ANNUAL ACCOUNTABILITY REPORT

for the fiscal year ending March 31, 2008

Nova Scotia Farm Loan Board

Accountability Statement

We have the honour of presenting the 76th Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 2008.

This report incorporates accountability reporting of the Nova Scotia Farm Loan Board for the year ended March 31, 2008, and is prepared pursuant to the Section 12 of the Agriculture and Rural Credit Act, 1989, as well as the Provincial Finance Act and government policy and guidelines. These authorities require the reporting of outcomes against the Board's business plan information for the fiscal year 2007-2008. The reporting of Board outcomes necessarily includes estimates, judgements and opinions by Board management.

We acknowledge that this accountability report is the responsibility of management and the Nova Scotia Farm Loan Board. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Board's business plans for the year.

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Brooke Taylor
Minister, Department of Agriculture

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Leo Cox
Chairman

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Derrick R. Jamieson
Chief Executive Officer

CONTENTS

Board Members and staff as at March 31, 2008:

Board Members

Leo Cox	Chairman (2011)
Stephen Healy	Vice-Chair (2009)
Victor Moses	Member (2011)
Hank Bosveld	Member (2011)
Angela Hunter	Member (2011)

Principal Officers

Chief Executive Officer	Derrick Jamieson, P.Ag.
Solicitor to Board	Attorney General
Auditor	Auditor General

Truro Office

Manager, Finance	Philip Green, CMA, MPA
Credit Supervisor	Jim Houghton, P.Ag.
Senior Loan Officer	Maria McCurdy, P.Ag.
Loan Officer	John Murray, P.Ag.
Loan Officer	Jim Neary, P.Ag.
Loan Officer	Paul Arnfast, A.Ag.
Client Service Support	Colleen Flemming
Client Service Support	Carol Elliott
Client Service Support	Jody Graham
Financial Services Officer	Susan Archibald
Accounting Clerk	Robbie Rushton
Reception	Norma MacKay

Kentville Office

Senior Loan Officer	Robb MacMillan, P.Ag.
Loan Officer	Pam Fraser, P.Ag.
Client Service Support	Wanda Lenihan

Chief Executive Officer's Report

The Nova Scotia Farm Loan Board promotes, encourages and supports agricultural and rural business development through the provision of long-term, fixed interest rate loans and financial counselling services. The Board is a Corporation of the Crown and is an integral part of the Nova Scotia Department of Agriculture. The Board also provides assistance to the Department of Natural Resources and other departments of government involved in rural Nova Scotia. Activities of the Board are consistent with the provincial government's objectives to stimulate economic growth and development.

The Board works in close harmony with the Department of Agriculture and other departments involved in the growth of rural Nova Scotia and will continue to assist in the delivery of programs of benefit to the rural areas. The Board administers a New Entrants Program to attract and support new farmers. Involvement in these initiatives allows the Board to capitalize on opportunities for economic growth in the agricultural sector including, but not limited to, new crop and livestock investments and new technologies including those in biotechnology, value added activities, emerging and export markets, environmental improvements and agri-tourism.

The strategic goals for the Board as identified in the 2007-2008 business plan are:

- Ensure industry access to stable, cost effective long-term developmental credit
- Assist in identification and analysis of growth opportunities for rural industries by promoting the use of financially sound business principles
- Demonstrate sound financial administration, efficiency, responsibility in administration of public funds and accountability in the Board's operations

The Board will continue to use the investment capital available to provide partnership opportunities within the financial community. Financing the growth of rural Nova Scotia can best be accomplished through partnerships with other lenders. The Board has traditionally provided long-term financing at fixed, reasonable interest rates which has included financing of commodities not traditionally covered by other lending agencies. Today, through its strategic goals, the Board will continue to create alliances within the agricultural industry and forestry industries and other lending stakeholders to provide the best available source of credit.

The Board's loan portfolio decreased partly as a result of loan payouts under the Transitional Assistance Program(TAP) which provided $6.2 million in loan principal payments to hog and ruminant producers. Early loan payouts remained lower than those experienced 2 - 5 years ago, although total loan repayments exceeded budget projections by $6 million. The Board offers long-term funding with lending terms matched to the loan amortization.

It is common for sectors within agriculture to experience cyclical fluctuations in price and supply. The hog industry faced considerable difficulty again this year resulting in a number of producers leaving, or planning to leave the industry. The Board's provision for impaired loans increased approximately $8.3 million primarily as a result of these difficulties which have reduced both opportunities for success, and the expected realization value of security. The beef industry continues to struggle to recover from lower demand and prices resulting from the US border closure four years ago.

Weather conditions can have a significant impact on most agricultural sectors. Weather during the past three fiscal years has been generally favourable for producing crops, although each region and crop must be analysed individually. The Board continues to work with clients who are negatively affected by market prices or weather conditions to manage arrears and work toward the long-term viability of those operations.

The past year has been positive in several respects: Interest rates remain relatively low. Thirty-one new entrants joined the agricultural industry during the year and were approved for grants through the New Entrants to Agriculture Program. The dairy and poultry industries continue to be strong, with consistent returns generated under supply management. Blueberries have developed a reputation as a healthy food. The apple industry is working with new plantings and varieties to maintain markets. The wine industry continues its expansion and the Board has worked closely with individuals to provide stable financing as opportunities are identified. The mink sector has benefited from several years of strong market prices, although these have begun to decline somewhat. Unfortunately, the hog sector has suffered from continued low prices forcing most producers to cease production or make significant changes. The Department of Agriculture's TAP program assisted a number of beef and hog producers to modify their operations or exit the industry.

It has been a pleasure for me as Chief Executive Officer to work with knowledgeable and dedicated Board and staff during the fiscal year ending March 31, 2008. It is through this dedication and commitment that the Board has continued to provide developmental long-term lending programs, that are cost effective and has helped to create opportunities. We, as a Board, look forward to continuing to strengthen the rural fabric of the province of Nova Scotia.

Derrick R. Jamieson
Chief Executive Officer

Board Operation Overview

Direct Loans

During its 76th year of operations the Board met on ten occasions encompassing nineteen days. One hundred and seventy-nine loan requests were approved during the 2007-2008 fiscal year.

In addition to its loan function to agriculture and owners of forest product mills, staff administered the New Entrants to Agriculture Program and the Land Purchase and Lease Program. Properties purchased under ARDA Project 22015 during the period of 1965–1971 were a continuing responsibility of the Board and staff.

A total of 1,140 active loans (Farm and Timber) were in effect at March 31, 2008.

Interest rates on loans during the year were:

	1 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years	21 - 25 years	26 - 30 years
Apr 1 - June 30, 2007	6.10%	6.20%	6.35%	6.50%	6.55%	-
July 1 - Sept 30, 2007	6.10%	6.20%	6.35%	6.50%	6.55%	6.60%
Oct 1 - Dec 31, 2007	6.85%	6.85%	7.00%	7.00%	7.15%	7.50%
Jan 1 - Mar 31, 2008	6.5%	6.20%	6.20%	6.25%	6.60%	6.85%

Timber Loans

There were nine Timber Loan category loans on March 31, 2008 totalling $510,000.

Staff of the Farm Loan Board are responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans and maintaining loan records. Personnel of the Department of Natural Resources carry out loan appraisals, prepare reports and provide recommendations on timber loan requests. In addition, the Department of Natural Resources supervises requests to cut forest products from land held as security for loans and establishes stumpage rates for material removed.

Farm Consolidation and Land Use

In the period 1965 to 1970, under the terms and conditions of a joint Government of Canada, Province of Nova Scotia Agricultural and Rural Development Act (ARDA) project, properties were purchased for leasing to enlarge commercial farm operations. The administration of properties under lease is a continuing responsibility of the Board.

ARDA lease accounts at March 31, 2008, had a net outstanding principal of $32,000. Five accounts remain under this program.

Land Bank Purchase and Lease Program

This program, designed to assist in acquisition of agricultural property, has not been active for many years. The Nova Scotia Farm Loan Board maintains accounts of properties purchased under this program.

In total, thirty one properties remain under this program, with a total outstanding principal at year-end of $673,000.

New Entrants to Agriculture Program

This is the eighth year for this program. The program is funded by the Department of Agriculture and administered by the Farm Loan Board. The objective is to encourage new Nova Scotia farmers to purchase and develop successful farm operations. Funds available under this program will be extended to improve the viability of each farm operation as key areas requiring improvement are outlined by the new entrant in a business plan. Eligible applicants receive a grant in the amount of interest paid on qualifying loans for the first two years to a maximum of $10,000 per year. During the 2007-2008 year, grants of $456,000 were disbursed and 31 applications were accepted resulting in a commitment of $536,000 to be disbursed over the following two years.

Ruminant Loan Support Program Interest Grant

This program began in the 2004-2005 fiscal year and concluded during 2007-2008. It was developed to help producers affected by low prices resulting from the bovine spongiform encephalopathy (BSE) cases in western Canada and the US border closure. It provided interest relief on eligible loans to beef and sheep producers. The program was funded by the Department of Agriculture and administered by the Farm Loan Board. During the 2007-2008 year, grants of $92,000 were disbursed under this program.

Transitional Assistance Program Grant

This program provided for $6.3 million in grants to ruminant and hog producers to assist in transition of their farm operations to a sector with a more positive outlook, a different business model, or to exit the industry. Grants against loan principal were made based on approval by a departmental committee which reviewed applications and business plans.

Life Insurance

The Farm Loan Board administers a creditor group life insurance for clients. The policy is held with the Sun Life Assurance Company of Canada. Total insurance in force at the end of 2007-2008 was $129.9 million.

Results (Progress and Accomplishments)

Priority: Lending

- Provide $28 to $30 million of new loan capital to the agricultural and timber industries in the 2007-2008 fiscal year.

Result: 138 loan applications were approved during the year with total funds advanced of $22.3 million. Principal repayments were $28.7 million. Interest rates were relatively stable and credit availability from other lenders was strong. While below the maximum $30 million authorised, as well as initial expectations for this fiscal year, it is felt that the funds advanced met the needs of the industry within the mandate of the Board. In order to better meet client needs, the Board increased the maximum term available from 25 to 30 years.

- Financial Counseling

Result: Loan officers met with clients to discuss lending needs and provide other financial counseling, attended information sessions and presented information to meetings of interest to the agricultural community.

- Governance

Result: The Board continued to discuss appropriate governance provisions with the Department of Agriculture to achieve approval of the governance manual. Clarification of authority through the Departments of Justice and Agriculture was initiated in order for the committee to proceed with finalization of governance planning.

- Timber Loans

Result: The Board continues to be available to work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within this industry.

- Reporting

Result: Board staff continued to work with Department of Finance, Corporate Information Systems Division staff to define requirements to improve client and administrative reporting during the year. Areas of desired improvement have been identified and Board staff participated in a number of review and planning meetings oriented towards developing improvements. Additional capabilities have been identified for development upon or following the implementation of the next major system upgrade expected to occur in the next fiscal year.

- Account Maintenance

Result: Arrears declined slightly to 2.8% of the portfolio at March 31, 2008 in spite of significant difficulties being experienced in the hog sector, continued weakness in the beef sector and an overall decline in the portfolio. Three accounts were submitted for write-off during the year, totalling $374,000 or 0.20% of the loan portfolio.

Priority: Program Administration

- Administer a New Entrants Program in concert with the Nova Scotia Department of Agriculture.

Result: In the eighth year of this program, 31 new entrant grant applications were assisted, including 6 inter-generational transfers. Approved grants of $536,000 over the next two years (subject to budgetary authority) are within the annual budget authority to date of $600,000. Actual disbursements under this program for 2007-08 were $456,000, somewhat less than the budget authority of $600,000 because of lower approvals in the previous two years and the timing of grant requests. Disbursements have fluctuated over the past eight years, depending on demand, averaging $570,000.

- Flexible Loan Programs

Result: Flexibility has been built into individual loan terms to meet client needs, including extended payment deferrals for plantings of crops which are subject to a delayed return. The ruminant loan support program loans were paid down by grant during the year. Repayment of the New Market Opportunities Loans continue with no new loans being granted. No additional flexible loan programs were established. The Board continues to be prepared to work in collaboration with the Department of Agriculture and industry to develop flexible programs to assist agricultural sectors.

Actual/Budget Comparison - Loan Operating

Description	2007-2008 Actual ($ 000)	2007-2008 Budget ($ 000)	Change ($ 000)
Interest	10,981	11,390	(409)
Insurance revenue (expense)*	222	150	72
Fee revenue and other income*	254	582	(328)
Total revenue	11,457	12,122	(665)
Interest	9,416	9,800	(384)
Operating expenses*	1,179	1,317	(138)
Bad debt expense	8,695	350	8,345
Total expenses	19,290	11,467	7,823
Income (Deficit) before govt. contributions	(7,833)	655	(8,488)
Government contributions	7,833	1,317	(138)
Net Income	0	1,972	(8,626)

See Financial Statements for complete financial information and notes.
Items marked * are budgeted as part of the Department of Agriculture estimates. Items not marked are not identified in approved estimates at this level of detail but are included in the Board's annual business plan.

Significant variations from Budget:

- Fees: Early repayment fees (penalties) were below levels set by the budget and are expected to decline further because most clients who may have benefited by paying out the loan have done so or have reached their 5 year anniversary and the Board has adjusted the rate.
- Insurance Revenue: Fluctuates annually depending on death claims. Claims for 2007-08 were below the expected average.
- Operating Expenses: Salary costs were below budget due to unfilled positions and deferral of some activities to 2007-08.
- Bad Debt Expense: Bad debt expense was increased significantly in recognition of serious difficulties being experienced in the Hog sector. Bad debt expense varies from year to year based on an evaluation of Board accounts.

Actual/Budget Comparison - Capital Funds

Description	2007-2008 Actual ($ 000)	2007-2008 Budget ($ 000)	Change ($ 000)
Opening principal	190,739	189,622	1,117
Funds advanced	22,341	29,000	(6,659)
Principal repayments	(25,753)	(18,500)	(7,253)
Written off	(374)	(500)	126
Advanced principal at year-end	186,953	199,622	(12,669)
Allowance for impairment	(15,132)	(6,937)	(8,195)
Net principal at year-end	171,821	192,685	(20,864)

Significant variations from Budget:

- Opening principal: Budget Projections are final before the year in progress is complete.
- Funds advanced: Loan demand has been reduced. This is believed to be related to strong credit availability with commercial lenders and relatively low short-term interest rates available through commercial lenders.
- Principal repayments: Repayments have been above projections due to continuing good credit availability and interest rates, especially on short term loan commitments available generally in Nova Scotia.

Actual/Budget Comparison - Grant Programs

Description	2007-2008 Actual ($ 000)	2007-2008 Budget ($ 000)	Change ($ 000)
New Entrants Grants Disbursed	456	600	(144)
Ruminant Support Loan Interest Grant	92	97	(5)
Transitional Assistance Program	6,332	6,000	332

Significant variations from Budget:

- Actual disbursements are down based on prior year approvals and actual interest costs on approved loans. Approvals are for a two year grant. Year-to-year fluctuations in approvals may offset in annual costs and are dependent on grant applications accepted in the two previous years.

- The Ruminant Interest Grant program was completed during the year.

- The Transitional Assistance Program was completed during the year. The over expenditure was approved and funded through the Department of Agriculture.

Measuring Our Performance

The following sections provide results of performance measures identified in the Board's Business Plan for 2007-2008.

Core Business Area I: Lending

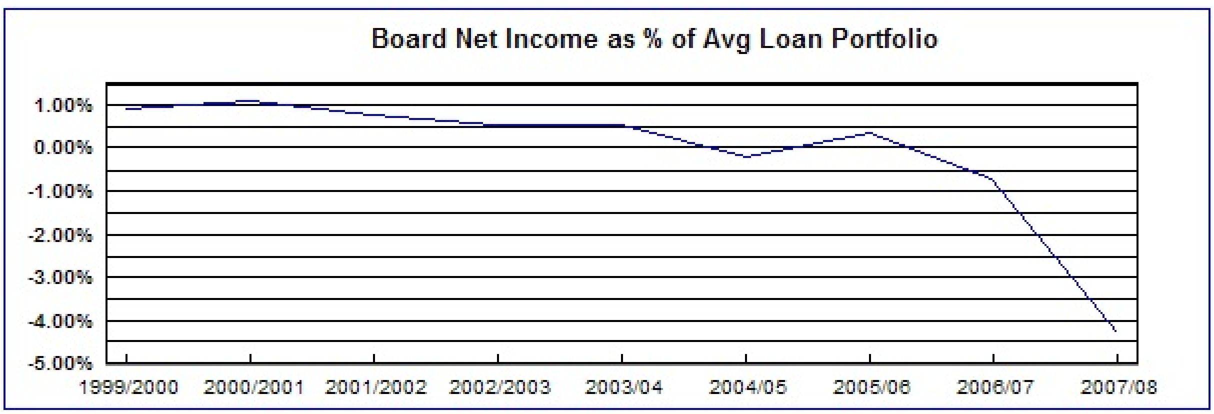
This is the primary focus of the Board. Although lending activities address all three of the strategic goals, lending most directly bears upon ensuring access to stable, cost effective long-term developmental credit. The following measures provide an indication of the Board's success in pursuit of this goal:

Measure I-1: Income (before government contributions) as a percentage of the average active loan balance. Fiscal year (April 1 - March 31) measure.

What this measure tells us:

By comparing net income to the size of the loan portfolio, this measure provides an indication of the Board's efficiency assuming stable interest margins.

Where we are now:	Base year:	1998-99:	0.1%
		2005-06:	0.4%
		2006-07:	-0.7%
		2007-08:	-4.3%



Adjustments to the provision for impaired loans related to hog accounts resulted in an increase in this provision and the related expense from budget of $8.3 million or 4.6% of the loan portfolio. Repayment fee revenue has also declined significantly. Given current operating revenues and costs, the established target will be difficult to maintain. Internal targets are to maintain, on average, at least a positive revenue.

Where do we want to be?

Target 2007-2008: 0.3% - stability

The overall goal in this area is to remain efficient, recover costs, and maintain operations to meet the mandate of the Board effectively. Based on historical information adjusted for known costs, the 0.3% target above seems a reasonable basis for discussion of this goal.

Measure I-2: Farm Loan Board loans as a percentage of total Nova Scotia Farm Debt
This measure is based on calendar year data (Jan 1 - Dec 31)

What this measure tells us:

Proportion of Nova Scotia farm debt provided by the Farm Loan Board. This is an indication of the Board's ability to meet industry needs . Total reported farm debt has increased significantly in recent years, with most of the increased debt being provided by commercial and other lenders. This increase in debt and debt availability has reduced the proportion of loans held by the Board without necessarily changing the need being met by the Board.
{Reporting on this measure is for the previous calendar year, based on Statistics Canada data}

Where we are now: (calendar years)

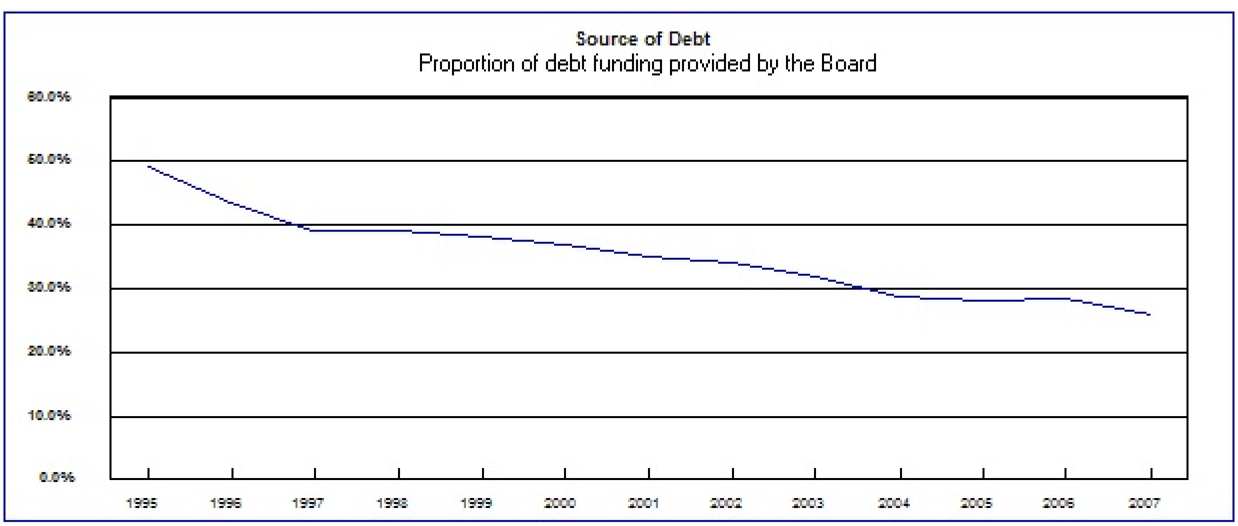
2000: 36.9% Base year
2005: 27.8%
2006: 28.4%
2007: 25.8%

As discussed in the 'Results' section under 'Lending', farm credit requirements remain strong, however many clients have taken loans with commercial lenders to take advantage of low short-term interest (1-5 year terms and variable) rates not offered by the Board. Short term loan products, not offered by the Board, have reduced interest rates for clients, sometimes allowing larger, more stable clients to finance with other lenders at reduced cost. Availability of credit coupled with increased quota and equipment costs have resulted in increased total farm debt in Nova Scotia.

Where do we want to be?

Target calendar 2008: 22.5%

The Board's intention has been to maintain its availability to the agricultural and timber industries. The Board's focus remains on long term lending and feels that it is meeting its mandate regardless of the increase in commercial lending to agriculture.



Measure I-3: Arrears (>$100) as a percent of the value of all accounts
Measured at end of fiscal year (March 31)

What this measure tells us:

This measure provides an indication of Client Success overall. It also measures the performance of the Board's policies and procedures for monitoring arrears and assisting clients in difficulty. Arrears as measured at March 31 of each year.

Use of this measure is a balancing act. Strict limitation of arrears conflicts with the intent of the Board to act as a patient lender for clients and sectors facing cyclical or other temporary downturns.

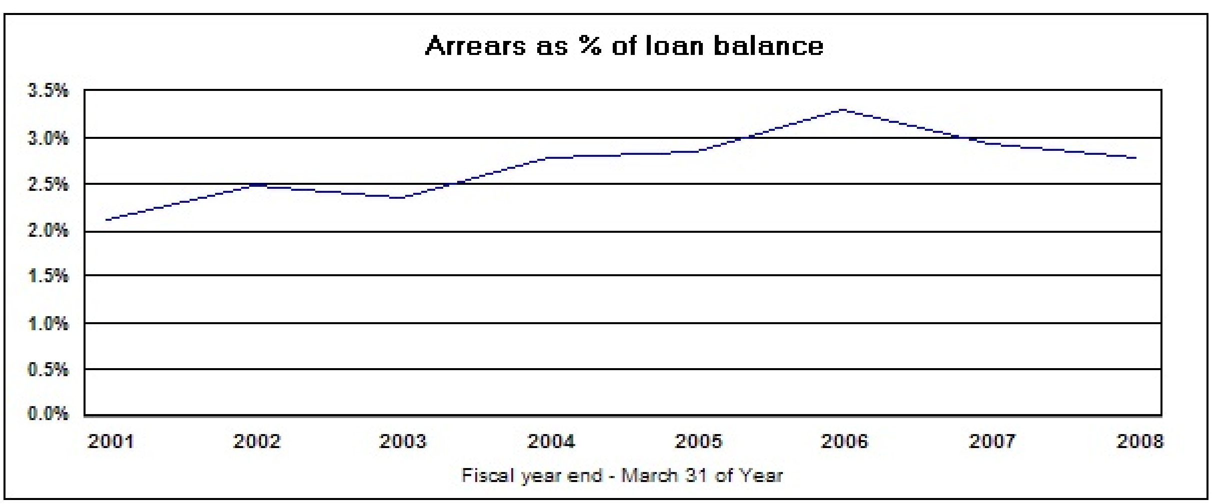
Where we are now:	Base:	March 2001:	2.1%
		March 2006:	3.3%
		March 2007:	2.9%
		March 2008:	2.8%

A large number of loan payouts by strong clients transferring to short-term loans have limited the portfolio size and reduced the average strength of clients remaining. Difficulties experienced by hog producers due to low prices as well as by beef producers have made repayment more difficult. High arrears are also being experienced in the mink and 'other crop' sectors. With additional attention from loan officers, arrears are improving.

Where do we want to be?

Target Mar 2008: 3.0% or less

Arrears have increased from the base year (2001) and are an area to watch for the Board. Client counselling and arrears follow-up are being pursued to mitigate the effects of high arrears. The Board's HR plan provides for allocation of additional resources to counselling and followup when these become available to the Board. At the same time, the Board recognizes the difficulty faced by some sectors and will work with borrowers for the best long term resolution even if that does not result in an immediate reduction in arrears. Targets have been set to reflect long term goals.



Measure I-4: Defaulted accounts held as real estate as a % of total of all accounts
Measured at end of fiscal year (March 31)

What this measure tells us:

This measure provides an additional indication of Client Success overall. It measures the performance of the Board's policies and procedures for monitoring and assisting clients in difficulty and the overall level of client distress.

Where we are now:

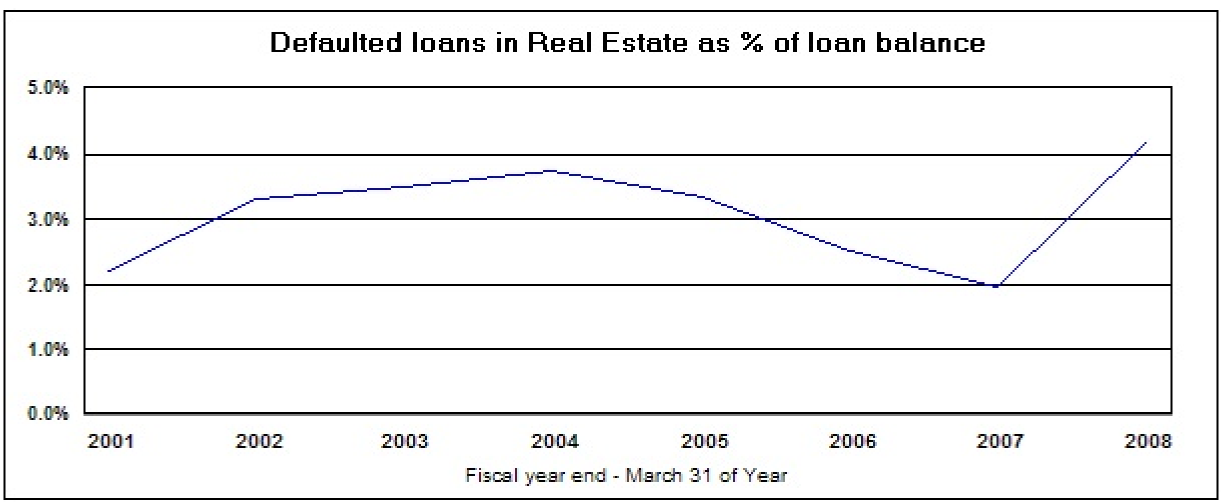
Base:	March 2001:	2.0%
	March 2006:	2.5%
	March 2007:	1.9%
	March 2008:	4.2%

2008 is above historical and targeted levels as a combined result of client difficulties, and transfer of strong clients to other lenders to gain lower short-term interest rates.

Where do we want to be?

Target March 2008: 3.0% or less

In the longer term, the above targets are still believed to be attainable, however year-to-year fluctuations must be expected.



Measure I-5: Client satisfaction based on survey of clients receiving loans

Combined results of responses to Courtesy, Promptness, Knowledge, Commitment
Fiscal year (April 1 - March 31) measure.

What this measure tells us:

This measures provides the client's view of services provided and may identify areas for improvement.

Where we are now:

<u>Percentage Good to Excellent:</u>

Base year: 2000-01: 92%
2005-06: 96.1%
2006-07: 96.8%
2007-08: 88.5%

Where do we want to be?

Target 2007-08: 90% or above

The decline in rating for 2007-08 is primarily a decline in the component for timeliness. Response rates for loan requests were reduced in the latter part of this year as extra effort was focussed on review of security to meet audit and management requirements. This will be an ongoing requirement. The Board has prepared and submitted a 'Human Resources Plan' which identifies additional resources required to support loan counselling and client service.

Core Business Area II: Programs Administration

The Board administers loan-based assistance programs on behalf of the Department of Agriculture allowing it to take advantage of systems and information already in place to deliver programs efficiently and to support credit based goals of the Board.

Measure II-1: Number of approved applications to the New Entrant Program

What this measure tells us:

This measure indicates the relevance of the program by measuring take-up by qualified applicants.

Where we are now:	Base year:	2000-01:	48
		2005-06:	36
		2006-07:	36
		2007-08:	31

Where do we want to be?

Target 2007-2008: 30 - 50

Approvals are limited by the number of valid applications received.

This program will be reviewed by the Department of Agriculture for potential modifications, and any revisions will be built in to future targets.

Measure II-2: **Percentage of new entrants assisted in last 5 years remaining in agriculture.**

What this measure tells us:

This is an indication of whether the program actually helps individuals to enter and continue on in agriculture.

Where we are now:	Base year:	2000-01:	N/A
		2005-06:	99.0%
		2006-07:	96.8%
		2007-08:	91.3%

Where do we want to be?

Target 2007-2008: 80% or more

Results to date are very positive. It is recognized that new entrants may be subject to difficulties common to many start-up businesses as well as production and market variations particular to agriculture. Some exits from agriculture are expected. The 80% target was set as a reasonable trigger for further discussion should the percentage of new entrants continuing fall to that level.

This program will be reviewed by the Department of Agriculture for potential modifications, and any revisions will be built in to future targets.

Measure II-3: # of transfers to younger family members using this program

What this measure tells us:

This is an indication of the degree to which the program allows farms to remain in family hands by assisting succession.

Where we are now:	Base year:	2000-01:	N/A
		2005-06:	15 (42%)
		2006-07:	12 (33%)
		2007-08:	6 (19%)

Where do we want to be?

Target 2007-2008: 25

The overall program uptake is below the numbers originally expected (60). The Board continues to work with new entrants and to support succession of family farms where ever possible. Demand for the program is subject to the applicant's opportunity and interest in becoming involved in a parent operation. Staff note that in many larger farm operations, succession discussions and negotiations occur over a period of several years. With ongoing consolidation of farms in Nova Scotia, it is expected that fewer applicants will apply as "transfers to younger family members" under this program. This measure and the target 25 (42%) set at the onset of this program will be re-considered in light of the current business environment and program goals going forward.

This program will be reviewed by the Department of Agriculture for potential modifications, and any revisions will be built in to future targets.

Table 1 **Historical Financial Summary** ($ '000)				
Fiscal year (April 1 - March 31):	2004-05	2005-06	2006-07	2007-08
Funds Advanced (all accounts)	$ 20,781	$ 30,257	$ 25,526	$ 22,341
Principal Repayments (all accounts)	(20,821)	(19,554)	(17,418)	(25,753)
Written off	0	(1,179)	(1,527)	(374)
Advanced Principal at Year-End	174,634	184,158	190,739	186,953
Provision for Doubtful Accounts (Principal)	(7,776)	(7,155)	(7,796)	(15,132)
Net Principal at Year-End	$ 166,858	$ 177,003	$ 182,943	$ 171,821
Revenue (1)	$ 11,109	$ 11,330	$ 11,533	$ 11,457
Expense (1)	(11,446)	(10,698)	(12,793)	(19,290)
Net Income (before Gov. contributions)	$ (337)	$ 632	$ (1,260)	$ (7,833)

See Financial Statements for notes related to the above information.

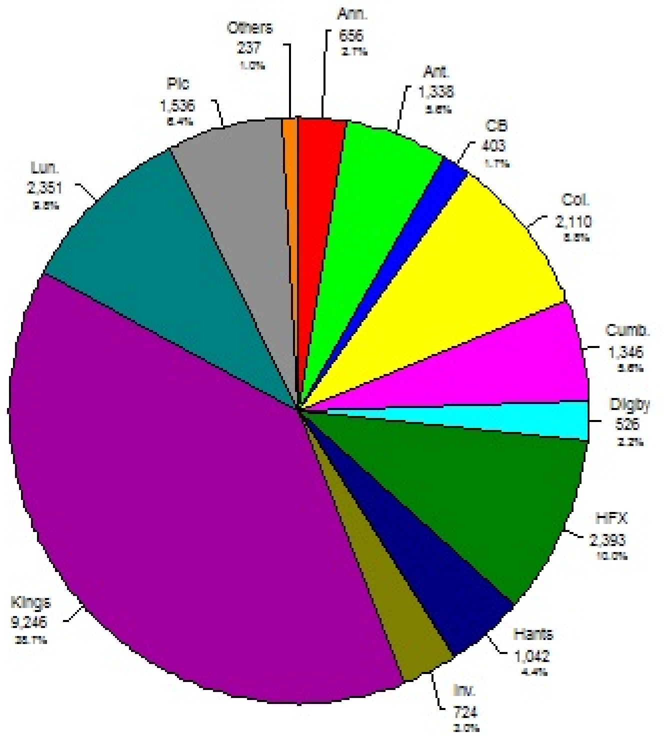
Table 2
Loan Principal approved and in place by County, 2007-2008 fiscal year

County	Approved this year			Total Loan Principal Not in Default	
	#	$ ('000)	%	$ ('000)	%
Annapolis	7	656	2.7%	11,368	6.4%
Antigonish	9	1,338	5.6%	8,047	4.5%
Cape Breton	4	403	1.7%	2,068	1.2%
Colchester	21	2,110	8.8%	23,127	13.0%
Cumberland	14	1,346	5.6%	16,944	9.5%
Digby	3	526	2.2%	6,146	3.4%
Guysborough	0	0	0.0%	1,134	0.6%
Halifax	6	2,393	10.0%	5,984	3.4%
Hants	13	1,042	4.4%	14,401	8.1%
Inverness	6	724	3.0%	6,071	3.4%
Kings	37	9,246	38.8%	68,691	38.4%
Lunenburg	5	2,351	9.8%	6,054	3.4%
Pictou	10	1,536	6.4%	5,149	2.9%
Queens	0	0	0.0%	463	0.3%
Richmond	0	0	0.0%	355	0.2%
Victoria, Yarmouth and Shelburne (Combined due to small number of loan requests)	3	237	1.0%	2,380	1.3%
Total Loans	138	23,908	100.0%	178,382	100.0%
Timber Board (included in above)	1			730	

Value of loans approved during the year by County

2007/08 Fiscal Year

($ Thousands)



Principal of all loans at year-end by County

March 31, 2008

($ Thousands)

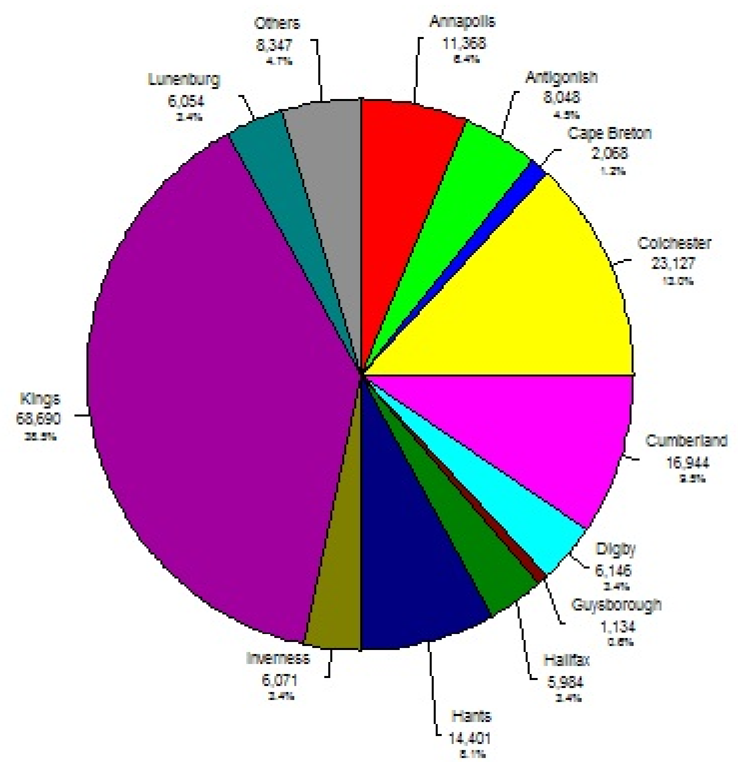


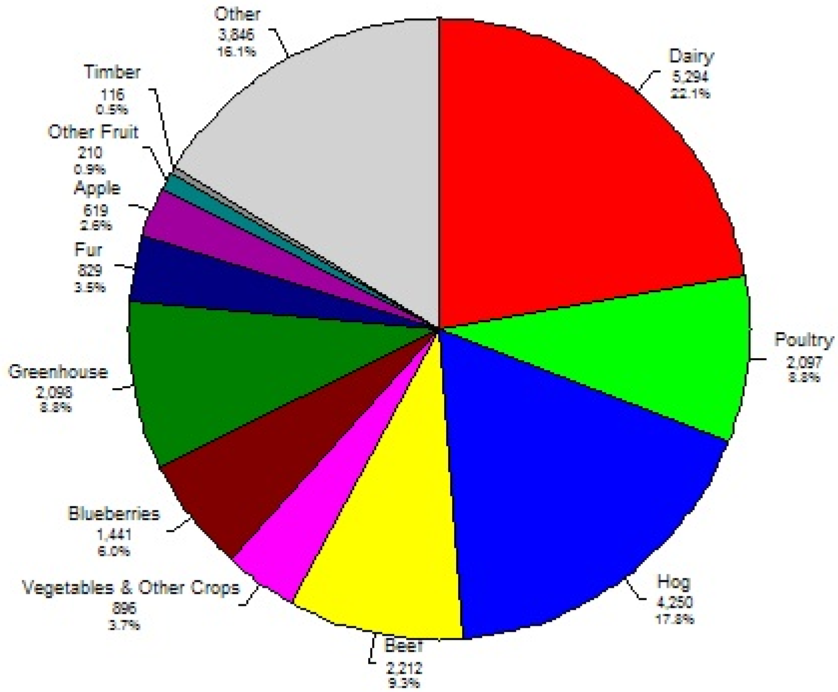
Table 2
Loan Principal approved and in place by Commodity, 2007-2008 fiscal year

Commodity	Approved this year			Loan principal outstanding at year end				
				Un-impaired	Impaired	In Default	Total Portfolio	
	#	$('000)	%	$ ('000)	$ ('000)	$ ('000)	$ ('000)	%
Dairy	34	5,426	27.3	50,907	0	0	52,741	28.4
Poultry	8	2,118	10.6	28,223	117	141	28,486	15.3
Hogs	11	3,590	18.0	1,762	15,039	4,822	20,587	11.1
Beef	56	2,215	11.1	11,009	2,917	259	15,275	8.3
Vegetable and other crops	6	508	2.6	6,772	324	1,527	8,619	4.7
Blueberries	23	1,732	8.7	10,456	422	99	10,733	5.8
Greenhouse	4	298	1.5	9,034	1,546	0	10,116	5.5
Fur	11	1,283	6.4	8,265	1,562	0	9,827	5.3
Apples	7	614	3.1	6,665	308	0	6,988	3.8
Other fruit	4	812	4.1	4,305	1,067	195	5,499	3.0
Timber and forestry	0	0	0.0	730	0	0	612	0.3
Other	15	1,304	6.6	14,711	2,218	105	15,652	8.5
Total Loans	179	19,900	100.0	152,839	25,520	7,148	185,135	100.0

Value of loans approved by Commodity

2007/08 Fiscal Year

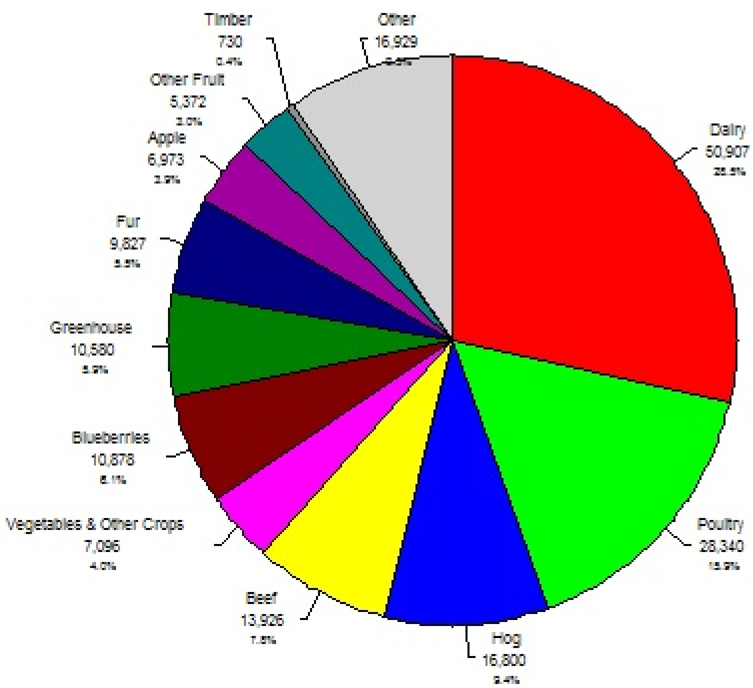
($ Thousands)



Principal of loans not in default by Commodity

March 31, 2008

($ Thousands)



NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 2008

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NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-4046 • Fax 902 424-4350

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 2008 and the statements of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have been unable to obtain satisfactory evidence to support a conclusion on management's estimate of the provision for loan impairment. Accordingly, I was not able to determine whether any adjustments might be necessary to the provision for loan impairment, or to the amount due to the Province of Nova Scotia, and deficit.

In my opinion, except for the effect of adjustments, if any, which I may have determined to be necessary had I been able to obtain sufficient evidence regarding the matters described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 23, 2008

Nova Scotia Farm Loan Board
Balance Sheet
March 31, 2008
($thousands)

ASSETS

	2008	2007 (restated)
Cash (Note 2a)	$ 1,649	$ 1,683
Interest and other receivables (net) (Note 3, 5)	2,686	2,732
Loans receivable (net) (Notes 3, 6)	167,679	180,826
Real estate (net) (Notes 3, 7)	4,142	2,944
	$ 176,156	$ 188,185
LIABILITIES		
Due to the Province of Nova Scotia (Note 9)	$ 1,649	$ 360
Advances from the Province of Nova Scotia (Note 10)	174,507	186,502
	176,156	186,862
EQUITY		
Retained earnings (Note 4)	-	1,323
	$ 176,156	$ 188,185

Commitments and contingencies (Note 16)

APPROVED ON BEHALF OF THE BOARD

Leo J Cox
Member

Stephen Healy
Member

(See accompanying notes to the financial statements.)

Nova Scotia Farm Loan Board
Statement of Operations
For the Year Ended March 31, 2008
($thousands)

	2008	2007
Revenues		
Interest revenue (Note 2f)	$ 10,981	$ 10,910
Revenue on life insurance operations	222	254
Fee revenue and other income	254	369
	11,457	11,533
Expenses		
Interest expense	9,416	9,434
Operating expenses (Note 11)	1,179	1,288
Bad debt expense	8,695	2,071
	19,290	12,793
Deficit before government contributions	(7,833)	(1,260)
Government contributions (Note 12)	7,833	1,288
Net Income	$ -	$ 28

(See accompanying notes to the financial statements.)

Nova Scotia Farm Loan Board
Statement of Retained Earnings
For the Year Ended March 31, 2008
($thousands)

	2008	2007
Retained earnings, beginning of year	$ 1,323	$ 1,575
Deficit before government contributions	(7,833)	(1,260)
Distribution to the Province of Nova Scotia (Note 4)	6,510	1,008
Retained earnings, end of year	$ -	$ 1,323

(See accompanying notes to the financial statements.)

1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agricultural and Rural Credit Act and the Forests Act (for timber loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is limited by regulation to $200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the year ended March 31, 2008 maximum new advances were $30 million, of which $22.3 million was advanced. The Board received loan principal repayments of $26.1 million during the year.

Loans in excess of $2 million and any loan write offs require approval by Governor in Council.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

a) **Cash**

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

Cash reported consists of funds held by the Sun Life Assurance Company of Canada in relation to the Board's Creditor Group Life Insurance program. Funds restricted under the terms of the life insurance contract total $28,000 (2007 - $30,000).

b) **Statement of cash flow**

Except for funds held by the insurance carrier, the Board holds no cash. Disbursements are drawn and receipts are deposited to accounts managed by the Province. A statement of cash flow has not been provided because disclosure in the balance sheet and statement of operations is considered adequate.

c) **Loans receivable**

Loans receivable is the principal portion of loans outstanding net of the provision for loan impairment.

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

2. Significant Accounting Policies (continued)

d) **Provision for loan impairment**

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

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

In addition, the Board records a general provision equal to .8% of the portfolio not included in the specific reserve. This is an estimate of probable but unidentifiable losses.

e) **Real estate**

Real estate acquired through foreclosure and held for sale 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 security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. The related provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in bad debt expense.

The Board also holds land purchased under a Provincial "Landbank" program and under a Federal-Provincial "Agriculture and Rural Development Agreement" (ARDA). Both of these programs have ceased to exist; however, existing properties and leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase cost.

f) **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 reasonably assured.

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

2. **Significant Accounting Policies (**continued)

g) Use of estimates

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported. Significant assumptions are required in the determination of the provisions for impaired loans and real estate. Actual results may differ from the amounts recorded in the financial statements and these differences may be material.

8. Financial instruments

The carrying value of cash, interest, and other receivables, and amounts due to and from the Province of Nova Scotia, approximate their fair value because of their short-term maturity.

The fair values of loans receivable approximate their net realizable value. The Board holds all loans to maturity.

3. **Accounting Changes**

1. During the year, the Board changed the method of allocating the provision for impairment to interest and principal receivable. Previously, the provision had been allocated on a pro-rata basis based on the outstanding amount of principal and interest, for each loan, at year end.

The Board determined that allocating the provision to interest receivable first better reflects the requirement to apply repayments to accrued interest on outstanding balances. The balance of a repayment is then applied to outstanding principal once all accrued interest has been paid. The effect on March 31, 2007 reported information is to decrease "Interest and Other Receivables" by $827,000 and increase "Loan Receivable" by $719,000 and "Real Estate" by $108,000. There is no effect on revenue or expense.

b) Effective April 1, 2007, the Board adopted the Canadian Institute of Chartered Accountants' Handbook Section 3855 Financial Instruments – Recognition and Measurement. Under this section all of the Board's loans are classified as loans and receivables and are accounted for on the amortized cost basis. This is consistent with the Board's continuing policy. The adoption of the accounting policy has been applied prospectively without restatement of the prior year's amounts.

c) The following summarizes a future accounting change that will be relevant to the Board's financial statements subsequent to March 31, 2008.

The CICA has issued two new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Board commencing April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Board is exposed and how it manages those risks. The Board is currently evaluating the impact of the adoption of these new standards on its financial statements.

($thousands)

4. Interest Expense and Retained Earnings

Since April 1, 1998, a Memorandum of Understanding (MOU) between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance has formalized the Board's funding arrangement. Prior to the 2008 fiscal year, this MOU included a provision for the Board to retain 20% of its net income for future use (as Retained Earnings). During the current fiscal year, this MOU was amended to remove the retention of Retained Earnings. All funds previously set aside, and current and future earnings, are to be transferred to the appropriate Provincial Government department.

Under the MOU arrangement, the Board estimates projected lending requirements on a quarterly basis. The 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 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.

5. Interest and Other Receivables (net)

Interest and other receivables consists of the following:	2008	2007 (restated)
Interest receivable	$ 2,889	$ 2,678
Accrued interest	931	1,003
Other charges	243	210
	4,063	3,891
Less: provisions for impairment	(1,377)	(1,159)
Interest and Other Receivables (net)	$ 2,686	$ 2,732

($thousands)

6. Loans Receivable (net)

The following are anticipated loan repayments based on loan payment schedules and maturities.

	2008				2007 (restated)
	Under 1 Year	**1-5 Years**	**Over 5 Years**	**Total**	**Total**
Farm loans	$13,065	$46,662	$92,602	$152,329	$162,691
Timber loans	102	236	172	510	612
Total performing loans	$13,167	$46,898	$92,774	152,839	163,303
Average effective annual interest rate	6.33%	6.15%	6.25%		
Add: principal receivable on impaired				25,520	21,832
loans (excluded from above)				178,359	185,135
Total principal				10,680	4,309
Less: provision for loan impairment				$ 167,679	$180,826
Loans receivable (net)					

7. Real Estate (net)

	2008	2007 (restated)
Real estate held for resale	$7,148	$4,067
Less: provision for impairment	4,452	2,660
Net real estate held for resale	2,696	1,407
Real estate held for long-term use		
Land bank	673	805
Land consolidation		
Agriculture and Rural Development Agreement (ARDA)	32	37
Less Federal Government share of ARDA properties	(16)	(18)
Property used by NS Agricultural College and Community Pastures	757	713
Total property acquired for long-term use	1,446	1,537
Real estate (net)	$4,142	$2,944

($thousands)

8. Provision for Impairment

	2008			2007 (restated)
	Loans	**Real Estate**	**Total**	
Balance, beginning of year	$5,254	$2,873	$8,127	$7,583
Write-offs	-	(374)	(374)	(1,527)
Current year provision	6,215	2,541	8,756	2,071
Balance, end of year	$11,469	$5,040	$16,509	$8,127
Provision on principal	$10,680	$4,452	$15,132	$6,968
Provision on interest	789	588	1,377	1,159
	$11,469	$5,040	$16,509	$8,127

The balance at March 31, 2008 includes a specific allowance of $15,360 (2007 - $6,929). The general allowance of $1,149 (2007 - $1,198) relates only to loans receivable.

9. Due to the Province of Nova Scotia

	2008	2007
Amounts held by the Province of Nova Scotia (Note 4)	$-	$(1,323)
Less: Deposits held by Sun Life Assurance Company of Canada and also due to the Province of Nova Scotia (Note 2a)	1,649	1,683
Due to the Province of Nova Scotia	$1,649	$ 360

10. Advances from the Province of Nova Scotia

Advances are provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest expense is calculated in accordance with a Memorandum of Understanding with the Department of Finance (Note 4).

($thousands)

11. Operating Expenses

	2008	2007
Salaries	$952	$1,081
Supplies and services	73	50
Travel	57	55
Training and development	11	5
Professional/special services	54	71
Equipment and other	32	26
Operating expenses	$1,179	$ 1,288

12. Government Contributions

Expenses for the year ended March 31, 2008 were paid by the Department of Agriculture on behalf of the Board. Interest expense on funds borrowed to make loans is an expense of the Department of Finance. Accordingly these expenses are included in Government Contributions in the Statement of Operations.

13. 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 clients on an individual basis to provide time for recovery.

Liquidity Risk
The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in Note 1.

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. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

Life Insurance Risk
The Board requires borrowers to participate in a group life insurance program administered by the Board unless the borrower has arranged alternative life insurance coverage. The net annual gain or loss under contract with the insurance provider (premium revenue less the cost of life insurance claims) to a maximum of $250,000 on any claim, plus administrative costs, are costs or revenues of the Board and may vary from year to year.

14. 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 4). Property used by the Nova Scotia Agricultural College is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

During the year, the Province provided assistance to beef and sheep ($2.8 million) and pork ($3.6 million) producers, under the Transitional Assistance Program. Amounts paid were used by producers to reduce the principal portion of their loans.

15. 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 are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

16. Commitments and Contingencies

The Board will hold interest rates for ninety days for any client from the date of receipt of a loan application.

As at March 31, 2008, the Board had authorized loans of $3.8 million which had not been disbursed. The average loan interest rate on outstanding approved commitments at March 31, 2008 was 6.62%.

The Board is aware of an environmental issue on one property in the Board's possession at March 31, 2008.

17. Comparative Figures

Certain comparative figures in the financial statements have been reclassified to conform with the financial statement presentation adopted in the current period.