

Freshwater Fish Marketing Corporation

THIRD QUARTER FINANCIAL REPORT

Fiscal 2021/22

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NARRATIVE DISCUSSION

(unaudited)

BASIS OF PRESENTATION

These unaudited financial statements have been prepared in accordance with *International Financial Reporting Standards (IFRS)* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. These unaudited quarterly financial statements do not include all of the disclosure requirements for annual financial statements. These statements should be read in conjunction with the Corporation's audited financial statement for its fiscal year ended April 30, 2021.

These financial statements have not been audited or reviewed by an external auditor.

The information in this narrative is current to March 2, 2022

MATERIALITY

In assessing what information to provide in the narrative, management applies the materiality principle as guidance for disclosure. Management considers information material if its omission or misstatement could reasonably be expected to influence decisions that the primary users make based on financial information included in this narrative.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements about FFMC's strategy and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: Government of Canada approval of FFMC's fiscal year 2021/22 to 2025/26 Corporate Plan and no change to FFMC's current mandate. Key risks and uncertainties are by definition difficult to predict and beyond our control. They include, but are not limited to, economic, competitive, financial, environmental and regulatory conditions. These factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

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

OVERVIEW OF THE BUSINESS

FFMC is a self-sustaining federal Crown Corporation, the buyer, processor and marketer of commercially caught freshwater fish. It remains a top choice for chefs in the United States when picking walleye for their menus. Freshwater is the largest and most trusted supplier of lake whitefish and whitefish caviar to Finland, and the number one supplier for buyers of tullibee roe in Scandinavia. FFMC continues to be the dominant supplier to the northern pike market in France with both minced and new product innovations. It is the largest individual supplier of freshwater fish products to the United States gefilte fish market and maintains a kosher certified plant.

In five decades of business, FFMC has established and sustained a solid reputation based on product reliability, quality and food safety. FFMC is recognized as an industry leader with an internationally established and highly endorsed brand of excellence.

SIGNIFICANT CORPORATE EVENTS

COVID-19 Pandemic

On going factors, in particular, supply chain instability and increased pandemic related costs stemming from COVID-19 continue to influence the Corporation's financial and operating performance.

(unaudited)

OPERATING HIGHLIGHTS AND ANALYSIS OF RESULTS

Year to date January 31, 2022

(in thousands of Canadian dollars)

	January 31, 2022	January 31, 2021	Fiscal 2021/22 Budget	\$ Change	% Change	\$ Change	% Change
				to January 31, 2021		to Fiscal 2021/22 Budget	
Sales revenue	\$ 50,615	\$ 45,601	\$ 37,851	\$ 5,014	11.0%	\$ 12,764	33.7%
Expenses	48,966	43,357	40,732	5,609	12.9%	8,234	20.2%
Profit (loss) before taxes	1,649	2,244	(2,881)	(595)	-26.5%	4,530	157.2%
Profit (loss) after taxes	\$ 1,237	\$ 1,683	\$ (2,161)	\$ (446)	-26.5%	\$ 3,398	157.2%

Year to date income before provision for final payment to fishers and income tax was \$1.6 million compared to the 2021/22 planned loss of \$2.9 million and prior year income of \$2.2 million.

Sales revenue for the nine months ended January 31, 2022, increased 33.7% from plan and 11.0% 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 nine months ended January 31, 2022 were \$5.6 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 \$0.60 million from \$2.2 million in 2020/21 to \$1.6 million in 2021/22.

Capital expenditures were \$1.46 million during the nine months ending January 31, 2022, compared to \$0.58 million in the comparable period last year. Capital expenditures include investment in processing equipment and facilities.

Three months ended January 31, 2022

(in thousands of Canadian dollars)

	January 31, 2022	January 31, 2021	Fiscal 2021/22 Budget	\$ Change	% Change	\$ Change	% Change
				to January 31, 2021		to Fiscal 2021/22 Budget	
Sales revenue	\$ 17,027	\$ 13,574	\$ 14,514	\$ 3,453	25.4%	\$ 2,513	17.3%
Expenses	16,507	12,664	14,411	3,843	30.3%	2,096	14.5%
Profit (loss) before taxes	520	910	103	(390)	-42.9%	417	-404.9%
Profit (loss) after taxes	\$ 390	\$ 683	\$ 77	\$ (293)	-42.9%	\$ 313	-406.5%

Q3 Income before provision for final payment to fishers and income tax was \$520 thousand compared to the 2021/22 planned income of \$103 thousand and the prior year income of \$910 thousand.

Sales revenue for the three months ended January 31, 2022, increased 17.3% from plan and 25.4% from the prior year. The primary contributor to the increase in sales revenue from the prior year was the rebound in walleye sales to U.S. markets as Covid-19 restrictions eased.

Expenses were 14.5% higher than budget and 30.3% higher than last year due to the higher sales and fish deliveries in Q3.

Statement of Financial Position as at January 31, 2022

The most significant variances from the April 30, 2021, Statement of Financial Position are with respect to Accounts Receivable and Inventories. Receivables increased by \$4.2 million to \$10.3 million due to increased sales activity in December/January vs. March/April. Loans increased by \$3.1 million to \$22.6 million due to the usual increase in fish purchases and related plant operating expenses that occurs in the December/January vs March/April time periods.

Statement of Cash Flows as at January 31, 2022

The January 31, 2022, Statement of Cash Flows shows that \$731 thousand in Cash was used in Operations for the nine-month period ended January 31, 2022. This decline is the result of an increase of \$4.1 million in Accounts Receivable partially offset by year-to-date profits of \$1.2 million and an increase in accounts payable and accrued liabilities of \$1.2 million. Cash of \$1.4 million was also used for the purchase of fixed assets. These uses of Cash were funded by a net increase in loans of \$3.1 million.

(unaudited)

OUTLOOK AND RISKS TO PERFORMANCE

The financial target 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.

Growing numbers of competitive buyers are aggressively expanding their supply chains into FFMC's fish purchasing areas to procure larger volumes of fish. The Corporation is vigorously responding to these actions; however, operational, and financial performance is being impacted and the overall situation is creating increasing challenges to the Corporation.

Transformation of Freshwater Fish Marketing Corp

In 2018 the Government of Canada established an advisory panel (the Panel) to explore ways to transform FFMC to remain modern and competitive in the open market. In September 2019, the Minister appointed an Interlocutor who engaged with harvesters and stakeholders and convened the Interim Committee (IC) of Inland Fish Harvesters to advise him in his recommendations to the Minister. The report recommended that DFO continue working with the IC to secure administrative and technical expertise to allow it to formalize its role in representing fish harvesters in Manitoba, Saskatchewan, and the Northwest Territories. In January 2021, the Minister announced a commitment to support the IC as it explores transforming FFMC into a harvester-led entity. In August 2021, the IC legally incorporated into the not-for-profit Freshwater Fish Harvesters Association, Inc. (FFHAI) and continues the work of assessing the feasibility of transforming FFMC 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.

NOTES TO THE FINANCIAL STATEMENTS

(In thousands of Canadian dollars)
(unaudited)

The forward-looking statements included in this unaudited financial report are made only as of March 2nd, 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 January 31, 2022, 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
March 2, 2022

Statement of Financial Position

AS AT JANUARY 31, 2022 (in thousands of Canadian dollars)

(Unaudited)

	<u>January 2022</u>	<u>April 2021</u>	<u>January 2021</u>
ASSETS			
Current			
Cash	1,955	1,055	954
Accounts receivable (Note 5)	10,262	6,079	8,041
Prepaid expenses	260	128	196
Derivative-related assets (Note 5)	-	-	8
Inventories (Note 6)	18,119	18,070	20,915
	<u>30,596</u>	<u>25,332</u>	<u>30,114</u>
Non-current			
Property, plant and equipment (Note 7)	18,551	18,427	18,681
Intangible assets (Note 8)	189	229	138
	<u>18,740</u>	<u>18,656</u>	<u>18,819</u>
Total Assets	<u>49,336</u>	<u>43,988</u>	<u>48,933</u>
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities (Note 5 and 9)	5,790	4,519	4,788
Income taxes payable	126	119	-
Accrued obligation for employee benefits (Note 12)	609	609	579
Loans payable (Note 5 and 10)	22,608	19,508	22,392
Provision for environmental liability (Note 17)	266	385	385
Deferred revenue	-	-	283
Derivative-related liabilities (Note 5)	354	494	781
	<u>29,753</u>	<u>25,634</u>	<u>29,208</u>
Non-current			
Deferred tax liabilities	1,766	1,767	1,818
Accrued obligation for employee benefits (Note 12)	117	124	128
	<u>1,883</u>	<u>1,891</u>	<u>1,946</u>
Equity			
Retained earnings	17,700	16,463	17,779
Total Liabilities and Equity	<u>49,336</u>	<u>43,988</u>	<u>48,933</u>

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

Approved on behalf of the Board of Directors:

Approved on behalf of Management:

David Bevan
Chairperson, Board of Directors

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 JANUARY 31, 2022 (in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2022	January 31, 2021	January 31, 2022	January 31, 2021
Sales (Note 13)				
Export	\$ 15,630	\$ 10,736	\$ 44,548	\$ 31,735
Domestic	1,397	1,180	6,067	4,608
Surplus Food Program	-	1,658	-	9,258
	<u>17,027</u>	<u>13,574</u>	<u>50,615</u>	<u>45,601</u>
Cost of Sales				
Opening inventory of processed fish products	16,536	16,035	15,656	24,626
Add fish purchases and processing expenses:				
Fish purchases	6,288	6,596	21,447	15,815
Plant salaries wages & benefits	3,413	3,336	9,820	8,010
Packaging and storage	1,433	1,262	4,079	3,165
Packing allowances and agency operating costs	709	889	3,155	2,550
Freight	511	520	1,916	1,545
Repairs and maintenance, Winnipeg Plant	422	435	1,349	992
Utilities and property taxes	477	505	1,334	1,019
Depreciation of production assets (Note 7)	403	409	1,213	1,233
Other	364	189	840	552
	<u>30,556</u>	<u>30,176</u>	<u>60,809</u>	<u>59,507</u>
Less ending inventory of processed fish products, net of write downs (Note 6)	<u>(15,611)</u>	<u>(18,659)</u>	<u>(15,611)</u>	<u>(18,659)</u>
	<u>14,945</u>	<u>11,517</u>	<u>45,198</u>	<u>40,848</u>
Gross profit on operations	<u>2,082</u>	<u>2,057</u>	<u>5,417</u>	<u>4,753</u>
Marketing and administrative expenses				
Salaries and benefits	721	722	2,215	2,060
Commissions (Note 14)	315	178	882	558
Data processing, office and professional services	286	350	836	810
Advertising and promotion	13	6	29	17
Meeting fees and expenses	12	7	26	24
Other	37	38	107	88
Depreciation and amortization of administrative assets (Notes 7 and 8)	20	21	64	62
	<u>1,404</u>	<u>1,322</u>	<u>4,159</u>	<u>3,619</u>
Other income and expenses				
Net foreign exchange loss (gain) (Note 5)	(56)	102	(261)	77
Net financial derivative gain (Note 5)	(68)	(110)	(274)	(235)
Surplus Food Program Fee/Others	-	(410)	-	(1,192)
Other revenue (Note 15)	(29)	(17)	(1,175)	(901)
Other expense (Note 15)	188	144	967	753
Finance income	(1)	(1)	(2)	(5)
Finance costs	124	117	354	393
	<u>158</u>	<u>(175)</u>	<u>(391)</u>	<u>(1,110)</u>
Profit before income tax	520	910	1,649	2,244
Income tax expense	130	227	412	561
	<u>130</u>	<u>227</u>	<u>412</u>	<u>561</u>
Total comprehensive income	<u>\$ 390</u>	<u>\$ 683</u>	<u>\$ 1,237</u>	<u>\$ 1,683</u>

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

Statement of Changes in Equity

FOR THE PERIOD ENDED JANUARY 31, 2022 (in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	<u>As at January 31, 2022</u>	<u>As at January 31, 2021</u>	<u>As at January 31, 2022</u>	<u>As at January 31, 2021</u>
Retained earnings at the beginning of the period	\$ 17,310	\$ 17,096	\$ 16,463	\$ 16,096
Comprehensive income for the period	390	683	1,237	1,683
Retained earnings at the end of the period	<u>\$ 17,700</u>	<u>\$ 17,779</u>	<u>\$ 17,700</u>	<u>\$ 17,779</u>

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

Statement of Cash Flows

FOR THE PERIOD ENDED JANUARY 31, 2022 (in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2022	January 31, 2021	January 31, 2022	January 31, 2021
Operating activities				
Comprehensive income for the period	\$ 390	\$ 683	\$ 1,237	\$ 1,683
Add (deduct) items not affecting cash:				
Future tax expense	-	-	(1)	(1)
Depreciation and amortization	458	467	1,385	1,405
Fixed asset retirements	-	8	-	8
Gain on disposal of property, plant and equipment	-	-	-	(35)
Write-down of inventory (reversal of write-down)	(1,699)	107	(890)	(2,226)
Increase (decrease) in net derivative-related liabilities	100	(169)	(140)	(1,026)
Decrease in provision for final payment to fishers	-	-	-	-
Increase in provision for environmental liability	-	-	-	-
Net changes in non-cash working capital:				
Decrease in accounts receivable	(1,399)	(673)	(4,148)	(1,065)
Decrease in income taxes receivable	-	-	-	1,161
Decrease (increase) in inventories	2,871	(2,622)	841	8,255
Decrease (increase) in prepaid expenses	93	39	(132)	(85)
Increase (decrease) in accounts payable and accrued liabilities	(483)	(886)	1,236	1,034
Increase in income taxes payable	-	-	7	-
Decrease in provision for environmental liability	(61)	-	(119)	(22)
Increase (decrease) in deferred revenue	-	(1,912)	-	283
Decrease in obligation for employee benefits	(3)	(3)	(7)	(10)
Cash provided by (used in) operating activities	267	(4,961)	(731)	9,359
Investing activities				
Additions to property, plant and equipment and intangible assets	(588)	(200)	(1,469)	(599)
Proceeds on disposal of property, plant and equipment	-	2	-	37
Cash provided by (used in) investing activities	(588)	(198)	(1,469)	(562)
Financing activities				
Loans payable issued (loans repaid)	1,500	5,250	3,800	(9,850)
Repayment of loans	(234)	(233)	(700)	(622)
Cash provided by (used in) financing activities	1,266	5,017	3,100	(10,472)
Increase (decrease) in cash during the period	945	(142)	900	(1,675)
Cash at the beginning of the period	1,010	1,096	1,055	2,629
Cash at the end of the period	\$ 1,955	\$ 954	\$ 1,955	\$ 954
Supplementary information				
Interest paid	\$ 83	\$ 80	\$ 237	\$ 262

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

Notes to the Financial Statements

AS AT JANUARY 31, 2022 (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 January 31, 2022, 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 2018 the Government of Canada established an advisory panel (the Panel) to explore ways to transform FFMC to remain modern and competitive in the open market. In September 2019, the Minister appointed an Interlocutor who engaged with harvesters and stakeholders and convened the Interim Committee (IC) of Inland Fish Harvesters to advise him in his recommendations to the Minister. The report recommended that DFO continue working with the IC to secure administrative and technical expertise to allow it to formalize its role in representing fish harvesters in Manitoba, Saskatchewan, and the Northwest Territories. In January 2021, the Minister announced a commitment to support the IC as it explores transforming FFMC into a harvester-led entity. In August 2021, the IC legally incorporated into the not-for-profit Freshwater Fish Harvesters Association, Inc. (FFHAI) and continues the work of assessing the feasibility of transforming FFMC into a harvester-led entity.

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 March 2, 2022

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 January 31, 2022	As at January 31, 2021
Retained earnings	\$ 17,700	\$ 17,779
Loans payable	22,608	22,392
	<u>\$ 40,308</u>	<u>\$ 40,171</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 January 31, 2022 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 January 31, 2022 and April 30, 2021.

There were no transfers of financial instruments between levels during the period ended January 31, 2022.

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

	As at January 31, 2022		As at April 30, 2021
Derivative-related liabilities	\$ 354	\$	494

5.2.3 Finance costs

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

	Three months ended		Nine months ended	
	January 31, 2022	January 31, 2021	January 31, 2022	January 31, 2021
Interest expense	\$ 83	\$ 80	\$ 237	\$ 262
Stamping fee	34	32	97	112
Bank Charges	7	5	20	19
	\$ 124	\$ 117	\$ 354	\$ 393

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)

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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:

	January 31, 2022			April 30, 2021		
	Original currency	Original currency		Original currency	Original currency	
	(CAD \$)	(U.S. \$)	(CAD \$)	(CAD \$)	(U.S. \$)	(CAD \$)
Canada	\$ 420	\$ -	\$ 420	\$ 230	\$ -	\$ 230
United States	-	6,507	8,277	-	3,388	4,188
Europe	855	-	855	640	-	640
Non-trade accounts receivable	710	-	710	1,021	-	1,021
			\$10,262			\$ 6,079

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

At January 31, 2022, five customers represented 60% (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:

	As at January 31, 2022	As at April 30, 2021
Current 0 - 30 days	\$ 8,421	\$ 4,804
Past due 31 - 60 days	893	251
Past due over 61 days	238	3
Non-trade accounts receivable	710	1,021
	\$ 10,262	\$ 6,079

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 January 31, 2022 was \$1,955 (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.

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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 \$261 (2021 – \$77 loss) 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)	January 31, 2022	As at January 31, 2021
Cash	1,126	1,018
Accounts receivable	6,439	4,492
Accounts payable and accrued liabilities	(58)	(99)
Net assets exposed to currency risk	<u>7,507</u>	<u>5,411</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 \$751 (2021 – \$541). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of \$751 (2021 – \$541).

Interest rate risk

The Corporation is exposed to interest rate risk on its loans payables of \$9,608 (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 \$354 (April 30, 2021 – \$494) representing the fair value of derivative financial instruments held:

	As at January 31, 2022	As at April 30, 2021
At maturity variable rate forwards - derivative related (assets)/ liabilities	\$ 27	\$ (107)
Interest rate swaps	327	601
	<u>\$ 354</u>	<u>\$ 494</u>

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

	As at January 31, 2022	As at April 30, 2021
At maturity variable rate forwards - derivative related assets/liabilities (USD)	15,165	9,185
Interest rate swaps	8,608	9,308

The net financial derivative gain of \$274 (2021 – \$235) 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.

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6. INVENTORIES

	January 31, 2022		As at April 30, 2021
Supplies	\$ 2,509	\$	2,414
Processed fish products	16,501		16,259
Write down of processed fish products	(890)		(603)
	<u>\$ 18,119</u>	\$	<u>18,070</u>

Inventory write-downs of \$890 (April 30, 2021 – \$603) are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the nine month period is \$45,198 (2021 – \$40,848). 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	-	205	786	21	69	374	1,455
Retirements	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at Jan 31, 2022	\$ 336	\$ 16,121	\$ 26,281	\$ 1,482	\$ 4,916	\$ 582	\$ 49,718
Accumulated depreciation							
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	-	259	926	21	125	-	1,331
Retirements	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at Jan 31, 2022	\$ -	\$ 10,784	\$ 16,797	\$ 1,459	\$ 2,127	\$ -	\$ 31,167
Carrying amount at Jan 31, 2022	\$ 336	\$ 5,337	\$ 9,484	\$ 23	\$ 2,789	\$ 582	\$ 18,551

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	As at Jan 31, 2022		As at April 30, 2021	
Cost	\$	49,718	\$	48,263
Accumulated depreciation		(31,167)		(29,836)
Carrying amount	\$	18,551	\$	18,427

Carrying amount by asset class

Land	\$	336	\$	336
Buildings		5,337		5,391
Equipment		9,484		9,624
Fresh fish delivery tubs/totes		23		23
Vessels		2,789		2,845
Construction in progress		582		208
Carrying amount	\$	18,551	\$	18,427

Depreciation expense of \$1,213 (2021 – \$1,233) is recorded on the statement of comprehensive income in cost of sales, \$9 (2021 – \$22) in marketing and administrative expenses and \$109 (2021 – \$109) 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 January 31, 2022 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 Jan 31, 2022		As at April 30, 2021	
Cost	\$	851	\$	837
Accumulated amortization		(662)		(608)
Carrying amount	\$	189	\$	229

Cost

Balance at May 1, 2020	\$	711
Additions		126
Transfers		-
Disposals		-
As at April 30, 2021		837
Additions		14
Disposals		-
Balance as at Jan 31, 2022	\$	851

Accumulated amortization

Balance at May 1, 2020	\$	554
Amortization		54
Disposals		-
As at April 30, 2021		608
Amortization		54
Disposals		-
Balance as at Jan 31, 2022	\$	662

Carrying amount at Jan 31, 2022	\$	189
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NOTES TO THE FINANCIAL STATEMENTS
(In thousands of Canadian dollars)
(unaudited)

Amortization of intangible assets of \$54 (2021 – \$40) 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 January 31, 2022.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2022	As at April 30, 2021
Canadian dollars	5,716	4,346
Denominated in U.S. dollars	74	173
Total accounts payable and accrued liabilities	<u>5,790</u>	<u>4,519</u>

10. LOANS PAYABLE

The loans payable consists of the following borrowing facilities:

	As at January 31, 2022	As at April 30, 2021
Banker's acceptances	\$ 22,608	\$ 19,508

A \$14,000 (April 30, 2021 – \$10,200) bankers' acceptance bearing interest at an annual rate of 0.5600% (April 30, 2021 – 0.4125%) and maturing on February 3, 2022. The weighted-average interest rate during the period was 0.49% (April 30, 2021 – 0.50%). Subsequent to February 3, 2022, new bankers' acceptances were entered into at a rate of 0.5400%.

A \$5,250 (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 \$3,358 (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 January 31, 2022 is \$22,608 (April 30, 2021 – \$19,508) and the fair value of the loans are \$22,608 (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.

	January 31, 2022	As at April 30, 2021
Loans payable, beginning of the period	\$ 19,508	\$ 32,864
Cash provided by additional borrowing/(cash repaid)	3,800	(12,500)
Cash used for term debt payments	(700)	(856)
Loans payable, end of the period	<u>\$ 22,608</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

NOTES TO THE FINANCIAL STATEMENTS
(In thousands of Canadian dollars)
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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 January 31, 2022, 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 \$823 (January 31, 2021-\$695) 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 January 31, 2022	As at January 31, 2021
Contributions by the Corporation	\$ 823	\$ 695
Contributions by employees	\$ 806	\$ 630

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 January 31, 2022	As at April 30, 2021
Accrued liability for the Corporation's cost of buyback of service	\$ 70	\$ 77
Less: current portion	10	10
Non-current portion	<u>\$ 60</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	As at January 31, 2022	As at January 31, 2021
North America	\$ 42,489	\$ 37,440
Europe	7,342	7,124
Asia	784	1,037
	<u>\$ 50,615</u>	<u>\$ 45,601</u>

14. SALES COMMISSIONS

During the period, the Corporation paid commissions of \$882 (January 31, 2021 – \$558) 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 \$1,175 (January 31, 2021 – \$901).

Other expenses of \$967 (January 31, 2021-\$753) 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.

	January 31, 2022	January 31, 2021
Total compensation paid to key management personnel	753	761

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 \$266 (April 30, 2021 – \$385). The Corporation spent \$119 (January 31, 2021 - \$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 January 31, 2022, no liability has been recognized in the financial statements for the remaining contaminated sites.