

Freshwater Fish Marketing Corporation

# SECOND QUARTER FINANCIAL REPORT

**Fiscal 2021/22**

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(unaudited)

## OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS

For the period ended October 31, 2021

	(in thousands of Canadian dollars)		Actual				
	Oct 31 2021	Oct 31 2020	Fiscal 2021/22 Budget	\$ Change to Oct 31 2020	% Change	\$ Change to Fiscal 2021/22 Budget	% Change
Sales revenue	\$ 33,588	\$ 32,027	\$ 23,337	\$ 1,561	4.9%	\$ 10,251	43.9%
Expenses	32,459	30,693	26,321	1,766	5.8%	6,138	23.3%
Profit (loss) before taxes	1,129	1,334	(2,984)	(205)	-15.4%	4,113	137.8%
Profit (loss) after taxes	\$ 847	\$ 1,000	\$ (2,238)	\$ (153)	-15.3%	\$ 3,085	137.8%

Q2 income before provision for final payment to fishers and income tax was \$1.1 million compared to the 2021/22 planned loss of \$3.0 million and prior year gain of \$1.3 million. To achieve its objectives, FFMC strives to continually improve profitability and returns to fishers through prudent financial management and efficient operations. FFMC measures its performance by using key performance indicators meaningful to all stakeholders, including fishers, employees and the Government of Canada. The financial measures above allow the Corporation to monitor and improve performance to create value for its stakeholders.

Sales revenue for the six months ended October 31, 2021, increased 43.9% from plan and 4.9% from the prior year. The primary contributor to the increased sales revenue was the sooner than anticipated rebound in customer demand for Walleye in the United States as markets recovered from the impacts of the COVID-19 pandemic.

Expenses for the six months ended October 31, 2021 were \$1.8 million higher than the previous year as FFMC adjusted its operations to meet the increasing demand and expected higher sales volumes.

Income before taxes and final payment decreased by \$0.21 million from \$1.3 million in 2020/21 to \$1.1 million in 2021/22.

Capital expenditures were \$0.88 million during the six months ending October 31, 2021, compared to \$0.40 million in the comparable period last year. Capital expenditures include investment in processing equipment and facilities.

### Statement of Financial Position as at October 31, 2021

The most significant variances from the April 30, 2021, Statement of Financial Position are with respect to Accounts Receivable and Loans Payable. Receivables increased by 2.8 million to \$8.8 million at October 31, 2021, due to higher revenues in Sep/Oct vs. March/April. Loans increased by \$1.8 million due to increased fish purchases this year vs. last.

### Statement of Cash Flows as at October 31, 2021

The October 31, 2021, Statement of Cash Flows shows stable level of cash generated by operations as compared to October 31, 2020. Last year's cash flow from operations was negatively affected by the \$15.1 million loans repaid offsetted by the benefit of decrease by \$8.6 million in inventories. This year's cash flow was negatively affected by the \$2.7 million increase in accounts receivable.

## OUTLOOK AND RISKS TO PERFORMANCE

The financial goal established in FFMC's Annual Plan for FY 2021/22 is a loss before final payment and income tax of \$2.6 million. FFMC is working diligently to mitigate the impacts of COVID-19 on its business performance while following government guidance and prioritizing the health and safety of its employees and fishers that supply fish.

### Mandate

FFMC 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* and the subsequent transformation process currently in progress regarding the future of the Corporation 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 factors affect the volume of fish delivered to FFMC in any given year. On a regular basis, FFMC uses effective operational planning and daily management to address these and other issues to meet its mandate and strategic objectives. Lake Erie walleye fishing quota increases, individual quota entitlement (IQE) buy-backs from fishers by the Government of Manitoba, and mesh size increases, both on Lake Winnipeg will affect fish deliveries.

### Transformation of FFMC

In support of *The Report of the Ministerial Advisory Panel on the Transformation of the Freshwater Fish Marketing Corporation* released by the Government of Canada in 2019, the appointed interlocutor has provided the Minister of Fisheries, Oceans and the Canadian Coast Guard with a report on his findings. The Government of Canada has established and funded an Interim Committee to perform due diligence on transforming the Corporation into a harvester-led entity.

## FORWARD LOOKING STATEMENTS

The unaudited financial statements and the management report contain forward looking statements that reflect management's expectations regarding FFMC's objectives, plans, strategies, results of operations and performance. Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends", or other similar expressions. These forward-looking statements are not facts, but only estimates regarding results of operations, performance and opportunities. 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 FFMC 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 5 – Financial Instruments and Financial Risk Management.

To the extent FFMC provides future oriented financial information or a financial outlook, such as future operational and financial performance, FFMC 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. FFMC cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

FFMC cannot predict the full impact or the timing for when business conditions will improve or how they may change from the impact of the COVID-19 pandemic. FFMC is actively monitoring and responding to the situation as the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus and government actions which cannot be predicted with any degree of certainty.

The forward-looking statements included in this unaudited financial report are made only as of November 23<sup>rd</sup>, 2021, and FFMC does not undertake to publicly update these statements to reflect new information, future events, or changes in circumstances for any other reason after this date.

(unaudited)

# Management's Responsibility for Financial Reporting

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at October 31, 2021, and for the periods presented in the quarterly financial statements.



Stanley A. Lazar, CPA, CMA  
President and Chief Executive Officer



Denis P. Lavallée, CPA, CA  
Chief Financial Officer

Winnipeg, Canada  
November 23, 2021

# Statement of Financial Position

AS AT OCTOBER 31, 2021 (in thousands of Canadian dollars)

	<u>October 2021</u>	<u>April 2021</u>	<u>October 2020</u>
<b>ASSETS</b>			
<b>Current</b>			
Cash	1,010	1,055	1,096
Accounts receivable (Note 5)	8,828	6,079	7,368
Prepaid expenses	353	128	235
Derivative-related assets (Note 5)	-	-	8
Inventories (Note 6)	19,291	18,070	18,400
	<u>29,482</u>	<u>25,332</u>	<u>27,107</u>
<b>Non-current</b>			
Property, plant and equipment (Note 7)	18,405	18,427	18,965
Intangible assets (Note 8)	205	229	131
	<u>18,610</u>	<u>18,656</u>	<u>19,096</u>
<b>Total Assets</b>	<u><u>48,092</u></u>	<u><u>43,988</u></u>	<u><u>46,203</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 5 and 9)	6,238	4,519	5,674
Income taxes payable	126	119	-
Accrued obligation for employee benefits (Note 12)	609	609	579
Loans payable (Note 5 and 10)	21,342	19,508	17,375
Provision for environmental liability (Note 17)	327	385	385
Deferred revenue	-	-	2,195
Derivative-related liabilities (Note 5)	254	494	950
	<u>28,896</u>	<u>25,634</u>	<u>27,158</u>
<b>Non-current</b>			
Deferred tax liabilities	1,766	1,767	1,818
Accrued obligation for employee benefits (Note 12)	120	124	131
	<u>1,886</u>	<u>1,891</u>	<u>1,949</u>
<b>Equity</b>			
Retained earnings	<u>17,310</u>	<u>16,463</u>	<u>17,096</u>
<b>Total Liabilities and Equity</b>	<u><u>48,092</u></u>	<u><u>43,988</u></u>	<u><u>46,203</u></u>

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  
President and Chief Executive Officer

Denis P. Lavallée, CPA, CA  
Chief Financial Officer

# Statement of Comprehensive Income

FOR THE PERIOD ENDED OCTOBER 31, 2021 (in thousands of Canadian dollars)

	Three months ended		Six Months Ended	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
<b>Sales (Note 13)</b>				
Export	\$ 14,016	\$ 11,112	\$ 38,258	\$ 20,999
Domestic	2,974	2,184	4,670	3,428
Surplus Food Program	-	7,600	-	7,600
	<u>16,990</u>	<u>20,896</u>	<u>33,588</u>	<u>32,027</u>
<b>Cost of Sales</b>				
Opening inventory of processed fish products	15,357	19,576	15,656	24,626
Add fish purchases and processing expenses:				
Fish purchases	8,518	7,888	15,159	9,219
Plant salaries wages & benefits	3,579	3,087	6,407	4,674
Packaging and storage	1,201	1,276	2,646	1,661
Packing allowances and agency operating costs	1,450	1,217	2,446	1,903
Freight	718	610	1,405	1,025
Repairs and maintenance, Winnipeg Plant	440	288	927	557
Utilities and property taxes	481	288	857	514
Depreciation of production assets (Note 7)	400	410	810	824
Other	345	210	476	363
	<u>32,489</u>	<u>34,850</u>	<u>46,789</u>	<u>45,366</u>
Less ending inventory of processed fish products, net of write downs (Note 6)	<u>(16,536)</u>	<u>(16,035)</u>	<u>(16,536)</u>	<u>(16,035)</u>
	<u>15,953</u>	<u>18,815</u>	<u>30,253</u>	<u>29,331</u>
<b>Gross profit on operations</b>	<u>1,037</u>	<u>2,081</u>	<u>3,335</u>	<u>2,696</u>
<b>Marketing and administrative expenses</b>				
Salaries and benefits	741	795	1,494	1,338
Commissions (Note 14)	255	163	567	380
Data processing, office and professional services	284	245	550	460
Advertising and promotion	8	8	16	11
Meeting fees and expenses	7	4	14	17
Other	40	23	70	50
Depreciation and amortization of administrative assets (Notes 7 and 8)	23	21	44	41
	<u>1,358</u>	<u>1,259</u>	<u>2,755</u>	<u>2,297</u>
<b>Other income and expenses</b>				
Net foreign exchange loss (gain) (Note 5)	(143)	58	(205)	(25)
Net financial derivative gain (Note 5)	(250)	(58)	(206)	(125)
Other revenue (Note 15)	(678)	(1,420)	(1,146)	(1,666)
Other expense (Note 15)	384	341	779	609
Finance income	(1)	(3)	(2)	(4)
Finance costs	119	115	231	276
	<u>(569)</u>	<u>(967)</u>	<u>(549)</u>	<u>(935)</u>
<b>Profit before income tax</b>	248	1,789	1,129	1,334
Income tax expense	62	448	282	334
	<u>62</u>	<u>448</u>	<u>282</u>	<u>334</u>
<b>Total comprehensive income</b>	<u>\$ 186</u>	<u>\$ 1,341</u>	<u>\$ 847</u>	<u>\$ 1,000</u>

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

# Statement of Changes in Equity

FOR THE PERIOD ENDED OCTOBER 31, 2021 (in thousands of Canadian dollars)

	Three months ended		Six months ended	
	As at October 31, 2021	As at October 31, 2020	As at October 31, 2021	As at October 31, 2020
Retained earnings at the beginning of the period	\$ 17,124	\$ 15,755	\$ 16,463	\$ 16,096
Comprehensive income for the period	186	1,341	847	1,000
Retained earnings at the end of the period	<u>\$ 17,310</u>	<u>\$ 17,096</u>	<u>\$ 17,310</u>	<u>\$ 17,096</u>

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

# Statement of Cash Flows

FOR THE PERIOD ENDED OCTOBER 31, 2021 (in thousands of Canadian dollars)

	Three months ended		Six months ended	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
<b>Operating activities</b>				
Comprehensive income for the period	\$ 186	\$ 1,341	\$ 847	\$ 1,000
Add (deduct) items not affecting cash:				
Future tax expense	(1)	(1)	(1)	(1)
Depreciation and amortization	459	467	927	938
Gain on disposal of property, plant and equipment	-	(35)	-	(35)
Write-down of inventory (reversal of write-down)	330	(1,480)	809	(2,333)
Decrease in net derivative-related liabilities	(381)	(118)	(240)	(857)
Net changes in non-cash working capital:				
Decrease (increase) in accounts receivable	357	(740)	(2,749)	(392)
Decrease in income taxes receivable	-	127	-	1,161
Decrease (increase) in inventories	(1,885)	5,029	(2,030)	10,877
Decrease (increase) in prepaid expenses	(48)	37	(225)	(124)
Increase in accounts payable and accrued liabilities	1,437	2,367	1,719	1,920
Increase (decrease) in income taxes payable	(13)	-	7	-
Decrease in provision for environmental liability	(58)	(1)	(58)	(22)
Increase in deferred revenue	-	2,195	-	2,195
Decrease in obligation for employee benefits	(2)	(4)	(4)	(7)
<b>Cash provided by (used in) operating activities</b>	<b>381</b>	<b>9,184</b>	<b>(998)</b>	<b>14,320</b>
<b>Investing activities</b>				
Additions to property, plant and equipment and intangible assets	(335)	(22)	(881)	(399)
Proceeds on disposal of property, plant and equipment	-	35	-	35
<b>Cash provided by (used in) investing activities</b>	<b>(335)</b>	<b>13</b>	<b>(881)</b>	<b>(364)</b>
<b>Financing activities</b>				
Loans payable issued (loans repaid)	500	(11,600)	2,300	(15,100)
Repayment of loans	(233)	(233)	(466)	(389)
<b>Cash provided by (used in) financing activities</b>	<b>267</b>	<b>(11,833)</b>	<b>1,834</b>	<b>(15,489)</b>
<b>Increase (decrease) in cash during the period</b>	<b>313</b>	<b>(2,636)</b>	<b>(45)</b>	<b>(1,533)</b>
Cash at the beginning of the period	697	3,732	1,055	2,629
<b>Cash at the end of the period</b>	<b>\$ 1,010</b>	<b>\$ 1,096</b>	<b>\$ 1,010</b>	<b>\$ 1,096</b>
<b>Supplementary information</b>				
Interest paid	\$ 79	\$ 76	\$ 154	\$ 182

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

# Notes to the Financial Statements

AS AT OCTOBER 31, 2021 (in thousands of Canadian 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 \$50.0 million. As at October 31, 2021, the total borrowings of the Corporation may not exceed \$39.1 million as authorized by the Minister of Finance. Borrowing levels are forecast to remain under the legislated borrowing authority of \$50.0 million.

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 January 31, 2018. The Corporation has remained compliant since then.

## 2. FUTURE OF THE CORPORATION

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS). The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and contemplate the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Corporation continues to manage risks to its business, in particular, the enduring impact of the COVID-19 health pandemic on its operations, the open-market fish supply environment, individual quota entitlement buyback from commercial fishers on Lake Winnipeg by the Government of Manitoba, and increasing supplies of walleye into Freshwater's sales markets from the Great Lakes. Management has evaluated these risks and has determined that its plans and strategies are expected to continue to allow the Corporation to operate for the foreseeable future. The strategies including the plans and objectives to address these risks are outlined in the 2022 to 2026 Corporate Plan Summary which has been approved by the Government of Canada.

In support of The Report of the Ministerial Advisory Panel on the Transformation of the Freshwater Fish Marketing Corporation, released in 2019, the Government of Canada in January 2021, committed to support the Interim Committee of Fish Harvesters in securing administrative and technical expertise to allow it to familiarize itself with representing fish harvesters in Manitoba, Saskatchewan and the Northwest Territories. The Government of Canada is continuing to work with the Interim Committee to assess and support the next steps in the process.

These financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported revenues and expenses.

## 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 November 23, 2021.

### 3.2 Cash

Cash is composed of money in the bank.

### 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.

#### 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 5.2.

#### 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 5.2.

#### 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. Judgements 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. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### 5.1 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:

	As at October 31, 2021	As at October 31, 2020
Retained earnings	\$ 17,310	\$ 17,096
Loans payable	21,342	17,375
	<u>\$ 38,652</u>	<u>\$ 34,471</u>

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, 2021 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.

### 5.2 Fair value measurements of financial instruments

#### 5.2.1 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.

#### 5.2.2 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 October 31, 2021 and April 30, 2021. 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 October 31, 2021 and April 30, 2021.

There were no transfers of financial instruments between levels during the period ended October 31, 2021.

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

	As at October 31, 2021	As at April 30, 2021
Derivative-related liabilities	\$ 254	\$ 494

### 5.2.3 Finance costs

The Corporation has recorded the following finance costs on loans and other payables:

	Three months ended		Six months ended	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
Interest expense	\$ 79	\$ 76	\$ 154	\$ 182
Stamping fee	31	31	63	80
Bank Charges	9	8	14	14
	<u>\$ 119</u>	<u>\$ 115</u>	<u>\$ 231</u>	<u>\$ 276</u>

## 5.3 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.

### 5.3.1 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:

	October 31, 2021			April 30, 2021		
	Original currency (CAD \$)	Original currency (U.S. \$)	(CAD \$)	Original currency (CAD \$)	Original currency (U.S. \$)	(CAD \$)
Canada	\$ 1,443	\$ -	\$ 1,443	\$ 230	\$ -	\$ 230
United States	-	5,042	6,244	-	3,388	4,188
Europe	435	-	435	640	-	640
Non-trade accounts receivable	706	-	706	1,021	-	1,021
			<u>\$ 8,828</u>			<u>\$ 6,079</u>

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

At October 31, 2021, five customers represented 50% (April 30, 2021 – 50%) of the trade accounts receivable balance.

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 measured at amortized cost.

The Corporation's main source of revenue is derived from the food service industry. This industry has been severely affected by the economic slowdown resulting from the COVID-19 pandemic. Management is monitoring the credit ratings of its large food service customers. At the date of the financial statements, no significant changes to risk ratings were made that impacted expected credit losses.

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

	<b>As at October 31, 2021</b>	<b>As at April 30, 2021</b>
Current 0 - 30 days	\$ 6,984	\$ 4,804
Past due 31 - 60	857	251
Past due over 61 days	281	3
Non-trade accounts receivable	<u>706</u>	<u>1,021</u>
	<u>\$ 8,828</u>	<u>\$ 6,079</u>

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 October 31, 2021 was \$1,010 (April 30, 2021 – \$1,055).

#### **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.

#### **5.3.2 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.

#### **5.3.3 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 gain of \$205 (2020 – \$25) 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)	<b>As at October 31, 2021</b>	<b>As at October 31, 2020</b>
Cash	723	968
Accounts receivable	5,042	3,122
Accounts payable and accrued liabilities	<u>(36)</u>	<u>(58)</u>
Net assets exposed to currency risk	<u>5,729</u>	<u>4,032</u>

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 \$573 (2020 – \$403). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of \$573 (2020 – \$403).

#### **Interest rate risk**

The Corporation is exposed to interest rate risk on its loans payables of \$8,842 (April 30, 2021 – \$9,308). 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.

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 \$254 (April 30, 2021 – \$494) representing the fair value of derivative financial instruments held:

	As at October 31, 2021	As at April 30, 2021
At maturity variable rate forwards - derivative related (assets)/ liabilities	\$ (141)	\$ (107)
Interest rate swaps	395	601
	<u>\$ 254</u>	<u>\$ 494</u>

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

	As at October 31, 2021	As at April 30, 2021
At maturity variable rate forwards - derivative related assets/liabilities	9,865	9,185
Interest rate swaps	8,842	9,308

The net financial derivative gain of \$206 (2020 – \$125) 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.

## 6. INVENTORIES

	As at October 31, 2021	As at April 30, 2021
Supplies	\$ 2,755	\$ 2,414
Processed fish products	17,345	16,259
Write down of processed fish products	(809)	(603)
	<u>\$ 19,291</u>	<u>\$ 18,070</u>

Inventory write-downs of \$809 (April 30, 2021 – \$603) are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the period is \$30,253 (2020 – \$29,331). There is no pledged collateral in respect of inventory. There were no prior write-downs reversed in the current year.

## 7. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Balance at May 1, 2020	\$ 336	\$ 15,597	\$ 25,378	\$ 1,461	\$ 4,779	\$ 184	\$ 47,735
Additions	-	336	337	-	73	24	770
Retirements	-	(1)	(177)	-	(5)	-	(183)
Transfers	-	-	-	-	-	-	-
Disposals	-	(16)	(43)	-	-	-	(59)
Balance at April 30, 2021	336	15,916	25,495	1,461	4,847	208	48,263
Additions	-	111	581	21	35	119	867
Retirements	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>Balance as at October 31, 2021</b>	<b>\$ 336</b>	<b>\$ 16,027</b>	<b>\$ 26,076</b>	<b>\$ 1,482</b>	<b>\$ 4,882</b>	<b>\$ 327</b>	<b>\$ 49,130</b>
<b>Accumulated depreciation</b>							
Balance at May 1, 2020	\$ -	\$ 10,172	\$ 14,832	\$ 1,409	\$ 1,844	\$ -	\$ 28,257
Depreciation	-	370	1,242	29	162	-	1,803
Retirements	-	(1)	(163)	-	(4)	-	(168)
Transfers	-	-	-	-	-	-	-
Disposals	-	(16)	(40)	-	-	-	(56)
Balance at April 30, 2021	-	10,525	15,871	1,438	2,002	-	29,836
Depreciation	-	175	617	14	83	-	889
Retirements	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>Balance as at Oct 31, 2021</b>	<b>\$ -</b>	<b>\$ 10,700</b>	<b>\$ 16,488</b>	<b>\$ 1,452</b>	<b>\$ 2,085</b>	<b>\$ -</b>	<b>\$ 30,725</b>
<b>Carrying amount at October 31, 2021</b>	<b>\$ 336</b>	<b>\$ 5,327</b>	<b>\$ 9,588</b>	<b>\$ 30</b>	<b>\$ 2,797</b>	<b>\$ 327</b>	<b>\$ 18,405</b>

	As at October 31, 2021		As at April 30, 2021
Cost	\$ 49,130	\$	48,263
Accumulated depreciation	(30,725)		(29,836)
<b>Carrying amount</b>	<b>\$ 18,405</b>	<b>\$</b>	<b>18,427</b>

#### Carrying amount by asset class

Land	\$ 336	\$	336
Buildings	5,327		5,391
Equipment	9,588		9,624
Fresh fish delivery tubs/totes	30		23
Vessels	2,797		2,845
Construction in progress	327		208
<b>Carrying amount</b>	<b>\$ 18,405</b>	<b>\$</b>	<b>18,427</b>

Depreciation expense of \$810 (2020 – \$824) is recorded on the statement of comprehensive income in cost of sales, \$6 (2020 – \$15) in marketing and administrative expenses and \$73 (2020 – \$73) in other expenses.

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 assets occurs when the asset is sold to another entity.

The Corporation assesses at each reporting date whether there is an indication that an asset value may be impaired. The assessment as at October 31, 2021 included the effect of the COVID-19 pandemic on the operating assets of the Corporation. No indicators of impairment were identified for property, plant and equipment.

## 8. INTANGIBLE ASSETS

Informations systems software	As at October 31, 2021		As at April 30, 2021
Cost	\$ 851	\$	837
Accumulated amortization	(646)		(608)
<b>Carrying amount</b>	<b>\$ 205</b>	<b>\$</b>	<b>229</b>

#### Cost

Balance at May 1, 2020	\$ 711
Additions	126
Transfers	-
Disposals	-
As at April 30, 2021	837
Additions	14
Disposals	-
<b>Balance as at October 31, 2021</b>	<b>\$ 851</b>

#### Accumulated amortization

Balance at May 1, 2020	\$ 554
Amortization	54
Disposals	-
As at April 30, 2021	608
Amortization	38
Disposals	-
<b>Balance as at October 31, 2021</b>	<b>\$ 646</b>

<b>Carrying amount at October 31, 2021</b>	<b>\$ 205</b>
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Amortization of intangible assets of \$38 (2020 – \$26) is recorded on the statement of comprehensive income in marketing and administrative expenses.

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 October 31, 2021.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at October 31, 2021	As at April 30, 2021
Canadian dollars	6,202	4,346
Denominated in U.S. dollars	36	173
Total accounts payable and accrued liabilities	<u>6,238</u>	<u>4,519</u>

## 10. LOANS PAYABLE

The loans payable consists of the following borrowing facilities:

	As at October 31, 2021	As at April 30, 2021
Banker's acceptances	\$ 21,342	\$ 19,508

A \$12,500 (April 30, 2021 – \$10,200) bankers' acceptance bearing interest at an annual rate of 0.4692% (April 30, 2021 – 0.4125%) and maturing on Nov 4, 2021. The weighted-average interest rate during the period was 0.45% (April 30, 2021 – 0.50%). Subsequent to Nov 4, 2021, new bankers' acceptances were entered into at a rate of 0.4300%.

A \$5,375 (April 30, 2021 – \$5,625) 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 11 years.

A \$3,467 (April 30, 2021 – \$3,683) 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 8.25 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 October 31, 2021 is \$21,342 (April 30, 2021 – \$19,508) and the fair value of the loans are \$21,342 (April 30, 2021 – \$19,508).

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

## 11. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	As at October 31, 2021	As at April 30, 2021
Loans payable, beginning of the period	\$ 19,508	\$ 32,864
Cash provided by additional borrowing/(cash repaid)	2,300	(12,500)
Cash used for term debt payments	(466)	(856)
Loans payable, end of the period	<u>\$ 21,342</u>	<u>\$ 19,508</u>

## 12. EMPLOYEE BENEFITS

### 12.1 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 October 31, 2021, for employees enrolled in the Plan prior to January 1, 2013 was 1.01 (2020 – 1.01) and for employees enrolled in the Plan beginning January 1, 2013 was 1.00 (2020 – 1.00). Total contributions of \$307 (October 31, 2020-\$378) were recognized as an expense in the current year. The estimated contributions for 2021-2022 are \$945.

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:

	As at October 31, 2021	As at October 31, 2020
Contributions by the Corporation	\$ 307	\$ 378
Contributions by employees	\$ 328	\$ 376

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.

	As at October 31, 2021	As at April 30, 2021
Accrued liability for the Corporation's cost of buyback of service	\$ 73	\$ 77
Less: current portion	10	10
Non-current portion	<u>\$ 63</u>	<u>\$ 67</u>

The Corporation estimates that it has a discounted pension obligation of \$75 for future matching contributions required under this agreement.

## 13. REVENUE

### 13.1 Disaggregation of Sales

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

Primary Geographical Regions	October 31, 2021	October 31, 2020
North America	\$ 27,841	\$ 24,403
Europe	5,148	5,894
Asia	599	1,730
	<u>\$ 33,588</u>	<u>\$ 32,027</u>

## 14. SALES COMMISSIONS

During the period, the Corporation paid commissions of \$567 (October 31, 2020 – \$380) to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

## 15. 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 \$1,146 (October 31, 2020 – \$1,666).

Other expenses of \$779 (October 31, 2020-\$609) 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.

## 16. 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. 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 includes 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.

	<b>2021</b>	<b>2020</b>
Total compensation paid to key management personnel	539	473

## **17. CONTINGENCIES**

### **17.1 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 is \$327 (April 30, 2021 – \$385). The Corporation spent \$58 (October 31, 2020-\$22) for site remediation in Hay River during the year. The Corporation expects to complete the remediation of the Hay River site within the next year.

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 October 31, 2021, no liability has been recognized in the financial statements for the remaining contaminated sites.