FRESHWATER FISH

1969 - 2019

2019 Annual Report

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Letter of Transfer from Chairperson of the Board of Directors to Minister of Fisheries, Oceans and the Canadian Coast Guard

The Honourable Jonathan Wilkinson
Minister, Fisheries, Oceans and the Canadian Coast Guard
200 Kent St
Station 15N100
Ottawa ON K1A 0E6

Dear Minister:

We are pleased to submit Freshwater Fish Marketing Corporation's Annual Report in accordance with Section 150 of the *Financial Administration Act*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2019.

During the year, the Board of Directors continued to enhance governance, oversight and risk management roles. The annual strategic planning session was held to review, confirm and adjust the Corporation's purpose, vision, goals, strategic priorities, high-level strategies and key performance indicators. Open discussion of opportunities and challenges and a review of risks and opportunities were updated and integrated into the Corporation's strategic direction.

The Board met a total of 12 times during the year to discuss issues and to review progress on Freshwater's strategic initiatives. Board Directors also monitored progress on the Corporation's key performance indicators.

In June 2018, two new directors were appointed to the Board. These directors contribute a valued perspective and a broad range of capabilities and expertise. Their attributes complement the skills and experience of our incumbent Board members.

The Board and senior management remain committed to meeting our legislated mandate and improving the value of the Corporation for the Government of Canada.

In closing, I would like to recognize and thank Mr. Bert Buckley, who served on Freshwater's Board for 20 years until April 2019. Mr. Buckley is the longest-serving Director in the Corporation's 50-year history.

Yours sincerely,

David Bevan
Chairperson of the Board

Picking up fish for transport (1980)

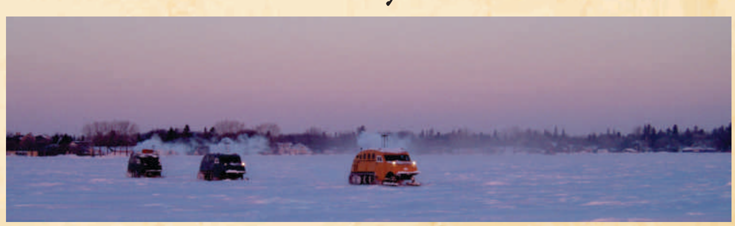
Poplar River barge

Fishing in shallow water

Tamiko Lee Ann

The Goldfield

Pulling nets



President's Message

2019 marks a noteworthy milestone for Freshwater and everyone in our industry, as we celebrate the 50th year of serving the fishers of northern and western Canada. Since 1969 we have been purchasing, processing and marketing Canada's finest freshwater fish products to customers around the globe. Over the last 50 years, we have purchased millions of kilograms of freshwater fish, developed a loyal customer base, strengthened the presence of Canadian freshwater fish in international markets and operated a world-class processing facility with talented and dedicated employees.

The Corporation has had its share of successful and challenging years in the past five decades. 2019 was a demanding year both financially and operationally. On the financial front, we generated profitability that was below last year's record of $8.3 million before the provision for final payment and income tax, and below our 2019 plan. Although sales revenues reached a record high of $77.6 million, profit generated was $0.9 million before the provision for final payment to fishers and income tax. The cause is multi-faceted; however, there were a few main contributors to our 2019 performance.

First, intense competition for protein alternatives in many of our global and North American markets placed downward pressure on sales revenue per kilogram that was lower than our 2019 plan for many species. Second, operational challenges, including greater-than-expected fish deliveries and ensuing higher-than-planned labour and overhead expenses during the 2018 fall fishing season, raised processing costs. Higher-than-planned storage and transportation costs also reduced profitability. Finally, while foreign receivables are hedged annually, the Canadian dollar and the Corporation's foreign exchange hedging program did not perform as favourably for Freshwater as in 2018.

Although the Corporation's overall profit in 2019 is lower and final payment to fishers is less than last year, it is significant to note that overall initial payments to fishers per kilogram have increased by 30% compared to five years ago, with greater increases for some species, most notably for walleye and all roe.

Much in our industry has changed over the last half-century and Freshwater has always supported fishers in getting Canadian freshwater fish from Lake to Plate®. The pace of change is increasing rapidly. We remain committed to building on our strengths and to continue to provide value for fishers.

Going forward, we will continue to sell Freshwater products aggressively in traditional markets and seek out new opportunities in world markets. The quality of our products, our year-round consistency of supply, and the strength that comes from having fish producers in diverse regions working together with the Corporation will further enhance our business, support the communities in which we operate, and create value for all Freshwater Fish stakeholders.

Stan Lazar
Interim President

Corporate Governance

Corporate Profile

Freshwater Fish Marketing Corporation (herein referred to as 'Freshwater', 'the organization', 'FFMC', or 'the Corporation') is a self-sustaining Crown corporation established in 1969 under the *Freshwater Fish Marketing Act*. Freshwater was created to market and trade in fish, fish products and fish by-products within and outside of Canada.

Freshwater is the buyer, processor and marketer of all commercially-caught freshwater fish from our mandate regions of Alberta and the Northwest Territories. In Saskatchewan and Manitoba, the Corporation has established supply contracts with fishers to match the open market supply environment in those provinces with market demand for our products.

We operate a complex supply chain of delivery points, agents, temperature-controlled transport, and processing and inventory management systems.

Final payments to fishers are distributed annually by species pool from available cash surpluses.

Freshwater's brand continues to represent a global benchmark with respect to the production of top quality wild-caught Canadian freshwater fish. In the midwest United States, walleye marketed by Freshwater is a premier choice for chefs when placing walleye on their menus. Freshwater is a large and trusted supplier of lake whitefish and lake whitefish caviar to Finland and a key supplier of tullibee roe in Scandinavia. We continue to be the dominant supplier to the northern pike market in France, both with minced and new product innovations. We are the largest individual supplier of freshwater fish products to the American gefilte fish market and maintain a kosher-certified processing facility.

Freshwater is celebrating five decades of successful business in Canada and abroad, having earned a solid reputation based on product reliability, quality and safety. We are a recognized industry leader with an internationally established and highly-endorsed brand of excellence.

Ensuring Effective Governance

Freshwater is committed to maintaining a strong governance framework that guides our leadership and strengthens the reputation and value that we have earned across global and domestic markets. We are committed to meeting our legislated mandate, and to continually enhance the Corporation's underlying value for the Government of Canada.

The Board of Directors has overall responsibility to oversee the management of the Corporation's business and affairs. In exercising its powers and performing its duties, the Board acts honestly and in good faith with a view to the best interests of the Corporation, which involves considering the interests of fishers, employees, and our sole shareholder, the Government of Canada, in accordance with our governing by-laws and applicable legislation.

To fulfill its stewardship responsibilities, the Board establishes and approves Freshwater's strategic direction through a five-year Corporate Plan, and reviews and approves major strategies and initiatives. It exercises due diligence by assessing risks and opportunities, ensuring the integrity of financial results and providing timely reports to the Government of Canada. The Board of Directors approved a new five-year Corporate Plan in March 2019 and submitted it to the Government of Canada in April 2019.

By drawing on understanding and insight through discussions, strategic planning sessions and input from employees and fishers, four strategic goals have been defined for Freshwater over the next five years. The strategic goals are:

- To generate market value and leadership in the markets we choose to serve;
- To manage an effective and efficient supply chain and be the preferred choice for fishers;
- To ensure long-term sustainability by continuing to improve the financial position of the Corporation;
- To foster a culture of performance delivering an exceptional workplace to employees and value to fishers.

The Board has eight available positions and at April 30, 2019, consisted of four Directors, including the President. As of April 30, four positions were vacant and the Board is working with the Government of Canada to fill those vacancies. The Board and its Committee hold *in camera* sessions without the presence of the President. During this fiscal year, the Board of Directors met in person four times and held eight teleconferences.

The Audit and Risk Committee assists the Board in its responsibilities. This Committee met a total of four times in person in 2018/19.

In March 2019, a Governance Committee was established to assist the Board of Directors in fulfilling its oversight responsibilities. This new Committee will review all aspects of the Board's governance framework to ensure that it functions in an effective and efficient manner to support FFMC's operations.

Director	Board meeting attendance*	Board teleconference meeting attendance*	Committee meeting attendance*
David Bevan	4/4	8/8	4/4
Bert Buckley	3/4	4/8	3/4
Dana Gregoire	4/4	7/7	3/4
Micah Melnyk	4/4	7/7	4/4
Stan Lazar	4/4	8/8	4/4

**The number of meetings attended compared to the maximum the Director could have attended.*

While the President receives an annual salary, the Chair of the Board is paid an annual retainer and a per diem set by the Governor-in-Council pursuant to the *Financial Administration Act (FAA)*. Directors are paid a per diem also set by the Governor-in-Council in accordance with the *FAA*.

Board members are reimbursed for all reasonable out-of-pocket expenses incurred while performing their duties related to Freshwater, including travel, accommodations and meals. Associated expenses for Board members and senior management are posted quarterly on Freshwater's website.

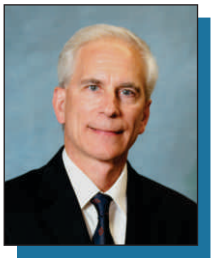
The Corporation conducted weekly operational reviews, with senior management focusing on operational key performance indicators (KPIs) that include fish deliveries, material yield, labour efficiency, inventory management, accident frequency, absenteeism and overtime levels. Progress against the Corporation's strategic initiatives is also reviewed weekly, with appropriate follow-up action to meet the objectives of the Corporation's strategic plan. Comprehensive monthly performance reviews with senior management and quarterly reviews with the Board of Directors are conducted to focus on financial and species performance, field operations, fish deliveries, marketing performance, processing operations and human resources.

Ministerial Advisory Panel on the Freshwater Fish Marketing Corporation

In September 2018, the Government of Canada established an advisory panel to explore ways to transform the Corporation so that it remains modern and competitive in the open market. On July 8, 2019, the Government of Canada released the advisory panel's final report. The advisory panel's recommendations recognize the potential for a harvester-led or partnership model for the inland fishery, with an emphasis on bringing harvester groups together to be a part of, and provide leadership in, a transformed entity. The advisory panel also recommends an approach for the industry and its stakeholders to collectively shape the future of the Corporation and the inland fishery.

Board of Directors

David Bevan
Chairperson of the Board
Ottawa, Ontario
Occupation: Retired Associate Deputy Minister, Department of Fisheries and Oceans
Served on Board: 3 years



Stan Lazar
Interim President
Winnipeg, Manitoba
Served on Board: 2 years

Bert Buckley
Hay River, Northwest Territories
Occupation: Commercial Fisher
Served on Board: 20 years
(Term completed April 2019)

Dana Gregoire
Toronto, Ontario
Occupation: Lawyer
Served on Board: 1 year

Micah Melnyk
Ottawa, Ontario
Occupation: Consultant
Served on Board: 1 year

Audit and Risk Committee

David Bevan
Interim Chairperson of the Audit and Risk Committee
Ottawa, Ontario

Bert Buckley
Member
Hay River, Northwest Territories
(Term completed April 2019)

Dana Gregoire
Member
Toronto, Ontario

Micah Melnyk
Member
Ottawa, Ontario

As at April 30, 2019, there were four vacant positions. On June 19, 2019, Vincent Crate and Thomas Colosimo were appointed to the board of directors of the Corporation, leaving two vacant positions.

Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) provides a narrative discussion outlining the financial results and operating performance for the year ending April 30, 2019 for Freshwater Fish Marketing Corporation. This discussion should be read with the audited financial statements and accompanying notes for the fiscal year ending April 30, 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS).

The information presented in this MD&A is current to July 10, 2019. Management is responsible for the information presented in the annual report and this discussion. The Board of Directors approved the content of this MD&A and the audited financial statements.

Materiality

In assessing what information to provide in the MD&A, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement would influence decisions that users make on the basis of the financial information.

Forward-looking statements

Readers are advised to refer to the cautionary language included at the end of this MD&A when reading any forward-looking statements.

Significant corporate events

Board of Directors

Dana Gregoire and Micah Melnyk were appointed as directors in June 2018. David Bevan was re-appointed Chairperson on March 26, 2019. Bert Buckley's term was completed on April 12, 2019, after twenty years of dedicated service. Vincent Crate and Thomas Colosimo were appointed as directors, and Dana Gregoire and Micah Melnyk were re-approinted as directors, in June 2019.

Ministerial Advisory Panel on Freshwater Fish Marketing Corporation

In September 2018, the Government of Canada established an advisory panel to explore ways to transform the Corporation so that it remains modern and competitive in the open market. On July 8, 2019, the Government of Canada released the advisory panel's final report. The advisory panel's recommendations recognize the potential for a harvester-led or partnership model for the inland fishery, with an emphasis on bringing harvester groups together to be a part of, and provide leadership in, a transformed entity. The advisory panel also recommends an approach for the industry and its stakeholders to collectively shape the future of the Corporation and the inland fishery.

Strategy for revitalizing the Great Slave Lake commercial fishery

In January 2019, the Government of the Northwest Territories (NWT) announced the construction of a new fish plant in Hay River, in support of its strategy for revitalizing the commercial fishery. The strategy includes four overarching goals: increasing lake production on Great Slave Lake; increasing processing in the NWT by building a new fish processing plant in Hay River; growing the NWT market; and accessing export markets. Freshwater is engaged in discussions with the NWT to analyze the impact of this initiative on its operations.

Organizational update

There were changes to Freshwater's leadership team during the year. Wendy Matheson, Freshwater's Vice-President of Human Resources and Government Services, announced her retirement from the Corporation effective March 8, 2019. Susan Young was hired in December 2018 to transition to the role and assume leadership of the department upon Ms. Matheson's retirement.

Corporate plan

On March 11, 2019, Freshwater's Board of Directors approved the 2019-20 to 2023-24 Corporate Plan. The

Plan was submitted to the Minister of Fisheries, Oceans and the Canadian Coast Guard in April 2019, and is pending approval by the Treasury Board.
Freshwater's five year 2018-19 to 2022-23 Corporate Plan was submitted to the Government of Canada in November 2018.

Performance indicators

Freshwater's overriding objective is to perform the core activities of its legislated mandate, including purchasing all fish offered for sale, creating an orderly market and promoting international markets.

To achieve its mandated objectives and to support the priorities of the Government of Canada, the Corporation establishes strategic goals and performance targets and continually strives to improve its financial and operational performance aligned with those targets. The operating and financial results achieved during the year ended April 30, 2019 indicate that the Corporation endured a challenging year both financially and operationally.

Performance Indicator	2019 Performance Target	2019 Actual Performance
Profit before final payment and income tax	$ 3.3 million	$0.9 million
Percent return to fishers	49.6%	44.6%
Retained earnings	$19.5 million	$18.4 million
Gross and net sales revenue per kg	Meet FY 2018/19 gross and net sales revenue plan (excluding f/x)	8% (gross) and 9% (net) below target
Direct labour efficiency	1% increase over 2017/18 actual	2.8% decrease
Operational costs per kilogram	1.5% decrease over 2017/18 actual	12.4% increase
Initial payments to fishers	$29.5 million	$32.1 million
Employee attendance	1% increase over 2017/18 actual	3.5% increase
Inventory levels	Meet planned inventory targets	Unfavourable to target by 5.5%
Fish delivery volume	13.3 million kilograms	13.8 million kilograms

Freshwater's leadership team and its committed and capable employees continue to build upon proven capabilities in marketing, food safety, processing, product development and fisher support through our extensive industry knowledge and talent.

Results of operations

Fish deliveries Fish deliveries were 13.8 million kilograms in 2019, a decrease of 2.1% compared to deliveries of 14.1 million kilograms in 2018. 2019 fish deliveries were 3.8% higher than planned deliveries of 13.3 million kilograms. The variation in fish deliveries was the result of environmental and biological influences on the fishery and lakes, the diversity of species caught, and the impact of fish purchased by competitors compared to a year ago.

Sales revenue Sales revenues remained strong in 2019: Freshwater generated sales revenue of $77.6 million, an increase of 5.2% compared to the same period in 2018. The increase in sales revenue is largely the result of higher sales volumes. Investments were undertaken in marketing, promotion and distribution to encourage sales. Overall revenues were above target; however, pricing pressure in a number of markets resulted in gross and net sales revenues below target. Total inventory of processed fish products remained constant from April 2018 at $25.8 million, with slight variations in product mix and product form.

Cost of sales Fish purchases and processing expenses increased 3.3% in 2019. Fish purchases of $36.9 million were 3.9% higher in 2019 compared to 2018, while fish deliveries were lower by 2.1% compared to 2018. The increased expense for fish purchased reflects stronger market prices in a few niche markets and the Corporation's strategic decision to pass those market prices on to fishers as they occur, rather than through a final payment.

Freight costs increased in 2019 because of new electronic logging processes implemented in the United States trucking industry. These new processes track, manage, and share shipment data. The cost of implementing and using this new tracking system is borne by all companies shipping goods in the U.S., including Freshwater.

Freshwater's packaging and storage costs have increased over 2018 because more packaging was needed to support higher sales volumes. Also, the cold storage industry has been experiencing greater demand for chilled and frozen foods in the retail and foodservice sectors recently. The demand for cold storage is expected to continue to grow, placing upward pressure on storage costs. The remaining cost of goods expense is consistent with the related change in revenue and profit margins achieved during 2019. Cost of sales from processing operations consists of direct costs and processing overhead. Overall, operating expenses remain consistent and the Corporation continues to focus on ensuring expenses are well-managed.

Marketing and administrative expenses (M&A) M&A expenses remain unchanged from the same period last year, as sales revenues increased by 5.2%.

Net foreign exchange loss and financial derivative loss The Corporation uses derivative financial instruments to manage financial risk and fluctuations in foreign exchange rates and interest rates. These instruments are economic hedges. Foreign exchange and financial derivative gains or losses are influenced by global economic factors and domestic monetary policy. The use of these instruments generated a financial gain of $1.2 million in 2018.

In 2019, utilization of derivative financial instruments resulted in a financial loss of $0.6 million. The net financial derivative loss of $0.6 million in 2019 represents the change in fair value of interest rate swaps and realized and unrealized gains and losses on foreign exchange contracts. A loss of $0.4 million is related to settlements of financial instruments, while $0.2 million of the loss is related to the change in fair value of the interest rate swaps.

Income tax expense The income tax expense for 2019 was $0.1 million, consisting of current income tax expense and deferred income tax expense. In comparison, the income tax expense for 2018 was $1.1 million. Income tax expense recorded in 2019 decreased as compared to fiscal 2018, primarily as a result of decreased profit before income tax.

Total comprehensive income The Corporation reported total comprehensive income of $0.3 million in 2019, lower by $2.9 million compared to total comprehensive income of $3.2 million in 2018. Total comprehensive income in 2019 is primarily a result of lower profit.

Returns to fishers Freshwater uses a payment structure that determines initial and final payments under a pooling system. The final payments are calculated by allocating receipts and costs by fish species. The profit distribution policy ensures that at the end of the fiscal year, an appropriate portion of net income from each species pool is allocated to long-term reinvestment in Freshwater. After the annual audit by the Office of the Auditor General of Canada, Freshwater determines final payments from the pooled receipts. Final payments are generated from any corporate cash surpluses when sales revenues exceed all direct and allocated costs for a species. Total returns to fishers is $32.6 million: $32.1 million for initial payment and $0.5 million for final payment.

The table on pages 22 and 23 provides species pool results for 2019 and an historical comparison.

Retained earnings A study was commissioned by Freshwater in 2007 to review financial policies, profit payout and retention, and levels of capitalization. Recommendations were provided on how Freshwater should finance its operations and pay fishers, in comparison to similar entities and industries. The study reviewed similar enterprises and concluded that Freshwater's targeted retained earnings level should be at a minimum of 20% of its annual net sales. Freshwater's Long-Term Debt and Retained Earnings Policy became effective in 2012. As of April 30, 2019, Freshwater's retained earnings are $18.4 million.

Liquidity and capital resources

Cash flows

For 2019 total cash used in operating activities was $3.4 million, $1.1 million higher than in 2018 primarily due to lower comprehensive income for the year.

Cash used in investing activities was $0.7 million higher than in 2018 as a result of higher capital spending. In 2019, these expenditures fell into two categories:

- Building ($0.5 million): includes modernization and improvements to the physical structures and economic lifespans of the Winnipeg and field operations processing plants.
- Equipment, vessels and fresh fish delivery totes ($1.7 million): includes investments for reliability, flexibility and capability improvements. Key investments were made to enhance the processing capabilities of the Winnipeg plant.

Capital investment analyses including net present value, discounted cash flow and risk return are utilized when evaluating asset purchases. Decisions regarding capital investments at Freshwater are guided by production requirements, information technology support, and food safety regulations. Less growth-oriented but essential projects include investments in the replacement of aging equipment, building and equipment support, and health and safety.

The $3.0 million increase in cash provided by financing activities for the year represented the increased final and initial payments paid to fishers in 2019 compared to 2018.

Borrowing facilities

At April 30, 2019, Freshwater's outstanding loan balance was $32.9 million, consisting of $22.0 million of operating debt and $10.9 million of demand-installment debt. During the year, annual repayment of principle on the demand installment debt was $0.9 million. Since establishing its debt repayment strategy in 2012, Freshwater has reduced demand-installment debt by $5.6 million, from $16.5 million in 2012 to $10.9 million in 2019.

Note 11 to the financial statements provides full details on Freshwater's borrowing facilities.

Financial risks

Freshwater is exposed to market risks that arise from movements in the commodity prices of fish and foreign exchange rates. Fish purchased for processing and subsequent sale in world markets is subject to price volatility. Foreign exchange risk arises from exchange rate movements on sales made by the Corporation. Freshwater operates a prudent hedging program that uses financial instruments to manage its exposure to market risks.

Contractual obligations and other commitments

See Note 19 to the financial statements for details on Freshwater's contractual obligations and other commitments.

Performance against Corporate Plan

The operating and financial results achieved during the year ended April 30, 2019, indicate the Corporation did not meet its financial target as established in the 2018/19 to 2022/23 Corporate Plan approved by the Government of Canada.

Risks to performance

Management considers risks and opportunities at all levels of decision-making. The Corporation's performance is influenced by many factors including competitive pressures, economic conditions, volatility of fish deliveries and conditions in the markets where we sell. Also, as a Crown corporation governed under a legislative framework, Freshwater's performance could be impacted by changes to shareholder objectives or directions given by governing bodies. Under the guidance of the Board of Directors and the Audit and Risk Committee, the Corporation's risk management process is managed by the leadership team. It focuses on the identification and management of the key risks that could impact the achievement of Freshwater's strategic objectives. As part of its oversight process, the Board reviews Freshwater's risk profile on a quarterly basis and actively contributes to the risk management process.

Freshwater's risk management framework and practice are consistent with guidance issued by Treasury Board and subject to review by internal audit. A register of risks is maintained and updated regularly; it evolves as new risks are identified and existing ones are mitigated.

As of April 30, 2019, Freshwater has identified the following key risks that could materially impact its forecast financial results:

<u>Strategic risks</u>

Mandate

Freshwater is a Crown corporation solely-owned by the Government of Canada and governed primarily under the *Freshwater Fish Marketing Act (FFMA)* and the *Financial Administration Act (FAA)*. The successive withdrawal of provinces as signatories to the *FFMA* may create changes to shareholder objectives or legislation that could have an impact on performance. The situation creates uncertainty over the long term.

Fish deliveries

Environmental, biological and economic opportunities and risks affect the volume of fish delivered to Freshwater in any given year. On a regular basis, Freshwater uses effective operational planning and daily management to address these and other issues to meet its mandate. Continuity of supply is a key risk and Freshwater has signed three-year supply contracts with fishers, fish agents and fish co-operatives to secure raw material to meet customer commitments and maintain the value and efficiency of Freshwater's assets. Under the *FFMA*, Freshwater is obligated to purchase all fish legally offered for sale in the Northwest Territories and Alberta.

Changes in regulatory requirements

Recent global trade disputes have indicated that imposition of domestic and international taxes, export controls, tariffs, embargoes, sanctions and other trade restrictions may affect Freshwater's operations and markets.

Geopolitical uncertainty

U.S. administration protectionism on Freshwater's U.S. markets may further impact the Corporation. Volatility in international political and economic environments remains a risk in many of Freshwater's markets.

<u>Financial risks</u>

Foreign exchange

A significant portion of the Corporation's revenue is denominated in foreign currencies, mainly U.S. dollars, which exposes the Corporation to foreign exchange risk as well as fluctuations in international currency exchange rates. Although Freshwater utilizes a hedging strategy, the volatility of foreign currencies, particularly the U.S. dollar, creates underlying risk to revenues.

Interest rate

Guidance from the Bank of Canada suggests that interest rates are forecast to continue rising over the longer term, although not in the near future. Freshwater hedges $10.9 million of its loans for interest rate risk. The structure of the loans involves the use of revolving bankers' acceptances and an interest rate swap to lock in the interest rate for the terms of the loans. Additional debt required to meet the Corporation's working capital needs is subject to interest rate volatility.

See Note 11 to the financial statements for details on Freshwater's loans payable and borrowing facilities.

Travel and hospitality expenditures

The following table summarizes the travel and hospitality expenditures incurred by Freshwater for the year ended April 30, 2019:

	2019	2018	$ change	% change
Travel	$ 211	$ 325	$ (114)	-35 %
Hospitality	$ 6	$ 13	$ (7)	-54 %
Total travel and hospitality expenditures	**$ 217**	**$ 338**	**$ (121)**	**-36 %**

All amounts in thousands of Canadian dollars.

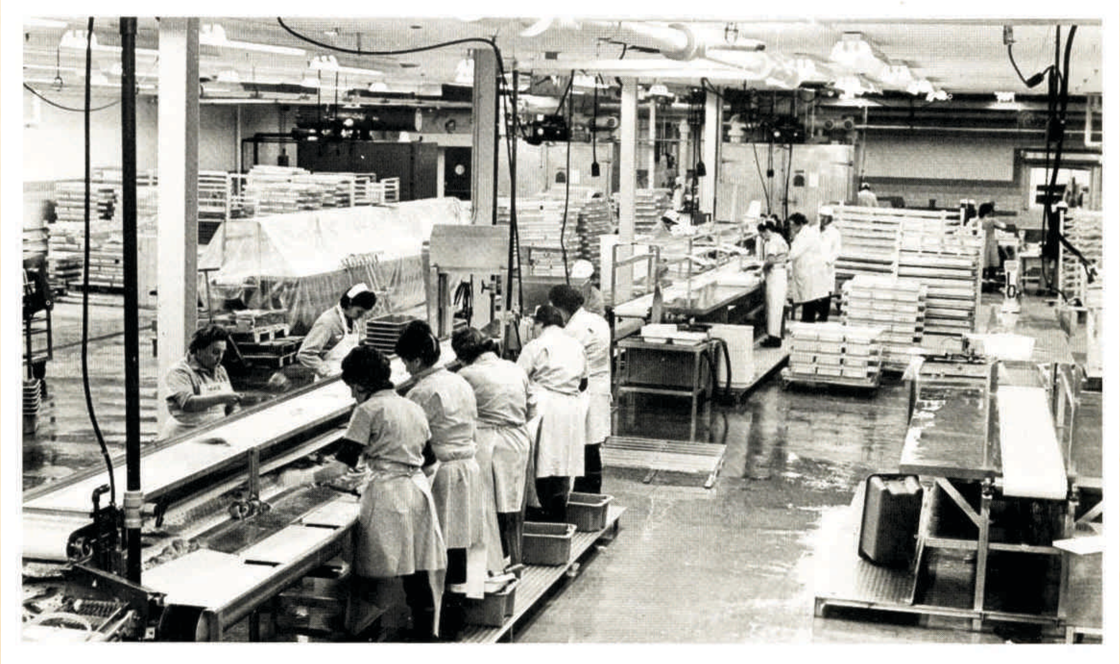
Forward-looking statements

This annual report, including this MD&A, contains forward-looking statements that reflect management's expectations regarding Freshwater's objectives, plans and strategies. Forward-looking statements are typically identified by words or phrases such as "plans," "anticipates," "expects," "believes," "estimates," "intends" and other similar expressions. These forward-looking statements are not facts, but only estimates regarding expected performance and results of operations (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what Freshwater expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth above in the Risks to Performance, as well as in Note 6 – Financial Instruments and Financial Risk Management to Freshwater's financial statements. To the extent Freshwater provides future-oriented financial information or a financial outlook, such as future operational and financial performance, Freshwater is providing this information for the purpose of describing future expectations. Therefore, readers are cautioned that this information may not be appropriate for any other purpose. Furthermore, future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks.

Readers are urged to consider these factors carefully when evaluating these forward-looking statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. Freshwater cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

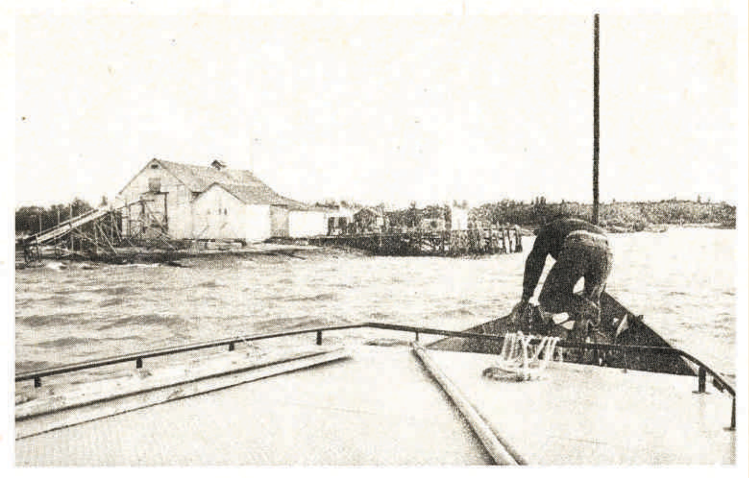
The forward-looking statements included in this annual report are made only as of July 10, 2019, and Freshwater does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

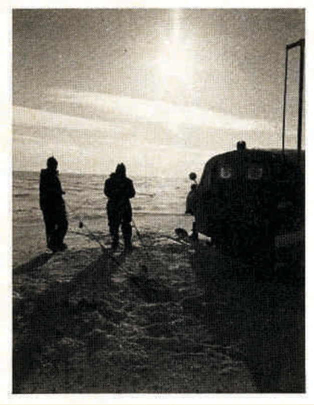
Administration building, Winnipeg (1974)



Winnipeg processing plant (1971)

Fishers & Processing (1980's)





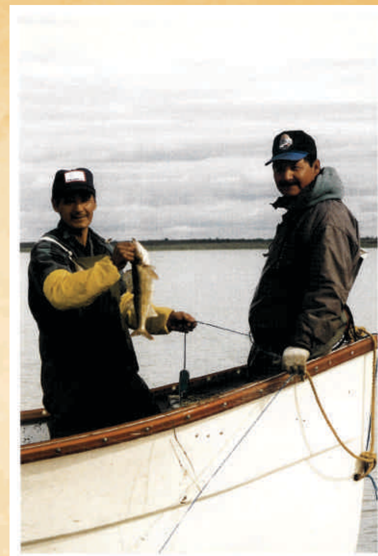
Fish being ground into new products at Winnipeg plant (1980)

Early processing days (1980)

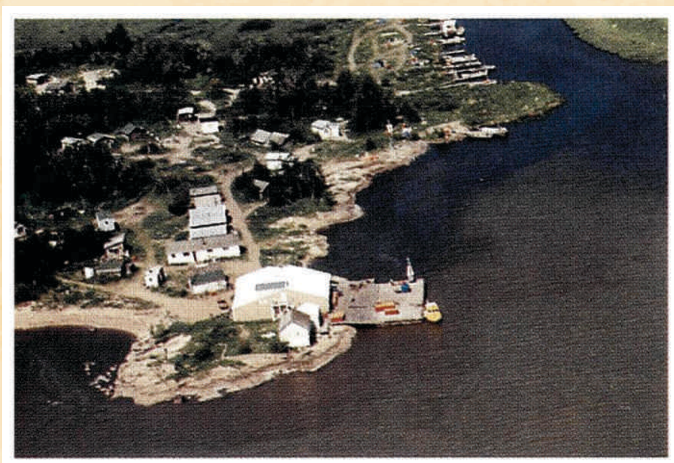
Fishers in boats (1980)

Fishers loading and unloading fish (1980)

Saskatchewan fishers tour Winnipeg processing plant (1990)



Fishers on Kelsey Lake (1990)



Catfish Creek Fish Station on Lake Winnipeg (now operated by Matheson Island Co-op) (1990)

Packing operation at Pelican Narrows (1990)

Ashern Fisheries Co-op visit processing plant in Winnipeg (1990)

Carp fishers (2017)

Processing plant (2018)

Norway House Fish Station (2018)

Ten Year Financial Summary

Fiscal Year ended April 30
All amounts in millions of dollars.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	$66.4	$66.8	$66.9	$63.5	$68.5	$71.0	$73.2	$75.8	$73.8	$77.6
Net Income (Loss) Before Final Payments and Income Tax	$1.5	$0.1	$5.7	$4.5	$3.3	$6.2	$5.1	$7.6	$8.3	$0.9
Fish Purchases	$31.6	$26.6	$27.8	$27.4	$28.0	$29.5	$32.6	$32.0	$35.5	$36.9
Net Income Before Income Tax Plus Fish Purchases	$33.1	$26.7	$33.5	$31.9	$31.3	$35.7	$37.7	$39.6	$43.8	$37.8
Accounts Receivable	$8.1	$7.0	$6.4	$6.4	$7.1	$6.6	$8.7	$10.2	$8.5	$9.2
Inventory – Processed Fish Products	$15.0	$9.1	$9.6	$12.7	$12.6	$15.4	$18.6	$18.5	$25.8	$25.8
Inventory – Packaging Material and Parts	$0.9	$0.9	$0.9	$1.1	$0.9	$0.8	$1.1	$1.1	$1.3	$2.1
Capital and Intangible Assets – Net Book Value	$14.3	$13.8	$17.7	$21.2	$20.9	$19.4	$20.0	$20.3	$20.2	$20.6
Loans Payable	$29.4	$23.6	$21.1	$27.2	$26.0	$21.3	$24.6	$23.6	$26.8	$32.9
Retained Earnings	$2.7*	$1.7*	$4.2	$6.8	$8.2	$10.4	$11.9	$14.9	$18.2	$18.4

*Restated to conform with International Financial Reporting Standards (IFRS) presentation.

Financial Returns and Deliveries

Ten Year Summary (2010 - 2019), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Walleye (Pickerel)										
Delivered Weight[1]	5.8	5.9	6.0	5.7	5.7	4.8	4.6	4.6	4.5	4.3
Price/Round Kg.[2]	$3.22	$2.83	$3.19	$3.13	$2.88	$3.50	$4.00	$3.59	$4.71	$4.40
Initial Payment[3]	$17.5	$15.5	$16.4	$15.8	$15.5	$14.5	$15.5	$16.7	$18.0	$18.4
Final Payment	$1.2	$1.2	$2.7	$2.0	$0.9	$2.3	$2.9	$3.3	$3.2	$0.5
Total Payment	$18.7	$16.7	$19.1	$17.8	$16.4	$16.8	$18.4	$20.0	$21.2	$18.9
3 Yr. Moving Avg.[4]	$20.4	$18.7	$18.2	$17.9	$17.8	$17.0	$17.2	$18.4	$19.9	$20.0
Lake Whitefish										
Delivered Weight[1]	5.1	4.6	3.8	3.7	3.6	4.0	4.8	4.4	4.7	4.3
Price/Round Kg.[2]	$1.39	$1.17	$1.18	$1.44	$1.56	$1.81	$1.69	$1.69	$2.02	$1.98
Initial Payment[3]	$7.1	$5.4	$4.5	$5.4	$5.4	$6.6	$8.1	$7.5	$9.3	$8.5
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.2	$0.6	$0.0	$0.0	$0.2	$0.0
Total Payment	$7.1	$5.4	$4.5	$5.4	$5.6	$7.2	$8.1	$7.5	$9.5	$8.5
3 Yr. Moving Avg.[4]	$6.3	$6.7	$5.7	$5.1	$5.2	$6.1	$7.0	$7.6	$8.4	$8.5
Northern Pike										
Delivered Weight[1]	1.9	1.8	1.9	2.0	2.0	2.2	2.3	1.7	1.7	1.6
Price/Round Kg.[2]	$0.89	$0.78	$0.79	$0.80	$0.80	$0.89	$0.91	$0.81	$1.00	$0.94
Initial Payment[3]	$1.6	$1.4	$1.5	$1.6	$1.6	$1.9	$2.1	$1.4	$1.4	$1.5
Final Payment	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.1	$0.3	$0.0
Total Payment	$1.7	$1.4	$1.5	$1.6	$1.6	$2.0	$2.1	$1.5	$1.7	$1.5
3 Yr. Moving Avg.[4]	$1.7	$1.7	$1.5	$1.5	$1.6	$1.7	$1.9	$1.8	$1.8	$1.6
Sauger										
Delivered Weight[1]	0.6	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.1	0.1
Price/Round Kg.[2]	$3.17	$3.00	$2.29	$2.71	$2.67	$2.67	$2.33	$2.99	$3.00	$3.00
Initial Payment[3]	$1.9	$0.6	$0.4	$0.6	$0.8	$0.8	$0.7	$0.5	$0.3	$0.3
Final Payment	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$1.9	$0.6	$0.5	$0.6	$0.8	$0.8	$0.7	$0.5	$0.3	$0.3
3 Yr. Moving Avg.[4]	$1.1	$1.2	$1.0	$0.6	$0.6	$0.7	$0.8	$0.7	$0.5	$0.4

Financial Returns and Deliveries

Ten Year Summary (2010 - 2019), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mullet										
Delivered Weight[1]	2.2	1.0	1.6	1.3	2	2.6	2.8	2.3	1.7	1.8
Price/Round Kg.[2]	$0.36	$0.30	$0.46	$0.49	$0.45	$0.42	$0.46	$0.48	$0.53	$0.50
Initial Payment[3]	$0.8	$0.3	$0.7	$0.6	$0.9	$1.1	$1.3	$1.1	$0.8	$0.9
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0
Total Payment	$0.8	$0.3	$0.7	$0.6	$0.9	$1.1	$1.3	$1.1	$0.9	$0.9
3 Yr. Moving Avg.[4]	$0.7	$0.6	$0.6	$0.6	$0.8	$0.9	$1.1	$1.2	$1.1	$1.0
Perch										
Delivered Weight[1]	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Price/Round Kg.[2]	$2.00	$2.00	$3.75	$3.16	$2.00	$2.00	$3.00	$4.15	$5.00	$2.00
Initial Payment[3]	$0.4	$0.4	$1.0	$0.3	$0.2	$0.2	$0.2	$0.4	$0.4	$0.2
Final Payment	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1	$0.0
Total Payment	$0.4	$0.4	$1.1	$0.3	$0.2	$0.2	$0.3	$0.5	$0.5	$0.2
3 Yr. Moving Avg.[4]	$0.5	$0.4	$0.6	$0.6	$0.6	$0.2	$0.2	$0.3	$0.4	$0.4
Other										
Delivered Weight[1]	0.5	0.5	0.5	0.6	0.7	1.3	1.5	1.4	1.3	1.6
Price/Round Kg.[2]	$0.60	$0.60	$0.60	$0.79	$1.00	$1.17	$1.07	$0.95	$1.15	$1.44
Initial Payment[3]	$0.3	$0.3	$0.3	$0.4	$0.7	$1.5	$1.6	$1.3	$1.4	$2.3
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1*	$0.0
Total Payment	$0.3	$0.3	$0.3	$0.4	$0.7	$1.5	$1.6	$1.4	$1.5	$2.3
3 Yr. Moving Avg.[4]	$0.5	$0.4	$0.3	$0.3	$0.5	$0.9	$1.3	$1.5	$1.5	$1.7
All Pools										
Delivered Weight[1]	16.3	14.2	14.3	13.6	14.4	15.3	16.4	14.7	14.1	13.8
Price/Round Kg.[2]	$1.90	$1.77	$1.94	$1.97	$1.82	$1.93	$1.98	$1.96	$2.52	$2.36
Initial Payment[3]	$29.6	$23.9	$24.8	$24.8	$25.1	$26.5	$29.4	$28.9	$31.6	$32.1
Final Payment	$1.3	$1.2	$3.0	$2.0	$1.1	$3.0	$3.0	$3.5	$4.0	$0.5
Total Payment	$30.9	$25.1	$27.8	$26.8	$26.2	$29.5	$32.4	$32.4	$35.6	$32.6
3 Yr. Moving Avg.[4]	$31.2	$29.7	$27.9	$26.6	$26.9	$27.5	$29.4	$31.4	$33.5	$33.5

* Tullibee (Cisco) and Carp roe only

1 Delivered Weight – Round Equivalent Weight (millions of Kilograms). 2 Price/Round Kg. – Based on Initial Payment plus Final Payment.
3 Initial Payment – Net of Freight. 4 Three Year Moving Average of Total Payments.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management.

Management is responsible for preparation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using the best estimates and judgments of management, where appropriate. The financial statements include certain amounts, such as the allowance for impairment loss, the provision to reduce slow moving or unsellable finished fish inventories to their estimated net realizable value, the derivative financial instruments measured at fair value and the estimated useful lives of plant and equipment, that are necessarily based on management's best estimates and judgment. The integrity and objectivity of the data in these financial statements are management's responsibility. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained and that transactions of the Corporation are in accordance with Part X of the *Financial Administration Act (FAA)* and regulations, the *Freshwater Fish Marketing Act* and regulations, the by-laws of the Corporation and the directive (P.C. 2015-1108) issued pursuant to section 89 of the *FAA*.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Risk Committee. The Committee meets with management and the independent external auditor to discuss auditing, internal controls and other relevant financial matters. The Audit and Risk Committee meets to review the financial statements with the external auditors and submits its reports to the Board of Directors. The Board of Directors reviews and approves the financial statements.

The Corporation's independent external auditor, the Auditor General of Canada, audits the financial statements of the Corporation in accordance with Canadian Auditing Standards and expresses his opinion on the financial statements to the Minister responsible for the Freshwater Fish Marketing Corporation.

Stanley A. Lazar, CPA, CMA
Interim President

Denis P. Lavallée, CPA, CA
Controller

Winnipeg, Canada
July 10, 2019

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Fisheries, Oceans and the Canadian Coast Guard

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Freshwater Fish Marketing Corporation (the Corporation), which comprise the statement of financial position as at 30 April 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 April 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which provides information about the future of the Corporation. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Freshwater Fish Marketing Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and regulations, the by-laws of the Freshwater Fish Marketing Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Freshwater Fish Marketing Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Freshwater Fish Marketing Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Freshwater Fish Marketing Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Riowen Abgrall

Riowen Yves Abgrall, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
10 July 2019

Statement of Financial Position

As at April 30, 2019
(in thousands of Canadian dollars)

	2019	2018
ASSETS		
Current		
Cash	$ 1,843	$ 1,030
Accounts receivable (Note 6)	9,298	8,472
Prepaid expenses	208	140
Derivative-related assets (Note 6)	12	25
Inventories (Note 7)	27,971	27,135
	39,332	36,802
Non-current		
Property, plant and equipment (Note 8)	20,456	20,046
Intangible assets (Note 9)	156	105
	20,612	20,151
Total Assets	**$ 59,944**	**$ 56,953**
LIABILITIES AND EQUITY		
Current		
Bank overdraft	$ 245	$ -
Accounts payable and accrued liabilities (Notes 6 and 10)	4,320	4,626
Accrued obligation for employee benefits (Note 13)	524	542
Provision for final payment to fishers (Note 19)	500	4,000
Loans payable (Notes 6 and 11)	32,942	26,775
Provision for environmental liability (Note 19)	216	277
Derivative-related liabilities (Note 6)	753	509
	39,500	36,729
Non-current		
Deferred tax liabilities (Note 17)	1,822	1,884
Accrued obligation for employee benefits (Note 13)	182	186
	2,004	2,070
Equity		
Retained earnings	18,440	18,154
Total Liabilities and Equity	**$ 59,944**	**$ 56,953**

Commitments and contingencies (Note 19)

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

Approved on behalf of the Board of Directors:

David Bevan
Chairperson, Board of Directors

Approved on behalf of Management:

Stanley A. Lazar, CPA, CMA
Interim President

Denis P. Lavallée, CPA, CA
Controller

Statement of Comprehensive Income

For the year ended April 30, 2019
(in thousands of Canadian dollars)

	2019	2018
Sales (Note 14)		
Export	$ 67,118	$ 62,541
Domestic	10,498	11,254
	77,616	73,795
Cost of sales		
Opening inventory of processed fish products	25,816	18,497
Add fish purchases and processing expenses:		
Fish purchases	36,883	35,515
Plant salaries, wages and benefits	12,854	12,790
Packaging and storage	5,884	4,779
Packing allowances and agency operating costs	4,924	5,221
Freight	3,058	2,755
Repairs and maintenance, Winnipeg plant	981	1,721
Utilities and property taxes	1,705	1,534
Depreciation of production assets (Note 8)	1,512	1,428
Other	1,028	893
	94,645	85,133
Less ending inventory of processed fish products, net of write-downs (Note 7)	(25,847)	(25,816)
	68,798	59,317
Gross profit on operations	**8,818**	**14,478**
Marketing and administrative expenses		
Salaries and benefits	3,020	2,808
Commissions (Note 15)	1,363	1,227
Data processing, office and professional services	1,271	1,504
Advertising and promotion	211	321
Meeting fees and expenses	78	54
Other	132	130
Depreciation and amortization of administrative assets (Notes 8 and 9)	62	108
	6,137	6,152
Other income and expenses		
Net foreign exchange (gain) loss (Note 6)	412	(605)
Net financial derivative (gain) loss (Note 6)	229	(598)
Provision for environmental liability (Note 19)	-	125
Other revenue (Note 16)	(1,179)	(939)
Other expenses (Note 16)	1,393	1,309
Finance income	(40)	(23)
Finance costs (Note 6)	1,012	740
	1,827	9
Profit before provision for final payment and income tax	**854**	**8,317**
Provision for final payment (Note 19)	500	4,000
Income tax expense (Note 17)	68	1,084
	568	**5,084**
Total comprehensive income	**$ 286**	**$ 3,233**

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

Statement of Changes in Equity

For the year ended April 30, 2019
(in thousands of Canadian dollars)

	2019	2018
Retained earnings at the beginning of the year	$ 18,154	$ 14,921
Total comprehensive income	286	3,233
Retained earnings at the end of the year	**$ 18,440**	**$ 18,154**

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

Statement of Cash Flows

For the year ended April 30, 2019
(in thousands of Canadian dollars)

	2019	2018
Operating activities		
Comprehensive income for the year	$ 286	$ 3,233
Add (deduct) items not affecting cash:		
Future tax (recovery) expense	(62)	211
Depreciation and amortization	1,735	1,686
Fixed asset retirements	48	7
Gain on disposal of property, plant and equipment	(6)	(13)
Write-down of inventory	600	1,261
Increase (decrease) in net derivative-related liabilities	257	(834)
(Decrease) increase in provision for final payment to fishers	(3,500)	500
Increase in provision for environmental liability	-	125
Net changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(826)	1,767
Increase in inventories	(1,436)	(8,805)
(Increase) decrease in prepaid expenses	(68)	24
Decrease in accounts payable and accrued liabilities	(306)	(1,073)
Decrease in provision for environmental liability	(61)	(282)
Decrease in accrued obligation for employee benefits	(22)	(54)
Cash used in operating activities	**(3,361)**	**(2,247)**
Investing activities		
Additions to property, plant and equipment and intangible assets	(2,294)	(1,614)
Proceeds on disposal of property, plant and equipment	56	89
Cash used in investing activities	**(2,238)**	**(1,525)**
Financing activities		
Loans payable issued	7,100	9,600
Repayment of loans	(933)	(6,399)
Cash provided by financing activities	**6,167**	**3,201**
Increase (decrease) in cash during the year	**568**	**(571)**
Cash at the beginning of the year	1,030	1,601
Cash at the end of the year	**$ 1,598**	**$ 1,030**
Cash is represented by:		
Cash	$ 1,843	$ 1,030
Bank overdraft	(245)	-
	$ 1,598	**$ 1,030**
Supplementary information:		
Interest paid	**$ 770**	**$ 553**

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

Notes to the Financial Statement

April 30, 2019
(in thousands of dollars)

1. NATURE AND DESCRIPTION OF THE CORPORATION

The Freshwater Fish Marketing Corporation was established in 1969 pursuant to the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products and fish by-products in and outside of Canada.

The Corporation is required to purchase all fish legally caught in the mandate region, which currently encompasses the province of Alberta and the Northwest Territories. Participation of these jurisdictions was established by agreement with the Government of Canada. The Corporation is required to conduct its operations on a self- sustaining basis without appropriations from Parliament. In accordance with the *Freshwater Fish Marketing Act*, the legislative borrowing limit of the Corporation is $50 million. As at April 30, 2019, the total borrowings of the Corporation may not exceed $40.7 million as authorized by the Minister of Finance.

The address of the Corporation's registered office and principal place of business is 1199 Plessis Road in Winnipeg, Manitoba. The Corporation is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act.*

In July 2015, the Corporation was issued a directive (P.C. 2015-1108) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation finalized its implementation of this directive on January 31, 2018. The Corporation has remained compliant since then.

2. FUTURE OF THE CORPORATION

The development of the open fish supply market created by the withdrawal of successive provinces from the *Freshwater Fish Marketing Act* covers 95% of the Corporation's supply base. In 2018-19, increased competition from buyers in the open supply market impacted the Corporation's fish deliveries. Sales markets are highly competitive and with open access to fish supply, competitors that may have more extensive or more specialized processing and marketing capabilities may be able to affect the Corporation's operations and financial performance.

Individual quota entitlement buyback from commercial fishers and planned implementation of new minimum mesh sizes for commercial fishers on Lake Winnipeg may also impact fish supply to the Corporation.

The Corporation's 2018-19 to 2022-23 Corporate Plan, which has been submitted to the Government of Canada, includes strategies to address the risks of the open market and regulatory changes on its operations. The strategies include; ensuring long-term sustainability by continuing to improve financial and operating performance, generating value in global markets, and managing an effective and efficient supply chain. Securing a steady supply of fish is integral to an effective and efficient supply chain. The Corporation is utilizing long-term supply contracts with open market fishers to secure fish supply. 80% of Manitoba fishers and 95% of Saskatchewan fishers have signed such agreements representing at least 85% of the fish that was supplied to the Corporation prior to their respective provinces withdrawing from the *Freshwater Fish Marketing Act.*

These financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported revenues and expenses that might be necessary if the Corporation was not successful in achieving its strategies.

In September 2018, the Government of Canada established an advisory panel to explore ways to transform the Corporation so that it remains modern and competitive in the open market. On July 8, 2019, the Government of Canada released the advisory panel's final report. The advisory panel's recommendations recognize the potential for a harvester-led or partnership model for the inland fishery, with an emphasis on bringing harvester groups together to be a part of, and provide leadership in, a transformed entity. The advisory panel also recommends an approach for the industry and its stakeholders to collectively shape the future of the Corporation and the inland fishery.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value.

The significant accounting policies summarized below have been applied consistently to all periods presented in the financial statement balances.

Unless otherwise stated, these financial statements are presented in thousands of Canadian dollars, which is the functional currency of the Corporation.

The financial statements were approved and authorized for issue by the Board of Directors of the Corporation on July 10, 2019.

3.2 Cash and bank overdraft

Cash is composed of money in the bank.

Bank overdraft is composed of accounts with negative cash balances.

3.3 Accounts receivable

Accounts receivable are recognized at their anticipated realizable value, which is the original invoice amount less an estimated allowance amount equal to lifetime expected credit losses.

3.4 Inventories

Processed fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to processed fish product inventory. At the reporting date inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventory write-downs and reversals of write-downs are included in cost of sales in the statement of comprehensive income.

Included in supplies inventory are inventories of spare parts. These spare parts are measured at lower of cost and net realizable value.

3.5 Financial instruments
Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss - FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The application of IFRS 9 by the Corporation had no impact on the carrying amounts of any of its financial instruments. There were no financial instruments reclassified from FVTPL to fair value through other comprehensive income (FVOCI).

3.5.1 Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3.6 Financial assets
The Corporation's financial assets are classified into the following specified categories: FVTPL and at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

3.6.1 Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. The derivative related assets used by the Corporation are held for trading and therefore classified as FVTPL. No other financial assets are at FVTPL.

Financial assets classified as FVTPL are presented at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 6.2.

3.6.2 Financial assets at amortized cost
Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are measured at amortized cost using the effective interest method, less any impairment write-downs. Assets in this category include accounts receivable and are classified as current assets in the statement of financial position.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be insignificant.

3.6.3 Impairment of financial assets
The Corporation recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

ECLs are recognized at each reporting period, even if no actual loss events have taken place. In addition to past events and current conditions, reasonable and supportable forecasts affecting collectability are also considered when determining the amount of impairment.

The Corporation applies a single impairment model to all financial instruments subject to impairment testing. The impairment model is based on a forward-looking ECL model. The model applies to trade receivables as defined in IFRS 15. In addition to past events and current conditions, reasonable and supportable forecasts affecting collectability are also considered when determining the amount of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the debtor;
- breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or financial re-organization; or
- significant decrease in creditworthiness of the debtor.

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the assets.

3.6.4 Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost.

3.7.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL. The derivative related liabilities used by the corporation are held for trading and therefore classified as FVTPL. No other financial liabilities are at FVTPL.

Financial liabilities classified as FVTPL are presented at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 6.2.

3.7.2 Financial liabilities at amortized cost

Financial liabilities are initially measured at fair value net of transaction costs. Financial liabilities (including borrowings such as loans payable) are subsequently measured at amortized cost using the effective interest method.

3.7.3 Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire.

3.8 Derivative financial instruments

The Corporation selectively utilizes derivative financial instruments primarily to manage financial risks and to manage exposure to fluctuations in foreign exchange rates and interest rates. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

Derivatives are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the instrument and are subsequently re-measured to their fair value at the end of each reporting period. The hedges entered into represent economic hedges. Attributable transaction costs are recognized in profit or loss as incurred. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability on the statement of financial position if the remaining contractual maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Corporation does not apply hedge accounting.

3.9 Property, plant and equipment

3.9.1 Asset recognition

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Costs include directly attributable costs. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after May 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.9.2 Depreciation

Depreciation is based on the estimated useful lives of the assets using the straight-line method.

Buildings:	
Lake stations and other building improvements	5 to 65 years
Plant	40 years
Equipment:	
Machinery and office equipment	3 to 40 years
Automotive	5 years
Fresh fish delivery tubs/totes	3 to 10 years
Vessels	3 to 35 years

The cost for plant assets being upgraded or purchased that are not yet operational are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and depreciated accordingly.

Freehold land is not depreciated.

Useful lives, residual values and depreciation methods are reviewed at each reporting period and necessary adjustments are recognized on a prospective basis as changes in estimates.

3.9.3 Subsequent costs

Repairs and maintenance costs are expensed when incurred.

Costs incurred on a replacement part for property, plant and equipment are recognized in the carrying amount of the affected item when the costs are incurred.

The costs of major inspections or overhauls are recognized in the carrying amount of the item or as a replacement. Any remaining carrying amount of the cost of the previous inspection is derecognized.

3.9.4 Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefit is expected from its use or disposal. The gain or loss on disposal or retirement of an item is determined to be the difference between the net disposal proceeds, if any, and the carrying amount of the item.

3.10 Intangible assets

Intangible assets include costs associated with information systems software, including initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, using a straight-line method over the estimated useful life of five years. The Corporation has no indefinite intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting period. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly on a prospective basis as a change in estimate.

3.11 Impairment of tangible and intangible assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual testing for an asset is required, the Corporation estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Corporation bases its impairment calculation on a detailed budget and forecast to which the assets are allocated. The budget and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the statement of comprehensive income if an asset's carrying amount is higher than its recoverable amount. Impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in a prior period. Such a reversal is recognized in the statement of comprehensive income.

3.12 Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors. The Corporation recognizes the final payment to fishers as a liability in the statement of financial position and as an expense on the statement of comprehensive income.

A final payment to fishers is calculated based on the following formula: Annual comprehensive income before income tax plus annual depreciation less the three-year rolling average (the current and previous two fiscal years) of cash purchases of property, plant and equipment.

However, regardless of the formulated final payment calculation, the Board of Directors reserves final decision as to when and how much cash and/or retained earnings will be distributed to fishers in the form of a final payment.

3.13 Foreign currency translation

Revenues and expenses are translated into Canadian dollars using the monthly average exchange rate for the month in which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. All foreign exchange gains and losses incurred are included in net foreign exchange gain or loss in the statement of comprehensive income.

3.14 Employee benefits

3.14.1 Current employee benefits

Current employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render their related service. The Corporation's current benefits include wages and salaries, annual leave and other types of current benefits.

The Corporation recognizes the undiscounted amount of current employee benefits earned by an employee in exchange for services rendered during the period as a liability in the statement of financial position, after deducting any amounts already paid as an expense in profit and loss.

3.14.2 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent a pension obligation of the Corporation.

The accrued obligation for employee benefits includes the net present value of the liability for the employer's cost of buyback service related to an agreement with the Corporation's union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. The Corporation is required to fund the employer's portion of any employee contributions that arise from this agreement.

3.14.3 Accrued obligation for workers' compensation

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured for benefits for work-related injuries of the employees of the Freshwater Fish Marketing Corporation. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liabilities for workers' compensation benefits are recorded based on known injuries or illnesses that have occurred.

The accrued obligation for workers' compensation represents the actuarially determined net present value of liabilities for benefits for work-related injuries of the employees of the Freshwater Fish Marketing Corporation when awards are approved by the Workers Compensation Board of Manitoba, or when legislative amendments are made and the anticipated future costs can be reasonably calculated.

Changes in the net present value of this unfunded liability are based on updated actuarial estimates of future costs as a result of actual experience and changes in actuarial assumptions. Adjustments arising from actuarial gains and losses are recognized in the year in which they occur.

3.14.4 Accrued obligation for sick leave benefits

The Corporation's sick leave benefit plan provides accumulating sick leave benefits to eligible employees. The plan is an unfunded defined benefit plan paid on a cash basis by contributions from the Freshwater Fish Marketing Corporation.

The accrued obligation for sick leave benefits represents the actuarially determined net present value of liabilities for sick leave benefits for eligible employees of the Freshwater Fish Marketing Corporation.

Changes in the net present value of this unfunded liability are based on updated actuarial estimates of future costs as a result of actual experience and changes in actuarial assumptions. Adjustments arising from actuarial gains and losses are recognized in the year in which they occur.

3.15 Revenue recognition

Sales, net of promotional allowances and sales returns, are recorded on an accrual basis and are recognized when a customer obtains control of the goods or services. The sales revenue reflects the consideration expected in exchange for the goods or services. For the majority of the Corporation's sales transactions, control transfers upon delivery to the shipping dock of the customer or their representative. For sales transactions to overseas customers, the Corporation's sales contracts are based on industry accepted incoterms known as CIF (Cost, Insurance and Freight). Under CIF the risk of loss of or damage to the goods passes to the customer when goods are on the vessel.

3.16 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.17 Income tax

Income tax expense comprises the sum of the tax currently payable and deferred tax.

3.17.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.17.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.17.3 Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effect on the financial statements relate to the following:

4.1 Impairment of non-financial assets
The Corporation's impairment test is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Refer to Note 3.11.

4.2 Capital assets
Capital assets, comprising property, plant and equipment and intangible assets with finite useful lives are depreciated or amortized over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets. The useful lives of these assets are periodically reviewed for continued appropriateness. Changes to the useful life estimates would affect future depreciation and amortization expense and the future carrying value of assets. Refer to Notes 3.9.2 and 3.10.

4.3 Inventory valuation allowance
Inventory valuation allowance is estimated for slow moving or obsolete inventories. Management reviews the estimation regularly. Any change in the estimation will impact the inventory valuation allowance.

4.4 Income tax
The Corporation operates in a jurisdiction which requires calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Liabilities are recognized for anticipated tax exposures based on estimates of the additional taxes that are likely to become due. Where the final tax outcome of these matters is different from the amount that was initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities are comprised of temporary differences between the carrying values and tax basis of liabilities. The timing of the reversal of temporary differences may take many years and the related deferred tax is calculated using substantively enacted tax rates for the related period.

If future outcomes were to adversely differ from management's best estimate of future results from operations affecting the timing of reversal of deductible temporary differences, the Corporation could experience material deferred income tax adjustments. Such deferred income tax adjustments would not result in an immediate cash outflow nor would they affect the Corporation's immediate liquidity.

5. APPLICATION OF NEW AND REVISED IFRS

(a) Accounting standards and amendments issued and effective

Adoption of IFRS 15
IFRS 15 establishes a comprehensive model for determining the measurement and timing of revenue recognized. The Corporation has applied IFRS 15 using the cumulative effect method, with the impact of initially applying this standard recognized at the date of initial application on May 1, 2018. The Corporation's 2018 annual audited financial statements have not been restated and the new disclosure requirements of IFRS 15 have not been applied to the comparative period. There was no impact of transition to IFRS 15 on retained earnings at May 1st, 2018.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. For the majority of the Corporation's sales transactions, control transfers upon delivery of product to the shipping dock of the customer or his/her representative. For sales transactions to overseas customers, the Corporation's sales contracts are based on industry accepted sales incoterms known as CIF (Cost, Insurance & Freight). Under CIF, the risk of loss of or damage to the goods passes to the customer when the goods are on the vessel. The seller contracts for and pays the costs and freight necessary to bring the goods to the port of destination. The seller also contracts for insurance coverage against the buyer's risk of loss of or damage to the goods during the carriage.

The Corporation has consistently recognized revenue according to the method described above prior to the adoption of IFRS 15. Consequently, the application of IFRS 15 as it relates to custody and control of goods shipped has not changed revenue recognition for the Corporation.

Adoption of IFRS 9

IFRS 9 sets new requirements for the classification and measurement of financial assets, requires a forward-looking expected credit loss impairment model on financial assets, and amends the requirements related to hedge accounting.

1) Classification and measurement

IFRS 9 contains three classification categories for financial assets:

- Measured at amortized cost
- Fair value through other comprehensive income (FVOCI) and
- Fair value through profit and loss (FVTPL)

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Accordingly, there was no impact on the Corporation's measurement of financial liabilities on adoption of IFRS 9.

The classification and measurement of the Corporation's financial instruments formerly under IAS 39 and now under IFRS 9 are as follows:

Financial Instrument	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9
Accounts Receivable	Loans and receivables	Amortized Cost	Financial Asset at Amortized Cost	Amortized Cost
Derivate-related Assets	Held for Trading	FVTPL	FVTPL	FVTPL
Accounts Payable	Other financial liabilities	Amortized Cost	Financial Liability at Amortized Cost	Amortized Cost
Loans Payable	Other financial liabilities	Amortized Cost	Financial Liability at Amortized Cost	Amortized Cost
Derivative-related Liabilities	Held for Trading	FVTPL	FVTPL	FVTPL

Classification of financial assets was determined at the date of initial application. The business model test was based on facts and circumstances at the date of initial application.

The Corporation did not apply hedge accounting under IAS 39 and has elected not to apply hedge accounting under IFRS 9 at initial adoption.

The details of new significant accounting policies and effect of changes to previous accounting policies are set out below.

Financial assets

On initial recognition, financial assets are measured at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income of fair value through profit or loss, depending on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at their fair values with changes in fair value, including any interest or dividend income, recognized in profit or loss.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Corporation are recognized as a separate asset or liability.

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Accordingly, there was no impact on the Corporation's measurement of financial liabilities on adoption of IFRS 9.

The Corporation initially recognizes short term debt securities on the date that they are originated at fair value and expenses related transaction costs. Debt associated with long term agreements is initially recognized at fair value less any directly attributable transaction costs. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Subsequent to initial recognition, liabilities are categorized as fair value through profit and loss or financial liabilities measured at amortized cost using the effective interest method.

Derivative financial instruments

The Corporation holds derivative financial instruments to mitigate its foreign currency risk exposures.

Derivative embedded in contracts where the host of a financial asset are not separated and the hybrid final instrument as a whole is assessed for classification and measurement. Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. The Corporation does not apply hedge accounting, therefore derivatives are measure at fair value and the changes in fair value are recognized immediately in net earnings.

2) Impairment of financial assets

There was no material impact for transition to IFRS 9 on the Corporation's financial statements for impairment of financial assets.

At the initial date of application. The Corporation used reasonable and supportable information to determine the credit risk at the date that the final assets were initially recognized and compared to the credit risk at the date of initial application under IFRS 9.

The Corporation measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses. The Corporation uses the expected credit loss model for calculating impairment and recognizes expected credit losses as a loss allowance for financial assets measure at amortized cost. The Corporation's trade and other receivables are typically short-term in nature with payments received within a three month period, therefore recognizes an amount equal to the lifetime expected credit losses based on the Corporation's historical experience and including forward-looking information. The carrying amounts of these final assets are presented in the Statement of Financial Position net of any loss allowance.

The application of the new accounting policies did not impact significant estimates and judgements.

The Corporation considers the model used and some of the assumptions used in calculating the expected credit losses as key sources of estimation uncertainty for trade receivables under IFRS 9.

The Corporation's expected credit losses upon transition were calculated based on actual credit loss experience over the past three years adjusted by factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Corporation's view of economic conditions over the expected lives of the trade receivables. There was no additional impairment loss recognized at May 1, 2018 upon transition to IFRS 9.

(b) Accounting standards and amendments issued but not yet effective

Accounting standards and amendments issued but not yet effective which are expected to be relevant to the Corporation include:

In January 2016, the IASB issued IFRS 16, "Leases", which sets out the principles that both parties to a contract apply in order to provide relevant information about leases in a manner that faithfully represents those transactions. IFRS 16 requires all leases to be reported on the lessee's statement of financial position. There are also changes in accounting over the life of the lease. For lessees the total periodic expenses will generally have a front-loaded expense recognition pattern. Leases that are less than 12 months in duration, or that are for low dollar value items, are not required to be capitalized. Lessors' accounting treatment remains similar to current practice. They will continue to classify leases as finance and operating leases. The mandatory effective date of IFRS 16 is January 1, 2019. The Corporation has not early adopted this new standard. The Corporation has not completed its assessment of the impact of the adoption of IFRS 16 on its financial statements; however, adoption of the amendment is not expected to have a significant impact on the Corporation's financial statements.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

6.1 Capital risk management

The Corporation is subject to the *Freshwater Fish Marketing Act* and the *Financial Administration Act* and any directives issued pursuant to these acts. These Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to fishers.

The Corporation defines and computes its capital as follows:

	2019	2018
Retained earnings	$ 18,440	$ 18,154
Loans payable	32,942	26,775
	$ 51,382	**$ 44,929**

The Corporation's objectives in managing its capital are to:

- provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- generate increasing returns to the fishers; and
- maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

During the year, the Corporation primarily relied on cash flows provided by operating activities to support its objectives.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the above-noted acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act,* the Corporation must indicate its intention to borrow money in its annual corporate plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable.

These objectives and strategies are reviewed during the annual corporate planning process and are approved by the Minister of Finance. Borrowings must also be approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2018 as payouts to fishers are based on annual comprehensive income before income tax plus annual depreciation less the three-year rolling average of cash purchases of capital assets.

The Corporation is not subject to any externally imposed capital requirements.

6.2 Fair value measurements of financial instruments

6.2.1 Carrying amount and fair value of financial instruments

The carrying amounts of the Corporation's financial assets and financial liabilities approximate the fair values of the financial assets and liabilities.

The Corporation estimated the fair values of its financial instruments as follows:

I) The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.

ii) The fair value of loans payables has been estimated based on a discounted cash flow approach using current market rates appropriate as at the respective date presented.

iii) The fair values of the Corporation's derivative-related assets and derivative-related liabilities are based on estimated credit-adjusted market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

6.2.2 Fair value hierarchy

Financial instruments, other than those that are not subsequently measured at fair value and for which fair value approximates carrying value, whether or not they are carried at fair value in the statement of financial position, must have their fair value disclosed and be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value measurement of cash is classified as Level 1 of the fair value hierarchy as at April 30, 2019 and 2018. The fair value measurements of all other financial instruments held by the Corporation are classified as Level 2 of the fair value hierarchy as at April 30, 2019 and 2018.

There were no transfers of financial instruments between levels during the year ended April 30, 2019.

The fair value measurements of the derivative financial instruments as recorded in the statement of financial position are classified as follows:

	2019	2018
Derivative-related liabilities	$ 753	$ 509
Derivative-related assets	$ 12	$ 25

6.2.3 Finance costs

The Corporation has recorded finance costs in relation to the following financial instruments:

	2019	2018
Interest expense	$ 770	$ 553
Stamping Fee	213	162
Bank Charges	29	25
Total Finance costs on loans and other payables	**$ 1,012**	**$ 740**

6.3 Financial risk management objectives and framework

The Corporation has exposure to the following risks from its use of financial instruments:

i) credit risk
ii) liquidity risk
iii) market risk (includes currency risk and interest rate risk)

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Audit and Risk Committee assists the Board of Directors and is responsible for review, approval and monitoring the Corporation's risk management policies including the development of a risk management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks, and developing risk management action plans to mitigate risks that exceed corporate risk tolerance. The Audit and Risk Committee regularly reports to the Board of Directors on its activities.

6.3.1 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, accounts receivable and derivative financial instruments. The Corporation has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The carrying amount of financial assets recorded in the financial statements represents the maximum risk exposure.

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and the country in which customers operate.

The Corporation manages this risk by monitoring the creditworthiness of customers. The Corporation has established processes when dealing with foreign customers in order to manage the risk relating to foreign customers. The Corporation's management reviews the detailed accounts receivable listing on a regular basis for changes in customer balances which could present collectability issues.

The maximum exposure to credit risk for accounts receivable by geographic region was as follows:

	2019			2018		
	Original currency (CAD $)	Original currency (U.S. $)	(CAD $)	Original currency (CAD $)	Original currency (U.S. $)	(CAD $)
Canada	$ 772	$ -	$ 772	$ 315	$ 36	$ 361
United States	52	4,348	5,888	25	3,495	4,512
Europe	891	-	891	2,423	-	2,423
Asia	-	143	192	-	-	-
Non-trade accounts receivable	1,473	82	1,555	1,176	-	1,176
			$ 9,298			**$ 8,472**

Accounts receivable are classified as financial assets and are measured at amortized cost.

At April 30, 2019, five customers represented 46% of the trade accounts receivable balance. At April 30, 2018, five customers represented 50% of the trade accounts receivable balance. Customers primarily represent distributors.

The Corporation measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses. The Corporation uses the expected credit loss model for calculating impairment and recognizes expected credit losses as a loss allowance for financial assets measure at amortized cost.

The aging of accounts receivable, net of allowance, is as follows:

	2019	2018
Current 0-30 days	$ 6,667	$ 6,270
Past due 31-60 days	371	588
Past due over 61 days	705	438
Non-trade accounts receivable	1,555	1,176
	$ 9,298	**$ 8,472**

The Corporation does not hold any collateral in respect of accounts receivable.

Cash

The Corporation manages its exposure to credit risk for its cash by depositing only with creditworthy counterparties, such as major Canadian financial institutions. The maximum exposure to credit risk for cash at April 30, 2019 was $1,843 (2018 – $1,030).

Derivative financial instruments

The Corporation manages its exposure to credit risk on its derivative financial instruments by contracting only with creditworthy counterparties, such as major Canadian financial institutions. The Corporation considers that it is exposed to minimal credit risk in the event of non-performance as the counterparty is considered to be of high credit quality.

6.3.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The following table presents the earliest possible contractual maturities for accounts payable and accrued liabilities, derivative financial liabilities and loans payable as at April 30. The Corporation's expected cash flows on certain instruments vary significantly from this analysis. For example, loans that are callable in nature are included in the earliest time band. Term loans totaling $10,942 are included in the loans payable amount of $32,942. Should these term loans be repaid in the normal course, term loan repayments would be $933 per year.

2019

	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 2,282	$ 616	$ 1,422	$ -	$ -	$ 4,320
Derivative-related liabilities	60	79	145	333	139	756
Loans payable (Note 11)	32,942	-	-	-	-	32,942
Total	**$ 35,284**	**$ 695**	**$ 1,567**	**$ 333**	**$ 139**	**$ 38,018**

2018

	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 2,893	$ 612	$ 1,103	$ 18	$ -	$ 4,626
Derivative-related liabilities	25	88	161	163	101	538
Loans payable (Note 11)	26,775	-	-	-	-	26,775
Total	**$ 29,693**	**$ 700**	**$ 1,264**	**$ 181**	**$ 101**	**$ 31,939**

6.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's future cash flows or the fair values of its 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.

Foreign exchange risk

The Corporation is exposed to currency risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation manages its exposure to exchange rate fluctuations between U.S. and the Canadian dollar by entering into currency forward contracts.

The net foreign exchange loss of $412 (2018 – gain of $605) represents the net realized and unrealized gains and losses on settlement of financial instruments.

The Corporation is exposed to currency risk through its cash, accounts receivable, accounts payable, and accrued liabilities as follows:

(in U.S. $ thousands)	2019	2018
Cash	$ 1,320	$ 428
Accounts receivable	4,492	3,531
Accounts payable and accrued liabilities	(102)	(401)
Net assets exposed to currency risk	**$ 5,710**	**$ 3,558**

Based on the net exposure, including the derivative financial instruments described above and assuming that all other variables remain constant, a hypothetical 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in a decrease in comprehensive income of $571 (2018 – decrease of $356). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of $571 (2018 – increase of $356).

Interest rate risk

The Corporation is exposed to interest rate risk on its loans payables of $10,942 (2018 – $11,875). The Corporation manages its exposure to fluctuations of interest rates by entering into interest rate swaps that are approved by the Board of Directors.

The Corporation uses an interest rate swap to limit exposure to fluctuations in interest rates. Interest rate swaps are contracts that provide the Corporation with the ability to exchange a floating payment for a fixed payment and protects the Corporation against rising interest rates while setting a floor on declining interest rates.

An increase of 100 basis points in interest rates at the reporting date would increase comprehensive income by $498 (2018 – $525) and equity by $498 (2018 – $525). A decrease of 100 basis points in interest rates at the reporting date would decrease comprehensive income by $581 (2018 – $631) and equity by $581 (2018 – $631).

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included on the statement of financial position are derivative-related liabilities of $753 (2018 – $509) and derivative-related assets of $12 (2018 – $25) representing the fair value of derivative financial instruments held:

	2019	2018
At maturity variable rate forwards: derivative-related assets	$ (12)	$ (25)
At maturity variable rate forwards: derivative-related liabilities	189	173
Interest rate swaps	564	336
	$ 741	**$ 484**

Notional principal amounts outstanding are listed below for interest rate swap contracts entered into by the Corporation:

	2019	2018
At maturity variable rate forwards: derivative-related assets (USD)	$ (2,750)	$ (4,750)
At maturity variable rate forwards: derivative-related liabilities (USD)	11,000	10,750
Interest rate swaps (CAD)	10,942	11,875

The net financial derivative loss of $229 (2018 – gain of $598) represents the change in fair value of the interest rate swap.

Other price risk
The Corporation does not believe it is exposed to any other significant price risk in relation to its financial instruments.

7. INVENTORIES

	2019	2018
Supplies	$ 2,124	$ 1,319
Processed fish products	26,447	27,077
Write-down of processed fish products expensed in the year	(600)	(1,261)
	$ 27,971	**$ 27,135**

Inventory write-downs of $600 (2018 – $1,261) are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the year is $68,798 (2018 – $59,317). There is no pledged collateral in respect of inventory. There were no prior write-downs reversed in the current year.

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Balance at May 1, 2017	$ 336	$ 14,637	$ 23,990	$ 1,362	$ 4,063	$ 3	$ 44,391
Additions	-	480	1,056	30	7	10	1,583
Retirements	-	-	(59)	-	-	-	(59)
Transfers	-	(3)	(85)	-	85	3	-
Disposals	-	-	(112)	-	-	-	(112)
Balance at April 30, 2018	336	15,114	24,790	1,392	4,155	16	45,803
Additions	-	514	1,421	-	248	28	2,211
Retirements	-	(10)	(823)	-	-	-	(833)
Transfers	-	(4)	(255)	-	255	4	-
Disposals	-	-	(86)	-	-	-	(86)
Balance at April 30, 2019	**$ 336**	**$ 15,614**	**$ 25,047**	**$ 1,392**	**$ 4,658**	**$ 48**	**$ 47,095**

Accumulated depreciation	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Balance at May 1, 2017	$ -	$ 9,193	$ 12,409	$ 1,224	$ 1,403	$ -	$ 24,229
Depreciation	-	356	1,007	121	132	-	1,616
Retirements	-	-	(52)	-	-	-	(52)
Disposals	-	-	(36)	-	-	-	(36)
Balance at April 30, 2018	-	9,549	13,328	1,345	1,535	-	25,757
Depreciation	-	383	1,155	28	137	-	1,703
Retirements	-	(10)	(775)	-	-	-	(785)
Transfers	-	-	(13)	-	13	-	-
Disposals	-	-	(36)	-	-	-	(36)
Balance at April 30, 2019	**$ -**	**$ 9,922**	**$ 13,659**	**$ 1,373**	**$ 1,685**	**$ -**	**$ 26,639**
Carrying amount at April 30, 2019	**$ 336**	**$ 5,692**	**$ 11,388**	**$ 19**	**$ 2,973**	**$ 48**	**$ 20,456**

	As at April 30, 2019	As at April 30, 2018
Cost	$ 47,095	$ 45,803
Accumulated depreciation	(26,639)	(25,757)
Carrying amount	**$ 20,456**	**$ 20,046**
Carrying amount by asset class		
Land	$ 336	$ 336
Building	5,692	5,565
Equipment	11,388	11,462
Fresh fish delivery tubs/totes	19	47
Vessels	2,973	2,620
Construction in progress	48	16
Carrying amount	$ **20,456**	$ **20,046**

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2019 – $1,512; 2018 – $1,428), in marketing and administrative expenses (2019 – $30; 2018 – $38) and in other expenses (2019 – $161; 2018 – $150).

No property, plant and equipment were pledged as security for borrowing as at April 30, 2019.

Retirement of property, plant and equipment occurs when an asset is removed due to obsolescence resulting from physical deterioration or economic or technological factors. Disposal of property plant and equipment occurs when the asset is sold to another entity.

No indicators of impairment were identified for property, plant and equipment as at April 30, 2019.

9. INTANGIBLE ASSETS

Information systems software	**As at April 30, 2019**	**As at April 30, 2018**
Cost	$ 672	$ 589
Accumulated amortization	(516)	(484)
Carrying amount	**$ 105**	**$ 105**

Cost	
Balance at May 1, 2017	$ 558
Additions	31
Transfers	-
Disposals	-
Balance at April 30, 2018	589
Additions	83
Disposals	-
Balance at April 30, 2018	**$ 672**
Accumulated depreciation	
Balance at May 1, 2017	$ 414
Depreciation	70
Disposals	-
Balance at April 30, 2018	484
Amortization	32
Disposals	-
Balance at April 30, 2019	**$ 516**
Carrying amount at April 30, 2019	**$ 156**

Amortization of intangible assets is recorded on the statement of comprehensive income in marketing and administrative expenses (2019 – $32; 2018 – $70).

Retirement of intangible assets occurs when an asset is removed due to obsolescence resulting from physical deterioration or economic or technological factors. Disposal of intangible assets occurs when the asset is sold to another entity.

No indicators of impairment were identified for intangible assets as at April 30, 2019.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Canadian dollars	$ 4,183	$ 4,111
Denominated in U.S. dollars	137	515
Total accounts payable and accrued liabilities	**$ 4,320**	**$ 4,626**

11. LOANS PAYABLE

The loans payable consist of the following borrowing facilities:

	2019	2018
Bankers' acceptances	$ 32,942	$ 26,775

A $22,000 (2018 – $14,900) bankers' acceptance bearing interest at an annual rate of 1.93% (2018 – 1.65%) and maturing on May 2, 2019. The weighted-average interest rate during the year was 1.98% (2018 – 1.39%). Subsequent to May 2, 2019, new bankers' acceptances were entered into at a rate of 1.96%.

A $6,500 (2018 – $7,000) bankers' acceptance with an interest rate swap bearing an interest rate at 2.82% if the floating rate option on any reset date is less than or equal to 3.00%. If the floating rate option on any reset date is greater than 3.00%, the fixed rate for the calculation period is 3.57%. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving bankers' acceptance and an interest rate swap to lock in the interest rate for 13 years.

A $4,442 (2018 – $4,875) bankers' acceptance with an interest rate swap bearing an interest rate at 2.85% if the floating rate option on any reset date is less than or equal to 3.15%. If the floating rate option on any reset date is greater than 3.15%, the fixed rate for the calculation period is 3.60%. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving bankers' acceptance and an interest rate swap to lock in the interest rate for 10.25 years.

Interest payable on amounts drawn under each facility is at the prevailing bankers' acceptance rates plus stamping fees of 0.65%.

The principal of the bankers' acceptances as at April 30, 2019 is $32,942 (2018 – $26,775) and the fair value of the loans are $32,942 (2018 – $26,775).

The bankers' acceptances are authorized by the Minister of Finance (Note 1).

12. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Corporation's liabilities from financing activities is borrowing in the form of its bank loans.

	2019	2018
Loans payable, beginning of the year	$ 26,775	$ 23,574
Cash provided by additional borrowing	7,100	9,600
Cash used for debt payments	(933)	(6,399)
Loans payable, end of the year	**$ 32,942**	**$ 26,775**

13. EMPLOYEE BENEFITS

13.1 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The employer's contribution rate effective at April 30, 2019 for employees enrolled in the Plan prior to January 1, 2013 was 1.01 (2018 – 1.01) and for employees enrolled in the Plan beginning January 1, 2013 was 1.00 (2018 – 1.00). Total contributions of $1,079 (2018 – $1,054) were recognized as an expense in the current year. The estimated contributions for 2019-20 are $1,050.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with the Canada Pension Plan benefits and are indexed to inflation.

Contributions to the Public Service Pension Plan consisted of:

		2019		**2018**
Contributions by the Corporation	$	1,079	$	1,054
Contributions by employees	$	1,077	$	1,051

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. During 2011, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that established the manner in which the Corporation will document cases for employees who should become members under the *Public Service Superannuation Act* (PSSA) retroactively and on a go forward basis. It also established how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. The PSPC establishes the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation is required to fund the employer's portion of these contributions.

		2019		**2018**
Accrued liability for the Corporation's cost of buyback service	$	107	$	126
Less: current portion		15		15
Non-current portion	**$**	**92**	**$**	**111**

The Corporation estimates that it has a discounted pension obligation of $107 for future matching contributions required under this agreement.

13.2 Accrued obligation for sick leave benefits and workers' compensation

The Corporation's accrued obligation for sick leave benefits provides accumulating sick leave benefits to eligible employees. The liability was actuarially determined as the present value of all future payouts, multiplied by the employee's service at the valuation date to the employee's service at the date when the employee is eligible for the benefit and considered the current balances in any sick leave banks, the annual accumulation of net sick leave credits and the future entitlement to, or utilization of, sick leave benefits.

The Corporation's accrued obligation for workers' compensation represents the unfunded liability for the costs of benefits specified and administered by the Workers Compensation Board of Manitoba for work-related injuries of Freshwater Fish Marketing Corporation employees. The actuarially determined liability consists of long-term pension awards and temporary compensation costs related to future claims payment administration by the Workers Compensation Board of Manitoba.

The actuary used assumptions, as agreed with management, in the calculation of the liabilities including inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred for the workers' compensation liability. The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. An actuarial valuation of the sick leave and workers' compensation liabilities was performed at April 30, 2019 to establish a measurement of these liabilities.

The statement of comprehensive income includes a charge of $590 (2018 – $254) which relates to current service costs, interest charges on the workers' compensation obligation and an actuarial gain/loss. The statement of comprehensive income also includes a charge of $58 (2018 – $26), which relates to current service costs, interest cost and an actuarial gain/loss related to the sick leave liability.

The Corporation's obligation for workers' compensation and sick leave consists of the following:

	Workers' Compensation		Sick Leave	
	2019	**2018**	**2019**	**2018**
Actuarial value	$ 191	$ 158	$ 408	$ 444
Less: current portion	101	83	408	444
Non-current portion	$ 90	$ 75	$ -	$ -
Benefits paid	$ 557	$ 268	$ 94	$ 45

	Workers' Compensation		Sick Leave	
	2019	**2018**	**2019**	**2018**
Current service costs	$ 282	$ 274	$ 31	$ 32
Interest costs	9	8	16	13
Actuarial loss from demographic assumptions	22	-	-	-
Actuarial loss from financial assumptions	(1)	(46)	12	(18)
Actuarial loss (gain) from experience adjustments	278	18	(1)	(1)
Total costs	$ 590	$ 254	$ 58	$ 26

Included in the actuarial gains and losses from financial assumptions are the adjustments due to the effect of the discount rate applied to the obligations. Actuarial gains and losses from experience adjustments are the adjustments due to the effect of differences between the previous actuarial assumptions and what has actually occurred, and the effects of changes in actuarial assumptions.

Mortality rates are a key demographic assumption used in the valuation of the workers' compensation and sick leave obligations. Tables published in February 2014 by The Canadian Institute of Actuaries were used in the valuation of the sick leave obligation. The Ontario WSIB Workers Compensation 2006-2010 mortality table projection to 2015 was used in the valuation of the workers' compensation.

The weighted-average duration of the defined benefit obligation for the workers' compensation liability is three years and six years for the sick leave liability.

The estimated portion of the workers' compensation liability the Corporation expects to settle during the year ending April 30, 2019 is $101 and $408 for the sick leave liability.

The principal actuarial assumptions (weighted-average) used at the end of the reporting period were as follows:

	Workers' Compensation		Sick Leave	
	2019	**2018**	**2019**	**2018**
Discount rate for obligation	2.80%	3.20%	2.95%	3.40%
Rate of compensation increase			2.00%	2.00%
Health care trend	4.00%	5.00%		
All other cost indexation	2.00%	2.00%		

14. REVENUE

On May 1, 2018 the Corporation applied IFRS 15. There has been no impact resulting from the application of IFRS 15 on these financial statements.

14.1 Disaggregation of Sales

Sales is disaggregated by primary geographical region in the following table.

Primary Geographical Regions:	**2019**	**2018**
North America	$ 61,090	$ 58,318
Europe	13,581	13,676
Asia	2,945	1,801
	$ 77,616	$ 73,795

15. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,363 (2018 – $1,227) to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

16. OTHER REVENUE AND EXPENSES

Other revenue comprises the operation of the Poplar River Barge and dry-dock facility on Lake Winnipeg and the sale of fishing supplies to fishers. The revenue earned from the operation of the Poplar River Barge and sales of fishing supplies is $1,179 (2018 – $939).

Other expenses of $1,393 (2018 – $1,309) consist of costs incurred to earn revenue for the Poplar River Barge and dry-dock facility as well as the sales of fishing supplies to fishers.

17. INCOME TAXES

	2019	**2018**
Current income tax expense	$ 130	$ 873
Deferred tax (recovery) expense	$ (62)	$ 211

Income tax expense on profit before income tax differs from the amount that would be computed by applying the federal statutory income tax rate of 25.0%. The expense for the year can be reconciled to the accounting profit before tax as follows:

	2019	2018
Net profit before tax for the year	$ 354	$ 4,317
Computed tax expense (25% income tax rate)	89	1,079
Non-deductible expense	15	4
Other net amounts	(36)	1
Income tax expense recognized in net profit	$ 68	$ 1,084

Current tax liabilities / (assets)

	2019	2018
Income taxes payable (receivable)	$ (168)	$ 176

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are presented below:

Temporary differences for 2019	**Opening balance**	**Recognized in profit or (loss)**	**Ending balance**
Deferred tax assets			
Employee benefits	$ 182	$ (5)	$ 177
Financial instrument loss	83	58	141
Provision for environmental liability	69	(15)	54
Deferred tax liabilities			
Foreign exchange loss	(6)	(6)	(12)
Property, plant and equipment	(2,186)	43	(2,143)
Intangible assets	(26)	(13)	(39)
Net deferred tax liability	**$ (1,884)**	**$ 62**	**$ (1,822)**

Temporary differences for 2018	**Opening balance**	**Recognized in profit or (loss)**	**Ending balance**
Deferred tax assets			
Employee benefits	$ 195	$ (13)	$ 182
Financial instrument loss	270	(187)	83
Provision for environmental liability	108	(39)	69
Deferred tax liabilities			
Foreign exchange loss	(40)	34	(6)
Property, plant and equipment	(2,170)	(16)	(2,186)
Intangible assets	(36)	10	(26)
Net deferred tax liability	**$ (1,673)**	**$ (211)**	**$ (1,884)**

18. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned entities.

The Corporation enters into transactions with these entities in the normal course of business, at fair value, under the same terms and conditions that apply to unrelated parties. In accordance with the disclosure exemption regarding government-related entities, the Corporation is exempt from certain disclosure requirements of IAS 24 relating to its transactions and outstanding balances with:

- a government that has control, joint control or significant influence over the reporting entity; or
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Based on this exemption, as the Corporation has not entered into any transactions with these related parties which are considered to be individually or collectively significant, the Corporation has not disclosed any details of its transactions with:

- the Government of Canada, and departments and agencies thereof; or
- other federal Crown corporations.

Certain members of the Board of Directors and their closely related family members are fishers who sell their catch to the Corporation. During the year, delivered fish volume by Board members and their closely related family members was 39,000 kilograms (2018 – 59,000 kilograms) valued at $60 (2018 – $117). These transactions are measured at fair value and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

Compensation of key management personnel

Compensation of key management personnel include members of the Board of Directors and executive officers of the Corporation who have the authority and responsibility for planning, directing and controlling the activities of the Corporation.

Compensation for executive officers of the Corporation is recorded on the statement of comprehensive income as salaries and benefits in marketing and administrative expenses. Compensation for members of the Board of Directors is recorded on the statement of comprehensive income as meeting fees and expenses in marketing and administrative expenses.

	2019	**2018**
Total compensation paid to key management personnel	$ 993	$ 957

19. COMMITMENTS AND CONTINGENCIES

19.1 Commitments

As of April 30, 2019, the Corporation had minimum lease payments as follows:

2020	$ 59
2021	19
2022	2
2023	1
2024	1
2025 & thereafter	-
	$ 82

19.2 Contingencies and provisions

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. Amounts payable, if any, will be recorded when any liability is considered likely and the associated costs can be reasonably estimated.

The total provision for environmental liabilities for the contaminated sites at Hay River and Moraine Bay Northwest Territories is $216 (2018 – $277). The Corporation spent $61 for site remediation during the year. The Corporation expects to complete the remediation of these sites within the next 12 months.

A number of other vacant facilities may contain some environmental risk with associated remediation costs. The Corporation's ongoing efforts to assess these sites may result in environmental liabilities related to the sites. A provision will be recorded when the Corporation considers that it is probable that it will remediate these contaminated sites and a reliable estimate can be determined for the amount of the obligations. As of April 30, 2019, no liability has been recognized in the financial statements for the remaining contaminated sites.

The Board of Directors of the Corporations reserves the final decision regarding the amount and timing of a final payment to fishers.

The following details the changes in the provision for final payment over the past year.

		2019		**2018**
Provision for final payment to fishers, beginning of year	$	4,000	$	3,500
Payments to fishers		(4,000)		(3,500)
Provision added during the year		500		4,000
Provision for final payment to fishers, end of year	**$**	**500**	**$**	**4,000**

Corporate Officers and Senior Management

Dave Bergunder
Vice-President, Field Operations

Ed Campbell
Vice-President, Sales and Marketing

Dawn Kjarsgaard
Director, Plant Operations

Denis Lavallée
Controller

Stan Lazar
Interim President

Susan Young
Vice-President, Human Resources and Government Services

Employee Recognition

Freshwater extends gratitude to the following employees who have dedicated their careers to ensuring a dependable supply of high quality freshwater fish products, excellent customer value and maximum returns to fishers.

35+ years: Diane Cassells; Lorraine Young; Damian D'Souza; Glen Fricker; Warren Thomas; Frank Seepish; Janina Richards; Robert Giles; Larry Ireland; Larry Lacroix; Renato De Los Santos.

FRESHWATER FISH

1969 - 2019

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