2013 ANNUAL REPORT

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

Honourable Gail Shea
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, 2013.

In July 2012 at the recommendation of the Office of the Auditor General of Canada, a new Board Profile was developed, including a composite skill set. The comprehensive Board Profile Policy was written to clearly define core attributes, competencies, skills and experience required of Directors, as well as their primary roles and responsibilities. Going forward, governance of the Corporation will evolve to reflect this profile more specifically.

Board members continue to receive training in corporate governance. At their meeting in April 2013, pricing and pooling mechanisms were reviewed and the Board discussed and adopted revised final payment and corporate plan approval procedures.

Yours sincerely,

David Tomasson
Chairperson of the Board

President's Report

For the second consecutive year, Freshwater has delivered corporate earnings significantly above what was anticipated in the plan.

In the fiscal year ending April 30, 2013, Freshwater generated a profit of $4.5 million before final payment to fishers, well above the plan of $2.0 million. Considerable hard work was expended to achieve this result.

The Russian market continues to grow, and other European prices have been relatively stable in spite of financial challenges currently faced by many European countries. We have also developed new markets for perch, tullibee and caviar.

Operations have been improved to maximize profits and returns to fishers. Notably, we have replaced our 45+ year old tunnel freezers, which has led to gains in efficiencies. Ongoing management of labour costs and yield has also led to constant improvement. Ultimately, Freshwater works to increase returns to fishers. Prices on several species were increased over the previous year: lake whitefish by $.30 and $.55 per kg depending on the size grade; tullibee by $.94 per kg; tullibee roe by $4.15 kg; and northern pike (medium headless) by $.10 per kg.

Supply declined slightly from the previous year. Some of the factors contributing to the lower deliveries were:

- Continued evacuation of the Dauphin River and Lake St. Martin communities:
- Fishers experienced difficult winter ice conditions on Lakes Manitoba and Winnipegosis; and,
- Several key lakes in Alberta were not open for commercial fishing.

Although these various impacts on delivery volume are short-term and appear to be a relatively small fraction of the entire fishery, the combined effect poses a significant challenge to Freshwater. As volume declines, the efficiency of our supply chain and especially plant operations is reduced, meaning that costs per kg increase, leaving less profit for everyone.

Looking ahead, Freshwater is working to develop fisheries in its mandate area – where there exists a potential to increase deliveries – thereby increasing local returns and improving profitability along the entire supply chain.

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.

Corporate Profile

Freshwater Fish Marketing Corporation is a self-sustaining federal Crown corporation – it is the buyer, processor and marketer of all commercially-caught freshwater fish from its mandate region of Manitoba, Alberta and the Northwest Territories. Freshwater also buys fish from outside its mandate region, specifically Saskatchewan.

Freshwater's mission is to provide the core activities of its legislated mandate, including: purchasing all fish offered for sale; creating an orderly market; promoting international markets; increasing trade in fish; and maximizing returns to commercial fishers. To fulfill its mandate, Freshwater supports the orderly management of the freshwater fishery through planned harvesting, processing and marketing strategies. Final payments to fishers are distributed annually by species pool from available cash surpluses.

The Board of nine Directors, including the President and Chief Executive Officer, governed Freshwater Fish during the 2012/13 fiscal year. All Board positions are federal Order-in-Council appointments with three members appointed on recommendation of the participating provincial / 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 1,800 fishers across the mandate region and then are purchased and graded by contracted agents and corporate agencies at more than 50 delivery points.

The Freshwater Fish brand remains at the top of the U.S. walleye (pickerel) market. Freshwater 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 U.S. gefilte fish market and maintains a kosher-certified plant.

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 interprovincially and internationally.

How Fishers are Paid

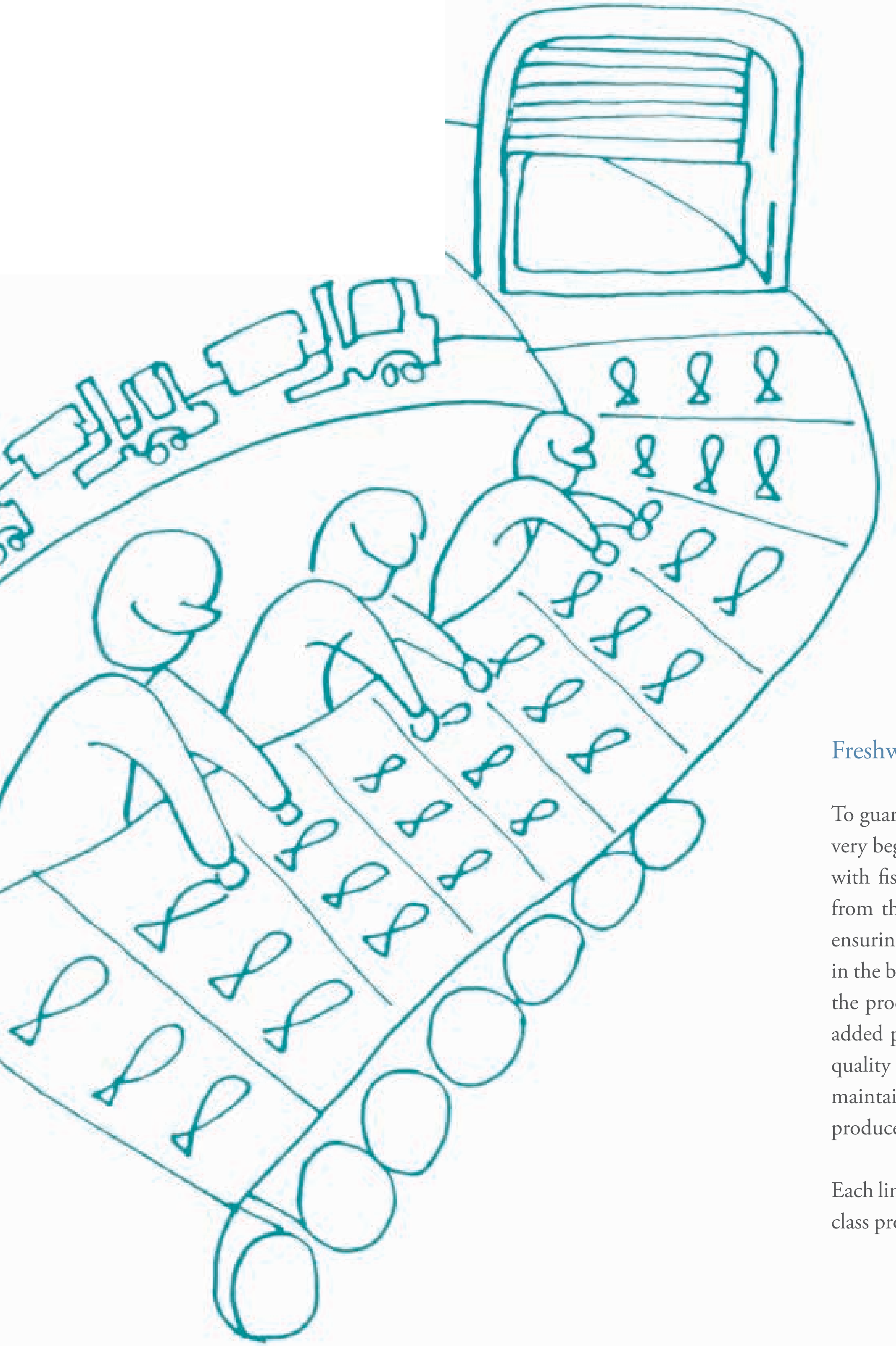
Under the *Freshwater Fish Marketing Act (FFMA),* Freshwater Fish was authorized to purchase and set prices for all fish caught under commercial license during the 2012/13 fiscal year in Manitoba, Alberta and the Northwest Territories. Freshwater Fish uses a payment structure that determines initial and final payments under a pooling 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 of all 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 net income 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 species. The table on pages 18 and 19 provides a ten-year history of pool results.

Strategic Directions and Looking Ahead



Freshwater works – from the lake to the plate.

To guarantee that food safety and quality starts at the very beginning of the supply chain, Freshwater works with fishers from the moment their catch comes in from the lake. Totes and ice slurry aid in transport, ensuring the catch arrives at the food processing plant in the best possible condition. Increased efficiencies at the processing plant, food safety protocol and value-added processes are in place to aid in the sale of top quality food products. Freshwater works to build and maintain global markets for the fish products being produced.

Each link in the supply chain works to produce world-class products to secure the highest returns for fishers.

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

Since it was founded in 1969 Freshwater has worked to ensure its long-term financial viability. In the last five years it has addressed the requirements to strengthen its balance sheet. Freshwater has:

- Created and implemented a retained earnings and long-term debt policy;
- Re-structured debt into an operating line and long-term capital debt;
- Set and implemented a 15 to 20 year repayment schedule for capital debt; and,
- Generated an increase in retained earnings from $4.2 million to $7.6 million.

Long-term financial viability is essential to Freshwater – a strong financial position ensures Freshwater can always fulfill its mandate to fishers.

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

Investments in the plant are investments in fishers and their products – when we invest in improving processes and equipment, customers are willing to pay for the high quality products our plant can produce.

Our entire supply chain – including the processing plant in Winnipeg, the Poplar River barge and the many delivery points and packing stations operated by and independently of Freshwater – has been improved over the last five years to help Freshwater work for fishers. Priorities have included:

- Meeting all food safety and security regulations of the Canadian Food Inspection Agency (CFIA) to keep federal registration in place, enabling us to continue exporting our products;
- Meeting all food safety and security regulations of the governments in our foreign markets to maintain access to those markets;
- Meeting customer expectations for safety, security, quality and product specifications;
- Improving processing efficiencies and yields to reduce costs and increase profit margins; and,
- Investing in such items as a spiral freezer, defrosting line, tunnel freezers, frozen grading and packing line, caviar processing room and ice-making equipment. Over the last five years Freshwater has invested $18.3 million in improving infrastructure.

A modern plant is key in the supply chain, and investing in it is the cost of doing business. It is also integral in our adjusting to the strong Canadian dollar, which has allowed for plant upgrade purchases to be made with greater cost efficiency.

Strategic Direction 3:
Stakeholder knowledge and support

Improved communications and increased stakeholder knowledge have continued to be priorities. We identified six categories of stakeholders and tailored our communications efforts to target them. Communication initiatives in the past year include:

- Developing new content areas in Lake to Plate, our quarterly fisher newsletter;
- Adding information to our website;
- Creating and populating our YouTube channel, Lake to Plate TV; and,
- Meeting International Financial Reporting Standards (IFRS) requirements to produce more detailed quarterly statements.

Communication with all our audiences is an ongoing priority. Freshwater will continue to strive for open, two-way dialogue with all stakeholders.

Strategic Directions 4 and 5:
Expand the business to create value, diversify to promote stability, and manage Freshwater within a market-oriented business model

Freshwater's priority is to provide what our customers want, and we accomplish this by seeking out opportunities for value-added products and niche markets. Freshwater works to improve margins and expand the overall market for our product – ultimately, generating new business and increasing returns to fishers.

In keeping with the market-oriented business model, a New Business Development Manager was hired as part of the Sales and Marketing team in September 2011 – and this decision has helped Freshwater make significant progress towards its goal of creating value and promoting stability. Sales and Marketing accomplishments in the last year included:

- Developing an under 2 oz. battered skinless walleye product;
- Conducting market testing of headed and gutted carp block in Israel;
- Introducing frozen minced tullibee (cisco) to the kosher market;
- New markets and customers for northern pike in China, Germany, Finland, Ukraine and Russia;
- Launching northern pike skinless portions into the North American market; and,
- Continuing to expand the lake trout market into Russia and Poland.

Freshwater has successfully responded to market demands and will continue to do so, by developing new programs for buying fish. Some of these programs have required special-order pricing, seasonal pricing and tweaking prices between seasons to adjust for shortages in size grades or species and managing supply-demand balances.

In addition to increasing the value of our products, Freshwater's market strategy must find ways to manage many risks and challenges, including:

- Maintaining a consistent supply of products to meet market demand for key products;
- The impact of weak European economies, especially in France, on market demand for Freshwater products;
- The weakness of the Euro, which reduces buying power in European markets, leading to a decline in sales as Freshwater competes with lower-priced regional products;
- Protectionism and government intervention in important developing markets such as Russia and China;
- The impact of the sustained weakness of the U.S. dollar on returns in Canadian currency; and,
- Managing the requirements associated with eco-certification.

Operating in multiple markets with an expanding line of products ultimately helps Freshwater to manage economic, political and currency exchange risks.

Strategic Direction 6:

Promote sustainable development and commercial viability of the fishery

The fishery is the first link in the supply chain, and this makes it the most important one. Securing its future is ultimately the number one priority when promoting sustainability and commercial viability.

Long-term viability is dependent on matching supply with demand, sustainable development, and encouraging eco-certification all within an unpredictable natural environment. Freshwater has:

- Used seasonal and special-order pricing, and modestly increased base prices to stabilize the volume of fish delivered to the plant over the last four years, following several years of decline;
- Contended with short-term declines in volume in some areas due to poor ice conditions and community evacuations resulting from flooding and forest fires; and,
- Worked to increase long-term delivery volume, to ensure investment in infrastructure training and processes will generate the expected gains in efficiency.

Working with a major certification organization, the Province of Manitoba has developed a pilot eco-certification project on Waterhen Lake, to be completed in 2013. If this project proves viable both from a certification and fishery economics perspective, then the process will be rolled out to northern Manitoba (2014) and eventually Lake Winnipeg (2015).

Although the process of eco-certification is time-consuming and expensive, it is certainly worth the investment. If our fisheries are not certified or working toward certification, fewer markets will be willing to purchase fish from us – which will lead to a decline in price as the supply of uncertified fish becomes greater than the number of markets willing to accept it.

Strategic Direction 7

Total quality management

During its 44 years in business in multiple markets, Freshwater has developed a worldwide reputation for the consistent quality of its products. This reputation has been built on commitment to a culture of total quality management throughout the supply chain to meet customer needs effectively, efficiently and consistently.

To maintain and grow this reputation for quality, Freshwater continues to develop new procedures and work with regulatory bodies along the supply chain:

- Much of the investment in improving plant infrastructure has been completed to meet Canadian Food Inspection Agency (CFIA) and customer requirements for food safety and security;
- Lakeside packing facilities are now open to inspection by the CFIA;
- A 'smart' scanning system has been installed to improve efficiencies in the receiving area and to meet the increasing need for lake to plate traceability of all our products; and,
- Considerable work has been put into training fishers on proper roe harvesting techniques to increase supply and improve quality in our caviar business.

Conclusion

During the first five years of a ten-year strategic plan, Freshwater has made substantial progress toward all strategic goals. We will continue to drive value by developing niche markets and building customer loyalty to the Freshwater brand.

Meeting the requirements of ever more rigorous international standards for food safety and security and adjusting to the reality of a strong Canadian dollar has required investment in new equipment, processes and training. This investment will now begin to generate savings through supply chain and processing efficiencies.

There has been a cost to this adjustment which, in the short term, has increased certain overhead expenses; moving forward, we will bring these expenses back in line and focus on achieving our goal of total returns to fishers reaching or exceeding 50 per cent of net revenues.

In addition to the control of costs, volume through the plant must also increase to realize the full savings potential of our investment in equipment, processes and training. Increasing deliveries will require all stakeholders to remain involved and support the sustainable development of the many commercial fisheries serviced by Freshwater.

Management Discussion and Analysis

For the fiscal year ending April 30, 2013 Freshwater exceeded its plan for the second consecutive year, achieving a profit of $4.5 million before final payment to fishers. This good result can be attributed to a strong showing from our markets in Canada, the U.S. and Russia. In addition, it is due to lower production costs – investment in the plant to meet food safety and security needs brought returns through gains in efficiency.

Initial payments to fishers were equal to the previous year at $24.8 million. Final payment was $2.05 million, down from last year's $2.95 million but well above the ten-year average. Total returns to fishers (the sum of initial payments for fish purchased and final payments) was $26.9 million, down from the previous year's $27.8 million due largely to a decrease in the volume delivered.

The decline in volume delivered can primarily be attributed to weather-related factors. Two Lake Winnipeg communities evacuated during the 2011 flood have not yet returned to their homes, preventing fishers from fishing during the 2012/13 season. Poor ice conditions in western Manitoba reduced deliveries from Lakes Manitoba and Winnipegosis. Offsetting the lower walleye and lake whitefish deliveries were increased supplies of northern pike and tullibee.

Markets and marketing

With a strong focus on business development, the Sales and Marketing department continued to broaden Freshwater's reach by capitalizing on opportunities to expand its presence with new customers, markets and products worldwide. For example, new customers were opened in China, Germany, Russia, Ukraine, Israel, Canada and in the U.S. Midwest (Illinois).

Key initiatives this year included:

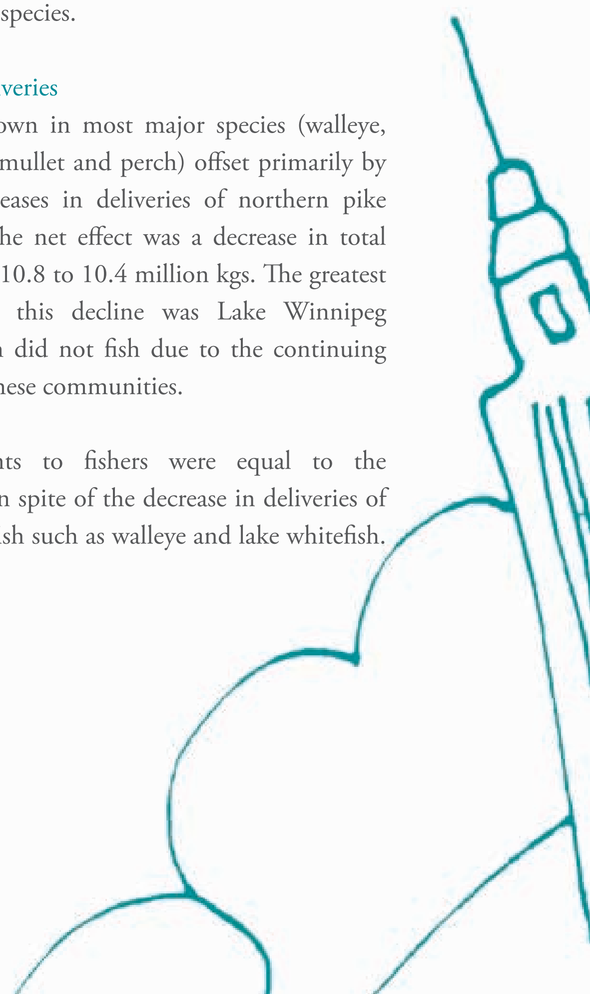
- Market testing of headless and gutted carp block in Israel;
- Frozen minced tullibee (cisco) to the U.S. kosher market;
- New market development and customers for northern pike products in China, Finland, Germany, and Russia;
- Launch of northern pike skinless portions into the North American markets; and,
- Expansion of lake trout into Russia and Poland, and expansion of battered walleye products in the U.S..

Market prices were generally strong due to tight inventory positions in key species, such as walleye and lake whitefish, as well as new market expansion (including Russia) that created increased demand for our products. Excluding the impact of foreign exchange, overall sales revenue was down 6 per cent from the previous year. Sales volumes were down 11 per cent compared to the previous year as the tight supply issues in major species reduced available product for sale. Average selling prices in U.S. dollars were strong as Freshwater capitalized on shortages in the markets for walleye and lake whitefish, increased pricing on value-added products such as lake whitefish portions, and expanded markets for many existing products. Planned entries into value-added products such as breaded perch and pin bone out (PBO) lake whitefish fillets – destined for North American markets – were put on hold due to the tight supply of these species.

Supply and deliveries

Volume was down in most major species (walleye, lake whitefish, mullet and perch) offset primarily by significant increases in deliveries of northern pike and tullibee. The net effect was a decrease in total deliveries from 10.8 to 10.4 million kgs. The greatest contributor to this decline was Lake Winnipeg Area #6, which did not fish due to the continuing evacuation of these communities.

Initial payments to fishers were equal to the previous year, in spite of the decrease in deliveries of higher-valued fish such as walleye and lake whitefish.



The average initial price to fishers at $2.39/kg was an increase of $0.09/kg or 3.8 per cent over the previous year. Average buying prices were helped by a significant mid-year increase in the price of lake whitefish when certain of our new markets were achieving better than expected gains in selling price. Higher perch and tullibee prices also helped. Poor size distribution of walleye and a slight reduction in walleye deliveries reduced the average price increase.

In Alberta, competition for access continues to create challenges for commercial fishers. Conservation, Aboriginal sustenance and sport fishing remain the top three priorities for the resources, resulting in severe restrictions on commercial fishers.

Changes to Saskatchewan's provincial freight assistance program negatively impacted fishers. At the request of local fishers, Freshwater will continue contracting Saskatchewan fisher co-operatives for future years and anticipates that incoming volumes will remain stable.

In the Northwest Territories, changes to the freight assistance program, which excludes out-of-province fishers, resulted in fisher participation dropping from previous years. Freshwater is working with the Northwest Territories Fishermen's Federation (NWTFF) to revitalize the fishery, have the NWTFF take over agency responsibility from Freshwater and help them plan the building of their own packing facility.

Manitoba deliveries decreased from last year, due to the Lake Winnipeg Area #6 being unable to fish. Winter price premiums were moved forward to a December 1 start date, in anticipation of benefitting Lake Manitoba fishers and potentially increasing December plant volumes. Unfortunately, Manitoba's poor ice conditions impacted the volume of walleye delivered. As a result, it was a very tough season to evaluate the impact of moving the winter premium to December 1. A second early-premium trial will go into effect for the December 1, 2013 winter season.

Walleye and Sauger

Markets for walleye continued to include Canada, France, Poland, Belgium, Germany and parts of the U.S. (Minnesota, North Dakota, Wisconsin and Illinois), and expanded to other areas of the U.S. Midwest (South Dakota, Iowa, Montana, Nebraska and Michigan).

Freshwater's inventories of prime sizes for its core markets continue to be critically short. As a result, Freshwater tactically managed inventories through aggressive pricing actions in all key markets and strict allocations to all major walleye customers, including withdrawing from several overseas opportunities. The strong demand for walleye, coupled with lower supplies at main competitors, continued to affect the industry. As a result, pricing remained strong in many of Freshwater's key markets. The drought in the U.S. Midwest contributed to maintaining strong pricing by pushing up the price of some protein alternatives, such as beef.

There was a significant excess of large size walleye inventory, which does not match the prime-sized requirements of most restaurant customers. The lower market price achieved for these large sizes reduced the average price for walleye. Freshwater expanded its strategic partnership with a third party that produces battered products for the U.S. market. The Canadian market was also very strong as Freshwater opened new customers and continued to grow business with customers in eastern Canada. Freshwater remains very well-positioned with new products and partnerships to take advantage of future market opportunities for walleye.

Incoming size distribution remains the largest challenge for Freshwater. Ideally, the mix ratio of walleye should be 28 per cent small, 58 per cent medium and the remaining 14 per cent a mix of large and jumbo; the 2013 fiscal year saw only 17 per cent small, while large/jumbo sizes were double the ideal volumes. This continues to put pressure on margins for the walleye pool as excess supply of large sizes exceeds the market's capacity to absorb it.

Freshwater expects to maintain its dominance in U.S. markets, as Lake Erie competitors face 6 per cent decreases in their quotas for the 2014 fiscal year. These decreases will negatively impact our competitors' ability to meet the volume requirements of their existing customers, and may result in increased demand for Freshwater's products.

Lake Whitefish

Markets for lake whitefish include Finland, Canada, U.S., Latvia, Poland, Russia, Germany and Sweden. Lake whitefish pricing for fresh products stabilized early in the 2013 fiscal year as the supply in the market was extremely tight, both for Freshwater and its competitors. Frozen lake whitefish markets in Finland, U.S., Germany, Poland and Russia also improved as demand remained strong and supply of lake whitefish was well below market requirements.

Key initiatives in lake whitefish included:

- Growing Freshwater's customer base in Russia; and,
- Expanding new lake whitefish portions in Finland.

Russia continues to be a successful market for Freshwater but there is a risk of losing our strong position as available supply continues to fall far short of customer requirements. Continuity of supply is a pillar on which Freshwater customers rely, so the need to regain and exceed historical delivery levels of lake whitefish is critical. Increasing lake whitefish deliveries remains a significant opportunity for Freshwater's longer-term growth.

Lake whitefish deliveries were down 2 per cent from the prior year, again due primarily to the lack of deliveries from Lake Winnipeg Area #6. Freshwater raised prices to fishers in July of 2012 as a strategic move to increase delivery volumes and meet the market demands of its core customers. Prices increased $0.30-$0.50 per kg dependent on size and grade of lake whitefish. Freshwater continued to offer a winter premium to fishers for this species, for the fifth consecutive year.

Northern Pike

Markets for northern pike include France, Canada, Russia, China, Poland, Germany, Finland and the U.S.. In 2012/13, northern pike sales revenue was up 12.1 per cent from the prior year, primarily due to the growth of Freshwater's boneless portion business into France, minced sales into the kosher market, new minced sales into Finland, and new markets in China and Russia. The economy in France, Freshwater's most important market for this species, continued to spiral downward as the year progressed. Demand for northern pike continues to be impacted by low prices for substitute species. Some competing species saw up to a 40 per cent drop in market value. As the year progressed, a small gain in the value of the Euro helped to offset some of the downward pressure on prices.

Now into its fifth year, northern pike caviar benefitted from several recent processing changes and product improvements. With a higher quality and more consistent product, Freshwater expanded into new markets for the product while increasing average selling prices.

Northern pike deliveries were up over 10 per cent from the 2011/12 fiscal year, while initial payments to fishers were up 14 per cent, a result of both a $0.10 per kg price increase to fishers and increased delivered volumes. Despite strong year-over-year sales growth, inventory levels remained considerably higher than desired as deliveries outpaced the market's ability to absorb the additional volumes. Some inventory increase was planned due to Freshwater's need to hold higher levels of raw material in a whole form to support growth of the portion business that it processes in China. Deliveries of roe declined 25 per cent despite increases in delivered pike, impacting Freshwater's ability to capitalize on new caviar markets and customers in Russia, Romania and Finland.

Mullet

Primary markets for mullet are in New York and eastern Canada, where it is predominantly used for production of gefilte fish products. All our products are packed under Orthodox Union (OU) rabbinical supervision to meet the OU kosher-certified standards.

Mullet sales revenue and volumes were both down 11 per cent from prior year. Sales revenue was impacted by a weaker winter fishery, lower-than-anticipated frozen product sales as customers purchased available minced northern pike instead, and lower fresh sales due to timing of inbound supply impacting available fresh sales opportunities. The average mullet selling price in Canadian dollars was up despite the negative impact of foreign exchange. Pricing within Freshwater's markets held firm in all of its various forms of mullet products, and new market development included sales for test marketing of whole fish in Russia.

Average initial prices per kg to fishers remained at prior year levels, which were up 51 per cent over the initial prices recorded two years ago. Deliveries were down 21 per cent as the late summer, fall and winter fisheries experienced significant challenges. Inventories of headless mullet were far below the levels Freshwater needs to meet the demands of its kosher customers, and demand continues to exceed current supply. Two-tier pricing has been used as a supply control typically in the winter season, but due to low frozen inventory and reduced supply, it was not utilized this past winter.

Perch

Freshwater successfully launched new individually quick frozen (IQF) perch fillets under the Freshwater brand into the Wisconsin marketplace during the 2011/12 fiscal year. However, supply was severely limited due to a dramatic drop in deliveries from the winter fishery in 2012/13, and Freshwater was forced to temporarily withdraw from this lucrative market opportunity. As a result, Freshwater could not maintain and capitalize on the success of last year's product launch and sales revenue decreased by $1.8 million from the prior year.

While deliveries were down 65 per cent from the prior year, price per kg to fishers was maintained on par and remained up 21 per cent compared to prices two years ago.

Tullibee (Cisco)

During the 2011/12 fiscal year, Freshwater invested considerable time and energy in developing a new tullibee product designed specifically for the kosher community, and its newly-developed fresh and frozen minced tullibee products were granted OU certification. This product launch was Freshwater's response to the ongoing shortage of lake whitefish and the impact this has had on our ability to mince product. As a result, Freshwater improved continuity of supply to the kosher market. Continuity of supply is an important pillar for Freshwater and a strength recognized by its customers through their ongoing loyalty to our brand.

Initial pricing to tullibee fishers was $1.13 per kg, up $0.50 per kg from the prior year. Fishers benefitted from the price increase in the winter of 2012, which held firm throughout the 2012/13 fiscal year. The volume of tullibee was significantly higher than the previous year, with 108,852 kgs delivered in 2012/13 compared with 33,055 kgs in 2011/12. Lake Winnipeg and Burntwood Lake fishers alone increased their volumes by 71,955 kgs over the prior year. Roe production increased nearly ten times from the previous year, from 424 kgs in 2011/12 to 4,106 kgs in 2012/13.

Lake Trout

A significant development for Freshwater is the expansion of the lake trout market to new customers in Russia. While still in the development phase, this market represents a strong volume opportunity, primarily in the smoked fish sector. For example, Russian volumes grew 35 per cent over the prior year, as a result of considerable in-market efforts promoting Canadian lake trout as an alternative smoked fish for consumers.

Overall sales volumes were down 8 per cent from the previous year as deliveries were also down 8 per cent from 2011/12. However, average pricing per kg was up

$0.03 primarily due to mix of sizes delivered. Reindeer and Wollaston Lakes combined to cause the decrease in volumes. Reindeer Lake fishers reached the lake quota with lake whitefish, leaving limited opportunities to fish lake trout. On Wollaston, volume was impacted by the economics of this region which are directly related to its remote location, including high gas prices, a high freight cost and cancellation of Saskatchewan's freight assistance program.

Departments

Processing

New equipment and upgrades have significant potential impact on efficiency and yields. For example, a new individually quick frozen (IQF) fillet grader was installed in November at a cost of $2.3 million. This investment will result in lower handling costs by moving the grading process directly in line with the new tunnel freezers. Although installation of the new grader and commissioning of the line resulted in a fourth quarter decrease in processing productivity, reduction in fillet over-pack and improvements in our fillet glazing will improve overall IQF yields, particularly for walleye products.

Two shutdowns in the facility took place during the fiscal year. The annual shutdown in May was used to complete installation of the new tunnel freezers and other annual maintenance. The November 2012 shutdown was required to complete the installation of the new IQF fillet grader and replace the ceiling in the receiving area. Since the receiving ceiling required the removal of lead-based paint, processing was required to be shut down. In order to reduce the impact of the November plant shutdown on fishers, Freshwater put in place a contingency plan to use facilities in Selkirk, Manitoba.

Quality Assurance

We began a Hazard Analysis Critical Control Point (HACCP) program for our Selkirk facility with a target to become compliant with Canadian Food Inspection Agency (CFIA) standards by April 2014. This will allow us to use the Selkirk facility to by-pass the Winnipeg plant during periods of high volume, maintenance shut-down or emergency situations.

Human Resources

Employees continue to be our most valuable asset and are a vital component of the supply chain. In 2012, training focused on new equipment, new processes and health and safety practices and procedures to ensure increases in productivity could be accommodated without compromising employee safety. Freshwater further reinforced its commitment to training and development by hiring a full-time trainer. The results include a reduction in days lost due to accidents, from 706 days in 2011/12 to 562 days in 2012/13, which translates into a reduction in injury costs from $242,000 to $208,000. These declines can be partially explained by the consistent emphasis on health and safety.

The Attendance Management Program continues to be reviewed and monitored to achieve results. Freshwater's commitment to improving the workplace culture by enhancing employee satisfaction, increasing engagement and promoting well-being will contribute to making Freshwater an employer that attracts quality personnel.

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2004 – 2013), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Walleye (Pickerel)										
Delivered Weight[1]	5.6	5.6	6.0	6.4	6.2	6.2	5.8	5.9	6.0	5.7
Price/ Round Kg.[2]	$3.45	$3.41	$3.15	$3.36	$3.50	$3.35	$3.22	$2.83	$3.19	$3.13
Initial Payment[3]	$19.3	$17.9	$18.2	$20.8	$20.2	$20.8	$17.5	$15.5	$16.4	$15.8
Final Payment	$0.0	$1.2	$0.7	$0.7	$1.5	$0.0	$1.2	$1.2	$2.7	$2.0
Total Payment	$19.3	$19.1	$18.9	$21.5	$21.7	$20.8	$18.7	$16.7	$19.1	$17.8
3 Yr. Moving Avg.[4]	$21.9	$20.7	$19.1	$19.8	$20.7	$21.3	$20.4	$18.7	$18.2	$17.9
Lake Whitefish										
Delivered Weight[1]	6.7	5.9	5.4	5.5	3.8	5.1	5.1	4.6	3.8	3.7
Price/ Round Kg.[2]	$1.10	$1.00	$1.02	$1.09	$1.08	$1.49	$1.39	$1.17	$1.18	$1.44
Initial Payment[3]	$7.4	$5.9	$5.5	$6.0	$3.9	$7.6	$7.1	$5.4	$4.5	$5.4
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$7.4	$5.9	$5.5	$6.0	$4.1	$7.6	$7.1	$5.4	$4.5	$5.4
3 Yr. Moving Avg.[4]	$7.9	$7.2	$6.3	$5.8	$5.2	$5.9	$6.3	$6.7	$5.7	$5.1
Northern Pike										
Delivered Weight[1]	2.3	1.9	1.3	1.7	1.9	2.1	1.9	1.8	1.9	2.0
Price/ Round Kg.[2]	$0.65	$0.58	$0.62	$0.59	$0.79	$0.90	$0.89	$0.78	$0.79	$0.80
Initial Payment[3]	$1.5	$1.1	$0.8	$1.0	$1.2	$1.9	$1.6	$1.4	$1.5	$1.6
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.3	$0.0	$0.1	$0.0	$0.0	$0.0
Total Payment	$1.5	$1.1	$0.8	$1.0	$1.5	$1.9	$1.7	$1.4	$1.5	$1.6
3 Yr. Moving Avg.[4]	$1.7	$1.5	$1.1	$1.0	$1.1	$1.5	$1.7	$1.7	$1.5	$1.5
Sauger										
Delivered Weight[1]	0.8	0.6	0.3	0.2	0.1	0.3	0.6	0.2	0.2	0.2
Price/ Round Kg.[2]	$3.13	$2.83	$3.33	$2.50	$4.00	$3.33	$3.17	$3.00	$2.29	$2.71
Initial Payment[3]	$2.5	$1.6	$0.9	$0.5	$0.4	$1.0	$1.9	$0.6	$0.4	$0.6
Final Payment	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0
Total Payment	$2.5	$1.7	$1.0	$0.5	$0.4	$1.0	$1.9	$0.6	$0.5	$0.6
3 Yr. Moving Avg.[4]	$2.8	$2.4	$1.7	$1.1	$0.6	$0.6	$1.1	$1.2	$1.0	$0.6

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2004 – 2013), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mullet										
Delivered Weight[1]	3.9	2.6	2.6	1.9	1.8	2.0	2.2	1.0	1.6	1.3
Price/ Round Kg.[2]	$0.26	$0.27	$0.31	$0.37	$0.39	$0.35	$0.36	$0.30	$0.46	$0.49
Initial Payment[3]	$1.0	$0.7	$0.8	$0.7	$0.6	$0.7	$0.8	$0.3	$0.7	$0.6
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$1.0	$0.7	$0.8	$0.7	$0.7	$0.7	$0.8	$0.3	$0.7	$0.6
3 Yr. Moving Avg.[4]	$1.3	$1.0	$0.8	$0.7	$0.7	$0.7	$0.7	$0.6	$0.6	$0.6
Perch										
Delivered Weight[1]	0.3	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.3	0.1
Price/ Round Kg.[2]	$3.00	$3.50	$2.50	$3.00	$2.67	$3.00	$2.00	$2.00	$3.75	$3.16
Initial Payment[3]	$0.9	$0.6	$0.5	$0.6	$0.8	$0.3	$0.4	$0.4	$1.0	$0.3
Final Payment	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0
Total Payment	$0.9	$0.7	$1.0	$0.6	$0.8	$0.3	$0.4	$0.4	$1.1	$0.3
3 Yr. Moving Avg.[4]	$1.8	$1.1	$0.7	$0.6	$0.7	$0.6	$0.5	$0.4	$0.6	$0.6
Other										
Delivered Weight[1]	1.1	0.9	0.9	1.0	0.6	0.8	0.5	0.5	0.5	0.6
Price/ Round Kg.[2]	$0.73	$0.67	$0.67	$0.60	$0.83	$0.88	$0.60	$0.60	$0.60	$0.79
Initial Payment[3]	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3	$0.3	$0.3	$0.4
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3	$0.3	$0.3	$0.4
3 Yr. Moving Avg.[4]	$0.9	$0.8	$0.7	$0.6	$0.6	$0.6	$0.5	$0.4	$0.3	$0.3
All Pools										
Delivered Weight[1]	20.7	17.7	16.7	16.9	14.7	16.6	16.3	14.2	14.3	13.6
Price/ Round Kg.[2]	$1.61	$1.68	$1.68	$1.83	$2.02	$1.99	$1.90	$1.77	$1.94	$1.97
Initial Payment[3]	$33.4	$28.4	$27.3	$30.2	$27.6	$33.0	$29.6	$23.9	$24.8	$24.8
Final Payment	$0.0	$1.4	$0.8	$0.7	$2.1	$0.0	$1.3	$1.2	$3.0	$2.0
Total Payment	$33.4	$29.8	$28.1	$30.9	$29.7	$33.0	$30.9	$25.1	$27.8	$26.8
3 Yr. Moving Avg.[4]	$38.3	$34.8	$30.4	$29.6	$29.6	$31.2	$31.2	$29.7	$27.9	$26.6

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.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales	$60.3	$59.3	$55.3	$61.6	$58.2	$62.5	$66.4	$66.8	$66.9	$63.5
Net Income (Loss) Before Final Payments and Income Tax	($0.8)	$1.4	$0.8	$0.7	$2.3	($0.7)	$1.5	$0.1	$5.7	$4.5
Fish Purchases	$35.7	$30.4	$29.2	$32.1	$29.2	$35.3	$31.6	$26.6	$27.8	$27.4
Net Income Before Income Tax Plus Fish Purchases	$34.9	$31.8	$30.0	$32.8	$31.5	$34.6	$33.1	$26.7	$33.5	$31.9
Trade Receivables	$7.9	$7.0	$5.1	$6.0	$5.5	$6.2	$8.1	$7.0	$6.4	$6.4
Inventory – Processed Fish Products	$14.4	$12.4	$12.6	$12.0	$10.6	$16.0	$15.0	$9.1	$9.6	$12.7
Inventory – Packaging Material and Parts	$0.9	$1.0	$0.9	$0.9	$0.7	$0.8	$0.9	$0.9	$0.9	$1.1
Capital Assets – Net Book Value	$6.7	$6.3	$6.1	$8.6	$10.6	$13.9	$14.3	$13.8	$17.7	$21.2
Loans Payable	$23.1	$18.4	$17.8	$20.7	$18.8	$30.8	$29.4	$23.6	$21.1	$27.2
Retained Earnings	3.3	$3.3	$3.3	$3.3	$3.6	$2.8	$2.7*	$1.7*	$4.2	$6.8

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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, the derivative financial instruments measured at fair value and the estimated useful lives of plant and equipment, that are necessarily based on management's best estimates and judgment. The integrity and objectivity of the data in these financial statements are management's responsibility. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained and that transactions of the Corporation are in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing 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 and Risk Committee. The Committee meets with management and the independent external auditor to discuss auditing, internal controls and other relevant financial matters. The Audit and Risk Committee meets to review the financial statements with the external auditors and submits its reports to the Board of Directors. The Board of Directors reviews and approves the financial statements.

The Corporation's independent external auditor, the Auditor General of Canada, audits the financial statements of the Corporation in accordance with Canadian Auditing Standards and 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
August 28, 2013

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 statement of financial position as at 30 April 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 audit. I conducted my audit 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 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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 audit 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 Act* and regulations and the by-laws of Freshwater Fish Marketing Corporation.

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

28 August 2013
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

As at April 30, 2013
(in thousands of Canadian dollars)

	2013	2012
ASSETS		
Current		
Cash	$ 10	$ 420
Trade receivables (Note 5)	6,396	6,392
Prepaid expenses	64	694
Income taxes receivable (Note 14)	516	115
Inventories (Note 6)	13,850	10,491
Derivative-related assets (Note 5)	115	139
	20,951	18,251
Non-current		
Property, plant and equipment (Note 7)	21,172	17,692
Intangible assets (Note 8)	29	45
	21,201	17,737
Total Assets	**$ 42,152**	**$ 35,988**
LIABILITIES		
Current		
Trade and other payables and accrued liabilities (Notes 5 and 9)	$ 3,695	$ 5,313
Accrued obligation for employee benefits (Note 11)	683	1,008
Provision for final payment to fishers	2,050	2,950
Loans payable (Notes 5 and 10)	27,230	21,152
Derivative-related liabilities (Note 5)	606	394
	34,264	30,817
Non-current		
Deferred tax liabilities (Note 14)	649	313
Accrued obligation for employee benefits (Note 11)	309	568
Asset retirement obligation	50	50
	1,008	931
Equity		
Retained earnings	6,880	4,240
	$ 42,152	**$ 35,988**

Commitments and Contingencies (Note 16)

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 year ended April 30, 2013
(in thousands of Canadian dollars)

	2013	2012
Sales		
Export	$ 52,461	$ 56,961
Domestic	11,014	9,920
	63,475	66,881
Cost of sales		
Opening inventory of finished fish products	9,618	9,195
Add fish purchases and processing expenses:		
Fish purchases	27,437	27,752
Plant salaries, wages and benefits	11,297	10,916
Packing allowances and agency operating costs	4,011	4,158
Packaging and storage	3,397	3,670
Repairs and maintenance	2,694	1,708
Freight	2,599	3,034
Depreciation of production assets (Note 7)	1,401	1,217
Utilities and property taxes	1,453	1,279
Other	885	789
	64,792	63,718
Less ending inventory of processed fish products	(12,744)	(9,618)
	52,048	54,100
Gross profit on operations	**11,427**	**12,781**
Marketing and administrative expenses		
Salaries and benefits	3,360	3,148
Commissions (Note 12)	1,253	1,225
Data processing, office and professional services	1,113	928
Finance income	(5)	(7)
Finance costs	704	544
Advertising and promotion	368	415
Meeting fees and expenses	97	127
Other (Note 13)	540	588
Depreciation and amortization of administration assets (Notes 7 and 8)	39	129
	7,469	7,097
Other income and expenses		
Net foreign exchange (gain) loss (Note 5)	(184)	94
Net financial derivative loss (Note 5)	212	394
Other revenue (Note 13)	(1,560)	(1,629)
Other expenses (Note 13)	968	1,086
	(564)	(55)
Profit before provision for final payment to fishers and income tax	**4,522**	**5,739**
Provision for final payment to fishers	2,050	2,950
Income tax (recovery) expense (Note 14)	(168)	198
Total comprehensive income	**$ 2,640**	**$ 2,591**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended April 30, 2013
(in thousands of Canadian dollars)

	2013	2012
Retained earnings at the beginning of the year	$ 4,240	$ 1,649
Total comprehensive income	2,640	2,591
Retained earnings at the end of the year	**$ 6,880**	**$ 4,240**

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

STATEMENT OF CASH FLOWS

For the year ended April 30, 2013
(in thousands of Canadian dollars)

	2013	2012
Operating activities		
Comprehensive income for the year	$ 2,640	$ 2,591
Add (deduct) items not affecting cash:		
Future tax expense	336	313
Depreciation and amortization	1,572	1,511
Loss on disposal of property, plant and equipment	13	38
Net changes in non-cash working capital:		
(Increase) decrease in trade receivables	(4)	605
Increase in inventory	(3,359)	(451)
Decrease (increase) in prepaid expenses	630	(420)
Increase in income taxes receivable	(401)	(115)
Decrease in derivative-related assets	24	339
(Decrease) increase in trade and other payables and accrued liabilities	(1,618)	2,045
Increase in derivative-related liabilities	212	349
(Decrease) increase in provision for final payment to fishers	(900)	1,755
Decrease in accrued obligation for employee benefits	(584)	(242)
Cash (used in) generated by operating activities	**(1,439)**	**8,318**
Investing activities		
Additions to property, plant and equipment and intangible assets	(5,166)	(5,539)
Investment tax credits received for property, plant and equipment	115	42
Proceeds on disposal of property, plant and equipment	2	27
Cash used in investing activities	**(5,049)**	**(5,470)**
Financing activities		
Increase (decrease) in loans payable	6,078	(2,434)
(Decrease) increase in cash during the year	**(410)**	**414**
Cash at the beginning of the year	420	6
Cash at the end of the year	**$ 10**	**$ 420**
Supplementary information:		
Interest paid	$ 520	$ 314

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

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2013
(in thousands of dollars)

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.

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, 2013, 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").

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.

All figures are stated in Canadian dollars unless otherwise specified.

These financial statements have been approved for public release by the Board of Directors of the Corporation on August 28, 2013.

2.2 Cash

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

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 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 FVTPL upon initial recognition. The Corporation has not designated any financial asset as FVTPL at the end of the reporting period.

Financial assets classified as 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 classified as 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 bad debt. 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 (FVTPL)

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as 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 end of the reporting period.

Financial liabilities classified as 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 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 Capital assets

2.9.1 Asset recognition

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Costs include directly attributable costs. Repairs 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

Depreciation is based on the estimated useful lives of the assets using the straight-line methodology:

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 including 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 are 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 fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit 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 generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the statement of comprehensive income if an asset's carrying amount 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 and amortization, had no impairment loss been recognized for the asset in a prior period. Such a reversal is recognized in the statement of comprehensive income.

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, based on retained earnings and free cash flow for the year. The Corporation recognizes the final payment to fishers as a liability in the statement of financial position and as an expense on the statement of comprehensive income.

Final payments are 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. Overall payouts based on free cash flow are contingent upon accounting earnings and the availability of adequate cash flow.

2.11 Foreign currency translation

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

2.12 Employee benefits

2.12.1 Current employee benefits

Current 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 current benefits include wages and salaries, annual leave and other types of current benefits.

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

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 Corporation's union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. The Corporation is required to fund the employer's portion of any employee contributions that arise from this agreement.

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.

2.12.3 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 that they are intended to compensate and are recognized in income over the same useful lives of those assets.

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 recognizes such a liability in the period in which it is incurred if a reasonable estimate of fair value can be determined. The liability is initially measured at fair value, and 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 are 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 monitors 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 Income tax

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

2.18.1 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.

2.18.2 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.

2.18.3 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 assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of 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 Note 2.9.6.

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. Refer to Notes 2.9.2 and 2.9.5.

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.

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, fair value is 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.

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 provided 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.

3.1.7 Income taxes

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

Deferred tax assets and liabilities are comprised of temporary differences between the carrying values and tax basis of assets and liabilities. Deferred tax assets are only recorded to the extent that it is probable that they will be realized. The timing of the reversal of the temporary differences may take many years and the related deferred tax is calculated using substantively enacted tax rates for the related period.

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

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

Tangible and intangible 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 (IAS 1)

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 (IAS 19)

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 adoption of this amendment is not expected to have a material impact on the Corporation's financial statements.

IFRS 7 Financial Instruments: Disclosures (IFRS 7)

There were two amendments to IFRS 7 released in December 2011. 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 May 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 on 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* and any directives issued pursuant to these acts. These acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to fishers.

The Corporation defines and computes its capital as follows:

	2013	2012
Retained earnings	$ 6,880	$ 4,240
Loans payable	27,230	21,152
	$ 34,110	$ 25,392

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 its annual corporate plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable.

These objectives and strategies are reviewed in the annual corporate plan submission, approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2012 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)	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial asset at fair value through profit or loss				
Foreign exchange forward contracts	$ 115	$ 115	$ 139	$ 139
Loans and receivables				
Cash	10	10	420	420
Trade receivables	6,396	6,396	6,392	6,392
	$ 6,521	$ 6,521	$ 6,951	$ 6,951
Financial liabilities				
Financial liability at fair value through profit or loss				
Interest rate swaps	$ 606	$ 606	$ 394	$ 394
Other financial liabilities				
Loans payable	27,230	27,230	21,152	21,152
Trade and other payables and accrued liabilities	3,695	3,695	5,313	5,313
Final payment to fishers	2,050	2,050	2,950	2,950
	$ 33,581	$ 33,581	$ 29,809	$ 29,809

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

	2013	2012
Other financial liabilities		
Interest expense on loans and other payables	$ 704	$ 495

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:

	2013			2012		
	Original currency (CAD $)	Original currency (U.S. $)	$CAD	Original currency (CAD $)	Original currency (U.S. $)	$CAD
Canada	$ 776	$ -	$ 776	$ 594	$ -	$ 594
United States	-	3,989	4,020	-	4,272	4,221
Europe	-	239	241	-	181	181
Europe	790	-	790	509	-	509
Non-trade accounts receivable	569	-	569	887	-	887
			$ 6,396			$ 6,392

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

At April 30, 2013, four customers represented 30% of the total trade receivables balance. At April 30, 2012 four customers represented 37% of the total trade receivables 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 net of allowance is as follows:

(CAD$ thousands)		**2013**		**2012**
Current 0-30 days	$	4,866	$	4,067
Past due 31-60 days		890		1,349
Past due over 61 days		71		89
Non-trade accounts receivable		569		887
Total trade receivables	$	6,396	$	6,392

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

		2013		**2012**
Balance at the beginning of the year	$	17	$	77
Additions		3		16
Write-offs		-		(76)
Balance at the end of the year	$	20	$	17

The Corportion 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, 2013 was $10 (2012 - $420).

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 $115 (2012 - $139).

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)	2013 Total	2013 Less than 1 year
Trade and other payables and accrued liabilities	$ 3,695	$ 3,695
Derivative-related liabilities	606	606
Provision for final payment to fishers	2,050	2,050
Loans payable	27,230	27,230
Total	$ 33,581	$ 33,581

(CAD$ thousands)	2012 Total	2012 Less than 1 year
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

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:

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.

Interest rate risk – The Corporation is exposed to interest rate risk on its loans payables due to fluctuations of interest rates. The Corporation manages its exposure by entering into an interest rate swap on $9,500 (2012 – nil) of its loans payable approved by the Board of Directors.

Interest rate swaps – Contracts that provide the Corporation with the ability to exchange a fixed payment for a floating payment that is linked to an interest rate. The Corporation uses an interest rate swap to limit exposure to fluctuations in interest rates.

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included on the statement of financial position are derivative-related assets of $115 (2012 - $139) and derivative liabilities of $606 (2012 - $394) representing the fair value of derivative related financial instruments held:

(CAD$ thousands)	2013	2012
At maturity variable rate forwards	$ 115	$ 139
Interest rate swaps	(606)	(394)
Liabilities, net of assets	$ (491)	$ (255)

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

(in U.S. $ thousands)	2013	2012
At maturity variable rate forwards	$ 34,600	$ 34,000
Interest rate swaps	$ 9,490	$ 10,000

The net foreign exchange gain of $184 (2012 - loss of $94) includes a gain of $24 representing the change in fair value of derivative financial instruments classified as held for trading (2012 - loss of $295). The net financial derivative loss of $212 (2012 – 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 accrued liabilities and loans payable as follows:

(in U.S. $ thousands)	2013	2012
Cash	$ 893	$ 245
Trade receivables	4,228	4,453
Trade and other payables and accrued liabilities	(82)	(51)
Loans payable	(4,000)	(4,000)
Net assets exposed to currency risk	$ 1,039	$ 647

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 $3,471 (2012 – decrease of $3,474). 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 $2,531 (2012 – increase of $1,996).

Interest rate risk

The Corporation's loans payable of $27,230 (2012 - $21,152) are variable rate instruments and expose the Corporation to cash flow interest rate risk. Of the loans payable, $9,500 have their interest rate fixed by way of interest rate swaps.

Of the Corporation's loans payable of $27,230 (2012 - $21,152), an increase of 100 basis points in interest rates at the reporting date would have decreased comprehensive income by $272, assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year and that all other variables, in particular foreign exchange rates, remained constant (2012 - $212).

The interest rate swap provides the Corporation with the ability to exchange a fixed payment for a floating payment that is linked to an interest rate on a notional principal amount of $9,500 at year end. An increase of 100 basis points in interest rates at the reporting date would have increased comprehensive income by $647 (2012 - $671) and increased equity by $647 (2012 - $671).

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, 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 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 or liabilities.

All the Corporation's derivatives are measured as level 2 financial instruments.

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

(CAD$ thousands)

	2013	**2012**
Derivative-related assets	$ 115	$ 139
Derivative-related liabilities	$ 606	$ 394

6. INVENTORIES

Inventories included:

(CAD$ thousands)	**2013**	**2012**
Supplies	$ 1,106	$ 873
Processed fish products	13,653	10,077
Write-down of processed fish products expensed in the year	(909)	(459)
	$ 13,850	$ 10,491

Inventory write-downs are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the year is $52,048 (2012 - $54,100). 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)	2013	2012
Cost	$ 40,641	$ 36,689
Accumulated depreciation	(19,469)	(18,997)
Carrying amount	21,172	17,692
Carrying amount by asset class		
Land	$ 336	$ 336
Buildings	4,543	4,810
Equipment	12,411	5,741
Fresh fish delivery tubs/totes	293	384
Vessels	2,391	2,506
Construction in progress	1,198	3,915
Carrying amount	$ 21,172	$ 17,692

(CAD$ thousands)

	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
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
Additions	-	96	3,978	-	17	950	5,041
Transfers	-	-	3,667	-	-	(3,667)	-
Disposals	-	(91)	(982)	-	(16)	-	(1,089)
Balance at April 30, 2013	**$ 336**	**$ 13,188**	**$ 21,328**	**$ 1,263**	**$ 3,328**	**$ 1,198**	**$ 40,641**
Accumulated depreciation							
Balance at May 1, 2011	$ -	$ 8,624	$ 15,330	$ 1,005	$ 682	$ -	$ 25,641
Depreciation	-	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
Depreciatation	-	364	971	91	133	-	1,559
Disposals	-	(92)	(978)	-	(17)	-	(1,087)
Balance at April 30, 2013	**$ -**	**$ 8,645**	**$ 8,917**	**$ 970**	**$ 937**	**$ -**	**$ 19,469**
Carrying amount at April 30, 2013	**$ 336**	**$ 4,543**	**$ 12,411**	**$ 293**	**$ 2,391**	**$ 1,198**	**$ 21,172**

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2013 - $1,401; 2012 - $1,217), in marketing and administrative expenses (2013 - $26; 2012 - $81) and in other expenses (2013 - $132; 2012 - $165).

No indicators of impairment were found for property, plant and equipment as at April 30, 2013.

No property, plant and equipment were pledged as security for borrowing as at April 30, 2013.

8. INTANGIBLE ASSETS

(CAD$ thousands)	2013	2012
Cost	$ 183	$ 364
Accumulated amortization	(154)	(319)
Carrying amount	$ 29	$ 45
Carrying amount by asset class		
Information systems software	$ 29	$ 45
Carrying amount	$ 29	$ 45

(CAD$ thousands)	Information Systems Software
Cost	
Balance at May 1, 2011	$ 1,823
Additions	32
Disposals	(1,491)
Balance at April 30, 2012	364
Additions	10
Disposals	(191)
Balance at April 30, 2013	**$ 183**
Accumulated amortization	
Balance at May 1, 2011	$ 1,762
Amortization	48
Disposals	(1,491)
Balance at April 30, 2012	319
Amortization	13
Disposals	(178)
Balance at April 30, 2013	**$ 154**
Carrying amount at April 30, 2013	**$ 29**

Amortization of intangible assets is recorded on the statement of comprehensive income in marketing and administrative expenses (2013 - $13, 2012 - $48).

No indicators of impairment were found for intangible assets as at April 30, 2013.

9. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

(CAD$ thousands)

	2013	2012
Canadian dollars	$ 3,613	$ 5,262
U.S. dollars	82	51
Total trade and other payables and accrued liabilities	$ 3,695	$ 5,313

10. LOANS PAYABLE

(CAD$ thousands)

	2013	2012
Promissory note	$ 4,030	$ 3,952
Bankers' acceptances	23,200	17,200
Total loans payable	$ 27,230	$ 21,152

The $13,700 bankers' acceptances bear interest at an annual rate of 1.80% (2012 – 2.05 %) and mature on May 8, 2013. The weighted-average interest rate during the year was 1.80% (2012 – 2.05%). Subsequent to May 8, 2013, new bankers' acceptances were entered into at a rate of 1.80%.

The 20-year $9,500 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 19 years.

The principal of the bankers' acceptances as at April 30, 2013 is $23,200 (2012 – $17,200) and the fair value of the loans are $23,200 (2012 – $17,200).

The $4,000 U.S. dollar denominated promissory note ($4,030 Canadian dollars) is repayable in U.S. dollars, bears interest at an annual rate of 0.99% (2012 – 1.48%) and matures on June 28, 2013. The weighted-average interest rate during the year was 1.12% (2012 – 1.29%). The balance of the principal as at April 30, 2013 is $4,030 (2012 – $3,952) and the fair value of the loan is $4,030 (2012 – $3,952).

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 contribution rate effective at April 30, 2013 for employees enrolled in the Plan prior to January 1, 2013 was 1.64 (2012 - 1.74) and for employees enrolled in the Plan beginning January 1, 2013 was 1.57 (2012 – nil). Total contributions of $1,216 (2012 - $1,160) were recognized as expense in the current year. The estimated contribution for 2014 is $1,330.

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)	2013	2012	2011
Contributions by the Corporation	$ 1,216	$ 1,160	$ 1,170
Contributions by employees	$ 700	$ 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 go forward basis. It also established how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. 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)	2013	2012	2011
Pension benefit obligation (actuarial value)	$ 467	$ 1,123	$ 1,308
Less: current portion	200	591	-
Non-current portion	$ 267	$ 532	$ 1,308

The Corporation estimates that it has a discounted pension benefit obligation of $467 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 3.20% 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 employer required contributions were assumed to be 1.64 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 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, 2013 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 Worker's Compensation Board of Manitoba.

The statement of comprehensive income includes a charge of $258 (2012 - $196) 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, 2013 to establish a measurement of the liability.

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

(CAD$ thousands)		**2013**		**2012**
Workers' compensation obligation (actuarial value)	$	295	$	259
Less: current portion		253		223
Non-current portion	$	42	$	36
Benefits paid	$	223	$	242
Workers' compensation costs	$	258	$	196

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

Current service costs	$	208	$	242
Interest costs		13		18
Actuarial (gain) loss		37		(64)
Workers' compensation costs	$	258	$	196
Weighted-average assumptions:				
Discount rate for obligation		3.0%		3.6%
Health care trend		5.0%		5.0%
All other cost indexation		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 liability was actuarially determined as the present value of all future payouts, multiplied by the employee's service at the valuation date to the employee's service at the date when the employee is eligible for the benefit and considered the current balances in any sick leave banks, the annual accumulation of net sick leave credits and the future entitlement to, or utilization of, sick leave benefits.

The statement of comprehensive income includes a charge of $91 (2012 - $36), 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, 2013 to establish a measurement of the liability.

The Corporation's obligation for sick leave consists of:

(CAD$ thousands)	**2013**	**2012**
Sick leave benefit obligation (actuarial value)	$ 230	$ 194
Benefits paid	$ 56	$ 13
Sick leave costs	$ 91	$ 36

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

Current service costs	$ 19	$ 16
Interest costs	9	7
Actuarial loss	63	13
Sick leave costs	$ 91	$ 36
Weighted-average assumptions:		
Discount rate for obligation	4.0%	4.8%
Rate of compensation increase	2.5%	2.5%

The estimated portion of the liability the Corporation expects to settle in 2014 is $29.

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,253 (2012 - $1,225) 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. OTHER REVENUE AND EXPENSES

Other revenue comprises audit services received without charge from the Office of the Auditor General of Canada, the operation of the Poplar River Barge on Lake Winnipeg and the sale of fishing supplies to fishers. The non-monetary value of the services received from the Office of the Auditor General of Canada is $389 (2012 - $455). The revenue earned from the operation of the Poplar River Barge and sales of fishing supplies is $1,171 (2012 - $1,174).

Other expenses of $968 (2012 - $1,086) consist of costs incurred to earn revenue for the Poplar River Barge and the sales of fishing supplies to fishers.

A non-monetary amount of $389 (2012 – $455) has been included in other marketing and administrative expense related to audit services received without charge from the Office of the Auditor General of Canada.

14. INCOME TAXES

Current tax expense (recovery)

(CAD$ thousands)

	2013	2012
Current income tax recovery	$ -	$ (115)
Adjustments for prior years	-	-
Total current tax recovery	$ -	$ (115)

Refundable tax credits of $516 (2012 - $115) were applied directly to manufacturing equipment.

Deferred tax expense (recovery)

(CAD$ thousands)

	2013	2012
Origination and reversal of temporary differences	$ (168)	$ 313
Increase in tax rate	-	-
Total deferred tax (recovery) expense	$ (168)	$ 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)

	2013	2012
Net profit before tax for the year	$ 2,472	$ 2,789
Income tax rate	27.0%	27.0%
Computed tax expense	$ 667	$ 753
Non-deductible expense	14	(305)
Temporary differences recognized in net income	34	-
Other net amounts	(883)	(250)
Income tax (recovery) expense recognized in net profit	$ (168)	$ 198

Current tax assets and liabilities

(CAD$ thousands)

	2013	2012
Current tax assets		
Income taxes receivable	$ 516	$ 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 2013
(CAD$ thousands)

	Opening balance	Recognized in profit or (loss)	Reclassified to property, plant and equipment	Ending balance
Deferred tax asset				
Investment tax credits	$ 504	$ -	$ (504)	$ -
Employee benefits	(426)	692	-	266
Financial instrument loss	-	82	-	82
Deferred tax liability				
Property, plant and equipment	(379)	(570)	-	(949)
Intangible assets	(12)	5	-	(7)
Derivative contract	-	(15)	-	(15)
Foreign exchange gain	-	(26)	-	(26)
Net deferred tax (liability)	**$ (313)**	**$ 168**	**$ (504)**	**$ (649)**

Temporary differences for 2012
(CAD$ thousands)

	Opening balance	Recognized in profit or (loss)	Ending balance
Deferred tax asset			
Investment tax credits	$ -	$ 504	$ 504
Deferred tax asset	-	504	504
Deferred tax liability			
Property, plant and equipment	-	(379)	(379)
Intangible assets	-	(12)	(12)
Employee benefits	-	(426)	(426)
Deferred tax liability	-	(817)	(817)
Net deferred tax liability	**$ -**	**$ (313)**	**$ (313)**

15. RELATED PARTY TRANSACTIONS

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

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

- a government that has control, joint control or significant influence over the reporting entity; 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 and their closely related family members are fishers who sell their catch to the Corporation. During the year, delivered fish volume by Board members and their closely related family members was 87,000 kilograms (2012 – 90,000 kilograms) valued at $254 (2012 – $245). 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)	2013	2012
Short-term employee benefits	$ 980	$ 863
Total compensation paid to key management personnel	$ 980	$ 863

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.

16. COMMITMENTS AND CONTINGENCIES

16.1 Commitments

As of April 30, 2013 the Corporation did not have any capital commitments (2012 - $2,254).

16.2 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.

17. RECLASSIFICATION

Certain comparative information provided for the prior period has been reclassified to conform to the presentation adopted as of April 30, 2013.

Certain other revenue and expenses were presented net in the statement of comprehensive income at April 30, 2012 and were reclassified at April 30, 2013 to be shown separately as other revenue and other expenses. An amount of $1,174 was reclassified from packing allowances and agency operating costs to other revenue, $921 was reclassified from packing allowances and agency operating costs to other expenses and $165 was reclassified from depreciation to other expenses in the statement of comprehensive income and in the related notes.

SPECIAL EXAMINATION – ACTION REPORT

In December of 2010, the Office of the Auditor General reported on its special examination of the governance and management systems of Freshwater Fish Marketing Corporation.

Following is a report on the actions taken by Freshwater to meet the recommendations made in the report.

1. BOARD PROFILE - **Status: Completed**

   Auditor's Comment

   The current Board profile does not reflect the specific skills and experience required.

   Actions Taken

   • The Board has submitted to the Minister a new Board profile policy.

   • A person with a Chartered Accountant (CA) designation now acts as a financial advisor to the Board and Audit and Risk Committee.

2. AUDIT AND RISK COMMITTEE - **Status: Completed**

   Auditor's Comment

   The Audit and Risk Committee is not in compliance with the *Financial Administration Act.*

   Actions Taken

   • Audit and Risk Committee has been restructured and is now in compliance.

3. BOARD CONFLICT OF INTEREST - **Status: No Action**

   Auditor's Comment

   Potential conflicts of interest on the part of Board members are not well-managed.

   Actions Taken

   • Compliance would limit fisher representation and participation.

4. INTERNAL AUDITS - **Status: Completed**

   Auditor's Comment

   The Corporation does not have internal audits conducted as required by the *Act.*

   Actions Taken

   • KPMG has been retained as internal auditor and an audit plan has been approved by the Audit and Risk Committee.

5. PLAN APPROVAL - **Status: Completed**

   Auditor's Comment

   The Corporation is lacking a corporate plan approved by the government to address financial issues.

   Actions Taken

   • All plans up to and including fiscal year 2012/13 have been approved.

6. BOARD OVERSIGHT OF RISK - **Status: Completed**

   Auditor's Comment

   The Corporation has not put in place a risk management process to provide reasonable assurance that it will achieve its strategic and operational objectives, manage its resources economically and efficiently, and protect its assets.

   Actions Taken

   • Management has created an Integrated Risk Management Plan which has been approved by the full Board.

   • The Plan is reviewed quarterly by the Audit and Risk Committee.

7. REPLACEMENT OF ASSETS - **Status: Completed**

Auditor's Comment

The Corporation's practices for setting prices paid to fishers have not provided for the forecasted amounts of capital reinvestment needed. The Corporation has not reinvested the necessary capital in its aging production facility to safeguard its assets.

Actions Taken

- A Long Term Debt and Retained Earnings Policy has been developed and approved by the Board.
- The policy has been effective from May 1, 2011.
- Significant capital projects have been undertaken to reduce the risk of service interruptions.

8. LABOUR EFFICIENCY - **Status: Completed**

Auditor's Comment

Currently the Corporation is not in a position to determine whether its operations meet reasonable efficiency targets in comparison to the industry. It also has not assessed its own performance over time.

Actions Taken

- A Plant Operating System was installed from 2005 to 2007 and has been in continuous use, reducing annual labour costs by more than $200,000.

9. YIELD MANAGEMENT - **Status: Completed**

Auditor's Comment

Currently the Corporation does not have an effective method of monitoring yield.

Actions Taken

- The existing program has been upgraded to include more spot checks and trend analysis.
- Lack of reliable data for freshwater species makes industry benchmarking difficult, but it will be done where appropriate.
- Further improvements will be made as the plant is renovated and new equipment is installed.

10. CONTRACTING AND PROCUREMENT POLICIES - **Status: Completed**

Auditor's Comment

The Corporation's systems and practices do not ensure that capital assets are procured in an economical and efficient manner. For example, there are insufficient procurement procedures for large capital contracts and no established approach to ensure that all significant procurement risks are assessed and managed.

Actions Taken

- Policies written and fully implemented by April 30, 2013.

11. HUMAN RESOURCES STRATEGY - **Status: Completed**

Auditor's Comment

The Corporation does not have a human resource strategy for addressing its key challenges.

Actions Taken

- The work required to improve HR practices is ongoing but at the time of the audit, had not been written into a comprehensive departmental strategic document.
- A strategic plan document for the HR department has been written and implemented.

12. ABSENTEEISM AMONG PLANT WORKERS - **Status: Completed**

Auditor's Comment

Corporation does not have a human resource strategy for addressing its key challenges, including the high levels of absenteeism and high employee turnover, which directly affect the day-to-day operations of the plant.

Actions Taken

- Absenteeism is expected to be higher than normal for the region due to the seasonal nature of the work; however, the Corporation does have a program in place.
- Phase One (gathering data) was active at the time of the Special Examination.
- Phase Two (identifying and tracking abusers) is complete.
- Phase Three (removal of abusers) is in progress.

CORPORATE GOVERNANCE

The Freshwater Fish Board of Directors is comprised of nine members, including the President and Chief Executive Officer. During the 2012/13 fiscal year, eight Directors governed the Corporation, as one seat is currently vacant. All Board positions are federal Order-in-Council appointments with three appointed on recommendation of the participating provincial/territorial governments.

While Directors are normally removed from Freshwater's day-to-day decision-making, their role is vitally important. Freshwater's management presents information, seeks advice and requests the approval of proposals and capital expenditures from the Board of Directors. Each Director is called upon to exercise judgement and an independent position in formulating the Board's decisions to approve, reject or request deferral of the proposals brought forward by management.

Board members exercise their role as liaisons with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the regions and communities they represent.

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 2012 meeting, the Board received the annual audit report from the Office of the Auditor General of Canada (OAG) and approved the 2011/12 Annual Report. Also in July 2012, on the recommendation of the OAG, a new Board Profile Policy was approved. This document clearly defines core attributes, competencies, skills and experience required of Directors, as well as their primary roles and responsibilities. Going forward, governance of Freshwater will evolve to reflect this profile more specifically.

The Board reviewed the first quarter of the 2012/13 fiscal year at the August 2012 meeting. In November 2012, after the second quarter review, Freshwater held its third Annual Public Meeting and approximately 75 stakeholders were in attendance. In February 2013, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to the Minister of Fisheries and Oceans. Board members received ongoing corporate governance training at their meeting in April 2013.

Freshwater's Audit and Risk Committee – comprised of Interim Chairperson Ken Campbell, Board Chairperson David Tomasson, Board Director Gail Wood and Angus (Gus) Campbell, FCA, advisor to the Committee – met five times during the 2012/13 fiscal year. The Committee oversees Freshwater's financial reporting process on behalf of the Board and reports to the full Board at each meeting.

Freshwater's Quarterly Report is now issued in a new, more detailed format in compliance with International Financial Reporting Standards (IFRS). Each report is posted on our website (www.freshwaterfish.com/content/pages/governance) within 60 days of the end of the quarter.

Board members attended other major governance-related conferences or meetings including the Fisheries Council of Canada's Annual General Meeting, Institute of Corporate Directors and a Crown Corporation Governance Workshop in Ottawa.

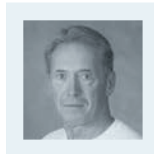
BOARD OF DIRECTORS

David Tomasson
Chairperson of the Board
Winnipeg, Manitoba
Occupation: Fisher and Secretary/Treasurer, Hecla Village Harbour Authority Advisory Committee
Served on Board: 3 years

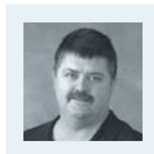
John Wood
President and Chief Executive Officer
Winnipeg, Manitoba
Served on Board: 6.5 years

Ron Ballantyne
Grand Rapids, Manitoba
Occupation: Fisher
Served on Board: 9.5 years

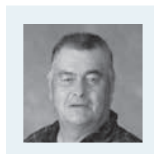
Bert Buckley
Hay River, Northwest Territories
Occupation: Fisher
Served on Board: 14 years



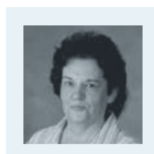
Ken Campbell
Gimli, Manitoba
Occupation: Fisher
Served on Board: 4 years



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: 2.5 years



Angus Gardiner
Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 4.5 years



Gail Wood
Edmonton, Alberta
Occupation: Owner, Wayne Wood Fresh Fish Ltd.
Served on Board: 6 years

One Vacant Seat

AUDIT AND RISK COMMITTEE

Freshwater Fish established this Committee in 2009/10. The current Committee is comprised of Board members Ken Campbell (Interim Chairperson), David Tomasson (Board Chairperson) and Gail Wood. Angus (Gus) Campbell, FCA, serves on this team as Financial Advisor.

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

Durga Liske
Vice-President, Operations
Email: durga.liske@freshwaterfish.com

Wendy Matheson
Vice-President, Human Resources and Government Services
Email: wendy.matheson@freshwaterfish.com

EMPLOYEE RECOGNITION

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

40+ Years: Charles Taylor

35+ Years: Ray Freeman; Margaret Camire; Larry Calder; Danny Haywood; and Pat Calder

30+ Years: Normando Bustarde

FRESHWATER FISH

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