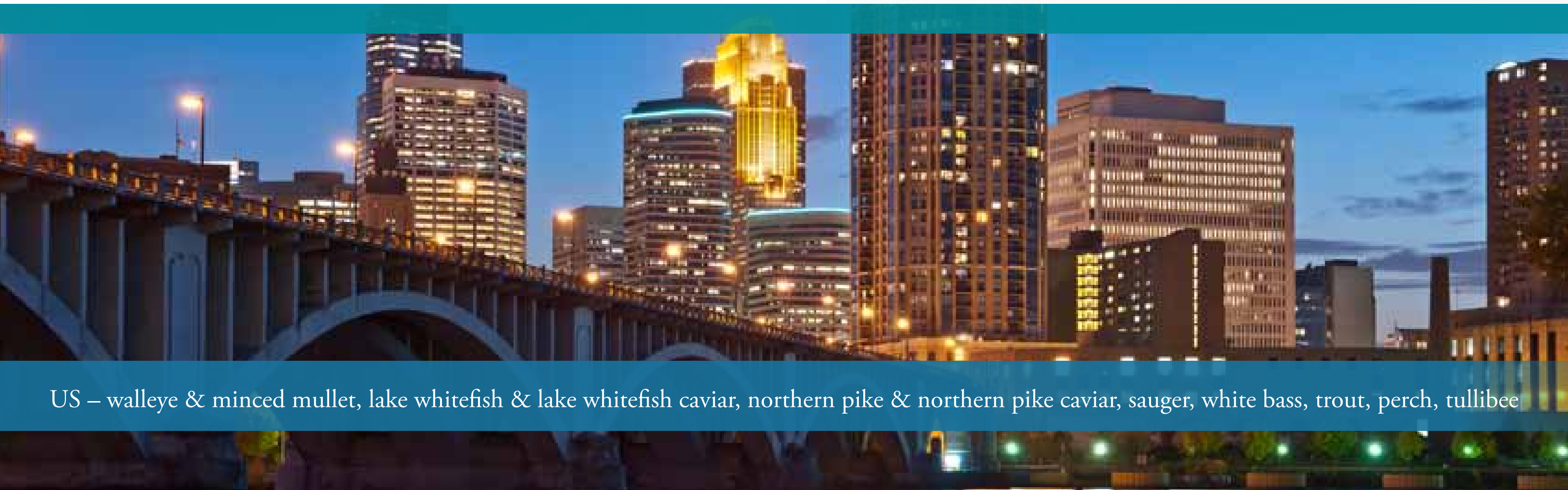









2012 ANNUAL REPORT

US – walleye & minced mullet, lake whitefish & lake whitefish caviar, northern pike & northern pike caviar, sauger, white bass, trout, perch, tullibee

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Letter of Transfer from Chairperson of the Board of Directors to Minister of Fisheries and Oceans

Honourable Keith Ashfield
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Minister:

We are pleased to submit Freshwater Fish Marketing Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2012.

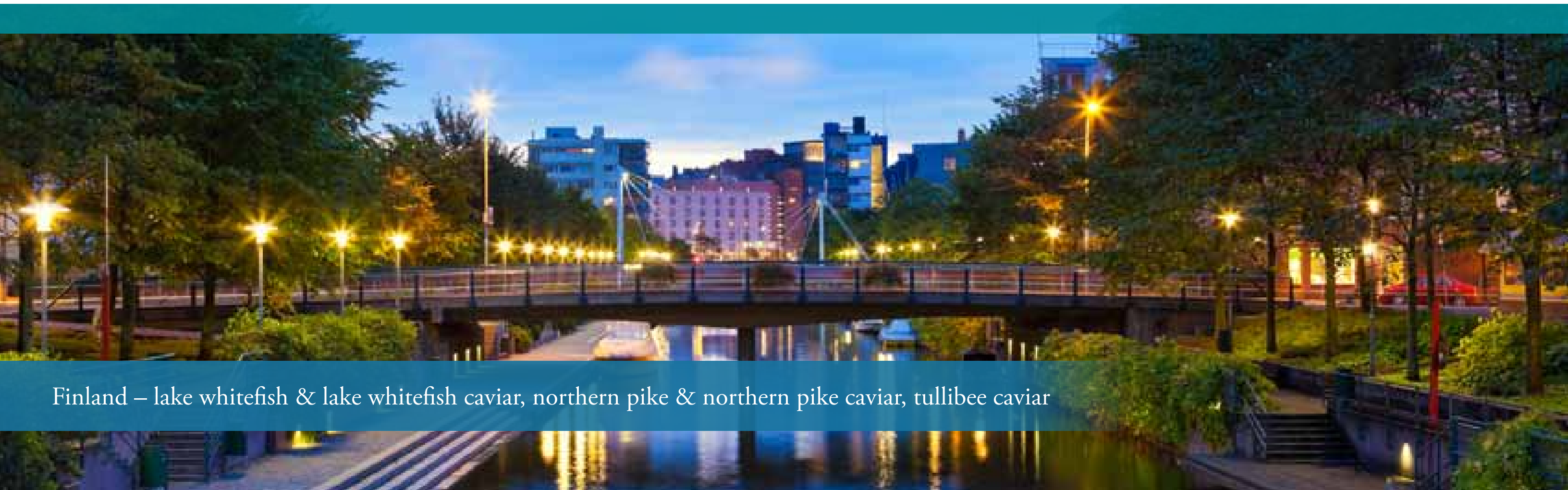
The withdrawal this past fiscal year of both Ontario and Saskatchewan from the *Freshwater Fish Marketing Act* mandate has meant the loss of two Board members representative of those regions: the very dedicated Bob Paterson of Sioux Lookout, Ontario, and Peter Beatty of Deschambault Lake, Saskatchewan.

In July 2011, the Audit Committee said farewell to Chairperson Harold Dueck, who was replaced as Chairperson by Board member Ken Campbell. Angus (Gus) Campbell, FCA, was welcomed as the new Financial advisor to the Audit Committee.

Board members participated in ongoing corporate governance training in April 2012, learning about the Corporation's hedging tools and integrated risk management. The team is cohesive and strong, and will be made stronger as we develop and implement our new Board profile policy. Our new policy is designed to renew the Board going forward to serve the best interests of stakeholders and prepare the Corporation to meet existing challenges and thrive in the global marketplace.

Yours sincerely,

David Tomasson
Chairperson of the Board



Finland – lake whitefish & lake whitefish caviar, northern pike & northern pike caviar, tullibee caviar

President's Report

In the year ending April 30, 2012, Freshwater Fish generated a profit of $5.7 million, well above the plan of $2.0 million and the highest earnings since the fiscal year of 2002/03. This excellent showing is the result of many factors that came together later in the year, after a difficult start caused by flooding in Manitoba and forest fires in Saskatchewan and Alberta. The resulting high water levels and community evacuations meant a 20 per cent reduction in deliveries to Freshwater. To offset the shortfall in the volume of fish available for sale in the early part of the year, management put a number of short-term cost-saving measures in place which helped to maintain profitability. In the second half of the year, results improved as deliveries recovered and sales and marketing maximized the impact of strengthening markets by aggressively increasing prices in both developing and key traditional markets.

During the year, several long-term projects began to show results that had a positive impact on the bottom line. In the plant, the effect of labour efficiency programs created a savings of $171,000. Workers Compensation Board costs declined further to $182,000, from the high of $402,855 in 2006/07. In the markets, development efforts delivered lake whitefish revenue from Russia of $4.1 million, up from $2.2 million the previous year; the branded perch program doubled perch revenue; and northern pike caviar found a new market in Romania. Lower inventories and tighter control of receivables significantly reduced working capital costs.

At the beginning of the fiscal year, the province of Ontario (with only one fisher still delivering to Freshwater) chose to opt out of the federal mandate of the *Freshwater Fish Marketing Act (FFMA)* and then, effective April 1, 2012, Saskatchewan withdrew as planned. The good news is that after the considerable efforts of our Field Operations team attending fisher meetings, coops representing 99.5% of the delivered volume from Saskatchewan have signed contracts with Freshwater to continue delivering their product to us.

The Strategic Plan of Freshwater Fish was created in 2007 and is updated in the fall of every year to reflect the latest situation of the Corporation and the fishery. The Plan continues to focus on the need to renovate the now forty-year-old processing plant to reduce risk of closure and improve efficiencies and yields, to invest in business growth through new markets and value-added products, and to be progressive in the area of transparency and communication with stakeholder groups.

Yours sincerely,

John Wood
President and Chief Executive Officer
Winnipeg, Manitoba

MISSION

Freshwater Fish supports the orderly management of the freshwater fishery through planned harvesting, processing and marketing strategies to maximize returns to commercial fishers.

Freshwater Fish Marketing Corporation is a self-sustaining federal Crown corporation that is the buyer, processor and marketer of commercially-caught freshwater fish from (historically) Manitoba, Saskatchewan, Alberta, Northwest Territories and northwestern Ontario. The provinces of Ontario and Saskatchewan officially withdrew from the *Freshwater Fish Marketing Act (FFMA)* mandate during the 2011/12 fiscal year, effective May 30, 2011 and April 1, 2012 respectively. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, promote international markets, increase trade in fish and increase returns to fishers. Final payments to fishers are distributed annually by species pool from cash surpluses, depending on sales revenues and associated costs.

The withdrawal of Saskatchewan and Ontario from the *FFMA* has now reduced the total number of Board positions from eleven to nine. The restructured Board of nine Directors, including the President and Chief Executive Officer, governed Freshwater Fish during the 2011/12 fiscal year. All Board positions are federal Order-in-Council appointments with three appointed on recommendation of the participating provincial and territorial governments.

Freshwater Fish employs more than 175 full-time production staff and adds to its workforce during peak periods. Fish are caught by approximately 2,000 fishers across the region and then are purchased and graded by contracted agents and Corporate agencies at more than 50 delivery points. In over four decades of business in Canada and abroad, Freshwater Fish has established and sustained a solid reputation based on product reliability, quality and safety and is a recognized price leader, exercising its mandate to market fish inter-provincially and internationally.

The Freshwater Fish brand remains at the top of the walleye (pickerel) market in the US. FFMC is the largest supplier of lake whitefish and lake whitefish caviar to Finland, northern pike to France, and a major supplier of lake whitefish to Russia. It is the largest individual supplier of freshwater fish to the gefilte fish market in the US and maintains a kosher-certified plant.

France – northern pike, walleye

How Fishers are Paid

Under the *Freshwater Fish Marketing Act (FFMA)*, Freshwater Fish was authorized to purchase and set prices for all fish caught under commercial license during the 2011/12 year in Manitoba, Saskatchewan, Alberta and the Northwest Territories. Freshwater Fish uses a payment structure that determines initial and final payments under a pool system. The final payments are determined by allocating receipts and costs by fish species.

Freshwater Fish sets an initial price for a species by estimating its market value. Projected processing and operating costs are then subtracted, as well as a contingency amount. Freshwater Fish may increase the purchase price when needed to ensure there is enough supply to develop a new market or product. It is policy to set each species' initial price at a level designed to promote a full fishery in all regions. A higher output, even of lower-value species, helps to develop markets, maximize efficiencies and contribute to paying fixed costs.

Freshwater Fish may adjust initial prices during the fiscal year to match changing market conditions. It also may offer a temporary delivery premium for a given species size grade as an incentive for fishers or when a customer has an urgent requirement.

The profit distribution policy ensures that at the end of the fiscal year an appropriate portion of revenues from each species pool is allocated to long-term reinvestment in Freshwater Fish. After the annual audit by the Office of the Auditor General of Canada, Freshwater Fish determines final payments from the pooled receipts. Final payments are made from any corporate cash surpluses when sales revenues exceed all direct and allocated costs for a given species. The table on pages 20 and 21 provides a ten-year history of pool results.

Global Markets: A Complex Landscape

Freshwater Fish sells food products in 18 countries on three continents. Each country and each market is unique in terms of its food preferences, cultural expectations and business regulations.

Our Sales and Marketing team navigates the many cross-currents of the global marketplace, from foreign languages and currencies to food standards and import/export regulations to maintain the best prices and high sales volumes, ultimately maximizing returns to fishers.

Language

Operating around the world means we must do business with brokers and customers who speak English as a second language – or not at all. We must also develop different labels for each market, reflecting the local language as well as legal requirements for species names. Even when producing English labels, different terms may be needed for different markets. For example, sauger can be sold as "baby pickerel" in Canada but must be labelled "Canadian pike" or "sauger" in the US.

Culture

Culture plays a role in product preferences from country to country. Customers in China prefer live, whole fish to frozen products. Other countries prefer headless or gutted products, or even ready-to-use fillets and portions. Freshwater Fish often works with local brokers who can speak directly to customers in their language and understand local preferences to help us provide the right product at the right price to the right market.

Politics

Governments at home and abroad can make decisions that have a sweeping impact on our access to global markets. Although we are finding open and receptive markets in eastern Europe and Asia now, at other times the door has been closed to different food products for short or long periods, often for political reasons.

Economy and Currency

Local economies and currencies impact the demand for our product, its availability and the prices we set. For example, we sell in Canadian dollars into the European market. As a result, as the Euro fluctuates, so does the local price of our products, affecting demand. Competitors within the Euro zone who buy and sell in Euros do not experience the same fluctuation in price and demand.

Food Import and Export Requirements

Each country sets its own standards for importing food into its markets, and these standards can vary greatly from country to country, even within a unified trade zone such as the European Union (EU). In addition, we must meet the requirements of the Canadian Food Inspection Agency (CFIA) to maintain our federal registration and the ability to export. Finally, some customers set their own standards for food safety, environmental stewardship and traceability. Often, we must provide export documentation unique not only to each country, but to each customer.

Russia – lake whitefish, lake trout, lake whitefish caviar, inconnu

Business Costs

After a product leaves our processing plant it must be shipped to its final destination, usually across international borders. Freight and fuel surcharges as well as import duties and taxes vary widely by country, affecting our ability to supply those markets and our margin, which is ultimately the return to fishers.

Competition

Our competition is extensive. First, fish competes against all other proteins – chicken, beef and pork – for its prized position at the center of the consumer's plate. Our freshwater fish also competes against marine fish and seafood – from tuna to shrimp to halibut. Finally, we compete against other freshwater fish producers around the globe. For example, in Europe one of our main competitors is Norwegian salmon. Our Sales and Marketing team monitors the price of salmon compared to our lake whitefish to ensure that the Freshwater Fish product is competitive – maintaining peak demand at the best possible price to maximize returns to fishers.

The global marketplace is a fast-paced, ever-changing landscape of government regulations and consumer preferences – but far-flung markets are often the best place to sell freshwater fish at the best price. Developing new markets and products takes time and many resources – human resources from our Sales and Marketing, and Quality Assurance and Technical Services teams, supply from Field Operations and processing from our plant – but it is essential to our success and the success of freshwater fishers. By diversifying our markets and products, we ensure that no single species is dependent on a single market. We can choose the best markets, offering the best price, to maximize returns to fishers.

Looking Ahead and Strategic Directions

Freshwater Fish sets strategic directions and priorities to manage risk and maximize returns to fishers within a complex marketplace.

Freshwater Fish exports to 18 countries, each with its own regulations, food preferences and ever-evolving economies. Our sales and marketing team tracks risks and opportunities within each market to ensure the best price for fishers. Two significant challenges that face Freshwater Fish are the continued strength of the Canadian dollar and increasing demand from consumers for eco-certification.

Our strategic directions are designed to guide Freshwater Fish for the long-term, ensuring a sustainable organization and fishery.

Strategic Direction 1: Ensure the long-term financial viability of Freshwater Fish

Effective financial stewardship is essential to Freshwater Fish sustaining its operations and fulfilling its mandate to maximize returns to fishers. In recent years we have addressed our long-term financial viability by establishing a Retained Earnings and Long-Term Debt policy to strengthen our balance sheet. Our debt has been split into two lines, operating and capital, and a minimum 20-year repayment schedule approved for the capital debt. Retained earnings will be increased, allowing us to invest in capital assets that will improve plant efficiency, generating higher returns and cash flow to continue reducing our debt while increasing returns to fishers.

Strategic Direction 2: Develop processing infrastructure to meet fishery and market needs

Processing infrastructure is essential to the sustainability of Freshwater Fish. Efficient, up-to-date infrastructure enables us to meet market requirements for food safety and offer competitive prices even as the Canadian dollar remains strong.

Investments to date have already paid off, as Freshwater Fish has retained its federal registration and kept the plant running smoothly and on schedule. The next priority is to install new freezer tunnels and replace the frozen grader. This work, to be completed in the fall of 2012, will continue our strategy of improving efficiencies while prioritizing business continuance needs. Future plans include flow lines for trimming, building renovation, and replacement of key infrastructure such as water distribution, ventilation and compressor systems.

The Processing Operating System continues to give management the tools to manage labour costs in the plant. The yield management program has seen great success with its initial focus on walleye and will now be broadened to other species.

Strategic Direction 3: Stakeholder knowledge and support

Freshwater Fish continues to develop open, two-way communications with our stakeholders throughout the supply chain and governance structure. We are committed to open communication that increases

Belgium – sauger, walleye

knowledge and brings our diverse stakeholders to the table to support a sustainable organization and fishery.

Strategic Direction 4: Expand the business to create value and diversify to promote stability

Freshwater Fish continually seeks out opportunities for value-added products and niche markets where it can dominate the market, maximizing margins and returns to fishers. By operating in multiple markets with a broad line of products, we manage risk across all markets.

In 2011/12, Freshwater Fish continued to diversify products and markets with a number of new and expanded offerings:

- Battered walleye and walleye on a stick for the US market;
- Lake whitefish for the Russian market;
- Branded perch program; and,
- Northern pike caviar for all markets and notably adding Romania as a market.

In the coming year, we will continue the drive to increase margins by introducing lake whitefish fillets and portions, moving into Asian markets and developing new caviar products.

Strategic Direction 5: Manage Freshwater within a market-oriented business model

Freshwater Fish exports to 18 countries around the world, to markets where the supply and demand equation is constantly changing. Today's strong market can be tomorrow's declining market if the local economy takes a turn for the worse, new supplies of similar or substitute products are offered at equal or lower prices, or consumer preferences move on to something new. This ever-changing situation creates both risk and opportunity.

Opportunities that we leveraged on behalf of fishers in the past year included:

- Local shortages of lake whitefish in Finland, Russia and Romania, creating strong demand for our product;
- An improved economy in the US Midwest, allowing us to increase walleye prices aggressively in that market; and,
- Customer willingness to try substitute products created an opportunity for tullibee in New York.

At the same time, we are monitoring risks for the year ahead:

- Walleye prices in North America are currently at historic highs, presenting a risk that consumers may switch to other less expensive centre-of-plate proteins; and,
- Competition in eastern European markets will intensify and prices will weaken if the 2012 lake whitefish harvest from other regions creates an oversupply.

Our market-oriented business model means maintaining supply to take advantage of opportunities in demand and maximize returns to fishers. The volume of fish delivered to the plant has stabilized over the past three years after several years of decline. This is encouraging as volume is critical to the efficiency of our processing plant and has a direct impact on margins and returns to fishers. In recent years, we have had success offering seasonal and special-order pricing to fishers to better serve the market and maximize returns to fishers.

A key risk to supply in the past year was Saskatchewan's withdrawal from the mandate. Despite the province's decision, Fisher coops representing 99.5% of that province's delivered volume have signed contracts with Freshwater Fish, some for multiple years.

Strategic Direction 6: Promote sustainable development and commercial viability of the fishery

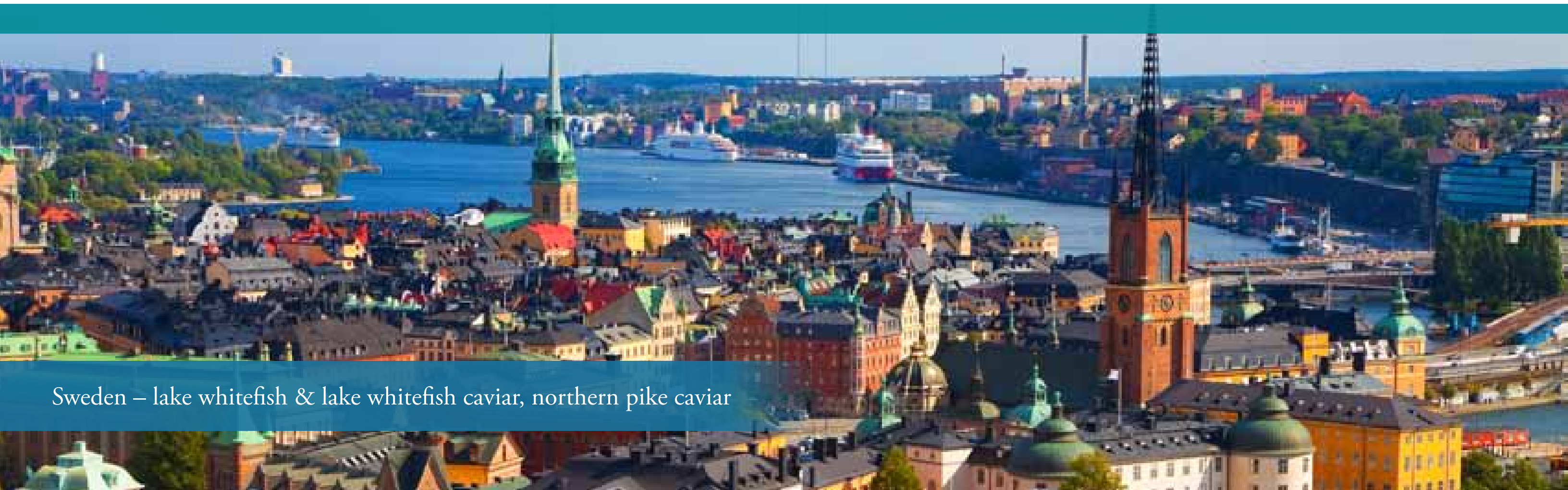
The commercial viability of the fishery relies on supply matched to demand, sustainable development and eco-certification.

Over the next few years, a key priority for Freshwater Fish's Field Operations team is to increase the supply of lake whitefish. Increased prices, premiums to address specific market opportunities and improving harvest conditions and efficiencies are all part of this plan.

The steady advance of the sustainable fishery movement is one of the greatest threats to Freshwater Fish's continuing market strength. At Freshwater Fish, we know that the fish stocks in our lakes naturally rise and fall in cycles over long periods of time, and within these cycles the lakes have been fished sustainably for generations. However, environmental organizations have convinced the retail and foodservice trades that the only way to ensure sustainability is to have a third party audit the stocks and fishery management methods and put their stamp of approval on each fishery. This process of eco-certification is time-consuming and expensive and can only be achieved with the help of those governments responsible for each fishery resource.

Freshwater Fish has been keeping governments informed of this situation as it evolves. At this time there are no lakes within our mandate area that are certified, and this situation is not likely to change within the next three years. However, Freshwater Fish is looking ahead and continues to communicate the need to prepare for the day when the inland fisheries of western and northern Canada must be certified as sustainable.

Freshwater Fish is following the lead of other companies and organizations that have already started putting their sustainability initiatives firmly in place or are strongly committed to taking part in these initiatives. A major customer has committed to achieving 100 per cent sustainability in its product sourcing by 2013. This commitment is part of a



Sweden – lake whitefish & lake whitefish caviar, northern pike caviar broader initiative by this customer and includes environmental stewardship and traceability of product sources.

If the inland fisheries of western and northern Canada are not certified, there will be fewer markets willing to purchase fish from us. This reduced market will lead to a decline in price as supply of uncertified fish becomes greater than the number of markets willing to accept it.

Strategic Direction 7: Total quality management

Freshwater Fish is committed to developing a culture of total quality management throughout the supply chain to meet customers' needs effectively, efficiently and consistently. Strategies used to create this environment start with the fishers and work through the plant, suppliers and marketers, translating to safe, quality products for consumers.

Freshwater Fish works with fishers to improve communication, promote standards and change or adapt procedures to ensure food safety. We have introduced and continue to implement changes including using slurry ice and plastic totes at lakeside to cool and transport fish, and increasing efficiencies in our freight and cold storage systems.

At the plant, numerous guidelines, standards and regulations are in place and will be enhanced to assure total quality management. We will consider new food safety programs such as the Global Food Safety Initiative and increase employee training on Workplace Hazardous Materials Information Systems (WHMIS) and hygiene to ensure that food safety management systems are in place and all products are handled with care to avoid contamination.

Plant renovations are planned and managed to improve quality assurance as well as reliability and efficiency. An Enterprise Resource Planning (ERP) and a smart scanning system is being developed to improve production planning and sales forecasting.

Conclusion

Freshwater Fish continues to pursue its strategic directions, while managing day-to-day risks and opportunities, to fulfill its mandate: maximizing returns to fishers.

Management Discussion and Analysis

In the fiscal year ending April 30, 2012, Freshwater Fish achieved a profit of $5.7 million before final payment to fishers and income tax. This is the strongest earnings result since the Canadian dollar began its climb against the US dollar in 2003. Final payment to fishers was $2.95 million, the highest since 2003; this payment brings Total Returns to Fishers to $30.5 million for 2011/12. This strong result was achieved despite a difficult start to the year due to flooding in Manitoba and forest fires in Saskatchewan and Alberta. The resulting high water levels and community evacuations meant a 20 per cent reduction in deliveries to Freshwater in the first half of 2011/12. However, delivery volumes were essentially unchanged from the previous year, down 0.5 per cent, while initial payments to fishers were up $893,000 (3.7 per cent) over the previous year.

Revenue for the year reached $66.9 million. This is the result of aggressive price increases that took advantage of strengthening markets, market development in Russia and Romania and several new products such as branded perch and minced tullibee.

To offset the shortfall in the volume of fish available for sale during the first half of the year, management put in place a number of short-term cost-saving measures which helped to maintain profitability and cash flow through the early part of the year. However, the highlight of the year is reaping the success of our multi-year strategy to increase revenues, improve efficiencies and reduce costs to offset the long term rise of the Canadian dollar from $1.55 to $0.98 to the US dollar. Each department has played a part in this adjustment and the various programs will be discussed under department headings.

Markets and marketing

In 2011/12, Freshwater Fish reconfigured its Sales and Marketing department and continued to expand strategically to new customers, products and markets. With increased resources and a focus on ongoing business development, the Sales and Marketing department was able to enhance sales margins and overall performance by capitalizing on opportunities. New customers were established in the US, Belgium, Russia and Romania, complementing the many new customers opened in the previous year. Key initiatives for product development included:

- Branded Individually Quick Frozen (IQF) perch fillets;
- Branded 1 kg northern pike caviar;
- China-processed lake whitefish portions and pin-bones out (PBO) lake whitefish fillets;
- 125 g lake whitefish caviar product;
- Customer-specific 4.25 per cent salted lake whitefish caviar;
- Kosher-certified minced tullibee (cisco); and,
- Expansion of lake trout into new markets in Poland and Russia.

Market prices were substantially stronger this year due to tight inventory positions in key species and new market expansion, including Russia, which created increased demand for our products. Excluding the impact of foreign exchange, overall sales revenue was up 3.6 per cent from 2010/11. Sales volumes were down 5.9 per cent from the previous year due to a shortage of lake whitefish and the need to rebuild inventories to planned levels in other key species. The average selling price was up 10.1 per cent as Freshwater Fish capitalized on shortages in walleye and lake whitefish, increased pricing on value-added

Germany – walleye, lake whitefish, northern pike & northern pike caviar products such as lake whitefish caviar and northern pike caviar and sold a stronger mix of higher-value products.

Walleye and Sauger

Markets for walleye included the US Midwest (Minnesota, North Dakota, Wisconsin, Illinois), Canada, France, Germany, Poland, and Belgium. Freshwater Fish inventories at the beginning of the year were at the lowest level in its history, with critical shortages in the first quarter of 2011/12. As a result, we aimed to maximize contribution from walleye through aggressive pricing actions and strict allocations within and between major walleye markets.

The strong demand for walleye, coupled with key competitors' shortages, continued to impact the industry. The walleye stocks in Lake Winnipeg appear to be healthy, and fishers continued to experience excellent catch rates. Reduced quotas and industry consolidations for competitors in eastern Canada benefited Freshwater Fish, allowing significant price increases in our key US market and some European markets. Volumes sold to the Canadian and overseas markets were down as planned, allowing product to be allocated to the US market where prices were stronger.

Walleye pricing reached its all-time highest level (in USD) by year-end in many key markets. However, the negative impact of foreign exchange continues to hurt returns for the walleye pool in Canadian dollars. Deliveries of walleye and sauger combined were on a par with last year, but initial payments to fishers were up $720,000 (4.5 per cent).

Strategic partnerships were expanded to include a third party that produces battered walleye products and a new value-added, ready-to-eat retail package with a key customer in France. A new partnership with an Illinois-based distributor led to significant gains in volume and revenue in the Illinois foodservice market.

Moving forward, we expect to maintain our dominance in key markets in the US. Although our competitors have received increased walleye quotas for 2012/13, they will find adequate demand for this additional product in the fresh retail market, leaving us to continue with an increased but manageable risk to our stronghold in the foodservice channel. Overseas markets will continue to be used as necessary to manage the overall impact on pricing in key North American, and especially US markets. Going forward, Freshwater Fish remains well-positioned with new products and partnerships to take advantage of future market opportunities for walleye.

Lake Whitefish

Markets for lake whitefish include Finland, Canada, US, Latvia, Poland, Russia, Germany, Sweden and Iran. Lake whitefish pricing for fresh products stabilized in early 2011/12 as the overabundance of supply in the market was reduced from both Freshwater and its competitors. Frozen lake whitefish markets in Finland, US, Germany, Poland and Russia also improved as demand increased and oversupply situations were normalized.

We pursued aggressive pricing initiatives in many of our key markets as inventories were reduced throughout the year. Other key initiatives for lake whitefish sales included:

- Expanding our customer base in Russia;
- Re-launching lake whitefish fillets in Finland and Germany;
- Developing and launching new lake whitefish portions in Finland;
- Expanding our caviar line-up to include 125 g retail packs for Finland; and,
- Introducing a re-designed lake whitefish polybag for the Canadian retail market.

Business development in Russia was a resounding success, as we attended trade shows, completed market visits and brought in a number of new customers. These initiatives were designed with the sole intent of capturing substantially higher volumes and margins in lake whitefish. As a result, sales volumes in Russia achieved a record 1.0 million kilograms, an increase of 45 per cent from the prior year, while pricing increased over 20 per cent in the course of 2011/12.

Lake whitefish deliveries to Freshwater Fish were down 17 per cent from 2010/11, due primarily to natural disasters such as flooding and forest fires. The reduced supply of lake whitefish remains a major concern for Freshwater Fish and our customers world-wide, as demand now exceeds available supply. Due to shortages, a winter premium was offered to fishers for the fourth consecutive year. Continuity of supply is a pillar of our sales success; as a result, the need to regain previous year delivery levels is critical. Going forward, increases in lake whitefish deliveries remain a significant opportunity for longer term growth.

Northern Pike

Markets for northern pike include France, Canada, Poland, Germany, Finland and the US. In 2011/12, northern pike sales revenue was up 11.8 per cent compared to the prior year, primarily due to the growth of our boneless portion business into France in the early part of the fiscal year. Freshwater Fish also benefitted from adjusting our boneless portion products to enhance yields and margins in this key growth area. The introduction of skin-on northern pike fillets to France was successful and expands our valued-added offerings into this key market. Our most important market for northern pike remains France, which entered the year in the midst of its worst recession since 1940 and was further affected by a 20 per cent reduction in the value of its currency (Euro). As the year progressed, the Euro and economy in France stagnated.

Demand for northern pike in the last half of the year was curtailed significantly as other competing white-fleshed species dropped in value by up to 40 per cent. However, some varieties of northern pike products, such as caviar, did well, particularly in overseas markets. Now into its fourth year, northern pike caviar benefitted from several recent processing changes and product reformulations. Now promoting a higher quality and more consistent product, we expanded marketing for northern pike caviar and increased average selling prices. Deliveries were up significantly, allowing us to reach new customers in Russia, Romania and Finland. Northern pike caviar was packed and marketed under Freshwater's Embassy brand, creating an expanded family of caviar products under one umbrella.

Poland – lake whitefish, trout, northern pike

Northern pike deliveries were almost exactly at prior year levels, but initial payments were up 6.8 per cent due to higher prices for medium northern pike and increased deliveries of northern pike roe. Inventories were up approximately 20 per cent, for two reasons: we held higher levels of raw material in a whole form to support the growth of the European portion business and demand was reduced in France.

Mullet

Primary markets for mullet are New York and eastern Canada, where it is used predominantly by the Orthodox Jewish community for gefilte fish products. All products are produced under Orthodox Union (OU) Rabbinical supervision to meet OU kosher-certified standards. Mullet sales revenue was up 33 per cent from the prior year, with sales volume up 17 per cent due to a stronger winter fishery and more fresh sales than the previous year.

Average mullet pricing in Canadian dollars was up despite the negative impact of foreign exchange on the results, and pricing within our key markets held firm for all mullet products. Average initial prices for mullet were up 51 per cent while deliveries were up 59 per cent, primarily from Saskatchewan and southwest Manitoba, resulting in initial payments to fishers increasing 142 per cent over the prior year.

Year over year deliveries were up in 2011/12 in part because 2010/11 deliveries were unusually low due to significant volume purchased by the holder of an Export Dealer License. Initial inventories of headless mullet were reduced throughout the year as inbound supply was managed through two-tier pricing to meet the needs of key markets and customers.

Perch

Marketing successfully launched new IQF perch fillets under the Freshwater Fish brand into the Wisconsin marketplace. Freshwater Fish partnered with a third party processor to produce, package and distribute the fillets to the market. As a result of this initiative, initial pricing to fishers was up 30 per cent on a per kilogram basis, and with deliveries 80 per cent higher than the prior year, initial payments to fishers rose 133 per cent.

Tullibee (Cisco)

Sales and Marketing, and Quality Assurance and Technical Services staff invested considerable time and energy in developing a new tullibee product designed specifically for the kosher community. After on-site testing and eventual acceptance at the customer level, Freshwater Fish was granted OU certification for minced tullibee for both fresh and frozen products. The launch of this newly-developed product was the Marketing department's response to the ongoing shortage of lake whitefish due to reduced deliveries. Designed to help alleviate some of the demand for minced lake whitefish, these new products ensured continuity of supply to the kosher market, a key strength of Freshwater Fish, as recognized by our customers' ongoing loyalty. Adding another species to Freshwater Fish's OU certification increases our ability to consistently deliver kosher products to a longstanding customer.

Lake Trout

Freshwater continues to support its third party partnership with a western Canada-based company for smoked lake trout products. Available at retail, the offerings now include four varieties of smoked lake trout: Lox, Pepper, Lemon Pepper, and Natural Smoked. A key win in 2011/12 was the considerable expansion of lake trout to new markets in Poland and Russia. While still in the development phase, these markets represent considerable volume opportunities for lake trout, primarily as smoked fish. For example, Russian volumes grew 35 per cent over the prior year, and Poland achieved remarkable numbers, having put forth considerable marketing efforts for lake trout.

Departments

Field Operations

The fishing season got off to a late start due to a cool spring and was further impacted by severe flooding in Manitoba and forest fires in Alberta and Saskatchewan. As a result, deliveries were initially well below historic levels, and some areas were not able to fish at all during the year. As the year progressed, fishing improved – particularly in late fall and through the winter months. By year-end, most of the shortfall experienced in the first half of the year had been eliminated, with purchases from fishers totaling 99.5 per cent of those of the previous year. Initial payments to fishers increased by 3.7 per cent over the prior year.

During the latter part of the year, the Field Operations department was restructured to accommodate a retirement, add new skills and increase efficiencies within the team. This restructuring has resulted in a staff reduction of two people; however, we plan to increase our presence in the field, listening to fisher concerns and providing whatever assistance is required. Saskatchewan's departure from the *Freshwater Fish Marketing Act* took effect April 1, 2012. However, Fisher coops representing 99.5% of delivered volume have now signed contracts to sell their catch to Freshwater.

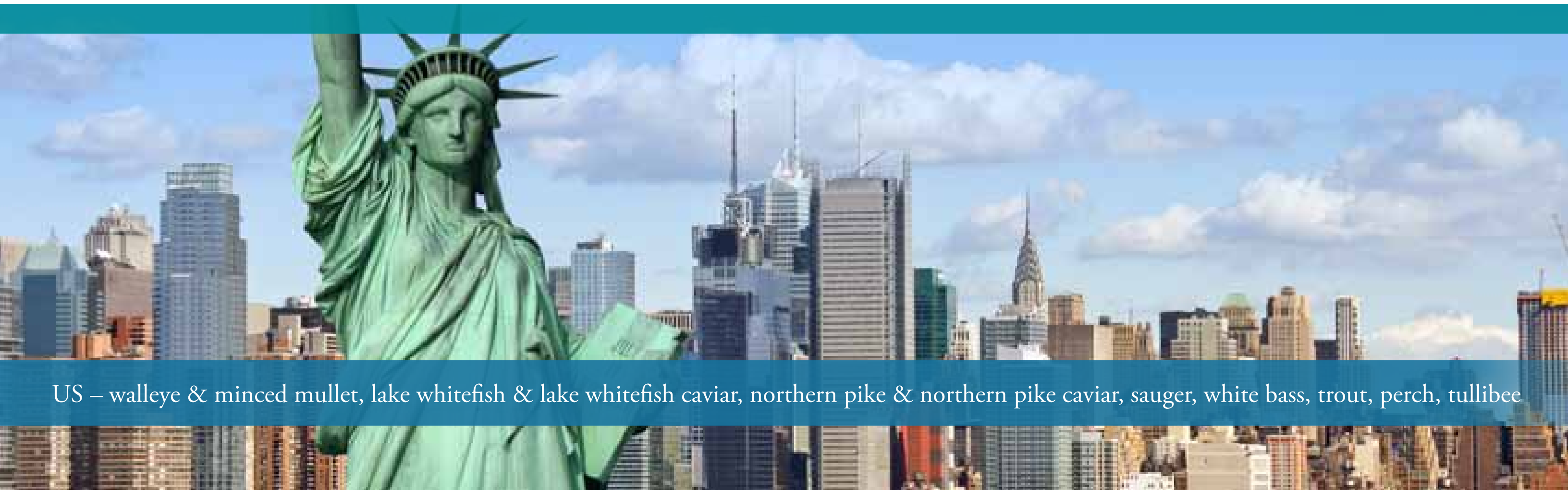
Processing

Freshwater Fish installed two new freezer tunnels in the plant, replacing three obsolete freezers that could no longer operate in an efficient and food-safe manner. This project was one of the largest ever undertaken by Freshwater Fish and it was completed on time and on budget. Investment in the plant and the company's future will continue as we remain committed to becoming more competitive in the global economy. The plant successfully improved labour efficiencies and increased yields, resulting in cost savings and improved returns of approximately $1.0 million.

A Supply Chain Manager was hired during the year to focus on logistics costs and improve production planning to generate additional efficiencies. The new Supply Chain Manager has already succeeded in reducing costs on overseas shipments.

The Quality Assurance and Technical Services team, in collaboration with the Marketing group, perfected the processing of northern pike caviar to the point that it is now a highly-coveted product in the European market.

In addition to completing various customer audits with high marks, the plant passed several Canadian Food Inspection Agency audits, the most significant being the Schedule 1 and Schedule 11 audits. These



inspections were a major review of the physical plant and operating procedures. No major nonconformities were found during any of these audits.

Health and Safety

Freshwater Fish continues to establish and promote high standards of health, safety and wellness throughout the organization to enable staff to perform productively. We have maintained previous cost reductions related to workplace accidents. The Health and Safety Committee met regularly throughout the year, and had representation by union members and management. Initiatives such as increased employee training, improved accident investigation with a focus on prevention and physical improvements to the workplace have achieved positive results.

Human Resources

Employees are our most valuable asset and are a vital component of production. Freshwater Fish continues to focus on reducing absenteeism within its workforce. The Attendance Management Program, implemented in July 2009, has reduced the average number of incidents per employee from 21 at inception to 7 this past fiscal year.

We have developed a comprehensive Human Resource Strategic Plan to focus on activities that will create value for the company. The Plan includes a framework to ensure effectiveness in hiring, developing and retaining qualified people.

We are developing a new approach to culture and change with the goal of making Freshwater Fish an employer of choice where everyone feels valued and is engaged in bringing quality food from lake to plate. Our new approach involves identifying the way we want to do things that results in better performance, then implementing these new processes through sound change management principles.

International Financial Reporting Standards (IFRS)

Freshwater Fish has successfully transitioned and adopted IFRS reporting standards. The benefit of the new standards is improved transparency in financial reporting. At Freshwater Fish, the transition began when we moved to this new accounting framework on May 1, 2011. April 30, 2012 is the first reporting year using the new standards.

Loan restructure and working capital management

In 2012, the Corporation successfully negotiated a 20-year capital loan for $10 million dollars that matures in 2032. The loan will be paid down by $500,000 plus interest annually for 20 years. The capital borrowing will be used to replace a portion of the operating line. This will reduce the dependency on our operating line and help improve working capital management. Also during the year, management diligently managed inventory across all species which contributed to improvements in working capital.

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2003 – 2012), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Walleye (Pickerel)										
Delivered Weight[1]	5.1	5.6	5.6	6.0	6.4	6.2	6.2	5.8	5.9	6.0
Price/ Round Kg.[2]	$4.65	$3.45	$3.41	$3.15	$3.35	$3.50	$3.35	$3.22	$2.82	$3.19
Initial Payment[3]	$18.2	$19.3	$17.9	$18.2	$20.8	$20.2	$20.8	$17.5	$15.5	$16.4
Final Payment	$5.5	$0.0	$1.2	$0.7	$0.7	$1.5	$0.0	$1.2	$1.2	$2.7
Total Payment	$23.7	$19.3	$19.1	$18.9	$21.5	$21.7	$20.8	$18.7	$16.7	$19.1
3 Yr. Moving Avg.[4]	$23.4	$21.9	$20.7	$19.1	$19.8	$20.7	$21.3	$20.4	$18.7	$18.2
Lake Whitefish										
Delivered Weight[1]	7.0	6.7	5.9	5.4	5.5	3.8	5.1	5.1	4.6	3.8
Price/ Round Kg.[2]	$1.19	$1.10	$1.00	$1.02	$1.09	$1.08	$1.49	$1.39	$1.17	$1.18
Initial Payment[3]	$8.3	$7.4	$5.9	$5.5	$6.0	$3.9	$7.6	$7.1	$5.4	$4.5
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.0	$0.0	$0.0	$0.0
Total Payment	$8.3	$7.4	$5.9	$5.5	$6.0	$4.1	$7.6	$7.1	$5.4	$4.5
3 Yr. Moving Avg.[4]	$8.5	$7.9	$7.2	$6.3	$5.8	$5.2	$5.9	$6.3	$6.7	$5.7
Northern Pike										
Delivered Weight[1]	2.4	2.3	1.9	1.3	1.7	1.9	2.1	1.9	1.8	1.9
Price/ Round Kg.[2]	$0.71	$0.65	$0.58	$0.62	$0.59	$0.79	$0.90	$0.89	$0.78	$0.79
Initial Payment[3]	$1.7	$1.5	$1.1	$0.8	$1.0	$1.2	$1.9	$1.6	$1.4	$1.5
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.3	$0.0	$0.1	$0.0	$0.0
Total Payment	$1.7	$1.5	$1.1	$0.8	$1.0	$1.5	$1.9	$1.7	$1.4	$1.5
3 Yr. Moving Avg.[4]	$2.0	$1.7	$1.5	$1.1	$1.0	$1.1	$1.5	$1.7	$1.7	$1.5
Sauger										
Delivered Weight[1]	0.8	0.8	0.6	0.3	0.2	0.1	0.3	0.6	0.2	0.2
Price/ Round Kg.[2]	$3.88	$3.13	$2.83	$3.33	$2.50	$4.00	$3.33	$3.17	$3.00	$2.29
Initial Payment[3]	$2.5	$2.5	$1.6	$0.9	$0.5	$0.4	$1.0	$1.9	$0.6	$0.4
Final Payment	$0.6	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
Total Payment	$3.1	$2.5	$1.7	$1.0	$0.5	$0.4	$1.0	$1.9	$0.6	$0.5
3 Yr. Moving Avg.[4]	$2.7	$2.8	$2.4	$1.7	$1.1	$0.6	$0.6	$1.1	$1.2	$1.0

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2003 – 2012), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mullet										
Delivered Weight[1]	5.4	3.9	2.6	2.6	1.9	1.8	2.0	2.2	1.0	1.6
Price/ Round Kg.[2]	$0.26	$0.26	$0.27	$0.31	$0.37	$0.38	$0.35	$0.36	$0.30	$0.46
Initial Payment[3]	$1.4	$1.0	$0.7	$0.8	$0.7	$0.6	$0.7	$0.8	$0.3	$0.7
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0
Total Payment	$1.4	$1.0	$0.7	$0.8	$0.7	$0.7	$0.7	$0.8	$0.3	$0.7
3 Yr. Moving Avg.[4]	$1.4	$1.3	$1.0	$0.8	$0.7	$0.7	$0.7	$0.7	$0.6	$0.6
Perch										
Delivered Weight[1]	0.5	0.3	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.3
Price/ Round Kg.[2]	$3.60	$3.00	$3.50	$2.50	$3.00	$2.67	$3.00	$2.00	$2.00	$3.75
Initial Payment[3]	$1.8	$0.9	$0.6	$0.5	$0.6	$0.8	$0.3	$0.4	$0.4	$1.0
Final Payment	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
Total Payment	$1.8	$0.9	$0.7	$1.0	$0.6	$0.8	$0.3	$0.4	$0.4	$1.1
3 Yr. Moving Avg.[4]	$1.8	$1.8	$1.1	$0.7	$0.6	$0.7	$0.6	$0.5	$0.4	$0.6
Other										
Delivered Weight[1]	1.6	1.1	0.9	0.9	1.0	0.6	0.8	0.5	0.5	0.5
Price/ Round Kg.[2]	$0.69	$0.73	$0.67	$0.67	$0.60	$0.83	$0.88	$0.60	$0.60	$0.60
Initial Payment[3]	$1.0	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3	$0.3	$0.3
Final Payment	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$1.1	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3	$0.3	$0.3
3 Yr. Moving Avg.[4]	$1.0	$0.9	$0.8	$0.7	$0.6	$0.6	$0.6	$0.5	$0.4	$0.3
All Pools										
Delivered Weight[1]	22.8	20.7	17.7	16.7	16.9	14.7	16.6	16.3	14.2	14.3
Price/ Round Kg.[2]	$1.80	$1.61	$1.68	$1.68	$1.83	$2.02	$1.99	$1.90	$1.77	$1.94
Initial Payment[3]	$34.9	$33.4	$28.4	$27.3	$30.2	$27.6	$33.0	$29.6	$23.9	$24.8
Final Payment	$6.2	$0.0	$1.4	$0.8	$0.7	$2.1	$0.0	$1.3	$1.2	$3.0
Total Payment	$41.1	$33.4	$29.8	$28.1	$30.9	$29.7	$33.0	$30.9	$25.1	$27.8
3 Yr. Moving Avg.[4]	$40.8	$38.3	$34.8	$30.4	$29.6	$29.6	$31.2	$31.2	$29.7	$27.9

1 Delivered Weight – Round Equivalent Weight (millions of kilograms). 2 Price/Round Kg. – Based on Initial Payment plus Final Payment.

3 Initial Payment – Net of Freight. 4 Three Year Moving Average of Total Payments.

TEN YEAR FINANCIAL SUMMARY

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales	$66.8	$60.3	$59.3	$55.3	$61.6	$58.2	$62.5	$66.4	$66.8	$66.9
Net Income (Loss) Before Final Payments and Income Tax	$6.2	($0.8)	$1.4	$0.8	$0.7	$2.3	($0.7)	$1.5	$0.1	$5.7
Fish Purchases	$37.7	$35.7	$30.4	$29.2	$32.1	$29.2	$35.3	$31.6	$26.6	$24.8
Net Income Before Income Tax Plus Fish Purchases	$43.9	$34.9	$31.8	$30.0	$32.8	$31.5	$34.6	$33.1	$26.6	$30.5
Trade Receivables	$7.1	$7.9	$7.0	$5.1	$6.0	$5.5	$6.2	$8.1	$7.0	$6.4
Inventory - Processed Fish Products	$13.7	$14.4	$12.4	$12.6	$12.0	$10.6	$16.0	$15.0	$9.1	$9.6
Inventory - Packaging Material and Parts	$0.9	$0.9	$1.0	$0.9	$0.9	$0.7	$0.8	$0.9	$0.9	$0.9
Capital Assets - Net Book Value	$6.9	$6.7	$6.3	$6.1	$8.6	$10.6	$13.9	$14.3	$13.8	$17.7
Loans Payable	$14.0	$23.1	$18.4	$17.8	$20.7	$18.8	$30.8	$29.4	$23.6	$21.1
Retained Earnings	$4.2	$3.3	$3.3	$3.3	$3.3	$3.6	$2.8	$2.7*	$1.7*	$4.2

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained and that transactions of the Corporation are in accordance with Part X of the *Financial Administration Act* and regulations, as appropriate, the *Freshwater Fish Marketing Corporation Act* and regulations and the by-laws of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of whom no member is an officer of the Corporation. The Committee meets with management and the independent external auditor to discuss auditing, internal controls and other relevant financial matters. The Audit Committee meets to review the financial statements with the external auditors and submits its reports to the Board of Directors. The Board of Directors reviews and approves the financial statements.

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

John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Stanley A. Lazar, CMA
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 11, 2012

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

Report on the Financial Statements

I have audited the accompanying financial statements of Freshwater Fish Marketing Corporation, which comprise the statements of financial position as at 30 April 2012, 30 April 2011 and 1 May 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended 30 April 2012 and 30 April 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Freshwater Fish Marketing Corporation as at 30 April 2012, 30 April 2011 and 1 May 2010, and its financial performance and its cash flows for the years ended 30 April 2012 and 30 April 2011 in accordance with International Financial Reporting Standards.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 17 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Freshwater Fish Marketing Corporation that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Corporation Act* and regulations and the by-laws of Freshwater Fish Marketing Corporation.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

11 July 2012
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

(in CAD$ thousands)

	As at April 30 2012	As at April 30 2011	As at May 1 2010
ASSETS			
Current			
Cash	$ 420	$ 6	$ -
Trade receivables (Note 5)	6,392	6,997	8,091
Prepaid expenses	694	274	98
Income taxes receivable (Note 13)	115	-	-
Inventories (Note 6)	10,491	10,040	15,901
Derivative-related assets (Note 5)	139	478	7
	18,251	17,795	24,097
Non-current			
Property, plant and equipment (Note 7)	17,692	13,755	14,176
Intangible assets (Note 8)	45	61	152
	17,737	13,816	14,328
	$ 35,988	**$ 31,611**	**$ 38,425**
LIABILITIES			
Current			
Bank indebtedness	$ -	$ -	$ 199
Trade and other payables and accrued liabilities (Notes 5 and 9)	5,313	3,268	3,510
Accrued obligation for employee benefits (Note 11)	1,008	447	419
Provision for final payment to fishers	2,950	1,195	1,333
Loans payable (Notes 5 and 10)	21,152	23,586	29,363
Derivative-related liabilities (Note 5)	394	45	516
	30,817	28,541	35,340
Non-current			
Deferred tax liabilities (Note 13)	313	-	-
Accrued obligation for employee benefits (Note 11)	568	1,371	330
Asset retirement obligation	50	50	50
	931	1,421	380
Equity			
Retained earnings	4,240	1,649	2,705
	$ 35,988	**$ 31,611**	**$ 38,425**

Commitments and Contingencies (Note 15)

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

Approved by the Board of Directors:

David Tomasson
Chair, Board of Directors

Ken Campbell
Chair, Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the years ended April 30 (in CAD$ thousands)

	2012	2011
Sales		
Export	$ 56,961	$ 55,925
Domestic	9,920	10,900
	66,881	66,825
Cost of sales		
Opening Inventory of finished fish products	9,195	15,015
Add fish purchases and processing expenses:		
Fish purchases	27,752	26,545
Plant salaries, wages and benefits (Note 11)	10,916	11,884
Packing allowances and agency operating costs	3,905	3,794
Packaging and storage	3,670	3,911
Freight	3,034	3,080
Repair and maintenance	1,708	1,895
Depreciation of production assets (Note 7)	1,382	1,515
Utilities and property taxes	1,279	1,276
Other	789	596
	63,630	69,511
Less ending inventory of processed fish products	(9,618)	(9,195)
	54,012	60,316
Gross profit on operations	**12,869**	**6,509**
Marketing and administrative expenses		
Salaries and benefits (Note 11)	3,148	2,968
Commissions (Note 12)	1,225	1,188
Data processing, office and professional services	928	1,355
Finance income	(7)	(9)
Finance costs	544	583
Advertising and promotion	415	317
Meeting fees and expenses	127	130
Other (Note 16)	588	732
Depreciation and amortization of administration assets (Notes 7 and 8)	129	194
	7,097	7,458
Other income and expenses		
Net foreign exchange loss (gain) (Note 5)	94	(465)
Net financial derivative loss (Note 5)	394	-
Other revenue (Note 16)	(455)	(623)
	33	(1,088)
Profit before provision for final payment to fishers and income tax	**5,739**	**139**
Provision for final payment to fishers	2,950	1,195
Income tax expense (Note 13)	198	-
Total comprehensive income	**$ 2,591**	**$ (1,056)**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the years ended April 30 (in CAD$ thousands)

	2012	2011
Retained earnings at the beginning of the year	$ 1,649	$ 2,705
Total comprehensive income	2,591	(1,056)
Retained earnings at the end of the year	**$ 4,240**	**$ 1,649**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the years ended April 30 (in CAD$ thousands)

	2012	2011
Operating activities		
Comprehensive income for the year	$ 2,591	$ (1,056)
Add items not affecting cash:		
Future tax liabilities	313	-
Depreciation and amortization	1,511	1,709
Loss on disposal of property, plant and equipment	38	5
Net changes in non-cash working capital:		
Decrease in trade receivables	605	1,094
(Increase) decrease in inventory	(451)	5,861
Increase in prepaid expenses	(420)	(176)
Increase in taxes receivable	(115)	-
Decrease (increase) in derivative-related assets	339	(471)
Increase (decrease) in trade and other payables and accrued liabilities	2,045	(242)
Increase (decrease) in derivative-related liabilities	349	(471)
Increase (decrease) in provision for final payment to fishers	1,755	(138)
(Decrease) increase in accrued obligation for employee benefits	(242)	1,069
Cash generated by operating activities	**8,318**	**7,184**
Investing activities		
Additions to property, plant and equipment and intangible assets	(5,539)	(1,496)
Investment tax credits received for property, plant and equipment	42	293
Proceeds on disposal of property, plant and equipment	27	1
Cash used in investing activities	**(5,470)**	**(1,202)**
Financing activities		
Decrease in loans payable and cash used in financing activities	**(2,434)**	(5,777)
Increase in cash during the year	**414**	**205**
Cash (bank indebtedness) at the beginning of the year	6	(199)
Cash at the end of the year	**$ 420**	**$ 6**
Supplementary information:		
Interest paid	$ 314	$ 433

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

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 (in thousands)

1. NATURE AND DESCRIPTION OF THE CORPORATION

The 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 address of the Corporation's registered office and principal place of business is 1199 Plessis Road in Winnipeg, Manitoba. The Corporation is required to purchase all fish legally caught in the freshwater region, which currently encompasses the provinces of Alberta, Manitoba, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada. During the past year, the Provinces of Ontario and Saskatchewan withdrew from the *Freshwater Fish Marketing Act* effective May 31, 2011 and April 1, 2012 respectively.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self sustaining basis without appropriations from Parliament. In accordance with the *Freshwater Fish Marketing Act*, the legislative borrowing limit of the Corporation is $50 million. As at April 30, 2012, the total borrowings of the Corporation may not exceed $39.5 million as authorized by the Minister of Finance.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements represent the first annual financial statements of the Corporation prepared in accordance with IFRS. The Corporation's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The date of transition was May 1, 2010.

As a first-time adopter of IFRS, the Corporation has followed the requirements of IFRS 1 – First-time Adoption of IFRS in its initial application of IFRS. A more detailed disclosure of the impact of the transition to IFRS is provided in Note 17.

The financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value and the workers' compensation, pension deficiency, and sick leave benefits which were measured at the actuarial valuation amount.

The policies set out below were consistently applied to all the periods presented unless otherwise required under IFRS 1.

These financial statements have been approved for public release by the Board of Directors of the Corporation on July 11, 2012.

2.2 Cash and bank indebtedness

Cash represents money in the bank and bank indebtedness is money owing to the bank.

2.3 Trade receivables

Trade receivables are recognized at their anticipated realizable value, which is the original invoice amount less an estimated allowance for impairment loss on these receivables. An estimated impairment loss on receivables is made when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

2.4 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.

2.5 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) 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.

2.5.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial 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.

2.6 Financial assets

The Corporation's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment write downs. Assets in this category include trade receivables 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.

2.6.2 Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition. The Corporation has not designated any financial asset as FVTPL at the date of transition or at the end of the reporting period.

Financial assets at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 5.

2.6.3 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.6.4 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.

2.7 Financial liabilities
Financial liabilities are classified as either financial liabilities at "FVTPL" or "other financial liabilities".

2.7.1 Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading using the same criteria described in Note 2.6.2 for a financial asset classified as held for trading.

The Corporation has not designated any financial liabilities as FVTPL at the date of transition or at the end of the reporting period.

Financial liabilities at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 5.

2.7.2 Other financial liabilities
Other financial liabilities are initially measured at fair value plus transaction costs.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

2.7.3 Derecognition of financial liabilities
The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

2.8 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 remeasured 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.

2.9 Property, plant and equipment

2.9.1 Asset recognition

Property, plant and equipment are recorded at cost less accumulated amortization and/or any accumulated impairment losses. Costs include directly attributable costs. Repair and maintenance costs are recognized in the statement of comprehensive income as incurred. 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 costs 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.

2.9.2 Depreciation

Amortization is based on the estimated useful lives of the assets using the straight-line methodology and annual rates:

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

The cost for systems under development and 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.

2.9.3 Subsequent costs

Day-to-day 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 part that was replaced.

Cost 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.

2.9.4 Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss when the item is derecognized.

2.9.5 Intangible assets

Intangible assets include costs associated with information systems software, initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, on a straight-line basis 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 is reviewed at least at each reporting period. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly.

2.9.6 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 or cash-generating unit's ("CGUs") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU 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 recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Corporation's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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 or that of the cash-generating unit to which it is allocated 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 or cash-generating unit'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, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

2.9.7 Borrowing costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other finance costs are expensed in the period they occur.

2.10 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 after the end of the year, based on the results of operations for the year, and are excluded from cost of sales. The final payments are charged to operations of the current year.

2.11 Foreign currency translation

Revenues and expenses are translated into Canadian dollars at the monthly average exchange rate in effect during the year. 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.

2.12 Employee benefits

2.12.1 Short-term employee benefits

Short-term employee benefits are the 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 short-term benefits include wages and salaries, annual leave and other types of short-term benefits.

The Corporation recognizes the undiscounted amount of short-term 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.

2.12.2 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 the total pension obligation of the Corporation.

The accrued obligation for pension benefits represents the actuarially determined net present value of liabilities for pension benefits related to an agreement with the Coproration'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.

Changes in the net present value of this unfunded liablility 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.

2.12.3 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 awarded disability and survivor pensions in respect of 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.

2.12.4 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.

2.13 Revenue recognition

Sales, net of promotional allowances and sales returns, are recorded on an accrual basis and are recognized when the risk and rewards are transferred to the customer.

2.14 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.

2.15 Investment tax credits

Investment tax credits relating to manufacturing property are recorded as a reduction of the applicable capital assets. Investment tax credits are recorded in the period that the credits are approved by the Canada Revenue Agency provided there is reasonable assurance that the credits will be realized.

2.16 Services received without charge

Services received without charge are recorded as administrative expenses at their estimated cost, which approximates fair value. A corresponding amount is recognized as other income.

2.17 Asset retirement obligation

Asset retirement obligations are legal obligations associated with the retirement of property, plant and equipment when the obligation arises from the acquisition, construction, development or normal operation of the assets. When it is considered probable that a liability exists, the Corporation will recognize such a liability in the period in which it is incurred if a reasonable estimate of fair value can be determined. The liability will be initially measured at fair value, and will be subsequently adjusted each period to reflect the passage of time through accretion expense and any changes in the estimated future cash flows underlying the initial fair value measurement. The associated costs will be capitalized as part of the carrying value of the related asset and amortized over the remaining life of the underlying asset to which it relates.

The Corporation will monitor new statutory or regulatory requirements which may impose new asset retirement obligations. In such circumstances, the liability will be recognized when the obligation is first imposed.

2.18 Retained earnings policy

Final payments to fishers are paid based on retained earnings and free cash flow. Free cash flow is the cash that the

Corporation is able to generate after investing in assets such as inventories and capital expenditures. Final payments will be provided to fishers only in years when the Corporation has positive retained earnings and free cash. The Board of Directors reserves final decision as to when and how much of available retained earnings and cash flow will be distributed to fishers in the form of a final payment. In periods when negative cash flows occur, it demonstrates that the Corporation is making capital investments. As these investments improve the operation of the Corporation, they will contribute to future free cash flow and provide greater returns to fishers in the long-run. Overall payouts based on free cash flow are contingent upon accounting earnings and the availability of adequate cash flow.

2.19 Income tax

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

2.19.1 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.

2.19.2 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.

2.19.3 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.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

3.1 Key sources of estimation uncertainty

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

3.1.1 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 Notes 7 and 8 for further detail.

3.1.2 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 or amortization expense and the future carrying value of assets. The carrying amounts of the capital assets as at the end of the reporting periods are included in Notes 7 and 8.

3.1.3 Trade receivables

The Corporation reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Corporation makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Refer to Note 5 for further details.

3.1.4 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 5 for further details about the assumptions as well as sensitivity analysis.

3.1.5 Long-term employee benefits

The Corporation's long-term benefits include benefits for employees in receipt of long-term pension and workers' compensation benefits. The present value of these obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for Canada. Future salary increases and pension increases are based on expected future inflation rates for Canada. Further details about the assumptions used are given in Note 11.

3.1.6 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. The carrying amount of the inventory at the end of the reporting period is included in Note 6.

3.2 Critical judgments

The critical judgments that the Corporation's management has made in the process of applying the Corporation's accounting policies, apart from those involving estimations, that have the most significant effects on the amounts recognized in the Corporation's financial statements are as follows:

3.2.1 Capital assets

Capital assets with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators at the end of each reporting period.

3.2.2 Provisions and contingent liabilities

In determining whether a liability should be recorded in the form of a provision, management is required to exercise judgment in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. In making this determination, management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is considered to be remote.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation's financial statements in future years:

IAS 1 Presentation of Financial Statements ("IAS1")

IAS 1 was amended in June 2011 to revise the way other comprehensive income is presented. The amendment to IAS 1 is effective for reporting periods beginning on or after July 1, 2012. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's financial statements.

IAS 19 Employee Benefits ("IAS19")

IAS 19 was amended in June 2011 for the accounting and presentation of post-employment benefits including the elimination of the use of the 'corridor' approach, the change of the treatment for termination benefits and various other amendments. The amendment to IAS 19 is effective for reporting periods beginning on or after January 1, 2013. This amendment is to be applied retrospectively. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment to IAS 19 on its financial statements.

IFRS 7 Financial Instruments: Disclosures ("IFRS7")

There were two amendments released in December 2011 to IFRS 7. One was on enhancing disclosures about offsetting of financial assets and financial liabilities with an effective date on or after January 1, 2013 and the other one was on requiring disclosures about the initial application of IFRS 9 with an effective date on or after January 1, 2015 (or otherwise when IFRS

9 is first applied). The amendments are to be applied retrospectively. The adoption of these amendments is not expected to have a material impact on the Corporation's financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

The mandatory application date of IFRS 9 was amended in December 2011. The Corporation will be required to retrospectively adopt IFRS 9 on January 1, 2015, which is the result of the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard defines the classification, recognition, derecognition and measurement guidance for financial assets and financial liabilities. The adoption of this standard is not expected to have a material impact of the Corporation's financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). Except in specified circumstances IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. This standard is to be applied prospectively. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

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* (the "Acts") and any directives issued pursuant to the 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 April 30 2012	As at April 30 2011	As at As at May 1 2010
Retained earnings	$ 4,240	$ 1,649	$ 2,705
Loans payable	21,152	23,586	29,363
	$ 25,392	$ 25,235	$ 32,068

The Corporation's objectives in managing 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 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 the 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 in the annual corporate plan submission, approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains has changed from the year ended April 30, 2011 as payouts to fishers are based on free cash flow and are contingent upon accounting earnings and the availability of adequate cash flow.

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

5.2 Classification of financial instruments

5.2.1 The classification, as well as the carrying amount and fair value, of the Corporation's financial assets and financial liabilities are as follows:

(CAD$ thousands)	As at April 30, 2012		As at April 30, 2011		As at May 1, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial asset at fair value through profit and loss						
Foreign exchange forward contracts	$ 139	$ 139	$ 478	$ 478	$ 7	$ 7
Loans and receivables						
Cash	420	420	6	6	-	-
Trade receivables	6,392	6,392	6,997	6,997	8,091	8,091
	$ 6,951	$ 6,951	$ 7,481	$ 7,481	$ 8,098	$ 8,098
Financial liabilities						
Financial liability at fair value through profit or loss						
Foreign exchange forward contracts	$ -	$ -	$ 45	$ 45	$ 516	$ 516
Interest rate swaps	394	394	-	-	-	-
Other financial liabilities						
Bank indebtedness	-	-	-	-	199	199
Loans payable	21,152	21,152	23,586	23,586	29,363	29,363
Trade and other payables	5,313	5,313	3,268	3,268	3,510	3,510
Final payment to fishers	2,950	2,950	1,195	1,195	1,333	1,333
	$ 29,809	$ 29,809	$ 28,094	$ 28,094	$ 34,921	$ 34,921

The Corporation did not have any held-to-maturity or available-for-sale financial assets at the end of the reporting periods presented.

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

i) The carrying amounts of cash, trade receivables and trade and other payables approximate their fair values as a result of the relatively short-term nature of these financial instruments.
ii) The fair values of loans payables have 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 foreign currency and interest forward contracts are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

5.2.2 Interest expense

The Corporation has recorded interest expense in relation to the following financial instruments:

(CAD$ thousands)

	2012	2011
Other financial liabilities		
Interest expense on loans and other payables	$ 495	$ 546

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 (which 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 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 Committee reports regularly 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, trade receivables and derivative financial instruments. The Corporation has adopted a policy of only dealing with credit worthy 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.

Trade receivables

The Corporation's exposure to credit risk associated with trade receivables is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and 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 trade receivables listing on a regular basis for changes in customer balances which could present collectability issues.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

	As at April 30, 2012			As at April 30, 2011			As at May 1, 2010		
	Original currency (CAD $)	Original currency (U.S. $)	$CAD	Original currency (CAD $)	Original currency (U.S. $)	$CAD	Original currency (CAD $)	Original currency (U.S. $)	$CAD
Canada	594	-	$ 594	581	-	$ 581	506	-	$ 506
United States	-	4,272	4,221	-	4,812	4,554	-	5,254	5,338
Europe	-	181	181	1,239	-	1,239	1,887	-	1,887
Europe	509	-	509	-	3	3	-	-	-
Other	-	-	-	-	-	-	24	-	24
Other non-trade	887	-	887	620	-	620	336	-	336
			$ 6,392			$ 6,997			$ 8,091

Trade receivables are classified as loans and receivables, and are measured at amortized cost.

At April 30, 2012, four customers represented 37% of the total trade receivables balance. At April 30, 2011 four customers represented 34% of the total trade receivables balance. At May 1, 2010 four customers represented 39% of the total accounts receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for impairment loss that reflects the estimated impairment of trade receivables. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of trade receivables, the current business and geopolitical climate, customer and industry concentrations and historical experience.

The aging of trade receivables is as follows:

(CAD$ thousands)	As at April 30, 2012	As at April 30, 2011	As at May 1, 2010
Current 0-30 days	$ 4,067	$ 4,567	$ 5,206
Past due 31-60 days	1,349	1,426	2,378
Past due over 61 days	89	384	171
Non-trade accounts receivable	887	620	336
Total trade receivables	$ 6,392	$ 6,997	$ 8,091

The change in the allowance for impairment loss is as follows:

	April 30, 2012	April 30, 2011
Balance at the beginning of the year	$ 77	$ 73
Additions	16	6
Write-offs	(76)	(2)
Balance at the end of the year	$ 17	$ 77

The Corporation does not hold any collateral in respect of trade and other receivables.

Cash

The Corporation manages its exposure to credit risk for its cash by depositing only with creditworthy counterparties such as major Canadian financial institutions. The maximum exposure to credit risk for cash at April 30, 2012 was $420 (2011 - $6; 2010 - nil)

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 maximum exposure to credit risk for derivatives at the reporting date was $139 (2011 - $478; 2010 - $7)

5.3.2 Liquidity risk

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

The tables below present the contractual maturities of financial liabilities:

(CAD$ thousands)	As at April 30, 2012				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and beyond
Trade and other payables and accrued liabilities	$ 5,313	$ 5,313	$ -	$ -	$ -
Derivative-related liabilities	394	394	-	-	-
Provision for final payment to fishers	2,950	2,950	-	-	-
Loans payable	21,152	21,152	-	-	-
Total	$ 29,809	$ 29,809	$ -	$ -	$ -

(CAD$ thousands)	As at April 30, 2011				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and beyond
Trade and other payables	$ 3,268	$ 3,268	$ -	$ -	$ -
Derivative-related liabilities	45	45	-	-	-
Provision for final payment to fishers	1,195	1,195	-	-	-
Loans payable	23,586	23,586	-	-	-
Total	$ 28,094	$ 28,094	$ -	$ -	$ -

(CAD$ thousands)	As at May 1, 2010				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and beyond
Bank indebtedness	$ 199	$ 199	$ -	$ -	$ -
Trade and other payables	3,510	3,510	-	-	-
Derivative-related liabilities	516	516	-	-	-
Provision for final payment to fishers	1,333	1,333	-	-	-
Loans payable	29,363	29,363	-	-	-
Total	$ 34,921	$ 34,921	$ -	$ -	$ -

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 hedges up to 80 percent of all trade receivables denominated in U.S. dollars and a portion of its forecasted sales, based on its hedging policy. In addition, a portion of loans payable are U.S. dollar denominated (Note 10). The Corporation manages its exposure to exchange rate fluctuations between the U.S. dollar and the Canadian dollar by entering into the following types of financial instruments, with a maturity of less than one year from the reporting date and only within limits approved by the Board of Directors:

Fade-in forwards - Forward contracts that provide the Corporation with the ability to exchange currencies on a monthly basis given that the spot rate is at or above the fade-in level at each monthly valuation date.

At maturity variable rate forwards - Forward contracts that provide the Corporation with the ability to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades above the contractual strike rate and below the predetermined conditional trigger rate, no currency exchange occurs.
Conditional variable rate forwards - Right to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades at or above a predetermined conditional trigger rate and at or below a predetermined cancellation trigger rate, the right to exchange currencies becomes an obligation to exchange currencies at the same strike rate.

Monthly settling accumulating forwards - Forward contracts that provide the Corporation with the ability to exchange currencies on a monthly position at an improved rate to an outright forward contract. The accumulation of the position is dependent upon the spot rate staying above an accumulating level on each monthly setting.

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 assets of $139 (2011 - $478; 2010 - $7) and derivative-related liabilities of $394 (2011 - $45; 2010 - $516) representing the fair value of derivative financial instruments held:

(CAD$ thousands)	**April 30, 2012**	**April 30, 2011**	**May 1, 2010**
Fade-in forward	$ -	$ 18	$ -
At maturity variable rate forwards	139	415	-
Interest rate swaps	(394)	-	-
Conditional variable rate forwards	-	-	(296)
Monthly settling accumulating forwards	-	-	(213)
Assets, net of liabilities	$ (255)	$ 433	$ (509)

Notional principal amounts outstanding are listed below for foreign exchange derivative contracts entered into by the Corporation:

(in U.S. $ thousands)	**April 30, 2012**	**April 30, 2011**	**May 1, 2010**
Fade-in forward	-	$ 12,000	-
At maturity variable rate forwards	$ 34,000	$ 13,200	-
Interest rate swaps	$ 10,000	-	-
Conditional variable rate forwards	-	-	$ 19,400
Monthly settling accumulating forwards	-	-	$ 12,000

The net foreign exchange loss of $94 (2011 - gain of $465; 2010 - gain of $1,718) includes a loss of $295 representing the change in fair value of derivative financial instruments classified as held for trading (2011 - gain of $942; 2010 - loss of $383). The net financial derivative loss of $394 represents the change in fair value of the interest rate swap.

The Corporation is exposed to currency risk through its cash, trade receivables, trade and other payables and loans payable as follows:

(in U.S. $ thousands)	April 30, 2012	April 30, 2011	May 1, 2010
Cash	$ 245	$ 1,278	$ 25
Trade receivables	4,453	5,165	5,224
Trade and other payables	(51)	(83)	(77)
Loans payable	(4,000)	(4,000)	(4,000)
Assets, net of liabilities	$ 647	$ 2,360	$ 1,172

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 $3,474 (2011 - increase of $1,067; 2010 - increase of $1,561). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in net income and comprehensive income of $1,996 (2011 - decrease of $1,380; 2010 - decrease of $1,644).

Interest rate risk

The Corporation's loans payable of $21,152 (2011 - $23,586; 2010 - $29,363) are variable rate instruments and expose the Corporation to cash flow interest rate risk. Of the loans payable, $10,000 have their interest rate fixed by way of interest rate swaps.

Of these loans an increase of 100 basis points in interest rates at the reporting date would have decreased comprehensive income by $212, assuming that all other variables, in particular foreign exchange rates, remained constant (2011 - $292; 2010 - $342).

Other price risk

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

5.4 Fair value measurements recognized in the statement of financial position

The fair values of cash, bank indebtedness, trade receivables, trade and other payables and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective carrying values due to the relatively short period to maturity of these financial instruments. Derivative financial instruments are measured at their fair value on the statement of financial position.

Derivative-related amounts are valued at their fair value on the statement of financial position. The estimate of the fair value of the foreign exchange forward contracts and interest rate swaps is determined using a quoted market rate.

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability in a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets of liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method. All of the Corporation's derivatives are presented as Level 1 financial instruments.

The fair value measurements as recorded in the statement of financial position are classified as follows:
(CAD$ thousands)

	As at April 30, 2012	As at April 30, 2011	As at May 1, 2010
Derivative-related assets	$ 139	$ 478	$ 7
Derivative-related liabilities	$ 394	$ 45	$ 516

6. INVENTORIES

Inventories included:

(CAD$ thousands)	April 30, 2012	April 30, 2011	May 1, 2010
Raw materials and supplies	$ 873	$ 845	$ 886
Processed fish products	10,077	10,151	16,841
Write-down of processed fish products	(459)	(956)	(1,826)
	$ 10,491	$ 10,040	$ 15,901

The amount of write-downs of inventories recognized as expense during the year is $394 (2011 - $710; 2010 - $1,784). Inventory write-downs are included in inventory values in the cost of sales. 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

(CAD$ thousands)

	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Cost							
Balance at May 1, 2010	$ 336	$ 12,892	$ 20,458	$ 1,442	$ 3,113	$ -	$ 38,241
Additions	-	297	455	25	219	189	1,185
Disposals	-	(4)	(26)	-	-	-	(30)
Balance at April 30, 2011	336	13,185	20,887	1,467	3,332	189	39,396
Accumulated depreciation							
Balance at May 1, 2010	-	8,005	14,666	845	549	-	24,065
Depreciation for the year		619	689	160	133	-	1,601
Disposals	-	-	(25)	-	-	-	(25)
Balance at April 30, 2011	-	8,624	15,330	1,005	682	-	25,641
Carrying amount at April 30, 2011	**$ 336**	**$ 4,561**	**$ 5,557**	**$ 462**	**$ 2,650**	**$ 189**	**$ 13,755**
Carrying amount at May 1, 2010	**$ 336**	**$ 4,887**	**$ 5,792**	**$ 597**	**$ 2,564**	**$ -**	**$ 14,176**
Cost							
Balance at May 1, 2011	$ 336	$ 13,185	$ 20,887	$ 1,467	$ 3,332	$ 189	$ 39,396
Additions	-	733	953	32	21	3,726	5,465
Disposals	-	(735)	(7,175)	(236)	(26)	-	(8,172)
Balance at April 30, 2012	336	13,183	14,665	1,263	3,327	3,915	36,689
Accumulated depreciation							
Balance at May 1, 2011	-	8,624	15,330	1,005	682	-	25,641
Depreciation for the year	-	482	706	110	165	-	1,463
Disposals	-	(733)	(7,112)	(236)	(26)	-	(8,107)
Balance at April 30, 2012	-	8,373	8,924	879	821	-	18,997
Carrying amount at April 30, 2012	**$ 336**	**$ 4,810**	**$ 5,741**	**$ 384**	**$ 2,506**	**$ 3,915**	**$ 17,692**

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2012 - $1,382; 2011 - $1,515) and in marketing and administrative expenses (2012 -$81; 2011 - $86).

No indicators of impairment were found for property, plant and equipment as at April 30, 2012 or April 30, 2011.

No assets are pledged as security for borrowing as at April 30, 2012 or April 30, 2011.

8. INTANGIBLE ASSETS

(CAD$ thousands)	Information Systems Software
Cost	
Balance at May 1, 2010	$ 1,804
Additions	19
Disposals	-
Balance at April 30, 2011	1,823
Accumulated amortization	
Balance at May 1, 2010	1,652
Amortization for the year	110
Disposals	-
Balance at April 30, 2011	1,762
Carrying amount at April 30, 2011	**$ 61**
Carrying amount at May 1, 2010	**$ 152**
Cost	
Balance at May 1, 2011	$ 1,823
Additions	32
Disposals	(1,491)
Balance at April 30, 2012	364
Accumulated amortization	
Balance at May 1, 2011	1,762
Amortization for the year	48
Disposals	(1,491)
Balance at April 30, 2012	319
Carrying amount at April 30, 2012	**$ 45**

Intangible asset amortization is recorded on the statement of comprehensive income in marketing and administrative expenses (2012 - $48; 2011 - $110).

No indicators of impairment were found for intangible assets as at April 30, 2012 or April 30, 2011.

9. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

(CAD$ thousands)

	As at April 30, 2012	**As at April 30, 2011**	**As at May 1, 2010**
Canadian dollars	$ 5,262	$ 3,190	$ 3,432
U.S. dollars	51	78	78
Total trade and other payables and accrued liabilities	$ 5,313	$ 3,268	$ 3,510

10. LOANS PAYABLE

(CAD$ thousands)

	As at April 30, 2012	As at April 30, 2011	As at May 1, 2010
Promissory note	$ 3,952	$ 3,786	$ 4,063
Bankers' acceptances	17,200	19,800	25,300
Total loans payable	$ 21,152	$ 23,586	$ 29,363

The $7,200 bankers' acceptances bear interest at an annual rate of 2.05% (2011 – 2.05%; 2010 – 1.25%) and mature on May 3, 2012. The weighted-average interest rate during the year was 2.05% (2011 – 1.87%; 2010 – 1.27%). Subsequent to May 4, 2012, new bankers' acceptances were entered into at a rate of 2.05%.

The 20 year $10,000 bankers' acceptance/interest rate swap loan bears 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 loan matures in 2032. 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 banker's acceptance and an interest rate swap to lock in the bankers' acceptance refinancing. The loan will be paid down $500 per year for 20 years.

The principal of the bankers' acceptances as at April 30, 2012 is $17,200 (2011 - $19,800; 2010 - $25,300) and the fair value of the loans are $17,200 (2011 - $19,800; 2010 - $25,300).

The $4,000 U.S. dollar denominated promissory note ($3,952 Canadian dollars) is repayable in U.S. dollars, bears interest at an annual rate of 2.38% (2011 – 2.15%; 2010 – 2.12%) and matures on July 20, 2012. The weighted-average interest rate during the year was 2.20% (2011 – 2.12%; 2010 – 2.09%). The balance of the principal as at April 30, 2012 is $3,952 (2011 – $3,786; 2010 – $4,063) and the fair value of the loan is $3,952 (2011 – $3,786; 2010 – $4,063).

The bankers' acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

11. EMPLOYEE BENEFITS

11.1 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 general contribution rate effective at April 30, 2012 was 1.74 (2011 - 1.86). Total contributions of $1,160 (2011 - $1,170) were recognized as expense in the current year.

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 2 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 they are indexed to inflation.

Contributions to the Public Service Pension Plan consisted of

(CAD$ thousands)	**2012**	**2011**
Contributions by the Corporation	$ 1,160	$ 1,170
Contributions by employees	$ 610	$ 610

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 going 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. 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.

(CAD$ thousands)	**April 30, 2012**	**April 30, 2011**	**May 1, 2010**
Pension benefit obligation (actuarial value)	$ 1,123	$ 1,308	$ 282
Less: current portion	591	-	-
Non-current portion	$ 532	$ 1,308	$ 282

The Corporation estimates that it has a discounted pension benefit obligation of $1,123 (2011 - $1,308; 2010 - $282) for future matching contributions required.

The actuary used assumptions, as agreed with management, in the calculation of the liability. The actuarial present value of the employer cost of buyback service is based on economic and demographic assumptions as described below:

Economic assumptions:

- *Investment return* – an assumed rate of return of 3.62% per annum
- *Expenses* – as per the PSSA report, the assumed investment return reflects an implicit provision for the expenses inherent in the ongoing operation of the plan;
- *Employer contribution rate* – for some members eligible for service buybacks, only the employee contribution requirements at the preferred and regular rates were available and where not available the required employer contributions were assumed to be 1.74 times the employee's contributions for both the preferred and regular rates, in accordance with the policy set out by the Treasury Board Secretariat;

Demographic assumptions:

- *Retirement age* – it has been assumed that all members will retire at their normal retirement age (age 65);
- *Mortality* – mortality has been assumed in accordance with the 1994 Uninsured Pensioner Mortality Table, fully generational with mortality improvements using scale AA;
- *Buyback service take-up assumption* – the buyback assumption used in estimating the liability is based on PSSA plan experience and the normal PSSA rates derived from the actuary's analysis of PSSA service buybacks cost dated February 28, 2008.

The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. The actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

11.2 Accrued obligation for workers' compensation

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

The statement of comprehensive income includes a charge of $196 (2011 - $257) which relates to workers' compensation payments, interest charges on the workers' compensation obligation and an actuarial gain.

The actuary used assumptions, as agreed with management, in the calculation of the liability including inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. An actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

The Corporation's workers' compensation costs and obligations consist of:

(CAD$ thousands)	April 30, 2012	April 30, 2011	May 1, 2010
Workers' compensation obligation (actuarial value)	$ 259	$ 305	$ 284
Less: current portion	223	242	236
Non-current portion	$ 36	$ 63	$ 48
Benefits paid	$ 242	$ 236	$ -
Workers' compensation costs	$ 196	$ 257	$ -

Determination of workers' compensation costs for the year is calculated as:

Current service costs	$ 242	$ 235	$ -
Interest costs	18	19	-
Actuarial (gain) loss	(64)	3	-
Workers' compensation costs	$ 196	$ 257	$ -
Weighted-average assumptions:			
Discount rate for obligation	3.6%	4.3%	4.7%
Health care trend	5.0%	5.0%	5.0%
All other cost indexation	2.25%	2.25%	2.25%

11.3 Accrued obligation for sick leave benefit

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

The statement of comprehensive income includes a charge of $36 (2011 - $39), which relates to current service costs, interest cost and an actuarial loss.

The actuary used assumptions, as agreed with management, in the calculation of the liability. The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. An actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

The Corporation's obligation for sick leave consists of:

(CAD$ thousands)	**April 30, 2012**	**April 30, 2011**	**May 1, 2010**
Sick leave benefit obligation (actuarial value)	$ 194	$ 171	$ 142
Benefits paid	$ 13	$ 10	$ -
Sick leave costs	$ 36	$ 39	$ -

Determination of sick leave costs for the year is calculated as:

Current service costs	$ 16	$ 16	$ -
Interest costs	7	9	-
Actuarial loss	13	14	-
Sick leave costs	$ 36	$ 39	$ -
Weighted-average assumptions:			
Discount rate for obligation	4.8%	5.2%	5.2%
Rate of compensation increase	2.5%	2.5%	2.5%

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,225 (2011 - $1,188) to sales agents, all of which were paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

13. INCOME TAXES

Current tax recovery

(CAD$ thousands)	**2012**	**2011**
Current income tax recovery	$ (115)	$ -
Adjustments for prior years	-	-
Total current tax recovery	$ (115)	$ -

Deferred tax expense

(CAD$ thousands)	**2012**	**2011**
Origination and reversal of temporary differences	$ 313	$ -
Adjustments for prior years	-	-
Increase in tax rate	-	-
Total deferred tax expense	$ 313	$ -

Income tax expense on profit before income tax differs from the amount that would be computed by applying the federal statutory income tax rate of 27.0%. The expense for the year can be reconciled to the accounting profit before tax as follows:

(CAD$ thousands)

	2012	2011
Net profit before tax for the year	$ 2,789	$ -
Income tax rate	27%	-
Computed tax expense	753	-
Non-deductible expense	(305)	-
Change in tax rates	-	-
Adjustments for prior years	-	-
Other net amounts	(250)	-
Income tax expense recognized in net profit	$ 198	$ -

Current tax assets and liabilities

(CAD$ thousands)

	2012	2011	2010
Current tax assets			
Income taxes receivable	$ 115	$ -	$ -
Current tax liabilities			
Income taxes payable	$ -	$ -	$ -

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

Temporary differences for 2012

(CAD$ thousands)

	Balance at May 1, 2011	Recognized in profit or (loss)	Balance at April 30, 2012
Deferred tax assets			
Investment tax credit	$ -	$ 504	$ 504
Deferred tax liability			
Property, plant and equipment	-	379	379
Intangible assets	-	12	12
Investment tax credits	-	426	426
Net deferred tax liability	$ -	$ 313	$ 313

Temporary differences for 2011

(CAD$ thousands)

	Balance at May 1, 2010	Recognized in profit or (loss)	Balance at April 30, 2011
Deferred tax assets			
Investment tax credit	$ -	$ -	$ -
Deferred tax liability			
Property, plant and equipment	-	-	-
Intangible assets	-	-	-
Investment tax credits	-	-	-
Net deferred tax liability	$ -	$ -	$

14. 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 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; and
- 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 thereof; or
- all federal Crown corporations

Certain members of the Board of Directors are fishers who sell their catch to the Corporation. During the year, delivered fish volume by Board members was 64,000 kilograms (2011 – 60,000 kilograms) valued at $131 (2011 – $128). 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

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

Compensation of key management personnel for the year was as follows:

(CAD$ thousands)	2012	2011
Short-term employee benefits	$ 748	$ 705
Post-employment benefits	115	120
Total compensation paid to key management personnel	$ 863	$ 825

The disclosed compensation for key management personnel of the Corporation is recorded on the statement of comprehensive income as salaries and benefits in marketing and administrative expenses. The disclosed 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.

15. COMMITMENTS AND CONTINGENCIES

15.1 Commitments

As of April 30, 2012 the Corporation had capital commitments of $2,254 (2011 – nil; 2010 – nil) of which $831 (2011 – nil; 2010 – nil) is related to the purchase of a new tunnel freezer that will become operational in the first quarter of the 2012-13 fiscal year. $1,423 (2011 – nil; 2010 – nil) is related to the purchase of a new frozen grader that will become operational in the third quarter of the 2012-13 year.

15.2 Contingencies

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. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded when any liability is considered likely and the associated costs can be reasonably estimated. There have been no changes in the existence, likelihood or amount of contingencies since the end of the most recently completed fiscal year.

16. SERVICES RECEIVED WITHOUT CHARGE

During the year, the Corporation received audit services without charge from the Office of the Auditor General of Canada. This non-monetary transaction has been recorded as both other expense and other revenue in the amount of $455 (2011 – $623).

17. TRANSITION TO IFRS

For all periods up to and including the year ended April 30, 2011, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These financial statements, for the year ended April 30, 2012, are the first annual financial statements that the Corporation has prepared in accordance with IFRS with the 2011 comparatives restated accordingly.

The Corporation has prepared financial statements which comply with IFRS applicable for periods beginning on or after May 1, 2010 as described in the significant accounting policies described in Note 2. In preparing these financial statements, the Corporation's opening balance sheet was prepared as at May 1, 2010, the Corporation's date of transition to IFRS. This note explains the principal adjustments made by the Corporation in restating its Canadian GAAP statement of financial position as at May 1, 2010 and its previously reported Canadian GAAP financial statements for the year ended April 30, 2011.

IFRS 1 "First Time Adoption of International Financial Reporting Standards", allows first-time adopters certain optional exemptions from the retrospective application of certain standards. The Corporation has applied the following exemptions in preparing these statements. Other options available under IFRS 1 are not presented, as they are not material to the Corporation's business.

17.1 Mandatory exceptions

At the date of transition, the Corporation's estimates under IFRS are consistent with estimates previously made under Canadian GAAP. Hindsight has not been used to create or revise these estimates.

17.2 Reconciliations of Canadian GAAP to IFRS

The Corporation reported under Canadian GAAP in previously published financial statements for the year ended April 30, 2011. The analysis below shows a reconciliation of net assets and profit as reported under Canadian GAAP as at April 30, 2011 to the revised net assets and profit under IFRS as required in these financial statements as required by IFRS 1. There is also a reconciliation of net assets under Canadian GAAP to IFRS at the transition date for the Corporation, being May 1, 2010.

17.2.1 Reconciliation of equity

The following is a reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at the transition date:

(CAD$ thousands)

	Notes	As at April 30, 2011	As at May 1, 2010
Equity under Canadian GAAP		$ 3,041	$ 2,908
Differences increasing (decreasing) retained earnings:			
Property, plant and equipment	(i)	30	30
Employee benefits	(ii)	(1,372)	(183)
Asset retirement obligation	(iii)	(50)	(50)
Total adjustment to equity under Canadian GAAP		(1,392)	(203)
Total equity under IFRS		$ 1,649	$ 2,705

17.2.2 Reconciliation of profit for the year

The following is a reconciliation of the Corporation's profit reported in accordance with Canadian GAAP to its profit for the year in accordance with IFRS for the year ended April 30, 2011.

(CAD$ thousands)

	Notes	For the year ended April 30, 2011
Net profit under Canadian GAAP		$ 133
Differences decreasing profit:		
Depreciation	(i)	-
Employee benefits	(ii)	(1,189)
Asset retirement obligation	(iii)	-
Total adjustment to net income under Canadian GAAP		(1,189)
Profit for the year under IFRS		$ (1,056)

17.2.3 Reconciliation of statement of financial position as of May 1, 2010:

	Footnotes	Canadian GAAP	IFRS Adjustments	IFRS Standards
ASSETS				
Current				
Trade receivables		$ 8,091		$ 8,091
Inventories		15,901		15,901
Prepaid expenses		98		98
Derivative-related assets		7		7
		24,097		24,097
Non-current				
Property, plant and equipment	(i)	14,146	30	14,176
Intangible assets		152		152
		14,298		14,328
		$ 38,395		**$ 38,425**
LIABILITIES				
Current				
Bank indebtedness		$ 199		$ 199
Trade and other payables		3,794		3,794
Accrued obligation for employee benefits	(ii)	282	183	465
Provision for final payment to fishers		1,333		1,333
Loans payable		29,363		29,363
Derivative-related liabilities		516		516
		35,487		35,670
Non-current				
Accrued obligation for employee benefits		-		-
Asset retirement obligation	(iii)	-	50	50
		-		50
EQUITY				
Retained earnings		**2,908**	(203)	**2,705**
		$ 38,395		**$ 38,425**

17.2.4 Reconciliation of statement of financial position as of April 30, 2011

	Footnotes	Canadian GAAP	IFRS Adjustments	IFRS Standards
ASSETS				
Current				
Cash		$ 6		$ 6
Trade receivables		6,734		6,734
Other receivable		263		263
Inventories		10,040		10,040
Prepaid expenses		274		274
Derivative-related assets		478		478
		17,795		17,795
Non-current				
Property, plant and equipment	(i)	13,725	30	13,755
Intangible assets		61		61
		13,786		13,816
		$ 31,581		**$ 31,611**
LIABILITIES				
Current				
Trade and other payables		$ 3,268		$ 3,268
Accrued obligation for employee benefits	(ii)	383	1,372	1,755
Provision for final payment to fishers		1,195		1,195
Loans payable		23,586		23,586
Derivative-related liabilities		45		45
		28,477		29,849
Non-current				
Accrued obligation for employee benefits		63		63
Asset retirement obligation	(iii)	-	50	50
		63		113
EQUITY				
Retained earnings		3,041	(1,392)	1,649
		$ 31,581		**$ 31,611**

17.2.5 Reconciliation of statement of comprehensive income for the year ended April 30, 2011

	Footnotes	Canadian GAAP	IFRS Adjustments	IFRS Standards
Sales				
Export		$ 55,925		$ 55,925
Domestic		10,900		10,900
		66,825		66,825
Cost of sales				
Opening inventory of finished fish products		15,015		15,015
Add fish purchases and processing expenses:				
Fish purchases		26,545		26,545
Plant salaries, wages and benefits	(ii)	10,689	1,195	11,884
Packing allowances and agency operating costs		3,794		3,794
Freight		3,080		3,080
Packaging and storage		3,911		3,911
Utilities and property taxes		1,276		1,276
Amortization of production assets		1,515		1,515
Repair and maintenance		1,895		1,895
Other		596		596
		68,316		69,511
Less ending inventory of processed fish products		(9,195)		(9,195)
		59,121		60,316
Gross profit on operations		**7,704**		**6,509**
Marketing and administrative expenses				
Salaries and benefits	(ii)	2,974	(6)	2,968
Commission		1,188		1,188
Data processing, office and professional services		1,355		1,355
Interest Expense		574		574
Advertising and promotion		317		317
Meeting fees and expenses		130		130
Other		732		732
Amortization of administration assets		194		194
		7,464		7,458
Other income and expenses				
Other revenue		(623)		(623)
Net foreign exchange gain		(465)		(465)
Income before provision for final payment to fishers		**1,328**		**139**
Provision for final payment to fishers		1,195		1,195
Comprehensive income for the year		**$ 133**	**(1,189)**	**$ (1,056)**

Listed below are the key differences between Canadian GAAP and IFRS that required a retrospective adjustment to the financial statements:

(i) Property, plant and equipment

For all items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. Differences relating to the level of componentization and depreciation rates caused the carrying value of these assets at the transition date to exceed the recorded amount under Canadian GAAP by $30.

(ii) Employee benefit plans

a. Sick leave
Under the Corporation's previous accounting framework, the cost of amendments to employee benefit plans – sick leave was not recognized. Under IFRS, the cost is to be recognized immediately in the statement of comprehensive income as an accrued obligation for non-pension post-employment expense. $141 liability for employee benefit plans – sick leave was recognized at the date of transition. The liability was determined by a qualified actuary.

b. Salaried staff banked time
Under the Corporation's previous accounting framework, the cost of banked time paid to employees was recognized on a deferred basis. Under IFRS, the cost of salaried banked time is to be recognized immediately in the statement of comprehensive income as an accrued obligation for non-pension post-employment expense. $42 liability for salaried staff banked time was recognized at the date of transition.

c. Pension benefits
Under the Corporation's previous accounting framework, the cost of pension benefits paid to employees was recognized on a deferred basis. Under IFRS, the cost of pension benefits is to be recognized immediately in the statement of comprehensive income as an accrued obligation for pension benefit expense. $1,189 liability for pension benefits was recognized at the date of transition. The liability was determined by a qualified actuary.

(iii) Provisions, contingent liabilities and contingent assets

Under IFRS contingent liabilities and assets are recorded and/or disclosed based on specific criteria that differ from the previous accounting framework.

The Corporation's field operations and plant management reviewed any contingent liabilities including lawsuits, environmental and contamination assessments and decommissioning liabilities for the Corporation's facilities.

The analysis concluded that facilities at Moraine Bay in the Northwest Territories and at George's Island in Manitoba contain some environmental risk from fuel storage containers that may require environmental remediation. A $50 liability for environmental remediation at these facilities was recognized at the date of transition.

RESPONSE TO THE SPECIAL EXAMINATION

Every five to ten years, the Office of the Auditor General of Canada undertakes a Special Examination of Freshwater Fish. The most recent Examination was released in 2010 and since then, we have taken a number of steps to address recommendations raised in the report.

Governance

We are working to strengthen the Board and enhance the skillset of Directors. Our Audit Committee has been re-structured and is now made up of three Board members and a third-party financial advisor. In response to the need for financial skills on the Board, we have submitted a request that the financial advisor be appointed to fill a vacant seat, at which time he will assume Chairmanship of the Audit Committee. The Audit Committee has also approved a multi-year plan for internal audits and retained a third-party firm to conduct these audits.

Strategic Planning

Our 2011/12 strategic plan has been reviewed and approved as part of our annual Corporate Plan by the Federal government.

Risk Management

The Board and staff are taking steps to update our risk management practices. The Board worked with our third-party auditors to develop a Risk Register; management is using this document to create an Integrated Risk Management Strategy for regular review by the Audit Committee.

Retained Earnings

Recognizing that Freshwater Fish was not retaining sufficient earnings to replace assets, the Board has approved a Retained Earnings and Capital Debt Policy that will help us reduce debt and increase retained earnings while maintaining long term returns to fishers.

Production Efficiency

The Special Examination identified a need to use industry benchmarks and trend data in our yield management practices. Because no comparable benchmarks for freshwater species are available, we began collecting data for internal trend analysis in 2011/12 and will continue to include yield management projects as part of our cost control strategy.

Documentation

Freshwater Fish has documented its capital asset management procedures, addressing a gap in corporate policy documentation.

The Human Resources (HR) department has drafted a strategic HR management plan for approval by senior management. It will include a more formal approach to existing programs, such as Absenteeism Management and Health and Safety.

CORPORATE GOVERNANCE

The provinces of Ontario and Saskatchewan officially withdrew from the *Freshwater Fish Marketing Act (FFMA)* mandate effective May 30, 2011 and April 1, 2012 respectively. The withdrawal of Saskatchewan and Ontario has now reduced the total number of Board positions from eleven to nine. The restructured Board of nine Directors, including the President and Chief Executive Officer, governed Freshwater Fish during the 2011/12 fiscal year. All Board positions are federal Order-in-Council appointments with three appointed on recommendation of the participating provincial governments.

Freshwater Fish Board members met five times in Winnipeg during the fiscal year. Each quarter, the Board undertook a comprehensive review of financial results and operational issues. During the July 2011 meeting, the Board received the annual audit report from the Office of the Auditor General of Canada (OAG) and approved the 2010/11 Annual Report. At the August 2011 meeting, the first quarter of the new fiscal year was reviewed. In November 2011, after the second quarter review, the second Annual Public Meeting was held with approximately 100 stakeholders in attendance. In February 2012, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to the Minister of Fisheries and Oceans. At its April 2012 meeting, two days were dedicated to annual governance training with two focal topics being integrated risk management and the use of hedging as a financial management tool.

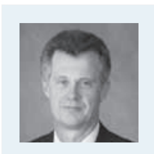
Freshwater Fish's Audit Committee – comprised of Chairperson Harold Dueck, a retired Chartered Accountant, Board Chairperson David Tomasson, and two other Board members – met eight times during the 2011/12 fiscal year. The Committee oversees Freshwater Fish's financial reporting process on behalf of the Board and reports to each Board meeting. With the departure of Harold Dueck in the summer of 2011, Angus (Gus) Campbell, FCA, joined the Audit Committee as advisor and Board member Ken Campbell assumed Chairmanship of the Committee.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. Freshwater Fish's Quarterly Report is now issued in a new, more detailed format in compliance with IFRS standards. Through consultation with stakeholders, hard copies are still mailed out to some, but the majority access the Reports via our website, where each Report is posted on a timely basis (60 days or sooner) following the end of the quarter (www.freshwaterfish.com/content/pages/governance).

Other major governance-related conferences or meetings attended included Fisheries Council of Canada AGM, Seafood Value Round Table, Federal/Provincial/Territorial Working Group, and a Crown Corporation Governance Workshop in Ottawa.

BOARD OF DIRECTORS

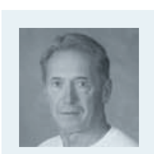
David Tomasson
Chairperson of the Board
Winnipeg, Manitoba
Occupation: Fisher and Chairperson,
Freshwater Harbour Authority
Advisory Committee
Served on Board: 2 years



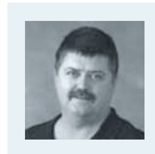
John Wood
President and Chief Executive Officer
Winnipeg, Manitoba
Served on Board: 5.5 years

Ron Ballantyne
Grand Rapids, Manitoba
Occupation: Fisher
Served on Board: 8.5 years

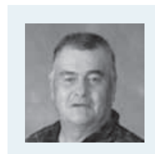
Bert Buckley
Hay River, Northwest Territories
Occupation: Fisher
Served on Board: 13 years



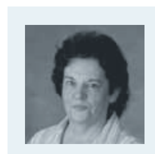
Ken Campbell
Gimli, Manitoba
Occupation: Fisher
Served on Board: 3 years



Terry Bennett
Matheson Island, Manitoba
Occupation: Fisher, Director of Matheson Island
Fish Marketing Co-op, Employee of Hazco
Environmental Waste Clean Up
Served on Board: 1.5 years



Angus Gardiner
Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 3.5 years



Gail Wood
Edmonton, Alberta
Occupation: Owner,
Wayne Wood Fresh Fish Ltd.
Served on Board: 5 years

Peter A. Beatty
Deschambault Lake, Saskatchewan
Occupation: Vice-Chief,
Peter Ballentyne First Nation
Served on Board: 3 years
(Province of Saskatchewan withdrew April 1, 2012)

One Vacant Seat

AUDIT COMMITTEE

Freshwater Fish established an Audit Committee in 2009/10. Harold B. Dueck served as Chairperson until July 2011. The current Committee is comprised of Board members Ken Campbell (interim Chairperson), David Tomasson (Board Chairperson), and Gail Wood. Recently, Angus (Gus) Campbell, FCA, has been retained to join this team as Financial Advisor.

EMPLOYEE RECOGNITION

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

35+ Years:
Ellen Smith, Adriano Saria, Calvin Thorsteinson

30+ Years:
Glen Fricker, Warren Thomas, Frank Seepish, Janina Richards, Paul Winowich, Robert Giles, Larry Ireland, Larry Lacroix, Renato De Los Santos

CORPORATE OFFICERS

John Wood
President and Chief Executive Officer
Email: john.wood@freshwaterfish.com

Stan Lazar
Chief Financial Officer
Email: stan.lazar@freshwaterfish.com

Paul Cater
Vice-President, Sales and Marketing
Email: paul.cater@freshwaterfish.com

David Northcott
Vice-President, Operations
Email: david.northcott@freshwaterfish.com

Wendy Matheson
Director of Human Resources and Government Services
Email: wendy.matheson@freshwaterfish.com

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