

Nova Scotia Farm Loan Board

Financial Statements
March 31, 2020

Management's responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, PricewaterhouseCoopers LLP, conducts an independent examination, in accordance with Canadian auditing standards, and express its opinion on the financial statements. The external auditor has full and free access to financial management of the Nova Scotia Farm Loan Board and its Board of Directors and meet when required.

On behalf of the Nova Scotia Farm Loan Board

Jennifer Thompson, Director of Crown Lending Agencies

Daniel Phinney, Chairman



Independent auditor's report

To the Board of Directors of Nova Scotia Farm Loan Board

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nova Scotia Farm Loan Board (the Board) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Board's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of changes in net debt for the year then ended;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Board'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 the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia

July 16, 2020

Nova Scotia Farm Loan Board

Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$
Financial assets		
Accounts receivable	21	31
Interest and other receivables, net (note 4)	1,725	1,891
Loans receivable, net (note 5)	159,067	160,397
Real estate held for resale (note 6)	320	246
	<hr/>	<hr/>
	161,133	162,565
Liabilities		
Due to the Province of Nova Scotia	21	31
Advances from the Province of Nova Scotia, net (note 7)	162,839	165,626
	<hr/>	<hr/>
	162,860	165,657
Net debt	(1,727)	(3,092)
Non-financial assets		
Real estate (note 8)	1,727	3,092
	<hr/>	<hr/>
Accumulated surplus	-	-
	<hr/>	<hr/>
Commitments (note 15)		

Approved by the Board of Directors

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board

Statement of Changes in Net Debt

For the year ended March 31, 2020

(in thousands of dollars)

	2020	2019
	\$	\$
Net surplus	-	-
Impairment of real estate	1,365	303
	<hr/> 1,365	<hr/> 303
Net debt – Beginning of year	<hr/> (3,092)	<hr/> (3,395)
Net debt – End of year	<hr/> <hr/> (1,727)	<hr/> <hr/> (3,092)

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

(in thousands of dollars)

	(Unaudited)		
	Budget	Actual	Actual
	2020	2020	2019
	\$	\$	\$
Revenue			
Interest on loans	6,800	6,416	6,311
Loan processing and other fees	209	174	97
Life insurance program revenue, net	22	18	21
	<hr/> 7,031	<hr/> 6,608	<hr/> 6,429
Expenses			
Lending expenses (note 9)	<hr/> 6,604	<hr/> 12,113	<hr/> 6,131
Annual surplus (deficit) before distributions from the Province of Nova Scotia	427	(5,505)	298
Contributions from (distributions to) the Province of Nova Scotia	<hr/> (427)	<hr/> 5,505	<hr/> (298)
Annual surplus for the year and Accumulated surplus – Beginning and End of year	<hr/> -	<hr/> -	<hr/> -

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board

Statement of Cash Flows

For the year ended March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$
Cash flows provided by (used in)		
Operating activities		
Annual surplus for the year	-	-
Net charges (credits) to operations not involving cash		
Valuation allowance for impaired loans (including real estate held for resale)	5,973	(236)
Valuation allowance for real estate	(77)	284
Valuation allowance for interest	5	75
	<hr/>	<hr/>
	5,901	123
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	10	1
Decrease (increase) in interest and other receivables	161	(206)
Increase (decrease) in due to the Province of Nova Scotia, net	(10)	(1)
	<hr/>	<hr/>
	6,062	(83)
	<hr/>	<hr/>
Financing activities		
Decrease in advances from the Province of Nova Scotia, net	(2,787)	(3,439)
	<hr/>	<hr/>
Investing activities		
Decrease (increase) in loans receivable (including real estate held for resale), net	(3,275)	3,503
	<hr/>	<hr/>
Capital activities		
Decrease (increase) in real estate	-	19
	<hr/>	<hr/>
Net change in cash for the year	-	-
Cash – Beginning of year	-	-
	<hr/>	<hr/>
Cash – End of year	-	-
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

1 Authority

Nova Scotia Farm Loan Board (the “Board”) provides loans to the agriculture and forestry sector for farms operating in rural Nova Scotia.

The Board is a provincial agency and operates under the authority of the Agriculture and Rural Credit Act and the Forests Act (for timber loans).

Principal in loans outstanding is limited by regulation to \$200 million. Maximum advances to be disbursed in any given year, are established through the annual budgeting process. For the year ended March 31, 2020, maximum new advances were \$40 million, of which \$30 million was advanced. The Board received loan principal repayments of \$34 million during the year.

Loans in excess of \$5 million and any loan write-offs require approval by Governor in Council.

2 Capital management

As an agency of the Province of Nova Scotia, the Board does not maintain its own capital. Operations are funded by contributions from the Province.

3 Summary of significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with the Canadian public sector accounting standards (“PSAS”) as issued by the Canadian Accounting Standards Board.

Restricted cash and accounts receivable

The Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Accounts receivable reported consists of funds held by Sun Life Assurance Company of Canada in relation to the Board’s Creditor Group Life Insurance Program.

Loans receivable

Loans receivable are the principal portion of loans outstanding, net of the valuation allowance for loan impairment.

Loans are classified as impaired when, in management’s opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

3 Summary of significant accounting policies (continued)

Valuation allowance for loan impairment

The valuation allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. The valuation allowance is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the portfolio. These judgments are influenced by the composition and quality of the portfolio, general economic conditions and conditions affecting specific commodities, as well as the Board policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The Board records a specific valuation allowance based on a loan-by-loan review. Impaired loans are valued at the lower of their recorded investment or the estimated net recoverable value of their underlying security.

In addition, the Board records a collective valuation allowance for loans in the portfolio not assessed in the specific reserve. This is an estimate of incurred but unidentified losses based on a review of historic loan write-offs on an industry sector basis.

Real estate

Real estate acquired through foreclosure is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of the security held, less disposal costs.

Net operating costs incurred on real estate are added to the carrying value of the property. The related provision is used to adjust the carrying value to net recoverable value, resulting in inclusion of these costs in bad debt expenses if the carrying value exceeds net recoverable value.

The Board also holds land purchased under a Provincial "Landbank" program. This program has ceased; however, existing properties and leases continue with renewable five-year terms. Property acquired under this program is valued at the lower of cost and recoverable amount. Lease clients are entitled to purchase the related property at its original purchase cost.

Revenue recognition

Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal and interest is likely.

All loan related fees are reported as revenue in the period in which they were earned.

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

3 Summary of significant accounting policies (continued)

Financial instruments

The Board applies Handbook Section PS3450 “Financial Instruments” and is required to designate its financial instruments into one of the following two categories: (i) fair value; or (ii) cost or amortized cost. All of the Board’s financial instruments are measured at amortized cost using the effective interest method.

The Board’s financial instruments consist of accounts receivable, interest and other receivables, loans receivable, due to the Province of Nova Scotia and advances from the Province of Nova Scotia and are measured at amortized cost using the effective interest method.

Management estimates

PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, as described further in note 5b, these estimates are subject to measurement uncertainty and any changes in those estimates could have material impact on the results of future period financial statements.

Remeasurement gains and losses

Under PSAS, the Board is required to present a statement of remeasurement gains and losses. As the Board has no remeasurement gains and losses, a statement of remeasurement gains and losses has not been presented.

4 Interest and other receivables, net

	2020 \$	2019 \$
Interest receivable	2,613	995
Accrued interest	1,153	1,337
Other charges	60	75
	<hr/> 3,826	<hr/> 2,407
Less: Valuation allowance for interest on impaired loans	522	452
Valuation allowance on real estate	1,579	64
	<hr/> 1,725	<hr/> 1,891

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

5 Loans receivable

a) Loans receivable, net

The following schedule sets out the scheduled maturities of the principal balances of the financial assets as at March 31, 2020, together with the weighted average interest rates being earned on the financial assets.

				<u>2020</u>	<u>2019</u>
Performing loans	Under 1 year	1 - 5 years	Over 5 years	Total	Total
	\$	\$	\$	\$	\$
Farm loans	3,001	10,481	131,476	144,958	150,165
Timber loans	-	-	-	-	4
	<u>3,001</u>	<u>10,481</u>	<u>131,476</u>	<u>144,958</u>	<u>150,169</u>
Average effective annual interest rate	3.68%	4.11%	4.03%	4.03%	4.03%
Add: Impaired loans				<u>27,001</u>	<u>24,843</u>
Total loans				171,959	175,012
Less: Valuation allowance for loan impairment				<u>(12,892)</u>	<u>(14,615)</u>
				<u>159,067</u>	<u>160,397</u>

b) Allowance for impaired loans

Loans are considered impaired when they are risk rated as substandard or worse or when the loan is more than 90 days in arrears at year end and there is insufficient collateral security valued at forced sale to cover the balance outstanding. The allowance is comprised of two components, the specific allowance for individually identified impaired loans and a collective allowance for unidentified impaired loans.

The specific allowance for individually identified impaired loans was established based upon a review of impaired loans. Primary factors considered in estimating the specific allowance on individual loans were the security pledged and the financial condition of the borrower and/or, where applicable, guarantors.

The collective allowance for unidentified impaired loans is management's best estimate of the loss that is likely to be experienced on impaired loans that were not known to be impaired at the year end. The collective allowance was determined based on management's judgment and recent experience by calculating the average estimated historical loss ratio by loan type and then applying these ratios to the current portfolio of unimpaired loans.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

5 Loans receivable (continued)

b) Allowance for impaired loans (continued)

	2020		2019	
	Impaired loans \$	Allowance for impairment (principal) \$	Impaired loans \$	Allowance for impairment (principal) \$
Specific allowance	27,001	11,138	24,843	13,744
Collective allowance	-	1,754	-	871
	<u>27,001</u>	<u>12,892</u>	<u>24,843</u>	<u>14,615</u>

Significant judgement was exercised by management in making these estimates. As such, actual losses that occur on loans outstanding at March 31, 2020 will differ from these estimates and the differences could be material.

c) Continuity of allowance for impaired loans

	2020 \$	2019 \$
Allowance for impaired loans – Beginning of year	15,067	16,382
Add: Valuation allowance for impaired loans	2,024	(578)
Less: Amounts written off	(3,665)	(687)
Other adjustments	(12)	(50)
	<u>13,414</u>	<u>15,067</u>
Allowance for impaired loans – End of year	13,414	15,067
Valuation allowance on principal	12,892	14,615
Valuation allowance on interest	522	452
	<u>13,414</u>	<u>15,067</u>

d) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they either (i) have a strong risk rating; (ii) have an arrears amount less than \$1; or (iii) are fully secured and collection efforts are reasonably expected to result in repayment. Loans that are past due but not impaired are as follows:

	1-30 days \$	31-60 days \$	61-90 days \$	91 or more days \$	2020 \$	2019 \$
Farm loans	285	2,664	11,105	4,702	18,756	9,899

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

6 Real estate held for resale

The assets held for sale, comprising land, buildings and equipment, have been written-down to estimated recoverable value. Recoverable value was estimated by management, utilizing external appraisals for the land and buildings, based on the expected selling prices, net of estimated closing costs.

Real estate held for resale has been written down from the original loan amounts as follows:

	2020 \$	2019 \$
Original funds advanced	1,744	1,369
Less: Valuation allowance for real estate	(1,424)	(1,123)
	<hr/>	<hr/>
Real estate held for sale	320	246
	<hr/>	<hr/>

7 Advances from the Province of Nova Scotia, net

Advances are provided by the Province of Nova Scotia to fund loans issued by the Board. The amortization periods of the advances range from 2 to 30 years. Advances are repayable in quarterly instalments of interest and principal. Interest rates vary from 1.0 % to 5.7% with terms ranging from April 1, 2020 to January 1, 2048. Interest expense is calculated in accordance with a Memorandum of Understanding with the Nova Scotia Department of Finance (note 10).

8 Real estate

	2020 \$	2019 \$
Real estate held for long-term use		
Former loan property under lease	1,626	2,991
Land bank	15	25
Property used by community pastures	86	76
	<hr/>	<hr/>
	1,727	3,092
	<hr/>	<hr/>

The Board has recorded these properties as former loan properties under lease at the lower of the loan balance and the assessed value of the property. Subsequently, the Board entered into lease agreements over the properties to allow the loan clients to continue to operate on the properties. The Board has not recorded amortization on these properties. The Board has recognized a recovery of \$77 in 2019-20 against this real estate.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

9 Lending expenses

	2020 \$	2019 \$
Interest (note 10)	4,385	4,252
Payroll	1,464	1,419
Bad debt (note 11)	5,901	123
Supplies and services	159	107
Travel	46	34
Professional services/special services	67	135
Training and development	14	29
Equipment and other	77	32
	<hr/>	<hr/>
	12,113	6,131

10 Interest expense

Since April 1, 1998, a Memorandum of Understanding (“MOU”) between the Board and the Nova Scotia Department of Finance has formalized the Board’s funding arrangement. Under the MOU arrangement, the Board estimates projected lending requirements on a quarterly basis. The Nova Scotia Department of Finance arranges the requested financing for terms requested and provides this financing to the Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Board’s investment in loans receivable and in real estate. The Board tracks the draws arranged with the Nova Scotia Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

11 Bad debt expense

Bad debt expense (recovery) includes:

	2020 \$	2019 \$
Allowance for (recovery of) impaired loans	5,234	(673)
Impairment of real estate held for resale	739	437
Impairment of (recovery of) real estate	(77)	284
Allowance for interest	5	75
	<hr/>	<hr/>
	5,901	123

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

12 Financial instruments and risk management

(i) Fair value of financial instruments

The Board is exposed to financial risk that arises from the credit quality of the individuals and entities to which it provides loan services. Credit risk arises from the possibility that the individuals and entities to which the Board provides loan services may experience financial difficulty and be unable to fulfill their obligations.

(ii) Risk management

Credit risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments, due to cyclical industry or other temporary difficulties, it is the Board's policy to work with the client on an individual basis to provide time for recovery.

The total of loans receivable at March 31, 2020 is \$171,959 (2019 - \$175,012). The majority of loans are secured primarily by real property using mortgage or Agreement of Sale (providing rights similar to a mortgage). Dairy and poultry loans are generally also secured by an irrevocable assignment of production quota. Collateral security may also be provided by equipment, livestock or chattels. The maximum exposure to credit risk is the total loans outstanding.

All clients are involved in agriculture in Nova Scotia. Involvement in processing is limited to on-farm processing. Regulations provide that loans must not exceed 90% of security value without approval by the Board. Collateral held for security is assigned a value by the loan officer considering the loan based on known transactions of similar property, with additional information provided by property assessments and external assessments, where available.

The Board adjusts the valuation allowance for impairment to recognize management's estimate of recoveries on impaired accounts. Impairment is primarily identified by review of arrears, refinanced loans and accounts in sectors experiencing difficulty. A total of \$484 (2019 - \$900) was issued in refinanced loans during 2019 - 2020 to clients with significant arrears.

Liquidity risk

The Province of Nova Scotia provides funding and cash management services to the Board. There is minimal risk that funds will be unavailable to meet lending commitments or payments of other expenses except to the extent of legislative and budgetary limitations on spending authority as identified in note 1.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

12 Financial instruments and risk management (continued)

(ii) Risk management (continued)

Interest rate risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. Loans may be contracted for the full term of their amortization (from 1 to 30 years) or may be of fixed terms of 3, 5 or 10 years with an amortization period of up to 30 years. Funds drawn through the Province provide for 10% annual and 5-year full optional repayments. A 1% change in interest rates would have a \$1,700 impact on interest income and on interest expense.

13 Related party transactions

The Board is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (see note 1). Transactions with provincial entities were entered into in the normal course of business.

The Province of Nova Scotia pays certain expenses, including rent, building maintenance, computer networks and support, computerized accounting systems and miscellaneous office expenses in relation to building and computer systems, on behalf of the Board with no charge to the Board.

Loans and interest receivable includes \$2,505 (2019 - \$2,433) and interest revenue includes \$97 (2019 - \$77) resulting from outstanding loans to Board members and immediate family of Board members. These loans were issued under normal terms and conditions using market interest rates.

14 Pension and post-retirement benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions of \$103 (2019 - \$100) are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Public Service Superannuation Plan Trustee Inc. and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the pension plan. It is not anticipated that any such future costs would be allocated to the Board.

15 Commitments

The Board will hold interest rates for ninety days for any client from the date of loan approval. As of March 31, 2020, the Board has authorized loans of \$11.1 million (2019 - \$18.4 million) which had not been disbursed.

Nova Scotia Farm Loan Board

Notes to Financial Statements

For the year ended March 31, 2020

(in thousands of dollars)

16 Impact of Covid-19

In December 2019, a novel strain of coronavirus (“COVID-19”) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to the economy, it has now spread to many countries, including Canada, and infections have been reported around the world which resulted in the World Health Organization declaring a pandemic on March 11, 2020. This has caused the Canadian and Nova Scotia governmental authorities and many non-governmental entities to introduce measures to try to limit this pandemic.

The continued spread of COVID-19 and the actions being taken to limit its spread could adversely impact our operations, including among others, increasing the credit risk and default rates in our loan portfolio, limiting our ability to quickly respond to changes in credit risk and potentially limiting our ability to serve our customers. These could have an adverse impact on our business and financial results.