



FRESHWATER FISH MARKETING CORPORATION

For the period ended January 31, 2020

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with IAS 34 Interim Financial Reporting and requirements in the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and is also responsible 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 responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate with the quarterly financial statements.

To the best of 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 the date and for the periods presented in the quarterly financial statements.



Stanley A. Lazar
Interim President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
March 5, 2020



Denis P. Lavallée, CPA, CA
Controller
Freshwater Fish Marketing Corporation

BASIS OF PRESENTATION

The Freshwater Fish Marketing Corporation (“the Corporation”, “FFMC” or “Freshwater”) has prepared this report as required by section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board of Canada. This narrative should be read in conjunction with the unaudited financial statements, the Corporation’s 2018/19 – 2022/23 Corporate Plan Summary and the Corporation’s 2018/19 Annual Report which includes the audited annual financial statements for the year ended April 30, 2019.

The Freshwater Fish Marketing Corporation has prepared these unaudited financial statements for the nine months ended January 31, 2020 and January 31, 2019 in compliance with International Financial Reporting Standards (IFRS). Financial results reported in this narrative are presented in Canadian dollars and rounded to the nearest million, unless otherwise noted. The information in this narrative is current to March 5th, 2020 unless otherwise noted.

OVERVIEW OF THE BUSINESS

The Freshwater Fish Marketing Corporation (FFMC) is a federal Crown corporation established in 1969 under the *Freshwater Fish Marketing Act (FFMA)*, for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside Canada.

The Corporation is required to carry out its operations on a financially self-sustaining basis, without parliamentary appropriations.

The Corporation is required to purchase all fish legally caught and offered for sale in its mandate regions, which encompass Alberta and the Northwest Territories. These jurisdictions participate under agreements with the Government of Canada. The Corporation also purchases fish from outside its mandate regions under contracts with individual fishers or fisher cooperatives—specifically, from Saskatchewan and Manitoba, which were signatories to agreements with the Government of Canada until Saskatchewan withdrew from the *FFMA* in April 2012 and Manitoba withdrew in December, 2017.

The Corporation has the exclusive right to the interprovincial and export trade of fish within its mandate regions, meaning that fishers and fisher cooperatives must sell all their fish to the Corporation, which must buy the fish, unless the sales are local. In Saskatchewan and Manitoba, FFMC has established supply contracts with fishers to match the open market supply environment in those provinces with market demand for its products.

FINANCIAL RESULTS

The Corporation’s profitability is favourable to both the same period last year and to its Corporate Plan. At January 31, 2020 FFMC is on track to meet its financial performance for the current fiscal year.

	(in thousands)		Nine months ended					
	January 31 2020	January 31 2019	Fiscal 2019/20 Budget	\$ Change to January 31 2019	% Change 2019	\$ Change to Fiscal 2019/20 Budget	% Change Budget	
Sales revenue	\$ 54,764	\$ 56,441	\$ 52,185	\$ (1,677)	-3.0%	\$ 2,579	4.9%	
Expenses	54,034	56,133	51,817	(2,099)	-3.7%	2,217	4.3%	
Profit (loss) before taxes	730	308	368	422	137.0%	362	-98.4%	
Profit (loss) after taxes	\$ 548	\$ 231	\$ 276	\$ 317	137.2%	\$ 272	-98.6%	

Profit after taxes for the nine-month period ended January 31, 2020 increased by \$0.317 million over the prior year. This was mainly due to a decrease in expenses, particularly initial payments to fishers and processing costs.

Sales revenues for the nine-month period were lower by \$1.677 million compared to the prior year because of lower selling prices and lower sales volumes for a number of the Corporation’s major species.

Marketing and administrative expenses remained similar to the prior year. Increases in administrative salaries and benefits offset decreases in all other marketing and administrative expenses except data processing and office and professional services.

To achieve its objectives, the Corporation strives to continually improve profitability through prudent financial management and efficient operations. The Corporation measures its performance by using key performance indicators meaningful to all stakeholders, including fishers, employees and government. The financial measures below allow the Corporation to monitor and maintain the value of the Corporation for its stakeholders.

OUTLOOK AGAINST CORPORATE PLAN SUMMARY

	FY2019/20 Performance Target	Outlook
Profit before final payment and income tax	\$0.85 million	On track with Corporate Plan
% return to fishers	46.6%	Off track with Corporate Plan
Retained earnings	\$18.9 million	On track with Corporate Plan
Reduce expenses	Reduce to less than forecast	Off track with Corporate Plan
Gross and net sales revenue	Meet FY2019/20 gross and net sales revenue plan (excluding f/x)	Off track with Corporate Plan
Direct labour efficiency	1% improvement over FY2018/19 actual	Off track with Corporate Plan
Operational costs per kg	1.5% improvement over FY2018/19 actual	Off track with Corporate Plan
Initial payments to fishers	\$28.6 million	On track with Corporate Plan
Delivered fish weight	10.4 million kilograms	On track with Corporate Plan
Employee attendance	3% improvement over FY2018/19 actual	Off track with Corporate Plan
Inventory level	Meet planned inventory targets	On track with Corporate Plan

The Corporation's performance is influenced by many factors, including competitive pressures, economic conditions and volatility in deliveries and markets it sells to. The operating and financial results achieved during the nine months ended January 31, 2020, indicate the Corporation may be challenged to meet all its performance targets established in the 2019/20 to 2023/24 Corporate Plan.

Material changes in performance could affect the Corporation meeting its annual targets by April 30, 2020.

The impact of significantly increasing walleye deliveries from Lake Erie into the marketplace is placing downward pressure on selling prices. This is a key risk that has grown and was not referenced in Management's Discussion and Analysis in the Corporation's 2019 Annual Report.

Information about the Corporation, including the Annual Report and the Corporate Plan Summary can be found at www.freshwaterfish.com once approved by the Government of Canada.

FORWARD LOOKING STATEMENTS

To the extent the Corporation provides future-oriented financial information or a financial outlook, such as future growth and financial performance, the Corporation is providing this information for the purpose of describing its 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 statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. The Corporation cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the unaudited condensed financial statements and narrative are made only as of March 5th, 2020, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

FRESHWATER FISH MARKETING CORPORATION

Statement of Financial Position

As at January 31, 2019

(in thousands of Canadian dollars)

(unaudited)

	<u>January 2020</u>	<u>April 2019</u>	<u>January 2019</u>
ASSETS			
Current			
Cash	\$ 1,376	\$ 1,843	\$ 1,446
Accounts receivable (Note 6)	12,520	9,298	12,057
Prepaid expenses	202	208	207
Derivative-related assets (Note 6)	15	12	-
Inventories (Note 7)	33,578	27,971	34,254
	<u>47,691</u>	<u>39,332</u>	<u>47,964</u>
Non-current			
Property, plant and equipment (Note 8)	19,744	20,456	20,325
Intangible assets (Note 9)	197	156	102
	<u>19,941</u>	<u>20,612</u>	<u>20,427</u>
Total Assets	<u>\$ 67,632</u>	<u>\$ 59,944</u>	<u>\$ 68,391</u>
LIABILITIES AND EQUITY			
Current			
Bank overdraft	\$ 235	\$ 245	\$ -
Accounts payable and accrued liabilities (Note 6 and 10)	6,622	4,321	7,031
Accrued obligation for employee benefits (Note 13)	524	524	542
Provision for final payment to fishers	-	500	-
Loans payable (Note 6 and 11)	37,942	32,942	39,675
Provision for environmental liability (Note 19)	596	216	234
Derivative-related liabilities (Note 6)	735	753	461
	<u>46,654</u>	<u>39,501</u>	<u>47,943</u>
Non-current			
Deferred tax liabilities	1,821	1,821	1,884
Accrued obligation for employee benefits (Note 13)	169	182	179
	<u>1,990</u>	<u>2,003</u>	<u>2,063</u>
Equity			
Retained earnings	<u>18,988</u>	<u>18,440</u>	<u>18,385</u>
Total Liabilities and Equity	<u>\$ 67,632</u>	<u>\$ 59,944</u>	<u>\$ 68,391</u>

Commitments and contingencies (Note 19)

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

FRESHWATER FISH MARKETING CORPORATION
Statement of Comprehensive Income
For the three and nine month periods ended January 31, 2020
(in thousands of Canadian dollars)
(unaudited)

	Three months ended		Nine months ended	
	January 31 2020	January 31 2019	January 31 2020	January 31 2019
Sales				
Export	\$ 18,135	\$ 16,817	\$ 47,010	\$ 48,596
Domestic	2,757	2,076	7,754	7,845
	<u>20,892</u>	<u>18,893</u>	<u>54,764</u>	<u>56,441</u>
Cost of Sales				
Opening inventory of processed fish products	33,140	31,469	25,847	25,816
Add fish purchases and processing expenses:				
Fish purchases	8,599	10,057	28,373	31,462
Plant salaries wages & benefits	3,282	3,390	10,264	10,539
Packaging and storage	1,082	960	3,872	3,998
Packing allowances and agency operating costs	1,323	1,630	4,461	4,837
Freight	787	664	2,225	2,153
Repairs and maintenance, Winnipeg Plant	495	437	1,166	1,381
Utilities and property taxes	498	493	1,331	1,310
Depreciation of production assets (Note 8)	406	378	1,198	1,119
Other	255	193	887	785
	<u>49,867</u>	<u>49,671</u>	<u>79,624</u>	<u>83,400</u>
Less ending inventory of processed fish products, net of write downs (Note 7)	(31,492)	(32,894)	(31,492)	(32,894)
	<u>18,375</u>	<u>16,777</u>	<u>48,132</u>	<u>50,506</u>
Gross profit on operations	2,517	2,116	6,632	5,935
Marketing and administrative expenses				
Salaries and benefits	873	870	2,365	2,231
Commissions (Note 15)	354	326	862	1,011
Data processing, office and professional services	331	313	855	941
Advertising and promotion	10	31	138	129
Meeting fees and expenses	19	39	55	57
Other	37	28	109	113
Depreciation and amort of administrative assets (Notes 8 and 9)	17	14	45	47
	<u>1,641</u>	<u>1,621</u>	<u>4,429</u>	<u>4,529</u>
Other income and expenses				
Net foreign exchange (gain) loss (Note 6)	76	(46)	51	275
Net financial derivative loss (Note 6)	34	238	121	99
Provision for environmental liability (Note 18)	-	-	400	-
Other revenue (Note 16)	(16)	(30)	(955)	(1,189)
Other expense (Note 16)	205	191	1,084	1,193
Finance income	(12)	(12)	(34)	(30)
Finance costs	280	297	806	750
	<u>567</u>	<u>638</u>	<u>1,473</u>	<u>1,098</u>
Profit (loss) before provision for final payment and income tax	309	(143)	730	308
Income tax expense (Note 17)	77	(36)	182	77
	<u>77</u>	<u>(36)</u>	<u>182</u>	<u>77</u>
Total comprehensive income (loss)	\$ 232	\$ (107)	\$ 548	\$ 231

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

FRESHWATER FISH MARKETING CORPORATION
Statement of Changes in Equity
For the three and nine month periods ended January 31, 2020
(in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	<u>As at January 31, 2020</u>	<u>As at January 31, 2019</u>	<u>As at January 31, 2020</u>	<u>As at January 31, 2019</u>
Retained earnings at the beginning of the period	\$ 18,756	\$ 18,492	\$ 18,440	\$ 18,154
Comprehensive income (loss) for the period	232	(107)	548	231
Retained earnings at the end of the period	<u>\$ 18,988</u>	<u>\$ 18,385</u>	<u>\$ 18,988</u>	<u>\$ 18,385</u>

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

FRESHWATER FISH MARKETING CORPORATION
Statement of Cash Flows
For the three and nine month periods ended January 31, 2020
(in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	January 31, 2020	January 31, 2019	January 31, 2020	January 31, 2019
Operating activities				
Comprehensive income (loss) for the period	\$ 232	\$ (107)	\$ 548	\$ 231
Add (deduct) items not affecting cash:				
Depreciation and amortization	459	431	1,368	1,280
Gain on disposal of property, plant and equipment	-	(5)	-	(5)
Write-down (reversal of write-down) of inventory	(58)	(105)	768	(349)
Increase (decrease) in net derivative-related liabilities	170	(64)	(21)	(23)
Decrease in provision for final payment to fishers	(500)	(4,000)	(500)	(4,000)
Increase in provision for environmental liability	-	-	400	-
Net changes in non-cash working capital:				
Decrease in accounts receivable	(3,673)	(1,363)	(3,222)	(3,585)
Decrease (increase) in inventories	1,800	(1,444)	(6,375)	(6,770)
Decrease (increase) in prepaid expenses	(48)	(5)	6	(67)
Increase (decrease) in accounts payable and accrued liabilities	(770)	(1,091)	2,301	2,405
Decrease in provision for environmental liability	(2)	-	(20)	(43)
Decrease in accrued obligation for employee benefits	(5)	(3)	(13)	(7)
Cash used in operating activities	(2,395)	(7,756)	(4,760)	(10,933)
Investing activities				
Additions to property, plant and equipment and intangible assets	(390)	(288)	(697)	(1,606)
Proceeds on disposal of property, plant and equipment	-	55	-	55
Cash used in investing activities	(390)	(233)	(697)	(1,551)
Financing activities				
Loans payable issued	(600)	7,500	5,700	13,600
Repayment of loans	(233)	(233)	(700)	(700)
Cash provided by financing activities	(833)	7,267	5,000	12,900
Increase (decrease) in cash during the period	(3,618)	(722)	(457)	416
Cash at the beginning of the period	4,759	2,168	1,598	1,030
Cash at the end of the period	\$ 1,141	\$ 1,446	\$ 1,141	\$ 1,446
Cash is represented by:				
Cash	1,376	1,446	1,376	1,446
Bank overdraft	(235)	-	(235)	-
Cash provided by financing activities	1,141	1,446	1,141	1,446
Supplementary information				
Interest paid	\$ 219	\$ 237	\$ 631	\$ 595

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

Notes to the Financial Statement

January 31, 2020
(in thousands of dollars)

1. NATURE AND DESCRIPTION OF THE CORPORATION

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

The Corporation is required to purchase all fish legally caught in the mandate region, which currently encompasses the province of Alberta and the Northwest Territories. Participation of these jurisdictions was established by agreement with the Government of Canada. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. In accordance with the *Freshwater Fish Marketing Act*, the legislative borrowing limit of the Corporation is \$50 million. As at January 31, 2020, the total borrowings of the Corporation may not exceed \$40.7 million as authorized by the Minister of Finance.

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

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

2. FUTURE OF THE CORPORATION

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

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

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

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

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

Building off the Panel's recommendations, on September 6, 2019 the Minister of Fisheries, Oceans and the Canadian Coast Guard, the Honourable Jonathan Wilkinson, announced that Kevin G. Anderson will serve as the dedicated interlocutor, to lead next steps in the transformation process.

Acting as a liaison between fish harvesters, Indigenous groups and other partners, the interlocutor is working directly with harvester associations, co-operatives, and other partners to assess the industry's willingness and capacity to sustain and co-operate under a harvester-led model.

The interlocutor is also working to establish a committee of representatives from the fishing industry to improve communications and information sharing both within the industry and with the FFMC, and to promote industry-led solutions that support harvester ambitions for the future of the inland fishery. The committee will also provide opportunities for collaborative and cooperative action within the industry and to build the foundation for transformation.

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, 2020

3.2 Cash and bank overdraft

Cash is composed of money in the bank.

Bank overdraft is composed of accounts with negative cash balances.

3.3 Accounts receivable

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

3.4 Inventories

Processed fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to processed fish product inventory. At the reporting date

inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventory write-downs and reversals of write-downs are included in cost of sales in the statement of comprehensive income.

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

3.5 Financial instruments

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

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

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

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

3.5.1 Effective interest method

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

3.6 Financial assets

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

3.6.1 Financial assets at fair value through profit or loss (FVTPL)

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

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

3.6.2 Financial assets at amortized cost

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

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

3.6.3 Impairment of financial assets

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

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

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

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

Objective evidence of impairment could include:

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

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

3.6.4 Derecognition of financial assets

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

3.7 Financial liabilities

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

3.7.1 Financial liabilities at fair value through profit or loss

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

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

3.7.2 Financial liabilities at amortized cost.

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

3.7.3 Derecognition of financial liabilities

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

3.8 Derivative financial instruments

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

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

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

The Corporation does not apply hedge accounting.

3.9 Property, plant and equipment

3.9.1 Asset recognition

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

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

3.9.2 Depreciation

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

Buildings:

Lake stations and other building improvements	5 to 65 years
Plant	40 years

Equipment:

Machinery and office equipment	3 to 40 years
Automotive	5 years
Fresh fish delivery tubs/totes	3 to 10 years
Vessels	3 to 35 years

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

Freehold land is not depreciated.

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

3.9.3 Subsequent costs

Repairs and maintenance costs are expensed when incurred.

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

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

3.9.4 Derecognition

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

3.10 Intangible assets

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

3.11 Impairment of tangible and intangible assets

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

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

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

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

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

3.12 Payments to fishers and retained earnings

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

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

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

3.13 Foreign currency translation

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

3.14 Employee benefits

3.14.1 Current employee benefits

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

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

3.14.2 Pension benefits

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

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

3.14.3 Accrued obligation for workers' compensation

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

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

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

3.14.4 Accrued obligation for sick leave benefits

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

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

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

3.15 Revenue recognition

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

3.16 Provisions

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

3.17 Income tax

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

3.17.1 Current tax

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

3.17.2 Deferred tax

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

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

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

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

3.17.3 Current and deferred tax for the period

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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. APPLICATION OF NEW AND REVISED IFRS

5.1 Accounting standards issued but not yet effective

Management is in the process of assessing the impact of new standards and amendments on FFMC's financial statements and accounting policies. A number of new standards, amendments and improvements that have been issued by the IASB but are not yet effective are not listed as FFMC has determined that they will not have a significant impact on the financial statements.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

6.1 Capital risk management

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

The Corporation defines and computes its capital as follows:

	As at January 31, 2020	As at April 30, 2019
Retained earnings	\$ 18,988	\$ 18,440
Loans payable	37,942	32,942
	<u>\$ 56,930</u>	<u>\$ 51,382</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 is 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, 2019 as payouts to fishers are based on annual comprehensive income before income tax plus annual depreciation less the three-year rolling average of cash purchases of capital assets.

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

6.2 Fair value measurements of financial instruments

6.2.1 Carrying amount and fair value of financial instruments

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

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

- i) The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.
- ii) The fair value of loans payables has been estimated based on a discounted cash flow approach using current market rates appropriate as at the respective date presented.
- iii) The fair values of the Corporation's derivative-related assets and derivative-related liabilities are based on estimated credit-adjusted market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

6.2.2 Fair value hierarchy

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

- | | |
|----------|--|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities; |
| Level 2: | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); |
| Level 3: | Inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

The fair value measurement of cash is classified as Level 1 of the fair value hierarchy as at January 31, 2020 and 2019. 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, 2020 and 2019.

There were no transfers of financial instruments between levels during the period ended January 31, 2020.

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, 2020	As at April 30, 2019
Derivative-related liabilities	\$ 735	\$ 753
Derivative-related assets	\$ 15	\$ 12

6.2.3 Finance costs

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

	As at January 31, 2020	As at January 31, 2019
Interest expense	\$ 606	\$ 549
Bank charges	25	46
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	631	595
Stamping fee	175	155
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	\$ 806	\$ 750

6.3 Financial risk management objectives and framework

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

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

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

6.3.1 Credit risk management

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

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

Accounts receivable

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

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

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

	January 31, 2020			April 30, 2019		
	Original currency (CAD \$)	Original currency (U.S. \$)	(CAD \$)	Original currency (CAD \$)	Original currency (U.S. \$)	(CAD \$)
Canada	\$ 1,233	\$ -	\$ 1,233	\$ 772	\$ -	\$ 772
United States		\$ 5,656	\$ 7,485	52	4,348	5,888
Europe	2,297	-	\$ 2,297	894	-	891
Asia	-	4	\$ 5	-	143	192
Non-trade accounts receivable	1,500	-	\$ 1,500	1,473	82	1,555
			<u>\$ 12,520</u>			<u>\$ 9,298</u>

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

At January 31, 2020, five customers represented 52% of the trade accounts receivable balance. At January 31, 2019, five customers represented 47% of the trade accounts receivable balance. Customers primarily represent distributors.

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

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

	January 31, 2020	April 30, 2019
Current 0 - 30 days	\$ 9,505	\$ 6,667
Past due 31 - 60	1,030	371
Past due over 61 days	485	705
Non-trade accounts receivable	1,500	1,555
	<u>\$ 12,520</u>	<u>\$ 9,298</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 January 31, 2020 was \$1,376 (April 30, 2019 – \$1,843).

Derivative financial instruments

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

6.3.2 Liquidity risk

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

6.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's future cash flows or the fair values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Foreign exchange risk

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

The net foreign exchange gain of \$51 (January 31, 2019 – gains of \$275) 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)	As at January 31, 2020	As at January 31, 2019
Cash	\$ 1,018	\$ 960
Accounts receivable	4,492	4,870
Accounts payable and accrued liabilities	(99)	(12)
Net assets exposed to currency risk	<u>\$ 5,411</u>	<u>\$ 5,818</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 \$541 (January 31, 2019 – decrease of \$582). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of \$541 (January 31, 2019 – increase of \$582).

Interest rate risk

The Corporation is exposed to interest rate risk on its loans payables of \$10,242 (April 30, 2019 - \$10,942). 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 \$735 (January 31, 2019 – \$461) and derivative-related assets of \$15 (January 31, 2019 – nil) representing the fair value of derivative financial instruments held:

	As at January 31, 2020	As at January 31, 2019
Interest rate swaps	\$ 685	\$ 434
At maturity variable rate forwards - derivative related liabilities	<u>50</u>	<u>27</u>
	735	461
At maturity variable rate forwards - derivative related assets	<u>(15)</u>	<u>-</u>
	<u>\$ 720</u>	<u>\$ 461</u>

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

	As at January 31, 2020	As at January 31, 2019
Interest rate swaps	\$ (10,242)	\$ (10,475)
At maturity variable rate forwards - derivative related liabilities	(9,250)	(13,250)
At maturity variable rate forwards - derivative related assets	3,250	-

The net financial derivative loss of \$121 (January 31, 2019 – loss of \$100) represents the change in fair value of the interest rate swap.

Other price risk

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

7. INVENTORIES

	As at January 31, 2020	As at January 31, 2019
Processed fish products	\$ 32,411	\$ 32,636
Write down of processed fish products	<u>(919)</u>	<u>(1,062)</u>
	31,492	31,574
Supplies	<u>2,086</u>	<u>1,364</u>
	<u>\$ 33,578</u>	<u>\$ 32,938</u>

Inventory write-downs of \$919 (January 31, 2019 – \$1,062) are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the period is \$48,132 (January 31, 2019 – \$50,506). There is no pledged collateral in respect of inventory.

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Balance at May 1, 2018	\$ 336	\$ 15,114	\$ 24,790	\$ 1,392	\$ 4,155	\$ 16	\$ 45,803
Additions	-	514	1,421	-	248	28	2211
Retirements	-	(10)	(823)	-	-	-	(833)
Transfers	-	(4)	(255)	-	255	4	-
Disposals	-	-	(86)	-	-	-	(86)
Balance at April 30, 2019	336	15,614	25,047	1,392	4,658	48	47,095
Additions	-	91	369	69	52	49	630
Retirements	-	(90)	(22)	-	-	-	(112)
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at January 31, 2020	\$ 336	\$ 15,615	\$ 25,394	\$ 1,461	\$ 4,710	\$ 97	\$ 47,613
Accumulated depreciation							
Balance at May 1, 2018	\$ -	\$ 9,549	\$ 13,328	\$ 1,345	\$ 1,535	\$ -	\$ 25,757
Depreciation	-	383	1,155	28	137	-	1,703
Retirements	-	(10)	(775)	-	-	-	(785)
Transfers	-	-	(13)	-	13	-	-
Disposals	-	-	(36)	-	-	-	(36)
Balance at April 30, 2019	-	9,922	13,659	1,373	1,685	-	26,639
Depreciation	-	287	893	27	120	-	1,327
Retirements	-	(86)	(11)	-	-	-	(97)
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at January 31, 2020	\$ -	\$ 10,123	\$ 14,541	\$ 1,400	\$ 1,805	\$ -	\$ 27,869
Carrying amount as at January 31, 2020	\$ 336	\$ 5,492	\$ 10,853	\$ 61	\$ 2,905	\$ 97	\$ 19,744

	As at January 31, 2020	As at April 30, 2019
Cost	\$ 47,613	\$ 47,095
Accumulated depreciation	(27,869)	(26,639)
Carrying amount	\$ 19,744	\$ 20,456

Carrying amount by asset class

Land	\$ 336	\$ 336
Building	5,492	5,692
Equipment	10,853	11,388
Fresh fish delivery tubs/totes	61	19
Vessels	2,905	2,973
Construction in progress	97	48
Carrying amount	\$ 19,744	\$ 20,456

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2020 – \$1,198; January 31, 2019 – \$1,119), in marketing and administrative expenses (2020 – \$45; January 31, 2019 – \$24) and in other expenses (2020 – \$112; January 31, 2019 – \$112).

No property, plant and equipment were pledged as security for borrowing as at January 31, 2020.

9. INTANGIBLE ASSETS

Informations systems software

	As at January 31, 2020	As at April 30, 2019
Cost	\$ 739	\$ 672
Accumulated amortization	(542)	(516)
Carrying amount	\$ 197	\$ 156

Cost

Balance at May 1, 2018	\$ 589
Additions	83
Transfers	-
Disposals	-
Balance at April 30, 2019	672
Additions	67
Disposals	-
Balance as at January 31, 2020	\$ 739

Accumulated depreciation

Balance at May 1, 2018	\$ 484
Amortization	32
Disposals	-
Balance at April 30, 2019	516
Amortization	26
Disposals	-
Balance as at January 31, 2020	\$ 542

Carrying amount as at January 31, 2020	\$ 197
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Amortization of intangible assets is recorded on the statement of comprehensive income in marketing and administrative expenses (2020 – \$26; January 31, 2019 – \$25).

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, 2019.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at January 31, 2020	As at January 31, 2019
Canadian dollars	\$ 6,491	\$ 6,959
Denominated in U.S. dollars	131	72
Total accounts payable and accrued liabilities	<u>\$ 6,622</u>	<u>\$ 7,031</u>

11. LOANS PAYABLE

The loans payable consist of the following borrowing facilities:

	As at January 31, 2020	As at January 31, 2019
Banker's acceptances	\$ 37,942	\$ 39,675

A \$27,700 (January 31, 2019 – \$28,500) bankers' acceptance bearing interest at an annual rate of 1.99% (January 31, 2019 –2.15%) and maturing on February 6, 2020. The weighted-average interest rate during the period was 1.98% (2018 – 1.96%). Subsequent to February 6, 2020, new bankers' acceptances were entered into at a rate of 1.99%.

A \$6,125 (January 31, 2019 – \$6,625) bankers' acceptance with an interest rate swap bearing an interest rate at 3.47% if the floating rate option on any reset date is less than or equal to 3.65%. If the floating rate option on any reset date is greater than 3.65%, the fixed rate for the calculation period is 4.22%. 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 12.25 years.

A \$4,117 (January 31, 2019 – \$4,550) bankers' acceptance with an interest rate swap bearing an interest rate at 3.5% if the floating rate option on any reset date is less than or equal to 3.8%. If the floating rate option on any reset date is greater than 3.8%, the fixed rate for the calculation period is 4.25%. 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 9.50 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, 2020 is \$37,942 (January 31, 2019 – \$39,675) and the fair value of the loans are \$37,942 (January 31, 2019 – \$39,675).

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

12. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	As at January 31, 2020	As at January 31, 2019
Loans payable, beginning of the period	\$ 32,942	\$ 26,775
Cash provided by additional borrowing	5,700	13,600
Cash used for term debt payments	(700)	(700)
Loans payable, end of the period	<u>\$ 37,942</u>	<u>\$ 39,675</u>

13. EMPLOYEE BENEFITS

13.1 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees'

required contribution. The employer's contribution rate effective at January 31, 2020 for employees enrolled in the Plan prior to January 1, 2013 was 1.01 (2018 – 1.01) and for employees enrolled in the Plan beginning January 1, 2013 was 1.00 (2018 – 1.00). Total contributions of \$843 (January 31, 2019 – \$826) were recognized as an expense in the current year. The estimated contributions for 2019-2020 are \$1,050.

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

Contributions to the Public Service Pension Plan consisted of:

	As at January 31, 2020	As at January 31, 2019
Contributions by the Corporation	\$ 875	\$ 901
Contributions by employees	\$ 859	\$ 859

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.

14. REVENUE

14.1 Disaggregation of Sales

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

Primary Geographical Regions	January 31, 2020	January 31, 2019
North America	\$ 41,521	\$ 44,311
Europe	10,585	10,302
Asia	2,658	1,828
	<u>\$ 54,764</u>	<u>\$ 56,441</u>

15. SALES COMMISSIONS

During the period, the Corporation paid commissions of \$862 (January 31, 2019 – \$1,011) to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

16. OTHER REVENUE AND EXPENSES

Other revenue comprises the operation of the Poplar River Barge and dry-dock facility on Lake Winnipeg and the sale of fishing supplies to fishers. The revenue earned from the operation of the Poplar River Barge and sales of fishing supplies is \$955 (January 31, 2019 – \$1,189).

Other expenses of \$1,084 (January 31, 2019 – \$1,193) consist of costs incurred to earn revenue for the Poplar River Barge and dry-dock facility, as well as the sales of fishing supplies to fishers.

17. INCOME TAXES

	As at January 31, 2020	As at April 30, 2019
Income taxes payable (receivable)	\$ (12)	\$ 176

18. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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, 2020	January 31, 2019
Total compensation paid to key management personnel	698	768

19. COMMITMENTS AND CONTINGENCIES

19.1 Commitments

As of January 31, 2020, the Corporation had minimum lease payments as follows:

2020	\$	35
2021		19
2022		4
2023		3
2024		2
2025 & thereafter		1
Total	<u>\$</u>	<u>64</u>

19.2 Contingencies and provisions

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

The total provision for environmental liabilities for the contaminated sites at Hay River and Moraine Bay, Northwest Territories is \$596 (January 31, 2019 – \$234). The Corporation increased its provision for site remediation during the period by \$400 (January 31, 2019 – nil) and spent \$20 (January 31, 2019 - \$43) for site remediation during the period. The Corporation expects to complete the remediation of these sites within the next 12 months.

A number of other vacant facilities may contain some environmental risk with associated remediation costs. The Corporation's ongoing efforts to assess these sites may result in environmental liabilities related to the sites. A provision will be recorded when the Corporation considers that it is probable that it will remediate these contaminated sites and a reliable estimate can be determined for the amount of the obligations. As of January 31, 2020, no liability has been recognized in the financial statements for the remaining contaminated sites.

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

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

	As at January 31, 2020	January 31, 2019
Provision for final payment to fishers, beginning of period	\$ 500	\$ 4,500
Payment to fishers	(500)	(4,500)
Provision added during the year	-	-
Provision for final payment to fishers, end of period	<u>\$ -</u>	<u>\$ -</u>