



2014 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
Room 556, Confederation Building
Ottawa, Ontario
K1A 0A6

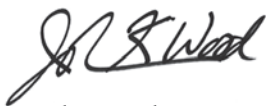
Dear Minister:

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, 2014. As the Corporation is without an appointed Chairperson at this time, I am fulfilling my role as Acting Chairperson of the Board in submission of this Report.

Freshwater's former Chairperson, David Tomasson, passed away on February 14, 2014. An inspiring, dedicated proponent for fisher stakeholders, he was respected by all. David served the Corporation well for three years and will be missed. Board Directors Ron Ballantyne and Terry Bennett completed their terms and we wish them well in their future endeavours.

This spring, we welcomed three newly-appointed members to the Board: Trevor Sprague, David Olson and Vincent Crate. Trevor is a Chartered Accountant and Tax Partner with one of the largest chartered accountancy and business consulting firms in Canada. He has been selected to serve as Chair of the Corporation's Audit and Risk Committee. David is a commercial fisher with more than 40 years of fishing and processing experience on Lake Winnipeg. He has served as President of two Harbour Authorities and the Gimli Fisherman's Association for a total of 12 years. Finally, Vincent is also a commercial fisher, involved in the industry from an early age. He also holds college diplomas in business and landscape management, serves on the Board of Macbeth Fisheries Corporation, and was a member of the Fisher River First Nations band council for eight years.

Yours sincerely,



John Wood
Acting Chairperson of the Board





PRESIDENT'S REPORT

The theme of our Annual Report is 'the seasons of Freshwater', and there are many sides to these seasons. From the perspective of fishers, they are spring, fall and winter fishing seasons, while our customers see their calendar in terms of promotional seasons ~ festivals, religious holidays, and summer barbecues. Freshwater is here year-round making sure the harvest can take place when fishing is at its best, while assuring the supply of fish is available to fit the demand cycles of customers in Canada and the more than fourteen countries to which we export. We exist to serve 1,800 fisher stakeholders as their year-round point of access to these many markets around the world.

For the third consecutive year, Freshwater has delivered earnings significantly above what was anticipated in the plan. In the fiscal year ending April 30, 2014, the Corporation generated Net Earnings of \$3.3 million before final payment to fishers and income tax. Under the Corporation's Long Term Debt and Retained Earnings policy, final payment is now based on cash flow and thus will be reduced by the Corporation's average capital expenditures over the past three years. This year, with most of the critical plant renovations completed, capital expenditures were down from the previous two years and going forward, this trend will continue to provide an opportunity to increase final payments.

Our business development efforts continued to improve earnings for Freshwater and fishers. New markets for tullibee, carp and mullet products contributed more than \$616,000 in revenue and helped increase the volume of deliveries by 3.3 per cent over the previous year. A serious concern is the decline in lake whitefish deliveries, a key species in many of our markets. The lower lake whitefish deliveries contributed to a slight reduction in total returns to fishers to \$26.2 million.

Freshwater continues to place a priority on developing fisheries within its mandate region wherever the potential to increase deliveries exists. As I said in this Report last year, more volume improves efficiencies, increases local returns and improves profitability along the entire supply chain.

Finally, I would like to take this opportunity to thank the Board of Directors, management and all fisher stakeholders for their support over the past eight years. As previously announced, I will be retiring from the Corporation in October 2014.

Yours sincerely,



John Wood
President and Chief Executive Officer
Winnipeg, Manitoba



CORPORATE PROFILE

Freshwater Fish Marketing Corporation is a self-sustaining federal Crown corporation. It 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 with the Government of Canada. Freshwater also buys fish from provinces with which it does not have a specific agreement.

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.

A Board of eight Directors, including the President and Chief Executive Officer, governed Freshwater Fish during the 2013/14 fiscal year. One seat remained vacant. 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 inter-provincially and internationally.



RETURNS TO FISHERS

Freshwater 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.

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. After the annual audit by the Office of the Auditor General of Canada, Freshwater 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 16 and 17 provides a ten-year history of pool results.

Final payments for fish delivered during the 12 months ending April 30, 2014 were as follows:

Walleye Round	\$0.17/kg
Walleye Dressed	\$0.21/kg
Walleye Headless	\$0.25/kg
Walleye Roe	\$0.24/kg
Lake Whitefish	\$0.07/kg
Inconnu	\$0.33/kg

The average price paid this year (inclusive of final payments) was \$1.82/kg.

In U.S. dollar terms, walleye remains at historic high prices in the U.S. Midwest. Mullet delivery volume was slightly below demand, which kept the price strong. Northern pike volume increased substantially, and its markets continued to grow.

Freshwater continues to develop existing and new international markets and demand remains strong for Freshwater products. Our access to a wide mix of species and year-round inventory gives us a competitive advantage worldwide.

SEASONS OF FRESHWATER AND BUSINESS DEVELOPMENT

One of Freshwater's significant strengths for customers is our unique ability to supply most products twelve months of the year in either fresh or frozen form. This year-round supply comes from Freshwater's capacity to freeze fish during the fishing seasons and hold inventory of the most popular products for sale throughout the year. More importantly, we buy from lakes just north of the U.S. border nearly to the Arctic Circle, meaning there is almost always a fishery open somewhere supplying fresh fish to the Corporation. This is truly unique among suppliers of freshwater fish.

About one-third of Freshwater's sales are kosher products going to markets primarily in New York and New Jersey; some kosher product also goes to the west coast of the U.S. For this reason, Jewish holidays are important to Freshwater. Gefilte fish is a traditional Jewish dish served during holidays, and the availability of fresh mullet, northern pike and lake whitefish during these periods is critical to our kosher customers.

Spring/Supply

- The mullet spring run (Lake Manitoba) starts the spring fisheries, followed soon after by carp (Lake Manitoba, Lake Winnipeg)
- The Lake Winnipeg fishery brings in the bulk of the walleye
- The plant goes from receiving few fish deliveries to receiving 12 to 15 tractor trailers each day of walleye and lake whitefish

- The actual opening date for Lake Winnipeg is determined by the water temperature which, in turn, determines the date at which 80 per cent of female walleye have spawned; for this reason the actual opening date fluctuates quite significantly and Freshwater must be ready by the earliest expected date
- Our supply of fish moves north with the changing weather and northern Manitoba (The Pas, Wabowden, Nelson House), northeastern Saskatchewan (Denare Beach, Pelican Narrows) and Alberta come on-stream with lake whitefish, northern pike and some walleye

Spring/Markets

- Spring is the most important season for Freshwater's customers
- Lent (Christian holiday) produces the largest market for walleye fillets in the U.S.
- Passover and Purim (Jewish holidays) demand a great deal of minced mullet, lake whitefish and northern pike to produce the traditional dish of gefilte fish, as well as whole lake whitefish
- Nowruz (Persian New Year) takes place in the spring and our lake whitefish is in high demand on the west coast of Canada and the U.S.
- The Boston and Brussels International Seafood Shows offer the sales and marketing team a convenient convergence of new and existing customers

Summer/Supply

- As the water temperature increases, the more southerly fisheries close for the summer; these are replaced later in June by Great Slave Lake, our



northernmost lake, which adds to the supply of lake whitefish, lake trout and inconnu

- The Reindeer Lake and Wollaston Lake fisheries start in July/August with lake whitefish and lake trout
- In Manitoba, Lakes Winnipegosis and Cedar supply lake whitefish, walleye and mullet; they also supply lake trout roe which is growing in importance
- Eventually all but the most northerly lakes will stop fishing as the water warms up; they will stay closed until the fall

Summer/Markets

- Shavuot (Jewish holiday) requires minced mullet, lake whitefish and northern pike to produce the traditional dish of gefilte fish
- Customers in Finland and Sweden use a great deal of whole lake whitefish, which is processed into smoked fish products for the summer
- Finland and Sweden also have a huge cruise season on the Baltic Sea and Freshwater's lake whitefish caviar is in high demand

Fall/Supply

- Fall is the second season for walleye and lake whitefish from Lake Winnipeg and this fishery is used to fill inventory requirements to carry our customers through to the spring fishery
- From northern Manitoba come lake whitefish, northern pike and walleye
- In Saskatchewan, Montreal Lake and La Ronge open for lake whitefish and northern pike
- This is also the season for collection of lake whitefish roe

Fall/Markets

- The fall finds Jewish customers increasing their production of gefilte fish for the upcoming holidays – Rosh Hashanah, Yom Kippur and Sukkot – making minced mullet, lake whitefish and northern pike in high demand
- In the past couple of years, we have attended the World Food Moscow Show, displaying Freshwater fish products in the Seafood Pavilion
- The China Fisheries and Seafood Expo is currently an exploratory show for Freshwater; it is growing in

importance as contacts become new customers and lead to more connections

Winter/Supply

- Fresh wild-caught fish from Canada's lakes is in short supply in the winter so customers are willing to pay a premium for it. Freshwater is able to pass this higher price on and thus offers a premium on walleye and lake whitefish to fishers for winter-caught fish
- There is a growing market for northern pike roe which is collected during the winter fishery
- The Lake Winnipeg fishery is open for walleye and northern pike
- The Lake Winnipegosis fishery is open for lake whitefish and northern pike
- Lakes Manitoba, Waterhen and Chitek are open for mullet, walleye and perch
- In northwest Saskatchewan (Buffalo Narrows, Île à La Crosse, Patchenak, Dori) and northeastern Saskatchewan (La Ronge, Reindeer Lake), lake whitefish, northern pike, mullet and some walleye are produced
- In Alberta, Lesser Slave Lake will open for a short period and supply lake whitefish and lake whitefish roe

Winter/Markets

- Many of our customers want fresh fish throughout the winter, making Freshwater's winter fishery very important and a huge advantage, especially when other freshwater fisheries are closed or not fishing
- Chanukah (Jewish holiday) requires minced mullet, lake whitefish and northern pike to produce the traditional dish of gefilte fish
- During the holiday season in Finland, there is high demand for Freshwater's lake whitefish caviar
- Romania, Ukraine and Bulgaria look for northern pike caviar for the Christmas season
- The Polish community in the Midwest U.S. buys whole northern pike for the Christmas season
- Freshwater is the only supplier of perch during the winter months and so it is sold fresh

In parts of the Freshwater region, the fishery is very seasonal and only open for small windows of time. At





the plant and head office in Winnipeg, there is always a fishery and fish to be processed. The species and volume of fish depends on the season – processing and sales activity take place year-round, adding to the overall efficiency of the plant.

Four Seasons Means Ongoing Business Development

In 2010, Freshwater added the New Business Development Manager role to the Sales and Marketing team. Then in 2012, a Product Development Committee was formed to focus efforts on the development of products to fit identified needs in the marketplace. These efforts have proven highly successful. The following table summarizes the activities in financial year 2013/14 in the area of business development:

Species	Product	Market	Revenue
Lake Whitefish	PBO* fillets	Germany, Finland	\$612,000
Northern Pike	Caviar	Ukraine, Romania/Bulgaria	\$815,000
Northern Pike	Whole	China	\$593,000
Lake Trout	Caviar	North America	\$3,000
Tullibee	Minced	Kosher	\$251,000
Carp	Dressed	Israel, U.S., Canada	\$159,000
Carp	Caviar	Canada	\$182,000
Mullet	Heads	U.S. East Coast	\$182,000
Lake Whitefish	Dressed-Medium	Russia, Eastern Europe	\$852,000
Lake Trout	Dressed	Russia, Eastern Europe	\$437,000

*PBO - pin bone out

Going forward, Freshwater will continue to look for ways to add value to all species pools by seeking out niche markets which pay the best prices for newly-developed products.

Focus on new products, customers and markets are key initiatives to ensure support for all areas of the fishery within Freshwater's jurisdiction.

This past year, Freshwater successfully re-started the carp fishery, including both carp meat to Israel and carp roe to Canada and Europe. These positive developments for carp were a direct result of the new product development team's efforts.

As well, mullet fishers benefited from the purchase of mullet heads targeted to the lobster industry on the east coast of North America. Over 258,000 kgs of mullet heads reached this market after only one year of sales.

China remained a continuing priority with business development showcasing Freshwater products in Dalian and Shanghai trade shows. Nearly 236,000 kgs of small northern pike was sold this year in China, an entirely new revenue source to fishers for a product type and size that was not previously purchased.

Lake trout roe was developed this past year, and achieved a positive launch for a first year item.

Freshwater plans to continue to expand the reach of its products as it aggressively markets in over 14 countries worldwide.



MANAGEMENT DISCUSSION AND ANALYSIS

Throughout the 2013/14 fiscal year, most markets held a healthy position slightly short of supply. The exceptions were large walleye and northern pike, which both began the year in a high inventory situation. Marketing efforts and several promotions moved both of these species to a more balanced position over the year.

Revenues improved by 8 per cent over the previous year to \$68.5 million. This is the highest revenue since 2012 and can be attributed to higher selling prices in local currency terms and the lower value of the Canadian dollar against the U.S. dollar, which pushed-up Canadian dollar revenues.

Total supply was up over the previous year by 3.3 per cent to 14.4 million kgs, due largely to an increase in prices for less valuable species such as tullibee, carp and mullet. This made harvesting these species financially more feasible. More disappointing was a decline in lake whitefish deliveries, down 3 per cent from the previous year – a combined result of lake closures in Alberta and a harsh winter across western Canada.


The Canadian dollar opened the fiscal year at 1.0075 and closed on April 30, 2014 at 1.0960. Although the increased value of the U.S. dollar did contribute significantly to the year's earnings, our hedging program, which is in place to mitigate foreign currency risk against the budget, prevented Freshwater from realizing all of these gains during the 2013/14 fiscal year.

The above factors all contributed to Freshwater's better-than-planned Net Earnings before tax of \$3.3 million and a final payment of \$1.1 million for the fiscal year ended April 30, 2014.

Total returns to fishers declined slightly from \$26.9 million to \$26.2 million. This is a disappointing



Summer-Caught Lake Whitefish



result for total returns despite improved delivery volumes. The decline can be attributed to a change in the species mix delivered, which included a higher percentage of lower value species and in turn reduced the average price paid. A final payment lower than 2012/13 also had an impact on total returns for the 2013/14 fiscal year.

Although the decline in Freshwater's earnings from the previous year was the most significant factor in this lower final payment, Net Cash Flow (on which final payments are calculated) was impacted by the ongoing renovation of the plant. The major part of this work is now complete but Net Cash Flow available for final payments is based on the three-year rolling average, meaning capital invested in the plant in fiscal years 2011/12 and 2012/13 (well over \$5.0 million each year) had a significant impact on cash available for a final payment in 2013/14. This impact will decline over the next two years as high-spend years drop off the rolling average.

Freshwater operates the business by considering each species as its own business unit. These business units are managed with their own profit and loss statements. The following considers each species individually:

Walleye

The core business for walleye is fresh and frozen fillets to the restaurant trade in the U.S. Midwest. Restaurants prefer a natural fillet weighing between 2 and 6 ounces for their lunch trade and 6 to 12 ounces for the dinner menu. Secondary markets for this species include Canada, France, Germany, Poland and Belgium.

Freshwater began the fiscal year with a significant surplus of walleye well over these size ranges and had to promote heavily to move this product into the market. More product was also portioned to meet size requirements, which added to processing costs.

The Dauphin River/Lake St Martin fishery reopened after several years of no fishing due to the displacement of these communities from floods in 2011. This added to the supply of walleye available.

A final payment of \$900,000 will be paid for walleye.

Lake whitefish

Key markets for lake whitefish include New York (dressed and minced), Finland (dressed and caviar) and Russia (dressed). There also are many smaller markets including Canada, Latvia, Poland, Germany and Sweden.

Markets for lake whitefish were strong throughout the year in response to a harsh winter that reduced supply both from western Canada and the Great Lakes, as well as Freshwater's successful development of the Russian market, which now consumes about one-third of our lake whitefish supply.

The supply of lake whitefish was impacted by a change in lake management practices in Alberta, where most of the province's commercial fishery has been closed because of very low tolerance limits on by-catch. It is expected the Alberta commercial fishery will be closed entirely within the next year. Alberta represents 9.1 per cent of Freshwater's lake whitefish supply and 40 per cent of its lake whitefish roe supply. This will have an impact on Freshwater's ability to supply its markets with these products. To offset this shortfall, Freshwater is working with the Northwest Territories Fishermen's Federation and the Government of the Northwest Territories to rebuild the fishery on Great Slave Lake. In the 2013/14 fishing season, deliveries from Great Slave Lake increased over the previous year by 26 per cent to 421,278 kgs, which represents only 24 per cent of the commercial quota available on the lake.

Key initiatives in the lake whitefish business this year were:

- Continued development of the Russian market
- Development and market launch in North America of a pin-bone-out fillet

Higher market prices and the decline of the Canadian dollar against our customer's local currencies led to strong results for lake whitefish and the first final payment in several years.

A final payment of \$200,000 will be paid on lake whitefish.

Northern Pike

Key markets for northern pike are New York (minced) and France (minced and boneless portions). Other markets include Canada, Russia, China, Poland, Germany and Finland.

The year opened with a significant over-supply of northern pike, requiring Freshwater to use promotional pricing with both existing and new customers to bring inventories to acceptable levels. The new customers created through promotions and other initiatives have established a larger market for what appears to be a long-term increase in deliveries. Although prices recovered as the year progressed, the thinner margins created by lower prices early in the year pulled the earnings down below profitable levels.

Key initiatives for northern pike were:

- Development of new customers early in the year to increase sales volume in line with increased delivery volume

- Expansion of the market opened last year in China for small northern pike not previously saleable
- Expansion of last year's launch of skinless, boneless portions in North America
- Continued development of the caviar business in Eastern Europe; as the quality of this product has improved, so has the price which contributed to earnings

Mullet

The core business for mullet is minced product into the kosher market of New York, where it is used as part of the formulation for gefilte fish.

Mullet supply was below demand in the kosher market throughout the year, so Freshwater was able to pay tier one pricing for all mullet. However, maintaining tier one pricing for all deliveries meant lower margins than anticipated so there will be no final payment for this species.

Key initiatives for mullet were:

- Purchase of mullet heads for the U.S. bait market
- Early stage work on the development of a mullet roe product



Lake Trout

Lake trout benefitted from new customers in Russia. Development of a caviar product has the potential to generate increased revenues and profits for this species in the future.

Carp

Markets for Canadian carp disappeared when the U.S. began its Asian carp eradication program; large quantities of this species were dumped on North American and other markets. Early in 2013/14 (after several years of work), Freshwater opened a new customer for carp in Israel. Sales have moved up through the year as deliveries allowed.

Processing

With most of the major renovation work now complete, the plant was able to operate without a planned maintenance shutdown this year. Freshwater received fish every week of the year.



FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2005 – 2014), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Walleye (Pickerel)										
Delivered Weight ¹	5.6	6.0	6.4	6.2	6.2	5.8	5.9	6.0	5.7	5.7
Price/Round Kg. ²	\$3.41	\$3.15	\$3.36	\$3.50	\$3.35	\$3.22	\$2.83	\$3.19	\$3.13	\$2.88
Initial Payment ³	\$17.9	\$18.2	\$20.8	\$20.2	\$20.8	\$17.5	\$15.5	\$16.4	\$15.8	\$15.5
Final Payment	\$1.2	\$0.7	\$0.7	\$1.5	\$0.0	\$1.2	\$1.2	\$2.7	\$2.0	\$0.9
Total Payment	\$19.1	\$18.9	\$21.5	\$21.7	\$20.8	\$18.7	\$16.7	\$19.1	\$17.8	\$16.4
3 Yr. Moving Avg. ⁴	\$20.7	\$19.1	\$19.8	\$20.7	\$21.3	\$20.4	\$18.7	\$18.2	\$17.9	\$17.8
Lake Whitefish										
Delivered Weight ¹	5.9	5.4	5.5	3.8	5.1	5.1	4.6	3.8	3.7	3.6
Price/Round Kg. ²	\$1.00	\$1.02	\$1.09	\$1.08	\$1.49	\$1.39	\$1.17	\$1.18	\$1.44	\$1.56
Initial Payment ³	\$5.9	\$5.5	\$6.0	\$3.9	\$7.6	\$7.1	\$5.4	\$4.5	\$5.4	\$5.4
Final Payment	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
Total Payment	\$5.9	\$5.5	\$6.0	\$4.1	\$7.6	\$7.1	\$5.4	\$4.5	\$5.4	\$5.6
3 Yr. Moving Avg. ⁴	\$7.2	\$6.3	\$5.8	\$5.2	\$5.9	\$6.3	\$6.7	\$5.7	\$5.1	\$5.2
Northern Pike										
Delivered Weight ¹	1.9	1.3	1.7	1.9	2.1	1.9	1.8	1.9	2.0	2.0
Price/Round Kg. ²	\$0.58	\$0.62	\$0.59	\$0.79	\$0.90	\$0.89	\$0.78	\$0.79	\$0.80	\$0.80
Initial Payment ³	\$1.1	\$0.8	\$1.0	\$1.2	\$1.9	\$1.6	\$1.4	\$1.5	\$1.6	\$1.6
Final Payment	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.1	\$0.8	\$1.0	\$1.5	\$1.9	\$1.7	\$1.4	\$1.5	\$1.6	\$1.6
3 Yr. Moving Avg. ⁴	\$1.5	\$1.1	\$1.0	\$1.1	\$1.5	\$1.7	\$1.7	\$1.5	\$1.5	\$1.6
Sauger										
Delivered Weight ¹	0.6	0.3	0.2	0.1	0.3	0.6	0.2	0.2	0.2	0.3
Price/Round Kg. ²	\$2.83	\$3.33	\$2.50	\$4.00	\$3.33	\$3.17	\$3.00	\$2.29	\$2.71	\$2.67
Initial Payment ³	\$1.6	\$0.9	\$0.5	\$0.4	\$1.0	\$1.9	\$0.6	\$0.4	\$0.6	\$0.8
Final Payment	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
Total Payment	\$1.7	\$1.0	\$0.5	\$0.4	\$1.0	\$1.9	\$0.6	\$0.5	\$0.6	\$0.8
3 Yr. Moving Avg. ⁴	\$2.4	\$1.7	\$1.1	\$0.6	\$0.6	\$1.1	\$1.2	\$1.0	\$0.6	\$0.6

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2005 – 2014), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mullet										
Delivered Weight ¹	2.6	2.6	1.9	1.8	2.0	2.2	1.0	1.6	1.3	2.0
Price/Round Kg. ²	\$0.27	\$0.31	\$0.37	\$0.39	\$0.35	\$0.36	\$0.30	\$0.46	\$0.49	\$0.45
Initial Payment ³	\$0.7	\$0.8	\$0.7	\$0.6	\$0.7	\$0.8	\$0.3	\$0.7	\$0.6	\$0.9
Final Payment	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.7	\$0.8	\$0.7	\$0.7	\$0.7	\$0.8	\$0.3	\$0.7	\$0.6	\$0.9
3 Yr. Moving Avg. ⁴	\$1.0	\$0.8	\$0.7	\$0.7	\$0.7	\$0.7	\$0.6	\$0.6	\$0.6	\$0.8
Perch										
Delivered Weight ¹	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.3	0.1	0.1
Price/Round Kg. ²	\$3.50	\$2.50	\$3.00	\$2.67	\$3.00	\$2.00	\$2.00	\$3.75	\$3.16	\$2.00
Initial Payment ³	\$0.6	\$0.5	\$0.6	\$0.8	\$0.3	\$0.4	\$0.4	\$1.0	\$0.3	\$0.2
Final Payment	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
Total Payment	\$0.7	\$0.5	\$0.6	\$0.8	\$0.3	\$0.4	\$0.4	\$1.1	\$0.3	\$0.2
3 Yr. Moving Avg. ⁴	\$1.1	\$0.7	\$0.6	\$0.7	\$0.6	\$0.5	\$0.4	\$0.6	\$0.6	\$0.6
Other										
Delivered Weight ¹	0.9	0.9	1.0	0.6	0.8	0.5	0.5	0.5	0.6	0.7
Price/Round Kg. ²	\$0.67	\$0.67	\$0.60	\$0.83	\$0.88	\$0.60	\$0.60	\$0.60	\$0.79	\$1.00
Initial Payment ³	\$0.6	\$0.6	\$0.6	\$0.5	\$0.7	\$0.3	\$0.3	\$0.3	\$0.4	\$0.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.6	\$0.6	\$0.6	\$0.5	\$0.7	\$0.3	\$0.3	\$0.3	\$0.4	\$0.7
3 Yr. Moving Avg. ⁴	\$0.8	\$0.7	\$0.6	\$0.6	\$0.6	\$0.5	\$0.4	\$0.3	\$0.3	\$0.5
All Pools										
Delivered Weight ¹	17.7	16.7	16.9	14.7	16.6	16.3	14.2	14.3	13.6	14.4
Price/Round Kg. ²	\$1.68	\$1.68	\$1.83	\$2.02	\$1.99	\$1.90	\$1.77	\$1.94	\$1.97	\$1.82
Initial Payment ³	\$28.4	\$27.3	\$30.2	\$27.6	\$33.0	\$29.6	\$23.9	\$24.8	\$24.8	\$25.1
Final Payment	\$1.4	\$0.8	\$0.7	\$2.1	\$0.0	\$1.3	\$1.2	\$3.0	\$2.0	\$1.1
Total Payment	\$29.8	\$28.1	\$30.9	\$29.7	\$33.0	\$30.9	\$25.1	\$27.8	\$26.8	\$26.2
3 Yr. Moving Avg. ⁴	\$34.8	\$30.4	\$29.6	\$29.6	\$31.2	\$31.2	\$29.7	\$27.9	\$26.6	\$26.9

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

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

TEN YEAR FINANCIAL SUMMARY

Fiscal Year ended April 30

All amounts in millions of dollars.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales	\$59.3	\$55.3	\$61.6	\$58.2	\$62.5	\$66.4	\$66.8	\$66.9	\$63.5	\$68.5
Net Income (Loss) Before Final Payments and Income Tax	\$1.4	\$0.8	\$0.7	\$2.3	(\$0.7)	\$1.5	\$0.1	\$5.7	\$4.5	\$3.3
Fish Purchases	\$30.4	\$29.2	\$32.1	\$29.2	\$35.3	\$31.6	\$26.6	\$27.8	\$27.4	\$28.0
Net Income Before Income Tax Plus Fish Purchases	\$31.8	\$30.0	\$32.8	\$31.5	\$34.6	\$33.1	\$26.7	\$33.5	\$31.9	\$31.3
Accounts Receivable	\$7.0	\$5.1	\$6.0	\$5.5	\$6.2	\$8.1	\$7.0	\$6.4	\$6.4	\$7.1
Inventory – Processed Fish Products	\$12.4	\$12.6	\$12.0	\$10.6	\$16.0	\$15.0	\$9.1	\$9.6	\$12.7	\$12.6
Inventory – Packaging Material and Parts	\$1.0	\$0.9	\$0.9	\$0.7	\$0.8	\$0.9	\$0.9	\$0.9	\$1.1	\$0.9
Capital and Intangible Assets – Net Book Value	\$6.3	\$6.1	\$8.6	\$10.6	\$13.9	\$14.3	\$13.8	\$17.7	\$21.2	\$20.9
Loans Payable	\$18.4	\$17.8	\$20.7	\$18.8	\$30.8	\$29.4	\$23.6	\$21.1	\$27.2	\$26.0
Retained Earnings	\$3.3	\$3.3	\$3.3	\$3.6	\$2.8	\$2.7*	\$1.7*	\$4.2	\$6.8	\$8.2

*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 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
July 8, 2014



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 2014, 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 2014, 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

8 July 2014
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

As at April 30, 2014

(in thousands of Canadian dollars)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current		
Cash	\$ 328	\$ 10
Accounts receivable (Note 5)	7,054	6,396
Prepaid expenses	84	64
Income taxes receivable (Note 14)	2	516
Inventories (Note 6)	13,418	13,850
Derivative-related assets (Note 5)	-	115
	<u>20,886</u>	<u>20,951</u>
Non-current		
Property, plant and equipment (Note 7)	20,693	20,897
Intangible assets (Note 8)	241	304
	<u>20,934</u>	<u>21,201</u>
Total Assets	<u><u>\$ 41,820</u></u>	<u><u>\$ 42,152</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 5 and 9)	\$ 4,382	\$ 3,695
Accrued obligation for employee benefits (Note 11)	708	683
Provision for final payment to fishers	1,100	2,050
Loans payable (Notes 5 and 10)	25,984	27,230
Derivative-related liabilities (Note 5)	203	606
	<u>32,377</u>	<u>34,264</u>
Non-current		
Deferred tax liabilities (Note 14)	972	649
Accrued obligation for employee benefits (Note 11)	286	309
Asset retirement obligation	-	50
	<u>1,258</u>	<u>1,008</u>
Equity		
Retained earnings	8,185	6,880
	<u><u>\$ 41,820</u></u>	<u><u>\$ 42,152</u></u>

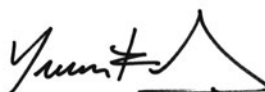
Commitments and Contingencies (Note 16)

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

Approved by the Board of Directors:



John Wood
Acting Chair, Board of Directors



Trevor Sprague, CA
Chair, Audit and Risk Committee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended April 30, 2014
(in thousands of Canadian dollars)

	<u>2014</u>	<u>2013</u>
Sales		
Export	\$ 57,342	\$ 52,461
Domestic	11,134	11,014
	<u>68,476</u>	<u>63,475</u>
Cost of sales		
Opening inventory of processed fish products	12,744	9,618
Add fish purchases and processing expenses:		
Fish purchases	27,972	27,437
Plant salaries, wages and benefits	12,283	11,297
Packing allowances and agency operating costs	4,360	4,011
Packaging and storage	3,669	3,397
Freight	2,700	2,599
Repairs and maintenance, Winnipeg plant	2,106	2,694
Depreciation of production assets (Note 7)	1,741	1,401
Utilities and property taxes	1,479	1,453
Other	859	885
	<u>69,913</u>	<u>64,792</u>
Less ending inventory of processed fish products	<u>(12,546)</u>	<u>(12,744)</u>
	<u>57,367</u>	<u>52,048</u>
Gross profit on operations	<u>11,109</u>	<u>11,427</u>
Marketing and administrative expenses		
Salaries and benefits	3,241	3,360
Commissions (Note 12)	1,364	1,253
Data processing, office and professional services	1,157	1,113
Finance income	(11)	(5)
Finance costs	746	704
Advertising and promotion	397	368
Meeting fees and expenses	93	97
Other	87	540
Depreciation and amortization of administration assets (Notes 7 and 8)	93	39
	<u>7,167</u>	<u>7,469</u>
Other income and expenses		
Net foreign exchange loss (gain) (Note 5)	1,007	(184)
Net financial derivative (gain) loss (Note 5)	(288)	212
Other revenue (Note 13)	(1,214)	(1,560)
Other expenses (Note 13)	1,175	968
	<u>680</u>	<u>(564)</u>
Profit before provision for final payment to fishers and income tax	3,262	4,522
Provision for final payment to fishers	1,100	2,050
Income tax expense (recovery) (Note 14)	857	(168)
Total comprehensive income	<u>\$ 1,305</u>	<u>\$ 2,640</u>

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

STATEMENT OF CHANGES IN EQUITY

For the year ended April 30, 2014

(in thousands of Canadian dollars)

	<u>2014</u>	<u>2013</u>
Retained earnings at the beginning of the year	\$ 6,880	\$ 4,240
Total comprehensive income	<u>1,305</u>	<u>2,640</u>
Retained earnings at the end of the year	<u>8,185</u>	<u>6,880</u>

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

STATEMENT OF CASH FLOWS

For the year ended April 30, 2014

(in thousands of Canadian dollars)

	<u>2014</u>	<u>2013</u>
Operating activities		
Comprehensive income for the year	\$ 1,305	\$ 2,640
Add (deduct) items not affecting cash:		
Future tax expense	323	336
Depreciation and amortization	1,945	1,572
Loss on disposal of property, plant and equipment	26	13
Decrease in derivative-related assets	115	24
(Decrease) increase in derivative-related liabilities	(403)	212
(Decrease) in provision for final payment to fishers	(950)	(900)
Net changes in non-cash working capital:		
(Increase) in accounts receivable	(658)	(4)
Increase (decrease) in inventories	432	(3,359)
(Increase) decrease in prepaid expenses	(20)	630
Decrease (increase) in income taxes receivable	514	(401)
Increase (decrease) in accounts payable and accrued liabilities	687	(1,618)
Decrease (increase) in accrued obligation for employee benefits	2	(584)
(Decrease) in asset retirement obligation	(50)	-
Cash generated by operating activities	<u>3,268</u>	<u>(1,439)</u>
Investing activities		
Additions to property, plant and equipment and intangible assets	(1,572)	(5,166)
Investment tax credits applied to property, plant and equipment	(132)	115
Proceeds on disposal of property, plant and equipment	-	2
Cash used in investing activities	<u>(1,704)</u>	<u>(5,049)</u>
Financing activities		
(Increase) decrease in loans payable and cash used in financing activities	(1,246)	6,078
Increase (decrease) in cash during the year	318	(410)
Cash at the beginning of the year	<u>10</u>	<u>420</u>
Cash at the end of the year	<u>\$ 328</u>	<u>\$ 10</u>
Supplementary information:		
Interest paid	<u>\$ 501</u>	<u>\$ 520</u>

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

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2014
(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, 2014, 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 July 8, 2014.

2.2 Cash

Cash represents money in the bank.

2.3 Accounts receivable

Accounts receivable 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 accounts receivable and are classified as current assets in the statement of financial position.

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

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;
- 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;
- it is a derivative that is not designated or effective as a hedging instrument, or
- a financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition.

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.

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

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 asset have been affected.

Objective evidence of impairment could include:

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

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 accounts receivable, 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 asset 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.

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 building improvements	5-65 years
	Plant	40 years
Equipment:	Machinery and office equipment	3 to 40 years
	Automotive	5 years
Fresh fish delivery tubs/totes		3 to 10 years
Vessels		3 to 35 years

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

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

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

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

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

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

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 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 a pension obligation of the Corporation.

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

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 all of the following criteria have been satisfied: the Corporation has transferred to the buyer the significant risks and rewards of ownership; the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Corporation; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 Asset retirement obligation

Asset retirement obligations are 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 is subsequently adjusted each period to reflect the passage of time and the risks specific to the liability 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.

2.16 Income tax

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

2.16.1 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.

2.16.2 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.

2.16.3 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 Accounts receivable

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 5.2.2 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 tax

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

Deferred tax 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. APPLICATION OF NEW AND REVISED IFRS

4.1 New and revised IFRS affecting amounts reported and/or disclosed in the financial statements

In the current year, the Corporation has applied new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that begin on or after May 1, 2013.

IFRS 13 Fair Value Measurement

The Corporation has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The scope of IFRS 13 is broad and applies to both financial instruments and non-financial instruments for which other IFRSs require or permit fair value measurements and disclosures, except for certain prescribed IFRSs.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions. IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application and specific provisions were given such that comparative disclosure requirements were not required for periods before the initial application of the standard. In accordance with these transitional provisions, the Corporation has not included new disclosures for the year ended April 30, 2013.

See Note 5 for the disclosure for the year ended April 30, 2014.

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Corporation has applied the revised IAS 19 for the first time. The revised IAS 19 changes the accounting for defined benefit plans and termination benefits, most significantly relating to the accounting for changes in defined benefit obligations and plan assets.

The changes to IAS 19 do not impact the Corporation's accounting for employee benefits, but impact the required disclosures. The changes have been applied retrospectively. See Note 11 for the disclosures for the years ended April 30, 2013 and 2014.

4.2 New and revised IFRS in issue 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.

IFRS 7 Financial Instruments: Disclosures

An amendment was released in December 2011 to IFRS 7 regarding requiring disclosures about the initial application of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively.

An additional amendment was released in November 2013 to IFRS 7 regarding additional hedge accounting disclosures resulting from the introduction of the hedge accounting section of IFRS 9 which currently does not have an effective date. The amendments are to be applied retrospectively.

The Corporation is currently evaluating the impact of these amendments to IFRS 7 on its financial statements therefore the impact is not known at this time.

IFRS 9 Financial Instruments

The mandatory application date of IFRS 9 was removed in the amendment to the standard in November 2013 (it had been amended in December 2011 for an effective date for annual periods beginning on or after January 1, 2015).

The November 2013 amendment also incorporates a hedge accounting section and included permitting the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early adopting the other requirements of IFRS 9.

The Corporation will be required to retrospectively adopt IFRS 9 on the effective date, 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 Corporation is currently evaluating the impact of the adoption of IFRS 9 on its financial statements therefore the impact is not known at this time.

IFRS 13 Fair Value Measurement

An amendment was released in December 2013 to IFRS 13 as part of the "Annual Improvements – 2011-2013 Cycle" project and is effective for annual periods beginning on or after July 1, 2014. The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 "Financial Instruments: Presentation".

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

IAS 19 Employee Benefits

An amendment was released in November 2013 to IAS 19 to clarify the requirements that relate to contributions from employees or third parties to defined benefit plans. The revised IAS is effective for annual periods beginning on or after July 1, 2014. The adoption of the amendment is not expected to have an impact on the Corporation's financial statements.

IAS 36 Impairment of Assets

An amendment was released in May 2013 to IAS 36 regarding the clarification of disclosures required for the recoverable amount for non-financial assets with an effective date on or after January 1, 2014. The amendment is to be applied retrospectively. The adoption of the amendment is not expected to have an 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:

	2014	2013
Retained earnings	\$ 8,185	\$ 6,880
Loans payable	25,984	27,230
	<u>\$ 34,169</u>	<u>\$ 34,110</u>

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, 2013 as payouts to fishers are based on annual comprehensive income before income tax plus annual depreciation less the three year rolling average of cash purchases of capital assets.

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

5.2 Classification and fair value measurements of financial instruments

5.2.1 Carrying amount and fair value of financial instruments

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)	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial asset at fair value through profit or loss				
Cash	\$ 328	\$ 328	\$ 10	\$ 10
Foreign exchange forward contracts	-	-	115	115
Loans and receivables				
Accounts receivable	7,054	7,054	6,396	6,396
	<u>\$ 7,382</u>	<u>\$ 7,382</u>	<u>\$ 6,521</u>	<u>\$ 6,521</u>
Financial liabilities				
Financial liability at fair value through profit or loss				
Interest rate swaps	\$ 203	\$ 203	\$ 606	\$ 606
Other financial liabilities				
Loans payable	25,984	25,984	27,230	27,230
Accounts payable and accrued liabilities	4,382	4,382	3,695	3,695
Final payment to fishers	1,100	1,100	2,050	2,050
	<u>\$ 31,669</u>	<u>\$ 31,669</u>	<u>\$ 33,581</u>	<u>\$ 33,581</u>

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:

- The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values as a result of the relatively short-term nature of these financial instruments.
- 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.
- The fair values of the Corporation's foreign currency forward and interest rate swap contracts are based on estimated credit-adjusted market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

5.2.2 Fair value hierarchy

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

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

The fair value measurement of cash is classified as level 1 of the fair value hierarchy as at April 30, 2014 and 2013. The fair value measurements of all other financial instruments held by the Corporation are classified as level 2 of the fair value hierarchy as at April 30, 2014 and 2013.

There were no transfers of financial instruments between levels during the year ended April 30, 2014.

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

(CAD\$ thousands)

	2014	2013
Derivative-related assets	\$ -	\$ 115
Derivative-related liabilities	\$ 203	\$ 606

5.2.3 Finance costs

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

(CAD\$ thousands)

	2014	2013
Other financial liabilities		
Interest expense on loans and other payables	\$ 746	\$ 704

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 and Risk Committee assists the Board of Directors and is responsible for review, approval and monitoring the Corporation's risk management policies including the development of a risk management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks, and developing risk management action plans to mitigate risks that exceed corporate risk tolerance. The Audit and Risk Committee 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, accounts receivable and derivative financial instruments. The Corporation has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

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

Accounts receivable

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

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

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

	2014			2013		
	Original currency (CAD \$)	Original currency (U.S. \$)	\$CAD	Original currency (CAD \$)	Original currency (U.S. \$)	\$CAD
Canada	\$ 638	\$ -	\$ 638	\$ 776	\$ -	\$ 776
United States	-	4,166	4,555	-	3,989	4,020
United States	28	-	28	-	-	-
Europe	-	43	48	-	239	241
Europe	1,144	-	1,144	790	-	790
Non-trade accounts receivable	641	-	641	569	-	569
			\$ 7,054			\$ 6,396

Accounts receivable are classified as loans and receivables and are measured at amortized cost.

At April 30, 2014, four customers represented 41% of the total accounts receivable balance. At April 30, 2013 four customers represented 30% of the total accounts receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for impairment loss that reflects the estimated impairment of accounts receivable. 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 accounts receivable, the current business and geopolitical climate, customer and industry concentrations and historical experience.

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

(CAD\$ thousands)	2014	2013
Current 0-30 days	\$ 4,956	\$ 4,866
Past due 31-60 days	1,117	890
Past due over 61 days	340	71
Non-trade accounts receivable	641	569
	\$ 7,054	\$ 6,396

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

	2014	2013
Balance at the beginning of the year	\$ 20	\$ 17
Additions	3	3
Write-offs	(20)	-
Balance at the end of the year	\$ 3	\$ 20

The Corporation does not hold any collateral in respect of accounts receivable.

Cash

The Corporation manages its exposure to credit risk for its cash by depositing only with creditworthy counterparties such as major Canadian financial institutions. The maximum exposure to credit risk for cash at April 30, 2014 was \$328 (2013 - \$10).

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 nil (2013- \$115).

5.3.2 Liquidity risk

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

The following financial liabilities have contractual maturities of less than 1 year:

(CAD\$ thousands)	2014	2013
Accounts payable and accrued liabilities	\$ 4,382	\$ 3,695
Derivative-related liabilities	203	606
Provision for final payment to fishers	1,100	2,050
Loans payable	25,984	27,230
Total	\$ 31,669	\$ 33,581

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 per cent of all accounts receivable 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 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. The forward contracts have a maturity of less than one year from the reporting date and are entered into only within limits approved by the Board of Directors.

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 \$9,000 (2013 - \$9,500) 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 nil (2013 - \$115) and derivative-related liabilities of \$203 (2013 - \$606) representing the fair value of derivative financial instruments held:

(CAD\$ thousands)	2014	2013
At maturity variable rate forwards	\$ -	\$ 115
Interest rate swaps	(203)	(606)
Assets, net of liabilities	\$ (203)	\$ (491)

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

(in U.S. \$ thousands)	2014	2013
At maturity variable rate forwards	\$ -	\$ 34,600
Interest rate swaps	\$ 9,000	\$ 9,490

The net foreign exchange loss of \$1,007 (2013 - gain of \$184) represents realized losses (gains) on settlement of financial instruments and unrealized losses (gains) on loans and accounts receivables.

The net financial derivative gain of \$288 includes a gain of \$403 (2013 – loss of \$212) representing the change in fair value of the interest rate swap, and a loss of \$115 representing the change in fair value of derivative financial instruments classified as held for trading (2013 - gain of \$24).

The Corporation is exposed to currency risk through its cash, accounts receivable, accounts payable, accrued liabilities and loans payable as follows:

(in U.S. \$ thousands)	2014	2013
Cash	\$ 307	\$ 893
Accounts receivable	4,209	4,228
Accounts payable and accrued liabilities	(65)	(82)
Loans payable	(4,000)	(4,000)
Net assets exposed to currency risk	\$ 451	\$ 1,039

Based on the net exposure, including the derivative financial instruments described above and assuming that all other variables remain constant, a hypothetical 10 per cent appreciation in the Canadian dollar against the U.S. dollar would result in a decrease in comprehensive income of \$45 (2013 – decrease of \$3,471). A hypothetical 10 per cent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of \$45 (2013 – increase of \$2,531).

Interest rate risk

The Corporation's loans payable of \$25,984 (2013 - \$27,230) are variable rate instruments and expose the Corporation to cash flow interest rate risk. Of the loans payable, \$9,000 have their interest rate fixed by way of interest rate swaps.

Of the Corporation's loans payable of \$25,984 (2013 - \$27,230), an increase of 100 basis points in interest rates at the reporting date would have decreased comprehensive income by \$260, 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 (2013 - \$272).

The interest rate swap provides the Corporation with the ability to exchange a floating payment for a fixed payment that is linked to an interest rate on a notional principal amount of \$9,000 at year end. An increase of 100 basis points in interest rates at the reporting date would have increased comprehensive income by \$558 (2013 - \$647) and increased equity by \$558 (2013 - \$647). A decrease of 100 basis points in interest rates at the reporting date would have decreased comprehensive income by \$872 (2013 - \$1,394) and decreased equity by \$872 (2013 - \$1,394).

Other price risk

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

6. INVENTORIES

Inventories included:

(CAD\$ thousands)	2014	2013
Supplies	\$ 872	\$ 1,106
Processed fish products	12,894	13,653
Write-down of processed fish products expensed in the year	(348)	(909)
	<u>\$ 13,418</u>	<u>\$ 13,850</u>

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 \$57,367 (2013 - \$52,048). 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)	2014	2013
Cost	\$ 40,444	\$ 38,942
Accumulated depreciation	(19,751)	(18,045)
Carrying amount	<u>\$ 20,693</u>	<u>\$ 20,897</u>

Carrying amount by asset class

Land	\$ 336	\$ 336
Buildings	5,446	4,543
Equipment	12,357	12,411
Fresh fish delivery tubs/totes	238	293
Vessels	2,316	2,391
Construction in progress	-	923
Carrying amount	<u>\$ 20,693</u>	<u>\$ 20,897</u>

(CAD\$ thousands)

	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Cost							
Balance at May 1, 2012	\$ 336	\$ 12,195	\$ 14,229	\$ 1,263	\$ 3,327	\$ 3,665	\$ 35,015
Additions	-	96	3,978	-	17	925	5,016
Transfers			3,667			(3,667)	-
Disposals	-	(91)	(982)	-	(16)	-	(1,089)
Balance at April 30, 2013	336	12,200	20,892	1,263	3,328	923	38,942
Additions	-	1,006	498	32	36	-	1,572
Transfers	-	245	678	-	-	(923)	-
Adjustment	-	66	93	-	-	-	159
Disposals	-	(1)	(228)	-	-	-	(229)
Balance at April 30, 2014	\$ 336	\$ 13,516	\$ 21,933	\$ 1,295	\$ 3,364	\$ -	\$ 40,444
Accumulated depreciation							
Balance at May 1, 2012	\$ -	\$ 7,385	\$ 8,488	\$ 879	\$ 821	\$ -	\$ 17,573
Depreciation	-	364	971	91	133	-	1,559
Disposals	-	(92)	(978)	-	(17)	-	(1,087)
Balance at April 30, 2013	-	7,657	8,481	970	937	-	18,045
Depreciation	-	407	1,277	87	111	-	1,882
Adjustment	-	7	20	-	-	-	27
Disposals	-	(1)	(202)	-	-	-	(203)
Balance at April 30, 2014	\$ -	\$ 8,070	\$ 9,576	\$ 1,057	\$ 1,048	\$ -	\$ 19,751
Carrying amount at April 30, 2014	\$ 336	\$ 5,446	\$ 12,357	\$ 238	\$ 2,316	\$ -	\$ 20,693

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2014 - \$1,741; 2013 - \$1,401), in marketing and administrative expenses (2014 - \$30; 2013 - \$26) and in other expenses (2014 - \$111; 2013 - \$132).

No indicators of impairment were found for property, plant and equipment as at April 30, 2014.

No property, plant and equipment were pledged as security for borrowing as at April 30, 2014.

8. INTANGIBLE ASSETS

(CAD\$ thousands)

	2014	2013
Cost	\$ 458	\$ 458
Accumulated amortization	(217)	(154)
Carrying amount	\$ 241	\$ 304
Carrying amount by asset class		
Information systems software	241	29
Construction in progress	\$ -	\$ 275
Carrying amount	\$ 241	\$ 304

(CAD\$ thousands)	Information Systems Software	Construction in Progress	Total
Cost			
Balance at May 1, 2012	\$ 364	\$ 250	\$ 614
Additions	10	25	35
Disposals	(191)	-	(191)
Balance at April 30, 2013	183	275	458
Additions	-	-	-
Transfers	275	(275)	-
Disposals	-	-	-
Balance at April 30, 2014	\$ 458	\$ -	\$ 458
Accumulated amortization			
Balance at May 1, 2012	\$ 319	\$ -	\$ 319
Amortization	13	-	13
Disposals	(178)	-	(178)
Balance at April 30, 2013	154	-	154
Amortization	63	-	63
Disposals	-	-	-
Balance at April 30, 2014	\$ 217	\$ -	\$ 217
Carrying amount at April 30, 2014	\$ 241	\$ -	\$ 241

Amortization of intangible assets is recorded on the statement of comprehensive income in marketing and administrative expenses (2014 - \$63; 2013 - \$13).

No indicators of impairment were found for intangible assets as at April 30, 2014.

Comparative information provided for the prior period has been reclassified to conform to the presentation adopted as of April 30, 2014. Specifically, construction in progress of \$275 related to intangible assets were presented as part of Property, Plant, and Equipment at April 30, 2013 and have been reclassified at April 30, 2014 to be shown as part of intangible assets.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(CAD\$ thousands)	2014	2013
Canadian dollars	\$ 4,317	\$ 3,613
U.S. dollars	65	82
Total trade and other payables and accrued liabilities	\$ 4,382	\$ 3,695

10. LOANS PAYABLE

(CAD\$ thousands)

	2014	2013
Promissory note	\$ 4,384	\$ 4,030
Bankers' acceptances	21,600	23,200
Total loans payable	<u>\$ 25,984</u>	<u>\$ 27,230</u>

The loans payable consist of the following borrowing facilities:

A \$12,600 bankers' acceptance bearing interest at an annual rate of 1.80% (2013 – 1.80%) and maturing on May 8, 2014. The weighted-average interest rate during the year was 1.80% (2013 – 1.80%). Subsequent to May 8, 2014, new bankers' acceptances were entered into at a rate of 1.80%.

A \$9,000 bankers' acceptance interest rate swap bearing an interest rate at 3.47% if the floating rate option on any reset date is less than or equal to 3.65%. If the floating rate option on any reset date is greater than 3.65%, the fixed rate for the calculation period is 4.22%. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving banker's acceptance and an interest rate swap to lock in the interest rate for 18 years. At April 30, 2014, \$1,000 in principle has been paid on the loan.

The principal of the bankers' acceptances as at April 30, 2014 is \$21,600 (2013 – \$23,200) and the fair value of the loans are \$21,600 (2013 – \$23,200).

A \$4,000 U.S. dollar denominated promissory note (\$4,384 Canadian dollars) repayable in U.S. dollars, bearing interest at an annual rate of 0.95% (2013 – 0.99%) and maturing on September 30, 2014. The weighted-average interest rate during the year was 0.87% (2013 – 1.12%). The balance of the principal as at April 30, 2014 is \$4,384 (2013 – \$4,030) and the fair value of the loan is \$4,384 (2013 – \$4,030).

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, 2014 for employees enrolled in the Plan prior to January 1, 2013 was 1.45 (2013 - 1.64) and for employees enrolled in the Plan beginning January 1, 2013 was 1.43 (2013 – 1.57). Total contributions of \$1,343 (2013 - \$1,216) were recognized as an expense in the current year. The estimated contribution for 2015 is \$1,459.

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 per cent 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)	2014	2013
Contributions by the Corporation	\$ 1,343	\$ 1,216
Contributions by employees	\$ 836	\$ 700

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)	2014	2013
Accrued liability for the Corporation's cost of buyback service (actuarial value)	\$ 306	\$ 467
Less: current portion	47	200
Non-current portion	<u>\$ 259</u>	<u>\$ 267</u>

The Corporation estimates that it has a discounted pension obligation of \$306 for future matching contributions required under this agreement.

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:

	2014	2013
Discount rate	3.55% per year	3.20% per year
Mortality rates - base table	100% of CPM 2014	100% of UPM 1994
Rates of mortality improvement	Based on Scale CPM-B	Based on Scale UPM-AA
Retirement age	Age 65	Age 65
Employer preferred rate	145% of employee contributions	164% of employee contributions

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, 2014 to establish a measurement of the liability.

11.2 Accrued obligation for sick leave benefits and workers' compensation

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 Corporation's accrued obligation for workers' compensation represents the unfunded liability for the costs of benefits specified and administered by the Workers Compensation Board of Manitoba for work-related injuries of Freshwater Fish

Marketing Corporation employees. The actuarially determined liability consists of long-term pension awards and temporary compensation costs related to future claims payment administration by the Workers Compensation Board of Manitoba.

The actuary used assumptions, as agreed with management, in the calculation of the liabilities including inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred for the workers' compensation 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 sick leave and workers' compensation liabilities was performed at April 30, 2014 to establish a measurement of these liabilities.

The statement of comprehensive income includes a charge of \$170 (2013 – \$258) which relates to workers' compensation payments, interest charges on the workers' compensation obligation and an actuarial gain. The statement of comprehensive income also includes a charge of \$200 (2013 - \$91), which relates to current service costs, interest cost and an actuarial loss related to the sick leave liability.

The Corporation's obligation for workers' compensation and sick leave consists of the following:

(CAD\$ thousands)	Workers' Compensation		Sick Leave	
	2014	2013	2014	2013
Actuarial value	\$ 264	\$ 295	\$ 424	\$ 230
Less: current portion	237	253	424	230
Non-current portion	27	42	-	-
Benefits paid	\$ 200	\$ 223	\$ 6	\$ 57
	Workers' Compensation		Sick Leave	
	2014	2013	2014	2013
Current service costs	\$ 240	\$ 208	\$ 20	\$ 19
Interest costs	13	13	8	9
Actuarial loss from demographic assumptions	1	-	122	-
Actuarial (gain) loss from financial assumptions	(6)	19	(26)	10
Actuarial (gain) loss from experience adjustments	(78)	18	76	53
Total costs	\$ 170	\$ 258	\$ 200	\$ 91
Weighted-average assumptions:				
Discount rate for obligation	3.5%	3.0%	3.8%	4.0%
Rate of compensation increase			2.0%	2.5%
Health care trend	5.0%	5.0%		
All other cost indexation	2.25%	2.25%		

Mortality rates are a key demographic assumption used in the valuation of the workers' compensation and sick leave obligations. Tables published in February 2014 by The Canadian Institute of Actuaries ('CIA') were used in the valuation of the sick leave obligation. The Ontario WSIB Workers Compensation 1996-2000 mortality table projected to 2008 was used in the valuation of the workers' compensation obligation.

Included in the actuarial (gains)/losses from financial assumptions are the adjustments due to the effect of the discount rate applied to the obligations.

Actuarial (gains)/losses from experience adjustments are the adjustments due to the effect of differences between the previous actuarial assumptions and what has actually occurred, and the effects of changes in actuarial assumptions.

The weighted-average duration of the defined benefit obligation for the workers' compensation liability is 5 years and 8.2 years for the sick leave liability.

The estimated portion of the workers' compensation liability the Corporation expects to settle in the year ending April 30, 2015 is \$237 and \$56 for the sick leave liability.

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,364 (2013 - \$1,253) 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 the operation of the Poplar River Barge on Lake Winnipeg and the sale of fishing supplies to fishers. The revenue earned from the operation of the Poplar River Barge and sales of fishing supplies is \$1,214 (2013 - \$1,171).

Other expenses of \$1,175 (2013 - \$968) consist of costs incurred to earn revenue for the Poplar River Barge and the sales of fishing supplies to fishers.

14. INCOME TAXES

Current tax expense

(CAD\$ thousands)

	2014	2013
Current income tax recovery	\$ -	\$ -
Adjustments for prior years	534	-
Total current tax expense	\$ 534	\$ -

Deferred tax expense (recovery)

(CAD\$ thousands)

	2014	2013
Origination and reversal of temporary differences	\$ 375	\$ (168)
Decrease in tax rate	(52)	-
Total deferred tax (recovery) expense	\$ 323	\$ (168)

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 25.0%. The 2013 rate used was 27.0%. The expense for the year can be reconciled to the accounting profit before tax as follows:

(CAD\$ thousands)

	2014	2013
Net profit before tax for the year	\$ 2,162	\$ 2,472
Income tax rate	25.0%	27.0%
Computed tax expense	\$ 541	\$ 667
Non-deductible expense	5	14
Temporary differences recognized in net income	(171)	34
Tax rate change	(52)	
Other net amounts	534	(883)
Income tax expense (recovery) recognized in net profit	\$ 857	\$ (168)

Current tax assets and liabilities

(CAD\$ thousands)

	2014	2013
Current tax assets		
Income taxes receivable	\$ 2	\$ 516
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 2014

(CAD\$ thousands)

	Opening balance	Recognized in profit or (loss)	Ending balance
Deferred tax asset			
Employee benefits	\$ 266	\$ (18)	\$ 248
Foreign exchange loss	-	108	108
Financial instrument loss	82	(31)	51
Deferred tax liability			
Property, plant and equipment	(949)	(404)	(1,353)
Intangible assets	(7)	(19)	(26)
Derivative contract	(15)	15	-
Foreign exchange gain	(26)	26	-
Net deferred tax liability	\$ (649)	\$ (323)	\$ (972)

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)

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

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

- the Government of Canada, and departments 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 86,000 kilograms (2013 – 87,000 kilograms) valued at \$218 (2013 – \$254). 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)	2014	2013
Short-term employee benefits	\$ 1,014	\$ 980
Total compensation paid to key management personnel	\$ 1,014	\$ 980

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, 2014 the Corporation did not have any capital commitments (2013 - \$nil).

16.2 Contingencies and Provisions

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

Analyses conducted during the year identified that a number of vacant facilities may contain some environmental risk with associated remediation costs. The Corporation's ongoing efforts to assess these sites may result in environmental liabilities related to the sites. A provision will be recorded when a reliable estimate can be determined for the amount of the obligations and when the Corporation considers that it is probable that it will remediate the contaminated sites. As of April 30, 2014, no liability has been recorded for contaminated sites in the financial statements.

CORPORATE GOVERNANCE

Freshwater's Board of Directors is comprised of eight members, including the President and Chief Executive Officer. All Board positions are federal Order-in-Council appointments with three appointed on recommendation of the participating provincial/territorial governments. Three terms ended during the fiscal year, including that of Chairperson David Tomasson (deceased in February 2014), and three new appointments to the Board were made in April 2014: David Olson, Trevor Sprague and Vincent Crate.

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 provinces and communities they represent.

Freshwater Board members met five times in Winnipeg during the 2013/14 fiscal year. Each quarter, the Board undertook a comprehensive review of financial results and operational issues. During the July 2013 meeting, the Board received the annual audit report from the Office of the Auditor General of Canada (OAG) and approved the 2012/13 Annual Report.

The Board reviewed the first quarter of the 2013/14 fiscal year at its August 2013 meeting. In November 2013, after the second quarter review, Freshwater held its fourth Annual Public Meeting and approximately 75 stakeholders were in attendance. In February 2014, 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 2014, with special attention given to the inauguration of the three newly-appointed members.

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 four times during the 2013/14 fiscal year. The Committee oversees Freshwater's financial reporting process on behalf of the Board and reports to the full Board at each meeting. At the Board of Directors' meeting held in April 2014, Gail Wood stepped down and Ken Campbell was replaced by Trevor Sprague as the new Chairperson of the Committee. Angus (Gus) Campbell retired from his position as advisor. David Olson will join Vincent Crate as the two other Board members on the Committee.

Freshwater's Quarterly Report is issued in a 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, the Seafood Value Round Table, the Institute for Corporate Directors and a Crown Corporation Governance Workshop.

BOARD OF DIRECTORS



David Tomasson

Chairperson of the Board (to August 2013)
Winnipeg, Manitoba
Occupation: Fisher and Chairperson,
Freshwater Harbour Authority Advisory Committee
Served on Board: 3 years

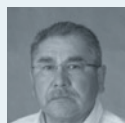
In Memoriam

David Tomasson passed away on February 14, 2014. He was an inspiring leader and dedicated crusader for fishers, respected and admired by all who had the privilege to know him. Rest in peace, David.



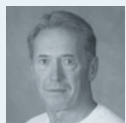
John Wood

President and Chief Executive Officer
Acting Chairperson of the Board (from August 2013)
Winnipeg, Manitoba
Served on Board: 7.5 years



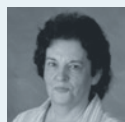
Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on Board: 10.5 years (to February 2014)



Ken Campbell

Gimli, Manitoba
Occupation: Fisher
Served on Board: 5 years



Gail Wood

Edmonton, Alberta
Occupation: Owner,
Wayne Wood Fresh Fish Ltd.
Served on Board: 7 years



Bert Buckley

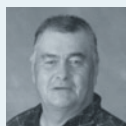
Hay River, Northwest Territories
Occupation: Fisher
Served on Board: 15 years

New Appointments effective April 2014



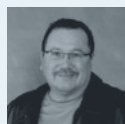
Trevor Sprague

Chairperson, Audit and Risk Committee
Winnipeg, Manitoba
Occupation: Partner, Taxation Services
Meyers Norris Penny



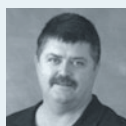
Angus Gardiner

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 5.5 years



Vincent Crate

Koostatak, Manitoba
Occupation: Fisher



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: 3 years (to February 2014)



David Olson

Gimli, Manitoba
Occupation: Fisher

AUDIT AND RISK COMMITTEE

Ken Campbell - Chairperson, Audit and Risk Committee (May 2013-March 2014), Gimli, Manitoba

David Tomasson - Member (to August 2013), Winnipeg, Manitoba

Gail Wood - Member (to April 2014), Edmonton, Alberta

Trevor Sprague - Chairperson, Audit and Risk Committee (from April 2014), Winnipeg, Manitoba

David Olson - Member (from April 2014), Gimli, Manitoba

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 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.

35 Years: Luann Johnston, Vince Freeman, Ray Audette, Sheila Lagoie-Wilde, Rita Askinis

25 Years: Leona Gallos, Rosanna Swane



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