une hausse de 17,5 %. Les recettes de pommes de terre, qui représentaient 74,3 % du total des recettes de cultures, ont augmenté de 23,7 % pour s'établir à 409,1 millions de dollars. Le total des recettes de bétail a augmenté de 5,5 % pour atteindre 196,4 millions de dollars, en grande partie à cause des hausses de 24,0 % des recettes bovines et de 3,5 % des recettes laitières. Les paiements au titre de l'assurance-récolte ont augmenté de 1,4 % et les agriculteurs ont reçu 10,4 millions de dollars au titre du Programme de soutien à l'agriculture (ouragan Fiona); toutefois, le total des paiements directs aux agriculteurs a chuté de 13,6 %. Les paiements en 2022 étaient élevés 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 2 milliards de dollars en 2022 à 2,3 milliards de dollars en 2023, une hausse de 17,4 %. Les exportations d'aliments congelés représentaient 29,8 % de toutes les exportations internationales en 2023. Leur valeur est passée de 552,4 millions de dollars en 2022 à 696,6 millions de dollars en 2023, une hausse de 26,1 %.

Commerce de détail

Les ventes au détail à l'Île-du-Prince-Édouard ont augmenté de 4,1 % en 2023, en hausse pour une quatorzième année de suite. Elles étaient évaluées à 3,5 milliards de dollars. Des hausses significatives ont été enregistrées dans les stations-service, de l'ordre de 4,3 % ou de 23,9 millions de dollars, chez les concessionnaires de véhicules à moteur et de pièces détachées, de l'ordre de 9,9 % ou de 76,3 millions de dollars, et dans les pharmacies et les magasins de soins personnels, de l'ordre de 13,4 % ou de 28,0 millions de dollars.

Pêches

Le *ministère des Pêches, du Tourisme, du Sport et de la Culture* estime que la valeur des prises totales de poisson a diminué de 13,4 % en 2023 pour atteindre 369,3 millions de dollars, après une diminution de 10,9 % en 2022. Les mollusques et crustacés demeurent de loin les espèces les plus pêchées à l'Île, représentant 96,9 % de la valeur des prises totales de poisson. Les débarquements totaux de homard ont diminué de 1,1 % en 2023, ce qui, combiné à la baisse des prix, a contribué à diminuer leur valeur totale de 4,5 %, celle-ci atteignant 298,8 millions de dollars. Le prix moyen du homard a baissé par rapport à 2022 pour s'établir à 6,81 \$/lb en 2023.

Tourisme

En 2023, le tourisme a poursuivi sa reprise entamée en 2022, après la pandémie de COVID-19. Il s'agit de la première année au complet où aucune restriction de voyage n'a été imposée. L'Île a accueilli un plus grand nombre de touristes internationaux, surtout en provenance des États-Unis. Les Insulaires ont toutefois pris moins de vacances chez soi, et il y avait moins de touristes canadiens de l'extérieur des Maritimes. Le nombre total de chambres-nuits vendues dans les établissements d'hébergement a diminué de 4,3 % en 2023, après une augmentation de 70,0 % en 2022. Les taux d'occupation dans les établissements d'hébergement de l'Île ont diminué légèrement, passant de 49,2 % en 2022 à 47,9 %. Le nombre de nuitées vendues dans les terrains de camping a diminué de 7,0 %. Cependant, la réduction du nombre total de sites proposés a fait grimper le taux d'occupation à 52,3 %, contre 52,1 % en 2022. En 2019, les terrains de camping avaient un taux d'occupation de 47,9 %.

Industrie manufacturière

Le total des livraisons manufacturières a augmenté de 8,1 % en 2023, pour atteindre 3,3 milliards de dollars – 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 4,4 % et 10,0 % respectivement. L'emploi dans le secteur manufacturier a diminué de 4,7 % en 2022, pour atteindre 8 100 en 2023.

Construction, investissement et logement

Statistique Canada estime que les dépenses totales d'immobilisations non résidentielles à l'Île-du-Prince-Édouard sont évaluées à 1,2 milliard de dollars en 2023, soit une augmentation de 7,2 % par rapport à 2022. Les investissements du secteur public sont passés de 441,5 millions de dollars en 2022 à 590,1 millions de dollars en 2023, soit une augmentation de 33,7 %, tandis que les investissements du secteur privé ont augmenté de 1,8 %, passant de 547,2 millions de dollars en 2022 à 556,8 millions de dollars en 2023.

AUTRES FAITS SAILLANTS ET RÉALISATIONS

Le portefeuille de prêts de Finances Î.-P.-É. s'élevait à 267,9 millions de dollars au 31 mars 2024, fournissant des services financiers à plus de 2 612 entreprises et résidents de l'Île.

Voici quelques observations sectorielles :

- Les prêts accordés aux entreprises du secteur de la pêche et de l'aquaculture se situaient à 112,4 millions de dollars, soit une légère baisse de 0,17 million de dollars par rapport à l'exercice 2023. Les prêts à ce secteur représentent environ 41,9 % de la valeur totale du portefeuille et 48,9 % de sa clientèle d'affaires.
- Le portefeuille de prêts agricoles se chiffrait à 22,5 millions de dollars, soit 13,60 % de moins que l'année précédente. Ce portefeuille de prêts soutient une variété d'exploitations agricoles, dont les cultures arables, pastorales et mixtes.
- Les prêts liés au tourisme ont totalisé 30,3 millions de dollars à la fin de l'exercice, ce qui représente une légère diminution par rapport aux 31,3 millions de dollars 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.
- Les prêts au secteur de la fabrication et de la transformation ont diminué légèrement, passant de 23,4 millions à 21,4 millions de dollars.
- Les prêts aux petites entreprises ont diminué, passant de 71,6 millions de dollars en 2023 à 68,3 millions de dollars en 2024.
- En plus du Programme de chauffage des immeubles résidentiels, le portefeuille de Finances Î.-P.-É. comprend des programmes de prêts proposés en partenariat avec le ministère de l'Environnement, de l'Énergie et de l'Action climatique pour soutenir les initiatives du gouvernement provincial en matière d'efficacité énergétique :
 - 2,7 millions de dollars d'engagements de prêts à 55 propriétaires demandeurs dans le cadre du Programme de chauffage des propriétés locatives, qui aide les propriétaires de logements locatifs à long terme à moderniser leur système de

chauffage actuel en remplaçant les combustibles fossiles par des appareils à haut rendement énergétique.

- 2,8 millions de dollars d'engagements de prêts à 551 ménages demandeurs dans le cadre du programme de prêts pour l'efficacité énergétique, afin d'améliorer l'efficacité énergétique de leur domicile.
- 1,7 million de dollars d'engagements de prêts à 96 ménages demandeurs pour l'achat d'équipement solaire dans le cadre du Programme de prêts 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

Penny Walsh – McGuire

Petites entreprises/Tourisme

Compliance & Administrative Officer	Responsable de la conformité et de l'administration
Director Commercial & Resource Lending	Directeur des prêts commerciaux et des ressources
Property Manager	Gestionnaire immobilier
Financial Analyst	Analyste financier
Senior Financial Analyst	Analyste financier principal
Senior Account Manager	Gestionnaire de compte principal
Sr Account Mgr	Gestionnaire de compte principal
Client Services/Procurement Officer	Responsable des services à la clientèle et de l'approvisionnement
*Financial Analyst	*Analyste financier
*Administrative Assistant	*Adjoint administratif
Account Manager	Gestionnaire de compte
IT Support Coordinator	Coordonnateur en soutien informatique
Securities Clerk/Secretary	Commis/secrétaire aux valeurs mobilières
Maintenance Supervisor	Superviseur de la maintenance
Maintenance Workers	Préposés à l'entretien
* = Summerside Office	* = Bureau de Summerside

Finance PEI

Consolidated Financial Statements
March 31, 2024

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



Stefanie Corbett
Chief Executive Officer of Finance PEI



June 27, 2024

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, 2024, 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, 2024, 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:



- 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.

ArsenaultBestCameronEllis

Chartered Professional Accountants

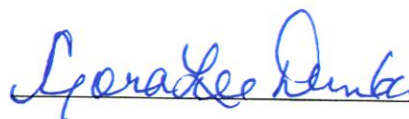
Finance PEI

Consolidated Statement of Financial Position As at March 31, 2024

	2024 \$	2023 \$
Assets		
Financial assets		
Cash	10,802,112	14,888,316
Accounts receivable (notes 2 and 13)	1,846,952	1,640,937
Loans receivable (note 4)	231,201,340	230,770,425
Finance lease receivables (note 3)	586,575	-
Advances to related company (note 13)	39,292	39,292
Due from the Province of Prince Edward Island (note 13)	11,158,680	11,163,647
	<u>255,634,951</u>	<u>258,502,617</u>
Liabilities		
Accounts payable and accrued liabilities (notes 5 and 13)	3,898,567	2,623,070
Deferred revenue	989,514	997,515
Advances from related companies (note 13)	26,869,799	26,862,904
Short-term notes payable (note 7)	36,345,122	24,565,122
Long-term debt (note 8)	186,678,182	199,118,451
	<u>254,781,184</u>	<u>254,167,062</u>
Net financial assets	<u>853,767</u>	<u>4,335,555</u>
Contingent liabilities		
Commitments (note 12)		
Non-financial assets		
Prepaid expenses	34,086	109,724
Net investment in lease (note 9)	476,165	507,148
Foreclosed properties (note 11)	-	17,530
Property holdings (notes 8 and 13) (Schedule 2)	48,328,874	39,535,180
	<u>48,839,125</u>	<u>40,169,582</u>
Accumulated surplus	<u>49,692,892</u>	<u>44,505,137</u>

Approved by the Board of Directors

 Director

 Director

Finance PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2024

	2024 \$	2023 \$
Accumulated surplus - Beginning of year	44,505,137	39,110,565
Operating surplus	5,187,755	5,394,572
Accumulated surplus - End of year	49,692,892	44,505,137

Finance PEI

Consolidated Statement of Operations For the year ended March 31, 2024

	Budget (Unaudited) \$	Actual 2024 \$	Actual 2023 \$
Revenue			
Interest from borrowers (note 13)	13,875,000	13,051,370	12,026,481
Interest from deposits	26,200	148,617	74,381
Property operations (note 13)	5,358,000	6,047,165	6,051,406
Management fees (note 13)	500,000	500,000	500,000
Grant income	-	24,659	127,896
Gain on sale of property holdings	-	330,011	89,824
Miscellaneous	131,000	7,326	44,313
	19,890,200	20,109,148	18,914,301
Expenses (notes 8 and 13) (Schedule 1)			
Administration	795,000	667,125	1,000,280
Lending operations	9,434,500	9,255,464	7,420,320
Property operations	5,049,100	7,288,183	6,698,549
Provision for (recovery of) possible losses	4,500,000	(2,289,379)	(1,599,420)
	19,778,600	14,921,393	13,519,729
Operating surplus	111,600	5,187,755	5,394,572

Finance PEI

Consolidated Statement of Changes in Net Financial Assets (Debt) For the year ended March 31, 2024

	2024 \$	2023 \$
Annual surplus	5,187,755	5,394,572
Acquisition of property holdings	(11,313,088)	(5,774,825)
Amortization of property holdings	2,462,913	2,152,888
Gain on disposal of property holdings	(330,011)	(89,824)
Proceeds on disposal of property holdings	386,492	89,824
Payments received on foreclosed properties	149,851	230,130
Increase in provision on foreclosed properties	(131,213)	-
Additions to foreclosed properties	(1,108)	(4,339)
	(8,776,164)	(3,396,146)
Decrease (increase) in prepaid expenses	75,638	(68,008)
Decrease in net investment in lease	30,983	29,865
	(8,669,543)	(3,434,289)
Decrease (increase) in net financial assets	(3,481,788)	1,960,283
Net financial assets - Beginning of year	4,335,555	2,375,272
Net financial asset - End of year	853,767	4,335,555

Finance PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Operating surplus	5,187,755	5,394,572
Items not affecting cash		
Amortization	2,462,913	2,152,888
Decrease in net investment in lease	30,983	29,865
Recovery of possible losses	(2,289,379)	(1,599,420)
Gain on disposal of property holdings	(330,011)	(89,824)
Recovery in provision for foreclosed properties	(131,213)	-
	4,931,048	5,888,081
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(152,525)	1,370,013
Decrease (increase) in prepaid expenses	75,638	(68,008)
Increase in accounts payable and accrued liabilities	1,275,500	344,469
Decrease in deferred revenue	(8,001)	(124,626)
Decrease in due from Province of Prince Edward Island - current operations	4,968	-
	6,126,628	7,409,929
Financing activities		
Increase (decrease) in advances from related companies	6,985	(98,201)
Increase in short-term notes payable	12,000,000	17,000,000
Repayment of short-term notes payable	(220,000)	(6,274,538)
Increase in long-term debt	7,000,000	18,616,303
Repayment on long-term debt	(19,440,269)	(19,030,565)
	(653,284)	10,212,999
Investing activities		
Decrease (increase) in loans receivable	1,804,880	(6,289,237)
Additions to and purchases of property holdings	(11,313,088)	(5,774,825)
Reductions and proceeds on disposal of property holdings	386,492	89,824
Additions to foreclosed properties	(1,108)	(4,339)
Increase in finance lease receivables	(586,575)	-
Payments received on foreclosed properties	149,851	230,130
	(9,559,548)	(11,748,447)
Change in cash	(4,086,204)	5,874,481
Cash - Beginning of year	14,888,316	9,013,835
Cash - End of year	10,802,112	14,888,316

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

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, 2024 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 1m).

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, 2024

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) Liability for asset retirement obligation

Asset retirement obligations (AROs) are provisions for legal obligations for the cost of remediating the Province's tangible capital assets that are in productive use or not in productive use. The legal obligation giving rise to an ARO can be a product of any of the following regulations set by governments or regulatory bodies, contracts, legislation or promissory estoppel.

An ARO is recognized when the following criteria have been met:

- there is a legal obligation to incur retirement costs;
- there was a past transaction/event has occurred;
- expected to give up future economic benefits;
- a reasonable estimate of the ARO liability can be made

The estimated liability is the estimated cash flows required to settle the retirement obligation. The liability is record in the period in which an obligation arises and is included as accounts payable and accrued liabilities on the Statement of Financial Position.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

For assets that are still in productive use, there is a corresponding increase to the carrying value of the related asset. If the asset is still in productive use and is not recorded, the ARO cost is expensed in the period. For assets that are no longer in productive use, the ARO cost is expensed in the period. For assets fully amortized, but still in productive use, the ARO cost is amortized over the period until which time it is estimated to be retired.

i) Leased assets

As a lessor, the company classifies its leases as either operating or financing leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

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.

k) 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.

l) 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 \$14,376,756 (2023 - \$16,072,713).

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

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

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 \$27,636,194 (2023 - \$28,229,150) 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.

m) 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, 2024.

n) 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.

o) 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.

p) 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, 2024

q) Financial instruments

(a) Measurement of financial instruments

Finance PEI's financial instruments consist of cash, accounts receivable, loans receivable, finance lease receivables, 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.

r) 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, 2024

- 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 Accounts receivable

	2024	2023
	\$	\$
Trade accounts receivable	1,028,782	1,279,521
HST receivable	731,384	451,901
Other	976,743	856,845
	<u>2,736,909</u>	<u>2,588,267</u>
Allowance for possible losses	(889,957)	(947,330)
	<u>1,846,952</u>	<u>1,640,937</u>
<i>Continuity of allowance for possible losses</i>		
Beginning of year	947,330	871,557
Provision (recovery) during the year	(57,373)	75,773
	<u>889,957</u>	<u>947,330</u>

3 Finance lease receivables

The company has entered into various lease arrangements as a lessor that are considered finance leases. The company leases residential buildings and, as they transfer substantially all of the risks and rewards of ownership of the assets, they are classified as finance leases.

	2024
	\$
Total lease payments to be received	744,952
Less: unearned finance income	<u>(158,377)</u>
Net investment in lease	<u>586,575</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

Rental payments for leases expiring in between January 2029 and April 2029 are expected to be received as follows:

	\$
Year ending March 31, 2025	42,497
2026	42,497
2027	42,497
2028	42,497
2029	318,808
afterward	256,156

4 Loans receivable

	2024			2023	
	Total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
Working capital loans					
Agriculture	4,192,663	786,398	3,356	3,402,909	3,630,363
Tourism	13,766,802	1,741,380	146,651	11,878,771	11,815,471
Manufacturing and processing	4,738,347	556,600	119,424	4,062,323	3,021,784
Fisheries	1,768,061	-	-	1,768,061	2,443,815
Small business	22,297,459	2,495,354	878,195	18,923,910	24,482,919
	46,763,332	5,579,732	1,147,626	40,035,974	45,394,352
Long-term loans					
Agriculture	18,291,886	1,434,105	3,117,030	13,740,751	15,515,791
Tourism	16,509,533	3,353,354	188,400	12,967,779	13,907,883
Manufacturing and processing	16,651,814	1,617,432	628,993	14,405,389	16,726,578
Fisheries and aquaculture	110,635,054	10,678,939	1,737,098	98,219,017	98,319,705
Small business	46,030,442	3,666,330	2,269,841	40,094,271	37,144,638
Residential	13,073,112	1,306,302	28,651	11,738,159	3,761,478
	221,191,841	22,056,462	7,970,013	191,165,366	185,376,073
	267,955,173	27,636,194	9,117,639	231,201,340	230,770,425

Loans receivable are repayable over various terms to a maximum of 10 years with interest rates ranging from 3.10% to 12.68%.

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

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

Continuity of allowance for possible losses

	2024	2023
	\$	\$
Allowance for possible losses - Beginning of year	38,857,949	40,529,512
Less: Recoveries recorded during year - net	(2,104,116)	(1,671,563)
Allowance for possible losses - End of year	36,753,833	38,857,949

5 Accounts payable and accrued liabilities

	2024	2023
	\$	\$
Trade payables	1,636,794	520,774
Accrued liabilities	885,375	913,914
Accrued interest	862,803	866,108
HST payable	284,451	293,784
Asset retirement obligation (note 6)	156,829	-
Other	72,315	28,490
	3,898,567	2,623,070

6 Asset retirement obligations

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from buildings. The measurement of the liability for asset retirement obligations is impacted by new information about activities required to settle the liability, the activities that settled all or part of the obligation, any changes in the legal obligation and any changes to the discount rate used in the measurement.

To estimate the liability for asbestos and other designated substances in buildings, assessment reports that include the type and quantity of the substances are used with experience and expert advice to determine the cost of retiring the substance. For buildings without an assessment, an estimate is based on the cost for similar buildings until more asset specific data is available.

The discount rate used in the asset retirement obligation calculation is 4.31% at the time of purchase of the building affected and 4.626% for the 2024 fiscal year. The estimated total undiscounted expenditures would be \$422,635 at the date of expected outlay with the estimated retirement year of 2064. The asset retirement obligations are primarily associated with the remediation of asbestos in buildings.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

Below is a reconciliation of the beginning and ending aggregate carrying amount of the liability:

	2024 \$	2023 \$
ARO liability - Beginning of year	-	-
Addition during the year	172,558	-
Accretion expense	7,437	-
Revisions in estimated costs	(23,166)	-
ARO liability - End of year	<u>156,829</u>	<u>-</u>

The decrease in ARO liability value is due to a changing estimate based on an increasing discount rate.

7 Short-term notes payable

	2024 \$	2023 \$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	<u>29,346,640</u>	<u>17,566,640</u>
	<u>36,345,122</u>	<u>24,565,122</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, 2024 of \$6,998,482 (2023 - \$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 2024 in the amount of \$1,538,773 (2023 - \$445,135).

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

8 Long-term debt

	2024 \$	2023 \$
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	743,620	800,805
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	772,977	1,751,635
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	70,114	159,239
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	41,636	82,437
3.92% note payable to Province of Prince Edward Island, due June 24, 2027, repayable in \$117,998 quarterly payments including principal and interest	7,179,208	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	2,988,972	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	801,792	901,353
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	2,638,002	2,887,198
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	133,048,143	140,635,266
2.05% note payable to Province of Prince Edward Island, due September 30, 2036, repayable \$363,474 quarterly including principal and interest	15,939,870	17,052,705
2.36% note payable to Province of Prince Edward Island, due February 4, 2037, repayable \$302,544 quarterly including principal and interest	13,513,912	14,392,169
2.47% note payable to Province of Prince Edward Island, due October 31, 2040, repayable \$127,028 quarterly including principal and interest	6,952,591	7,283,843
3.03% note payable to Province of Prince Edward Island, repaid during the year	-	559,261
	<u>186,678,182</u>	<u>199,118,451</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

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, 2025	39,173,817
2026	41,370,524
2027	53,531,781
2028	27,517,514
2029	18,041,221

Interest paid by Finance PEI and its subsidiaries on long-term debt in the amount of \$5,079,681 (2023 - \$4,978,134) is included in the expenditure category to which it relates.

9 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:

	2024	2023
	\$	\$
Total of lease payments to be received to December 2035	600,030	650,030
Less: Portion representing interest at 3.75%	(123,865)	(142,882)
Net present value of net investment in lease	476,165	507,148

10 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, 2024, the loan balance as at March 31, 2025 is \$5,697,697.

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

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

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.

11 Foreclosed properties

	2024 \$	2023 \$
Foreclosed projects - land, buildings and equipment held for resale	4,549,628	4,698,371
Less: Allowance for possible losses	(4,549,628)	(4,680,841)
	-	17,530

Continuity of allowance for possible losses

	2024 \$	2023 \$
Allowance for possible losses - Beginning of year	4,680,841	4,680,841
Less: Recovery during the year	(131,213)	-
Allowance for possible losses - End of year	4,549,628	4,680,841

12 Commitments

Loans approved but not disbursed at March 31, 2024 total \$32,604,695 (2023 - \$19,326,838).

A construction contract of \$965,000 was signed with a remaining commitment of \$544,512 to be paid as of March 31, 2024 (2023 - \$885,387).

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

13 Related party account balances and transactions

Statement of Financial Position

	2024 \$	2023 \$
<i>Advances to related company:</i>		
Biocommons Development Inc.	39,292	39,292
<i>Advances from related companies:</i>		
Innovation PEI	11,114,933	11,110,385
Island Investment Development Inc.	5,688,795	5,696,630
Prince Edward Island Century 2000 Fund Inc.	10,066,071	10,055,889
	26,869,799	26,862,904

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:

	2024 \$	2023 \$
Accounts receivable:		
Due from Province of Prince Edward Island	294,267	263,833
Due from related companies	60,511	94,442
Loans receivable:		
Accrued interest from Province of Prince Edward Island	168,749	199,567
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	434,507	435,208
Due to related companies	770,924	768,554

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, 2024

Statement of operations

Included in property operations revenue is \$956,722 (2023 - \$849,530) from related parties.

During the year, management fees of \$500,000 (2023 - \$500,000) and rent of \$50,000 (2023 - \$50,000) were received from Island Investment Development Inc., a provincial Crown corporation and reimbursed expenses of \$79,547 (2023 - \$75,379) were received from Innovation PEI, a provincial Crown corporation. Included in interest from borrowers revenue is nil (2023 - \$57,512) and nil (2023 - \$118,197) 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 \$6,395,167 (2023 - \$5,181,644) in interest paid to Province of Prince Edward Island and \$417,963 (2023 - \$286,558) 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.

14 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.

15 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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

(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.

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

	2024	2023
	\$	\$
Cash	10,802,112	14,888,316
Accounts receivable	1,846,952	1,640,937
Loans receivable	231,201,340	230,770,425
Finance loans receivable	586,575	-
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,158,680	11,163,647
	<u>255,634,951</u>	<u>258,502,617</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.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

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, 2024	858,727	3,754,079	9,941,876	14,554,682
March 31, 2023	129,907	603,872	8,648,855	9,382,634

(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.

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 \$	2024 Total \$
Accounts payable and accrued liabilities	3,898,567	-	-	3,898,567
Advances from related companies	26,869,799	-	-	26,869,799
Short-term notes payable	36,345,122	-	-	36,345,122
Long-term debt	39,173,817	140,461,040	7,043,325	186,678,182
	106,287,305	140,461,040	7,043,325	253,791,670

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

	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

(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.

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	32,791	363,451
1% decrease in interest rates	(32,791)	(363,451)

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2024

(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, 2024

Schedule 1

2024

	Salaries Benefits \$	Operating Goods & Services \$	Property Operations \$	Lending Operations \$	Interest Expense \$	Amortization \$	Total \$
Expenses							
Administration	92,625	500,260	-	-	-	74,240	667,125
Lending operations	2,094,712	-	-	585,153	6,575,599	-	9,255,464
Property operations	575,536	167,334	4,113,785	-	42,855	2,388,673	7,288,183
Recovery of possible losses	-	-	-	(2,289,379)	-	-	(2,289,379)
	2,762,873	667,594	4,113,785	(1,704,226)	6,618,454	2,462,913	14,921,393

2023

	Salaries Benefits \$	Operating Goods & Services \$	Property Operations \$	Lending Operations \$	Interest Expense \$	Amortization \$	Total \$
Expenses							
Administration	407,998	518,308	-	-	-	73,974	1,000,280
Lending operations	1,754,018	-	-	275,944	5,390,358	-	7,420,320
Property operations	551,209	183,413	3,852,102	-	32,911	2,078,914	6,698,549
Recovery of possible losses	-	-	-	(1,599,420)	-	-	(1,599,420)
	2,713,225	701,721	3,852,102	(1,323,476)	5,423,269	2,152,888	13,519,729

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2024

Schedule 2

	Cost				Accumulated amortization		2024
	Beginning \$	Additions \$	Disposals/ Adjustments \$	Ending \$	Beginning \$	Amortization \$	
General							
Land	981,500	115,200	-	1,096,700	-	-	1,096,700
Land improvements	44,765	-	-	44,765	-	-	-
Building	3,478,058	13,326	(135,907)	3,355,477	1,915,004	133,953	1,306,520
	4,504,323	128,526	(135,907)	4,496,942	1,959,769	133,953	2,403,220
Property holdings held for resale							
Land	2,161,921	-	(168,622)	1,993,299	-	-	1,993,299
Buildings	1,212,434	-	-	1,212,434	482,223	48,497	681,714
	3,374,355	-	(168,622)	3,205,733	482,223	48,497	2,675,013
Industrial Sites							
Land	5,219,094	5,616,464	248,048	11,083,606	-	-	11,083,606
Land improvements	3,179,811	24,659	-	3,204,470	2,855,784	45,978	302,708
Leasehold improvements	2,017,215	1,861,410	-	3,878,625	775,533	206,357	2,896,735
Building	44,490,574	3,645,386	-	48,135,960	17,229,827	1,994,529	28,911,604
Equipment	7,469,191	36,643	-	7,505,834	7,416,247	33,599	55,988
	62,375,885	11,184,562	248,048	73,808,495	28,277,391	2,280,463	43,250,641
	70,254,563	11,313,088	(56,481)	81,511,170	30,719,383	2,462,913	48,328,874

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 \$	Disposals/ adjustments \$	Ending \$	Net book value \$
General									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,442,206	35,852	-	3,478,058	1,782,450	132,554	-	1,915,004	1,563,054
	4,468,471	35,852	-	4,504,323	1,827,215	132,554	-	1,959,769	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	-	482,223	730,211
	3,374,355	-	-	3,374,355	433,742	48,481	-	482,223	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	-	2,855,784	324,027
Leasehold improvements	1,293,873	723,342	-	2,017,215	659,647	115,886	-	775,533	1,241,682
Building	41,950,862	2,539,712	-	44,490,574	15,432,724	1,797,103	-	17,229,827	27,260,747
Equipment	7,406,754	62,437	-	7,469,191	7,395,737	20,510	-	7,416,247	52,944
	56,636,912	5,738,973	-	62,375,885	26,305,538	1,971,853	-	28,277,391	34,098,494
	64,479,738	5,774,825	-	70,254,563	28,566,495	2,152,888	-	30,719,383	39,535,180

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