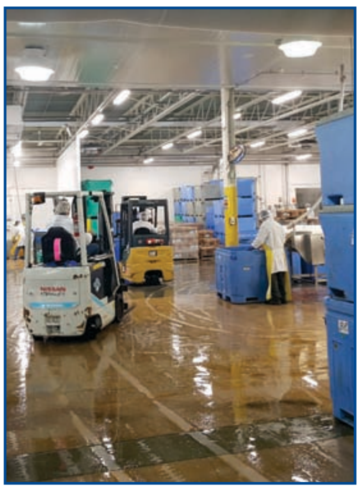




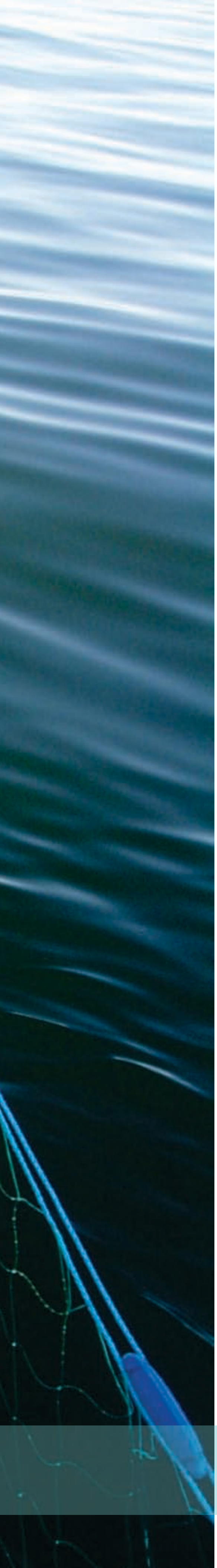





FRESHWATER FISH

here for fishers

2018 Annual Report



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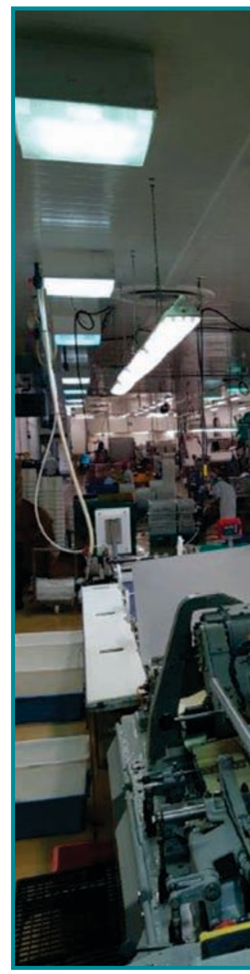
Letter of Transfer from Chairperson of the Board of Directors to Minister of Fisheries, Oceans and the Canadian Coast Guard



The Honourable Jonathan Wilkinson
Minister, Fisheries, Oceans and the Canadian Coast Guard
200 Kent St
Station 15N100
Ottawa ON K1A 0E6

Dear Minister:

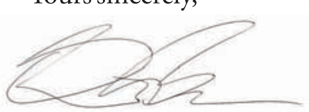
We are pleased to submit Freshwater Fish Marketing Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2018.

Freshwater has transitioned to the new open-market supply environment that occurred on December 1, 2017, when Manitoba withdrew from the *Freshwater Fish Marketing Act (FFMA)*. The Board and management are committed to maintaining the value of the Corporation for the Government of Canada, as evidenced by our performance for the year ended April 30, 2018.

The Auditor General of Canada's Special Examination of the Corporation regarding its practices, to ensure that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively, was released in May 2017. Freshwater's Board of Directors has accepted all four recommendations contained in the report and taken steps to address the concerns.

As our industry becomes more complex and challenging, Freshwater continues to be here for fishers in support of our mandate by offering value and providing a vital component in the supply chain – purchasing, processing and marketing freshwater fish to customers around the world.

Yours sincerely,



David Bevan
Chairperson of the Board

here for fishers


LAKE MANITOBA
CO-OP FISHERIES

President's Message

Freshwater Fish competes in an exciting and dynamic industry that is invariably influenced by changing demands and exciting opportunities. This is inherent in commercial freshwater fishing and involves all of us.

During the year, unprecedented change occurred with the opening of the market for fish purchases in Manitoba, altering the supply chain and legislative mandate in place since 1969. In December of 2017, the Province of Manitoba withdrew from its agreement to participate in the *Freshwater Fish Marketing Act* and Freshwater became the first registered fish dealer in Manitoba under the new fish marketing regulations.

In addition to existing agreements in Saskatchewan, contract agreements have been signed with most freshwater fish harvesters, agents and co-operatives in Manitoba. With these contract agreements, Freshwater will continue to provide vital services to fishers and secure continuity of fish supply to utilize the processing infrastructure at the Winnipeg plant. This will enable us to meet commitments to customers in our markets around the world.

Going forward, Freshwater is committed to maintaining a customer-focused approach to supply chain management – from lake-to-plate and here for fishers centered on fulfilling customer needs and increasing returns to fishers. We will continue to develop and nurture strategic alliances with partners to develop new products and increase market penetration.

As we move into 2019, our focus is on leveraging profitability by species and market, strengthening relationships and increasing returns to fishers while fostering a culture of excellence to continue to improve performance.

As we approach Freshwater's 50th anniversary in 2019, our success through many years of change, opportunity and challenge pivots on one constant – people - people in our workplace, people in our marketplaces and people in the communities in which we do business. Going forward, we are committed to continue generating value for our fishers, customers, employees, and our government stakeholders.

Freshwater Fish – From Lake to Plate and Here for Fishers.

Stan Lazar
Interim President

Corporate Governance

Freshwater Fish Marketing Corporation is committed to improve our governance framework, enhance the reputation and business we have earned in global markets, maintain and promote our mandate, and safeguard the value of our assets for the Government of Canada.

Corporate Profile

Freshwater Fish Marketing Corporation (herein referred to as "Freshwater", "FFMC", "the Corporation", "we", "us", or "our") is a self-sustaining federal Crown corporation – the buyer, processor and marketer of all commercially-caught freshwater fish from our mandate regions of the Northwest Territories and Alberta, and two provinces outside our mandate region – Manitoba and Saskatchewan (formerly mandated). Although Alberta remains a signatory to the *Freshwater Fish Marketing Act*, the Province of Alberta has suspended commercial fishing in order to focus its resources on sport fishing, resulting in no deliveries from Alberta since the end of fiscal 2014/15.

The Province of Manitoba officially withdrew from the *Freshwater Fish Marketing Act (FFMA)* on December 1, 2017. The withdrawal created an open market environment that Freshwater actively participates in. Freshwater established supply contracts with Manitoba fishers to be here for fishers, guaranteeing the purchase of their catch, while meeting sales commitments to customers around the world. Our new business model matches the open market of purchasing fish in Manitoba, with both the sustainability of the industry and livelihood of fishers in mind.

Freshwater is meeting all the requirements in Manitoba regarding the new provincial regulations of a fish dealer. Export documentation regulations are being met and numerous reports are submitted to the Fisheries Branch in compliance with Manitoba's revised *Fisheries Act*.

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.

More than 180 full-time production staff are employed by Freshwater Fish, which also adds to its workforce during peak periods. Fish are caught by approximately 1,650 fishers across the western Canadian region and then are purchased and graded by contracted agents and corporate agencies at 46 delivery points. Freshwater is a significant contributor to the economics of more than 50 communities in Canada's north and does this by acting as the marketer of their harvest to over 14 countries.

The Freshwater brand continues to represent the global benchmark when it comes to the production of top quality wild-caught freshwater fish. It remains the number one choice for U.S. chefs when placing walleye on their menus. Freshwater is the largest and most trusted supplier of lake whitefish and whitefish caviar to Finland, and the number one supplier for buyers of tullibee roe in Scandinavia. It continues to be the dominant supplier to the northern pike market in France, both with minced and new product innovations. It is the largest individual supplier of freshwater fish products to the U.S. gefilte fish market and maintains a kosher-certified plant.

In nearly five decades of business in Canada and abroad, Freshwater has established and sustained a solid reputation based on product reliability, quality and safety. We are a recognized industry leader with an internationally-established and highly-endorsed brand of excellence.

Ensuring Effective Governance

The Board of Directors has overall responsibility to oversee the management of the Corporation's business and affairs. It exercises its duty in the best interests of fishers, employees, and our sole shareholder, the Government of Canada, in accordance with our governing by-laws and applicable legislation.

To fulfill its stewardship responsibilities, the Board establishes and approves Freshwater's strategic direction through a five-year Corporate Plan, and reviews and approves major strategies and initiatives. It exercises due diligence by assessing risks and opportunities, ensuring the integrity of financial results and providing timely reports to the Government of Canada. The Board of Directors approved a new five-year Corporate Plan in March 2018. Submission of the plan to the Government of Canada is pending.

Five strategic goals have been defined for Freshwater. They are:

- To generate market value and leadership in the markets we choose to serve;
- To manage an effective and efficient supply chain and be the preferred choice for fishers;
- To continue to improve stakeholder confidence by improving the financial position of the Corporation;
- To maintain corporate viability and sustainability; and
- To foster a culture of performance delivering an exceptional workplace to employees and value to fishers.

The Board has eight available positions and at April 30, 2018, consisted of three Directors, including the

Director	Board meeting attendance*	Board teleconference meeting attendance*	Committee meeting attendance*
David Bevan	4/4	7/7	3/4
Bert Buckley	4/4	4/7	4/4
Vince Crate	3/3	5/6	3/3
Stan Lazar	4/4	7/7	4/4
Keith Single	2/3	2/4	2/3
John Wood	1/1	5/5	1/1

**The number of meetings attended compared to the maximum the Director could have attended.*

President and Chief Executive Officer. Five positions are vacant and the Board is working with the Government of Canada to fill those vacancies. The Board and its Committee hold *in camera* sessions without the presence of the President and Chief Executive Officer. During this fiscal year, the Board of Directors met in person four times and held seven teleconferences.

The Audit and Risk Committee assists the Board in its responsibilities. This Committee met a total of four times in person in 2017-18.

While the President and Chief Executive Officer receives an annual salary, the Chair of the Board is paid an annual retainer and a *per diem* set by the Governor-in-Council pursuant to the *Financial Administration Act (FAA)*. Directors are paid a *per diem* also set by the Governor-in-Council in accordance with the *FAA*.

Board members are reimbursed for all reasonable out-of-pocket expenses incurred while performing their duties related to Freshwater, including travel, accommodations and meals. Associated expenses for Board members and senior management are posted on Freshwater's website.

Special Examination Update

The most recent Auditor General of Canada's Special Examination of FFMC was conducted from October 2015 to June 2016, with the objective of determining whether the Corporation's practices ensured that assets were safeguarded, resources were managed economically and efficiently, and operations were carried out effectively.

Overall, the report found weaknesses in the oversight and management of the Corporation, and in the way operations were carried out. Freshwater's Board of Directors accepted all four recommendations and has taken steps to address these concerns.

The four recommendations from the report, followed by the Corporation's response and update on the implementation of each recommendation, are listed below:

Recommendation 1: *In consultation with the Minister of Fisheries, and Oceans, and the Canadian Coast Guard, the Corporation should address its deficiencies in governance practices, including those in the areas of Board profiles and competencies, oversight, and potential or perceived conflicts of interest.*

The Corporation agreed with this recommendation. The Board of Directors of Freshwater has eight available positions. As of April 30, 2018, it consisted of three occupied positions: the Chairperson, the President and Chief Executive Officer, and a federal representative from the Northwest Territories.

In response to observations in the Special Examination, the Board of Directors of the Corporation reviewed accountabilities and oversight obligations. The duties of each Director were reviewed and outlined in the Corporation's updated Board Profile. Emphasis was placed on ensuring good judgment and independence of Board members when formulating advice and decisions. Core attributes, competencies, skills and experience required to achieve the Corporation's objectives were captured in the updated Board Profile.

Freshwater protects the integrity of its Board of Directors by providing a process for the reporting and resolution of conflicts of interest, should they arise. In 2017, the Conflict of Interest Policy for Board Directors and senior management was enhanced. Every Director must sign a declaration and is responsible for taking such action as is necessary to prevent real, potential or apparent conflicts of interest. Additionally, part-time holders of public office are subject to certain sections of the *Conflict of Interest Act*, Part X of the *Financial Administration Act*, Ethical Guidelines for Public Office Holders and Political Activity Guidelines for Public Office Holders.

Five federal Director positions are vacant and the Board is working with the Minister of Fisheries, Oceans and the Canadian Coast Guard to fill them.

Recommendation 2: *The Corporation should update its risk register and its strategic direction and objectives, in consultation with government officials, to allow it to define, obtain approval of, and promptly implement a long-term strategic direction. In doing so, the Corporation should ensure that it has appropriate information for decision-making.*

The Corporation agreed with this recommendation. The Corporation recommitted to identify its most significant risks and review its strategic plan. The results of the risk assessment workshop in January 2017 identified the degree to which the risks have the potential to impact the Corporation's mandate and strategic initiatives, and the likelihood of occurrence. The risk assessment also identified control activities and their effectiveness to mitigate the risks.

A strategy session and risk management review with Board Directors and senior management was held in November 2017. An internal audit plan was developed based on leading practices, facilitated through a third party consultant, and subsequently approved by the Corporation's Audit and Risk Committee. Results of internal audits and progress against the internal audit plan are presented to the Audit and Risk Committee on a quarterly basis.

Risk management was re-established as a standing agenda item of the Corporation's Audit and Risk Committee meeting. Risks are re-examined as new events or new information becomes available, to help ensure that activities are focused on the areas of most relevance to the Corporation.

Recommendation 3: *The Corporation should create clear operational and capital plans that detail how to achieve its strategic objectives for upcoming years, and effectively communicate them throughout the Corporation.*

The Corporation agreed with this recommendation. Its strategic planning process includes the establishment of operational plans with corresponding key performance indicators (KPI's) to measure performance effectiveness. These are included in the Corporate Plan submitted annually to the Government of Canada.

The Corporation re-established weekly operational reviews, with senior management focusing on operational KPI's. Progress against the Corporation's strategic initiatives is also reviewed weekly, with appropriate follow-up action to meet the objectives of the Corporation's strategic plan. Comprehensive monthly performance reviews with senior management and quarterly reviews with the Board of Directors are conducted to focus on financial and species performance, field operations/fish deliveries, marketing performance, processing/plant operations and human resources.

The Corporation's strategic planning process includes a review of the capital requirements needed to meet strategic objectives. This is included in the Corporate Plan submitted to the Government of Canada.

The Corporation's Salaried Performance Development System (PDS) and Pay at Risk (PAR) program are human resource tools designed to manage employees' performance and development, and are utilized to measure ability to meet competency requirements, annual KPI's and strategic objectives. They are constructive and meaningful tools contributing to both the Corporation's and employees' success.

To communicate and provide status of the Corporation's plans to all employees, including those represented by bargaining units, quarterly all-employee meetings are held by the President and Chief Executive Officer to review performance against strategic objectives and KPI's. In 2017-18, employee reviews were held after each fiscal quarter.

Recommendation 4: *The Corporation should review its policies and procedures to identify where updates are required or where gaps exist. It should ensure that its employees are trained on its policies and procedures, in accordance with their responsibilities. It should assess and monitor compliance with its policies and procedures.*

The Corporation agreed with this recommendation. In 2017-18, the Corporation reviewed its existing policies and procedures and either updated existing policies or added new ones based on the recommendations in the Special Examination Report.

All policies have been fully communicated to employees; each one has acknowledged understanding of and compliance with each policy.

All common policies and procedures are accessible on the Corporation's computer network. These will be reviewed with employees annually and reviewed by the Corporation bi-annually to ensure they are current and in line with changes that may affect the organization and/or relevant legislation, as applicable.

The Corporation is obligated to train its employees in accordance with regulatory and safety requirements through a comprehensive Occupational Health and Safety (OHS) program, coordinated by the Corporation's Health and Safety Manager.

A training matrix is monitored to ensure all employees are trained and compliant with the regulations in the policies.

In response to the Special Examination, the Corporation was required to appear before the Standing Committee on Public Accounts in October 2017 and received recommendations from this Committee that were completed by April 2018.

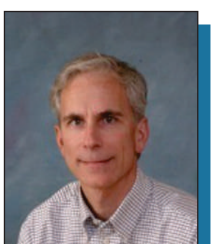
The Corporation also appeared before the Standing Committee on Fisheries and Oceans in October 2017 to address the recommendations raised in the Special Examination.

Board of Directors

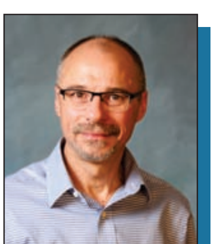
David Bevan
Chairperson of the Board
Ottawa, Ontario
Occupation: Retired Associate Deputy Minister, Department of Fisheries and Oceans
Served on Board: 2 years

Bert Buckley
Hay River, Northwest Territories
Occupation: Commercial Fisher
Served on Board: 19 years

Vince Crate
Koostatak, Manitoba
Occupation: Band Councillor, Fisher River Cree Nation / Commercial Fisher
Served on Board: 4 years
(term completed December 2017)



Stan Lazar
Interim President
Winnipeg, Manitoba
Served on Board: 1 year



Keith Single
Chairperson of the Audit and Risk Committee
Occupation: Certified Professional Accountant
Winnipeg, Manitoba
(resigned March 2018)

5 Vacant Positions

John Wood
Sarnia, Ontario
Occupation: Consultant
Served on Board: 10 years
(retired August 2017)

Audit and Risk Committee

Keith Single
Chairperson of the Audit and Risk Committee
Winnipeg, Manitoba
(resigned March 2018)

David Bevan
Interim Chairperson of the Audit and Risk Committee
Ottawa, Ontario

Bert Buckley
Member
Hay River, Northwest Territories

Vince Crate
Member
Koostatak, Manitoba
(term completed December 2017)

Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) provides a narrative discussion outlining Freshwater's financial and operating results for the year ending April 30, 2018. This discussion should be read with the financial statements and accompanying notes for the fiscal year.

Financial and operating results reported in the MD&A are current to April 30, 2018. Management is responsible for the information presented in the annual report and this discussion. The Board of Directors, on the recommendation of its Audit and Risk Committee, approved the content of this MD&A and the audited financial statements.

Materiality

In assessing what information is to be provided in the MD&A, management applies the materiality principle as guidance for disclosure. Management considered information material if it is probable that its omission or misstatement would influence decisions that users make on the basis of the financial information.

Forward-Looking Statements

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

Significant Events

Manitoba establishes an open supply market

In December 2017, the Province of Manitoba withdrew from its agreement to participate in the *Freshwater Fish Marketing Act (FFMA)* and Freshwater became Manitoba's first registered fish dealer under the new fish marketing regulations. In addition to existing agreements in Saskatchewan, contract agreements have been signed with most freshwater fish harvesters, agents and co-operatives in Manitoba to carry on providing vital services and securing continuity of fish supply to utilize the processing infrastructure at the Winnipeg plant and meet commitments to customers in world markets.

Travel and hospitality expenditure and procedures

In July 2015, the Corporation was issued a directive (P.C. 2015-1108) in accordance with section 89 of the *Financial Administration Act (FAA)* to align our travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments in a manner that is consistent with our legal obligations. To increase transparency and communication on travel, hospitality, conference and event expenditures, Freshwater finalized its implementation of this directive on January 31, 2018. The Corporate Travel, Hospitality, Conference and Event Policy is published on freshwaterfish.com.

Board changes

In June 2017, Keith Single was appointed a Director fulfilling the role of Chairperson of the Audit and Risk Committee. John Wood resigned from the Board in August 2017 and Keith Single resigned in March 2018. Vince Crate was removed as a Board Director upon Manitoba's withdrawal from the *Freshwater Fish Marketing Act* on December 1, 2017. David Bevan was re-appointed as Chairperson of the Board on March 21, 2018.

The Board continues to work with the Minister of Fisheries, Oceans and the Canadian Coast Guard to fill the five outstanding Board vacancies.

Corporate plan

On March 22, 2018, Freshwater's Board of Directors approved the 2018/19-2022/23 Corporate Plan. Freshwater's five-year 2017/18-2021/22 plan was approved by the Government of Canada in March 2018.

Performance Indicators

Performance against the Corporate Plan

To achieve its objectives, the Corporation strives to continually improve its financial and operational results. The operating and financial results achieved during the year ended April 30, 2018 indicate that many, though not all, operational and financial goals established in the 2017/18-2021/22 Corporate Plan were met:

Performance Indicator	2018 Performance Target	2018 Actual Performance
Profit before final payment and income tax	$ 4.4 million	$8.3 million
Percent return to fishers	45.3%	51.0%
Retained earnings	$16.1 million	$18.2 million
Gross and net sales revenue	$79.5 / $75.1	$73.8 / $69.8
Improve direct labour efficiency	1% improvement over 2016/17	2.2% decrease
Improve operational costs per kilogram	1.5% improvement over 2016/17 actual	7% improvement
Initial payments to fishers	$32.2 million	$31.6 million
Fish delivery volume	15.9 million kilograms	14.1 million kilograms

Results of Operations

Fish deliveries

Freshwater received deliveries of 14.1 million kilograms in 2018, a decrease of 4.1% compared to deliveries of 14.7 million kilograms in 2017. The change in deliveries was the result of environmental and biological factors affecting lake deliveries and the variety of species caught throughout the year compared with a year ago. In the first month after Manitoba's withdrawal from the *FFMA,* the Corporation did lose some planned deliveries of fish from a few agents who opted to deliver their fish to Freshwater's competitors.

Sales revenue

Freshwater generated sales revenue of $73.8 million for 2018, a decrease of 2.7% compared to the same period in 2017. The decrease in sales revenue is the result of changes in product sales mix and pricing. Total processed fish inventory at April 30, 2018 increased to $27.0 million as a result of higher initial prices for a number of species and the mix of fish species by form in inventory. Freshwater actively manages inventory levels in response to changes in demand to ensure customer requirements are met throughout the year.

Cost of sales

The cost of sales for 2018 of $59.3 million decreased by 3.3% from 2017 cost of sales of $61.3 million. This decrease is consistent with the related change in revenue and profit margins achieved during 2018. Costs of sales from processing operations consist of direct costs and processing overhead. This decrease in cost of sales primarily relates to the sales mix reflected in selling prices. Overall, operating expenses remained consistent and the Corporation continues to focus on ensuring expenses are well-managed.

Marketing and administrative expenses (M&A)

The M&A for 2018 of $6.2 million (8.4% of revenue) decreased 3.1% compared with $6.4 million (8.4% of revenue) in 2017. The decrease in the 2018 M&A is influenced by lower variable expenses including commissions and employee remuneration. Professional services and data processing expenses were 15% higher than 2017 due to information systems support.

Net foreign exchange gain and financial derivative gain

During 2018, the Corporation had a net realized foreign exchange gain of $0.61 million related to settlements of financial instruments. The net financial derivative gain of $0.60 million in 2018 represents the change in fair value of interest rate swaps and realized and unrealized gains and losses on foreign exchange contracts.

Income tax expense

The income tax expense for 2018 was $1.08 million, consisting of $0.87 million of current income tax expense and $0.21 million of deferred income tax expense. In comparison, the income tax expense for 2017 was $1.08 million, consisting of $0.81 million of current income tax expense and $0.27 million of deferred income tax expense recovered. Overall 2018 income tax expense remained at 2017 levels. The overall rate of tax decreased by 1.2% due to the tax treatment of the foreign exchange on the May 2017 repayment of the USD denominated LIBOR Loan.

Total comprehensive income

The Corporation reported total comprehensive income of $3.2 million in 2018, higher by $0.20 million compared to total comprehensive income of $3.0 million in 2017. Total comprehensive income in 2018 is primarily a result of higher profit.

Returns to fishers

Freshwater uses a payment structure that determines initial and final payments under a pooling system. The final payments are calculated 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 20 and 21 provides species pool results for 2018 and an historical comparison.

Retained earnings

A study was commissioned by Freshwater in 2007 to review financial policies, profit payout and retention, and levels of capitalization. Recommendations were provided on how Freshwater should finance its operations and pay fishers in comparison to similar entities and industries. The study reviewed similar enterprises and concluded that Freshwater's targeted retained earnings level should be at a minimum of 20% of its annual net sales. Freshwater's Long-Term Debt and Retained Earnings Policy became effective in 2012. At April 30, 2018, Freshwater's retained earnings are $18.2 million.

Liquidity and capital resources

Cash Flows

Cash decreased by $0.57 million to $1.0 million at April 30, 2018, from $1.6 million at April 30, 2017. Cash flows from operating activities decreased to $2.25 million for the year ended April 30, 2018, from $3.56 million for the year ended April 30, 2017. The decrease is mainly attributable to an increase in the value of inventories relative to last year. Cash flows used in investing activities declined to $1.5 million for the year ended April 30, 2018, from $1.7 million for the year ended April 30, 2017. Capital expenditures at Freshwater are guided by production requirements; information technology support; food safety regulations; and return on investment. Less growth-oriented but essential projects include the replacement of aging equipment, building and equipment support and investments in health and safety. These expenditures fell into three categories:

- Building ($0.48 million): Includes plant modernization and improvements in the Winnipeg and field operations processing plants to facilitate efficient plant usage.
- Equipment, vessels and fresh fish delivery totes ($1.1 million): Includes investments for reliability, flexibility and capability improvements. Key investments were made to the Poplar River barge and new equipment was purchased for enhanced processing capabilities at the Winnipeg plant.
- Information Technology ($0.31 million): Includes computer hardware and software for the ongoing support and development of the computing and communications infrastructure.

Cash flows used in financing activities were $3.2 million for the year ended April 30, 2018, compared to $1.4 million provided by financing activities for the year ended April 30, 2017. During the year a total of $4.0 million U.S. dollar ($5.5 million Canadian dollar) denominated promissory note was fully repaid.

Borrowing Facilities

Freshwater is meeting its goal to position the Corporation on a more solid financial footing through repayment of debt. At April 30, 2018, Freshwater's outstanding loan balance was $26.8 million, consisting of $14.9 million of operating debt and $11.9 million of demand-installment debt. During the year annual repayment of principle on the demand installment debt was $0.93 million. Since establishing its debt repayment strategy in 2012, Freshwater has reduced demand-installment debt by $4.6 million from $17.2 million in 2012 to $11.9 million in 2018.

Note 11 to the financial statements provides full details on Freshwater's borrowing facilities.

Contractual Obligations and Other Commitments

See note 18 to the financial statements for details on Freshwater's contractual obligations and other commitments.

Outlook and Risks

The Corporation's performance is influenced by many factors, including competitive pressures, economic conditions and volatility of fish deliveries and in the markets we sell to. The operating and financial results achieved during the year ended April 30, 2018, indicate the Corporation met its financial target established in the 2017-18 to 2021-22 Corporate Plan that is approved by the Government of Canada.

Enterprise Risk Management

Under the guidance of the Board and the Audit and Risk Committee, the Corporation's risk management process is undertaken by the Leadership team. It focuses on the identification and management of the key risks which could impact the achievement of Freshwater's strategic objectives. The Board reviews Freshwater's risk profile on a quarterly basis and actively contributes to the risk management process.

Freshwater's risk management framework and practice is consistent with guidance issued by the Treasury Board and is subject to review by internal audit. A register of risks is maintained and are updated regularly and evolve as new risks are identified and existing ones are mitigated.

As of April 30, 2018, Freshwater has identified the following key risks that could materially impact its forecasted financial results.

Strategic risks

Mandate

Freshwater is a Crown corporation solely-owned by the Government of Canada and governed primarily under the *Freshwater Fish Marketing Act (FFMA)* and the *Financial Administration Act (FAA).* The withdrawal of Manitoba from the *FFMA* may create changes to shareholder objectives or legislation that could have an impact on performance. The situation creates uncertainty over the long term.

Fish Deliveries

Environmental, biological and economic opportunities and risks affect the volume of fish delivered to Freshwater in any given year. On a regular basis, Freshwater uses effective operational planning and daily management to address these and other issues to meet its mandate. Manitoba's withdrawal from the *FFMA* provides both risks and opportunities to the Corporation. Competitors are free to purchase fish supply in the province of Manitoba. Continuity of supply is a key risk and Freshwater has signed three-year supply contracts with fishers, fish agents and fish co-operatives to secure raw material to meet customer commitments and maintain the value and efficiency of its assets. Under the *FFMA*, Freshwater is obligated to purchase all fish legally offered for sale in the Northwest Territories and Alberta.

Changes in Regulatory Requirements

Recent global trends have indicated that imposition of domestic and international taxes, export controls, tariffs, embargoes, sanctions and other trade restrictions may affect Freshwater's operations and markets.

Geopolitical Uncertainty

U.S. administration protectionism on Freshwater's U.S. markets may further impact the Corporation. Volatility in international political and economic environments remains a risk in many of Freshwater's markets.

Financial risks

Foreign Exchange

A significant portion of the Corporation's revenue is denominated in foreign currencies, mainly U.S. dollars, which exposes the Corporation to foreign exchange risk as well as fluctuations in international currency exchange rates.

Although Freshwater utilizes a hedging strategy, the volatility of foreign currencies, particularly the U.S. dollar, creates underlying risk to revenues.

Interest Rate

Recent decisions from the Bank of Canada suggest that interest rates are forecast to continue rising in the near future. Freshwater has interest rate swaps in the amount of $11.9 million. The current interest rate swaps fix the interest rates for $4.9 million until 2029 and $7.0

million until 2032. Any additional debt required to meet the Corporation's working capital needs is subject to interest rate volatility.

Forward-Looking Statements

This annual report, including this MD&A, contains forward-looking statements that reflect management's expectations regarding Freshwater's objectives, plans and strategies. Forward-looking statements are typically identified by words or phrases such as "plans," "anticipates," "expects," "believes," "estimates," "intends" and other similar expressions. These forward-looking statements are not facts, but only estimates regarding expected performance and results of operations (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what Freshwater expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth above in the Risks to Performance, as well as in note 6 – Financial Instruments and Financial Risk Management to Freshwater's financial statements. To the extent Freshwater provides future-oriented financial information or a financial outlook, such as future operational and financial performance, Freshwater is providing this information for the purpose of describing future expectations. Therefore, readers are cautioned that this information may not be appropriate for any other purpose. Furthermore, future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks.

Readers are urged to consider these factors carefully when evaluating these forward-looking statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. Freshwater cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in this annual report are made only as of July 18, 2018, and Freshwater does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

Ten Year Financial Summary

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales	$62.5	$66.4	$66.8	$66.9	$63.5	$68.5	$71.0	$73.2	$75.8	$73.8
Net Income (Loss) Before Final Payments and Income Tax	($0.7)	$1.5	$0.1	$5.7	$4.5	$3.3	$6.2	$5.1	$7.6	$8.3
Fish Purchases	$35.3	$31.6	$26.6	$27.8	$27.4	$28.0	$29.5	$32.6	$32.0	$35.5
Net Income Before Income Tax Plus Fish Purchases	$34.6	$33.1	$26.7	$33.5	$31.9	$31.3	$35.7	$37.7	$39.6	$43.8
Accounts Receivable	$6.2	$8.1	$7.0	$6.4	$6.4	$7.1	$6.6	$8.7	$10.2	$8.5
Inventory – Processed Fish Products	$16.0	$15.0	$9.1	$9.6	$12.7	$12.6	$15.4	$18.6	$18.5	$25.8
Inventory – Packaging Material and Parts	$0.8	$0.9	$0.9	$0.9	$1.1	$0.9	$0.8	$1.1	$1.1	$1.3
Capital and Intangible Assets – Net Book Value	$13.9	$14.3	$13.8	$17.7	$21.2	$20.9	$19.4	$20.0	$20.3	$20.2
Loans Payable	$30.8	$29.4	$23.6	$21.1	$27.2	$26.0	$21.3	$24.6	$23.6	$26.8
Retained Earnings	$2.8	$2.7*	$1.7*	$4.2	$6.8	$8.2	$10.4	$11.9	$14.9	$18.2

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

Financial Returns and Deliveries

Ten Year Summary (2009 - 2018), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Walleye (Pickerel)										
Delivered Weight	6.2	5.8	5.9	6.0	5.7	5.7	4.8	4.6	4.6	4.5
Price/Round Kg.	$3.35	$3.22	$2.83	$3.19	$3.13	$2.88	$3.50	$4.00	$3.59	$4.71
Initial Payment	$20.8	$17.5	$15.5	$16.4	$15.8	$15.5	$14.5	$15.5	$16.7	$18.0
Final Payment	$0.0	$1.2	$1.2	$2.7	$2.0	$0.9	$2.3	$2.9	$3.3	$3.2
Total Payment	$20.8	$18.7	$16.7	$19.1	$17.8	$16.4	$16.8	$18.4	$20.0	$21.2
3 Yr. Moving Avg.	$21.3	$20.4	$18.7	$18.2	$17.9	$17.8	$17.0	$17.2	$18.4	$19.9
Lake Whitefish										
Delivered Weight	5.1	5.1	4.6	3.8	3.7	3.6	4.0	4.8	4.4	4.7
Price/Round Kg.	$1.49	$1.39	$1.17	$1.18	$1.44	$1.56	$1.81	$1.69	$1.69	$2.02
Initial Payment	$7.6	$7.1	$5.4	$4.5	$5.4	$5.4	$6.6	$8.1	$7.5	$9.3
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.6	$0.0	$0.0	$0.2
Total Payment	$7.6	$7.1	$5.4	$4.5	$5.4	$5.6	$7.2	$8.1	$7.5	$9.5
3 Yr. Moving Avg.	$5.9	$6.3	$6.7	$5.7	$5.1	$5.2	$6.1	$7.0	$7.6	$8.4
Northern Pike										
Delivered Weight	2.1	1.9	1.8	1.9	2.0	2.0	2.2	2.3	1.7	1.7
Price/Round Kg.	$0.90	$0.89	$0.78	$0.79	$0.80	$0.80	$0.89	$0.91	$0.81	$1.00
Initial Payment	$1.9	$1.6	$1.4	$1.5	$1.6	$1.6	$1.9	$2.1	$1.4	$1.4
Final Payment	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.1	$0.3
Total Payment	$1.9	$1.7	$1.4	$1.5	$1.6	$1.6	$2.0	$2.1	$1.5	$1.7
3 Yr. Moving Avg.	$1.5	$1.7	$1.7	$1.5	$1.5	$1.6	$1.7	$1.9	$1.8	$1.8
Sauger										
Delivered Weight	0.3	0.6	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.1
Price/Round Kg.	$3.33	$3.17	$3.00	$2.29	$2.71	$2.67	$2.67	$2.33	$2.99	$3.00
Initial Payment	$1.0	$1.9	$0.6	$0.4	$0.6	$0.8	$0.8	$0.7	$0.5	$0.3
Final Payment	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$1.0	$1.9	$0.6	$0.5	$0.6	$0.8	$0.8	$0.7	$0.5	$0.3
3 Yr. Moving Avg.	$0.6	$1.1	$1.2	$1.0	$0.6	$0.6	$0.7	$0.8	$0.7	$0.5

Financial Returns and Deliveries

Ten Year Summary (2009 - 2018), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mullet										
Delivered Weight	2.0	2.2	1.0	1.6	1.3	2	2.6	2.8	2.3	1.7
Price/Round Kg.	$0.35	$0.36	$0.30	$0.46	$0.49	$0.45	$0.42	$0.46	$0.48	$0.53
Initial Payment	$0.7	$0.8	$0.3	$0.7	$0.6	$0.9	$1.1	$1.3	$1.1	$0.8
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
Total Payment	$0.7	$0.8	$0.3	$0.7	$0.6	$0.9	$1.1	$1.3	$1.1	$0.9
3 Yr. Moving Avg.	$0.7	$0.7	$0.6	$0.6	$0.6	$0.8	$0.9	$1.1	$1.2	$1.1
Perch										
Delivered Weight	0.1	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Price/Round Kg.	$3.00	$2.00	$2.00	$3.75	$3.16	$2.00	$2.00	$3.00	$4.15	$5.00
Initial Payment	$0.3	$0.4	$0.4	$1.0	$0.3	$0.2	$0.2	$0.2	$0.4	$0.4
Final Payment	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1
Total Payment	$0.3	$0.4	$0.4	$1.1	$0.3	$0.2	$0.2	$0.3	$0.5	$0.5
3 Yr. Moving Avg.	$0.6	$0.5	$0.4	$0.6	$0.6	$0.6	$0.2	$0.2	$0.3	$0.4
Other										
Delivered Weight	0.8	0.5	0.5	0.5	0.6	0.7	1.3	1.5	1.4	1.3
Price/Round Kg.	$0.88	$0.60	$0.60	$0.60	$0.79	$1.00	$1.17	$1.07	$0.95	$1.15
Initial Payment	$0.7	$0.3	$0.3	$0.3	$0.4	$0.7	$1.5	$1.6	$1.3	$1.4
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1*
Total Payment	$0.7	$0.3	$0.3	$0.3	$0.4	$0.7	$1.5	$1.6	$1.4	$1.5
3 Yr. Moving Avg.	$0.6	$0.5	$0.4	$0.3	$0.3	$0.5	$0.9	$1.3	$1.5	$1.5
All Pools										
Delivered Weight	16.6	16.3	14.2	14.3	13.6	14.4	15.3	16.4	14.7	14.1
Price/Round Kg.	$1.99	$1.90	$1.77	$1.94	$1.97	$1.82	$1.93	$1.98	$1.96	$2.52
Initial Payment	$33.0	$29.6	$23.9	$24.8	$24.8	$25.1	$26.5	$29.4	$28.9	$31.6
Final Payment	$0.0	$1.3	$1.2	$3.0	$2.0	$1.1	$3.0	$3.0	$3.5	$4.0
Total Payment	$33.0	$30.9	$25.1	$27.8	$26.8	$26.2	$29.5	$32.4	$32.4	$35.6
3 Yr. Moving Avg.	$31.2	$31.2	$29.7	$27.9	$26.6	$26.9	$27.5	$29.4	$31.4	$33.5

* Tullibee (Cisco) and Carp roe only

Management's Responsibility For Financial Reporting

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

Management is responsible for preparation of the financial statements 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, proper records are maintained and that transactions of the Corporation are in accordance with Part X of the *Financial Administration Act* (FAA) and regulations, the *Freshwater Fish Marketing Act* and regulations, the by-laws of the Corporation and the directive (P.C. 2015-1108) issued pursuant to section 89 of the FAA.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Risk Committee. The Committee meets with management and the independent external auditor to discuss auditing, internal controls and other relevant financial matters. The Audit and Risk Committee meets to review the financial statements with the external auditors and submits its reports to the Board of Directors. The Board of Directors reviews and approves the financial statements.

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

Stanley A. Lazar, CPA, CMA
Interim President and Chief Executive Officer

Denis P. Lavallée, CPA, CA
Controller

Winnipeg, Canada
July 19, 2018

Independent Auditor's Report

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Fisheries, Oceans and the Canadian Coast Guard

Report on the Financial Statements

I have audited the accompanying financial statements of the Freshwater Fish Marketing Corporation, which comprise the statement of financial position as at 30 April 2018, 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 the Freshwater Fish Marketing Corporation as at 30 April 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 2 in the financial statements which indicates that the Province of Manitoba has withdrawn from its agreement to participate in the *Freshwater Fish Marketing Act.* Manitoba fishers supply approximately 80 percent of the Corporation's raw materials. These conditions, as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Freshwater Fish Marketing Corporation's ability to continue as a going concern.

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 the 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, the by-laws of the Freshwater Fish Marketing Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Riowen Abgrall

Riowen Yves Abgrall, CPA, CA
Principal
for the Auditor General of Canada

19 July 2018
Ottawa, Canada

Statement of Financial Position

As at April 30, 2018
(in thousands of Canadian dollars)

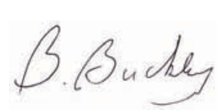
		2018		2017
ASSETS				
Current				
Cash	$	1,030	$	1,601
Accounts receivable (Note 6)		8,472		10,239
Prepaid expenses		140		164
Derivative-related assets (Note 6)		25		-
Inventories (Note 7)		27,135		19,591
		36,802		31,595
Non-current				
Property, plant and equipment (Note 8)		20,046		20,162
Intangible assets (Note 9)		105		144
		20,151		20,306
Total Assets	**$**	**56,953**	**$**	**51,901**
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities (Notes 6 and 10)	$	4,626	$	5,699
Accrued obligation for employee benefits (Note 13)		542		560
Provision for final payment to fishers (Note 18)		4,000		3,500
Loans payable (Notes 6 and 11)		26,775		23,574
Provision for environmental liability (Note 18)		277		434
Derivative-related liabilities (Note 6)		509		1,318
		36,729		35,085
Non-current				
Deferred tax liabilities (Note 16)		1,884		1,673
Accrued obligation for employee benefits (Note 13)		186		222
		2,070		1,895
Equity				
Retained earnings		18,154		14,921
Total Liabilities and Equity	**$**	**56,953**	**$**	**51,901**

Commitments and contingencies (Note 18)

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

Approved by the Board of Directors:

David Bevan
Chairperson, Board of Directors



Bert Buckley
Board Director

Statement of Comprehensive Income

For the year ended April 30, 2018
(in thousands of Canadian dollars)

	2018	2017
Sales		
Export	$ 62,541	$ 63,805
Domestic	11,254	12,024
	73,795	75,829
Cost of sales		
Opening inventory of processed fish products	18,497	18,639
Add fish purchases and processing expenses:		
Fish purchases	35,515	32,059
Plant salaries, wages and benefits	12,790	12,146
Packaging and storage	4,779	4,474
Packing allowances and agency operating costs	5,221	4,743
Freight	2,755	2,842
Repairs and maintenance, Winnipeg plant	1,721	1,445
Utilities and property taxes	1,534	1,271
Depreciation of production assets (Note 8)	1,428	1,411
Other	893	816
	85,133	79,846
Less ending inventory of processed fish products, net of write-downs (Note 7)	(25,816)	(18,497)
	59,317	61,349
Gross profit on operations	**14,478**	**14,480**
Marketing and administrative expenses		
Salaries and benefits	2,808	3,185
Commissions (Note 14)	1,227	1,302
Data processing, office and professional services	1,504	1,305
Advertising and promotion	321	238
Meeting fees and expenses	54	71
Other	130	189
Depreciation and amortization of administrative assets (Notes 8 and 9)	108	117
	6,152	6,407
Other income and expenses		
Net foreign exchange gain (Note 6)	(605)	(226)
Net financial derivative (gain) loss (Note 6)	(598)	20
Provision for environmental liability (Note 18)	125	-
Other revenue (Note 15)	(939)	(1,201)
Other expenses (Note 15)	1,309	1,197
Finance income	(23)	(11)
Finance costs	740	678
	9	457
Profit before provision for final payment and income tax	**8,317**	**7,616**
Provision for final payment (Note 18)	4,000	3,500
Income tax expense (Note 16)	1,084	1,083
	5,084	**4,583**
Total comprehensive income	**$ 3,233**	**$ 3,033**

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

Statement of Changes in Equity

For the year ended April 30, 2018
(in thousands of Canadian dollars)

	2018	2017
Retained earnings at the beginning of the year	$ 14,921	$ 11,888
Total comprehensive income	3,233	3,033
Retained earnings at the end of the year	**$ 18,154**	**$ 14,921**

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

Statement of Cash Flows

For the year ended April 30, 2018
(in thousands of Canadian dollars)

	2018	2017
Operating activities		
Comprehensive income for the year	$ 3,233	$ 3,033
Add (deduct) items not affecting cash:		
Future tax expense	211	274
Depreciation and amortization	1,686	1,672
Loss (gain) on disposal of property, plant and equipment	(6)	107
Write-down of inventory	1,261	2,339
Unrealized foreign exchange loss on US$ promissory note	-	446
(Decrease) increase in net derivative-related liabilities	(834)	21
Increase in provision for final payment to fishers	500	500
Increase in provision for environmental liability	125	-
Net changes in non-cash working capital:		
(Increase) decrease in accounts receivable	1,767	(1,512)
Increase in inventories	(8,805)	(2,243)
(Increase) decrease in prepaid expenses	24	(40)
Decrease in accounts payable and accrued liabilities	(1,073)	(392)
Decrease in provision for environmental liability	(282)	(612)
Decrease in accrued obligation for employee benefits	(54)	(31)
Cash provided by operating activities	**(2,247)**	**3,562**
Investing activities		
Additions to property, plant and equipment and intangible assets	(1,614)	(1,858)
Proceeds on disposal of property, plant and equipment	89	158
Cash used in investing activities	**(1,525)**	**(1,700)**
Financing activities		
Loans payable issued	9,600	-
Repayment of loans	(6,399)	(1,433)
Cash (used in) provided by financing activities	**3,201**	**(1,433)**
Increase in cash during the year	**(571)**	**429**
Cash at the beginning of the year	1,601	1,172
Cash at the end of the year	**$ 1,030**	**$ 1,601**
Supplementary information:		
Interest paid	**$ 553**	**$ 517**

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

Notes to the Financial Statement

April 30, 2018
(in thousands of dollars)

1. NATURE AND DESCRIPTION OF THE CORPORATION

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

The Corporation is required to purchase all fish legally caught in the freshwater region, which currently encompasses the provinces of Alberta and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada. The Corporation is required to conduct its operations on a self- sustaining basis without appropriations from Parliament. In accordance with the *Freshwater Fish Marketing Act*, the legislative borrowing limit of the Corporation is $50 million. As at April 30, 2018, the total borrowings of the Corporation may not exceed $33.1 million as authorized by the Minister of Finance.

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

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

2. FUTURE OF THE CORPORATION

The Province of Manitoba withdrew from its agreement to participate in the *Freshwater Fish Marketing Act* on December 1, 2017. Manitoba's withdrawal presents a risk to the Corporation's operations and financial sustainability since Manitoba fishers supply approximately 80 percent of the Corporation's raw materials. The Corporation's 2017-18 to 2021-22 Corporate Plan, which has been approved by the Government of Canada, includes a revised business model utilizing long-term supply contracts with Manitoba fishers. Long-term supply contracts with Saskatchewan fishers have been in place since 2012 when that province withdrew its participation from the *Freshwater Fish Marketing Act.*

Securing a steady supply of fish to utilize the processing infrastructure at the Winnipeg plant and to meet commitments to customers in world markets is a priority for the Corporation. 80% of Manitoba fishers have signed such agreements representing 85% of the fish that was supplied by Manitoba fishers prior to Manitoba's withdrawal from the *Freshwater Fish Marketing Act*. These financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported revenues and expenses that might be necessary if the Corporation was not successful in achieving the above.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value.

The significant accounting policies summarized below have been applied consistently to all periods presented in the financial statement balances.

Unless otherwise stated, these financial statements are presented in thousands of Canadian dollars, which is the functional currency of the Corporation.

The financial statements were approved and authorized for issue by the Board of Directors of the Corporation on July 19, 2018.

3.2 Cash

Cash is composed of money in the bank.

3.3 Accounts receivable

Accounts receivable are recognized at their anticipated realizable value, which is the original invoice amount less an estimated allowance 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.

3.4 Inventories

Processed fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to processed fish product inventory. At the reporting date inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventory write-downs and reversals of write-downs are included in cost of sales in the statement of comprehensive income.

3.5 Financial instruments

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

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

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

3.5.1 Effective interest method

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

3.6 Financial assets

The Corporation's financial assets are classified into the following specified categories: 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 purchases or sales of financial assets are recognized and derecognized on a trade date basis.

3.6.1 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.

3.6.2 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. The derivative-related assets used by the Corporation are classified as held for trading.

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 6.2.

The Corporation has not designated any financial assets as FVTPL.

3.6.3 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.

3.6.4 Derecognition of financial assets

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

3.7 Financial liabilities

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

3.7.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL. The derivative-related liabilities used by the corporation are 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 6.2.

3.7.2 Other financial liabilities

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

3.7.3 Derecognition of financial liabilities

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

3.8 Derivative financial instruments

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

Derivatives are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the instrument and are subsequently 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.

3.9 Property, plant and equipment

3.9.1 Asset recognition

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

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

3.9.2 Depreciation

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

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

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

Freehold land is not depreciated.

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

3.9.3 Subsequent costs

Repairs and maintenance costs are expensed when incurred.

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

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

3.9.4 Derecognition

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

3.10 Intangible assets

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

3.11 Impairment of tangible and intangible assets

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

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

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

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

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

3.12 Payments to fishers and retained earnings

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

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

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

3.13 Foreign currency translation

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

3.14 Employee benefits

3.14.1 Current employee benefits

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

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

3.14.2 Pension benefits

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

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

3.14.3 Accrued obligation for workers' compensation

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

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

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

3.14.4 Accrued obligation for sick leave benefits

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

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

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

3.15 Revenue recognition

Sales, net of promotional allowances and sales returns, are recorded on an accrual basis and are recognized when 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.

3.16 Provisions

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

3.17 Income tax

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

3.17.1 Current tax

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

3.17.2 Deferred tax

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

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

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

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

3.17.3 Current and deferred tax for the period

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Impairment of non-financial assets

The Corporation's impairment test is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Refer to Note 3.11.

4.2 Capital assets

Capital assets, comprising property, plant and equipment and intangible assets with finite useful lives are depreciated or amortized over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets. The useful lives of these assets are periodically reviewed for continued appropriateness. Changes to the useful life estimates would affect future depreciation and amortization expense and the future carrying value of assets. Refer to Notes 3.9.2 and 3.10.

4.3 Inventory valuation allowance

Inventory valuation allowance is estimated for slow moving or obsolete inventories. Management reviews the estimation regularly. Any change in the estimation will impact the inventory valuation allowance.

4.4 Income tax

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

Deferred tax liabilities are comprised of temporary differences between the carrying values and tax basis of liabilities. The timing of the reversal of temporary differences may take many years and the related deferred tax is calculated using substantively enacted tax rates for the related period.

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

5. APPLICATION OF NEW AND REVISED IFRS

(a) Accounting standards and amendments issued and effective

At May 1, 2017 the Corporation has adopted the amended IAS 7, "Statement of Cash Flows." The adoption of this amended standard resulted in additional disclosure regarding changes in liabilities arising from financing activities, as disclosed in Note 12.

(b) Accounting standards and amendments issued but not yet effective

Accounting standards and amendments issued but not yet effective which are expected to be relevant to the Corporation include:

In July 2014, the International Accounting Standards Board (IASB) issued the complete version of IFRS 9, "Financial Instruments", first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. This standard will change the classification of FFMC's loans and receivables to amortized cost and financial assets, other than loans and receivables, to fair value through profit or loss. The mandatory effective date of IFRS 9 is January 1, 2018. The Corporation does not expect the implementation will result in a significant change in the measurement of its financial instruments because the Corporation's treatment of its current financial instruments is consistent with IFRS 9. The impairment requirements in the new standard are based on an expected credit loss model, rather than the incurred loss model in the current standard. The Corporation intends to apply the simplified approach available in the new standard to measure expected impairment. This will result in a more consistent allowance for impairment without a significant change in valuation.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The mandatory effective date of IFRS 15 is January 1, 2018. The Corporation has not early adopted this new standard. Due to the nature of the Corporation's revenues, this standard is not expected to have a material impact on the financial statements.

In January 2016, the IASB issued IFRS 16, "Leases", which sets out the principles that both parties to a contract apply in order to provide relevant information about leases in a manner that faithfully represents those transactions. IFRS 16 requires all leases to be reported on the lessee's statement of financial position. There are also changes in accounting over the life of the lease. For lessees the total periodic expenses will generally have a front-loaded expense recognition pattern. Leases that are less than 12 months in duration, or that are for low dollar value items, are not required to be capitalized. Lessors' accounting treatment remains similar to current practice. They will continue to classify leases as finance and operating leases. The mandatory effective date of IFRS 16 is January 1, 2019. The Corporation has not early adopted this new standard. The Corporation has not completed its assessment of the impact of the adoption of IFRS 16 on its financial statements; however, adoption of the amendment is not expected to have a significant impact on the Corporation's financial statements.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

6.1 Capital risk management

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

The Corporation defines and computes its capital as follows:

		2018		2017
Retained earnings	$	18,154	$	14,921
Loans payable		26,775		23,574
	$	**44,929**	**$**	**38,495**

The Corporation's objectives in managing its capital are to:

- provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- generate increasing returns to the fishers; and
- maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

During the year, the Corporation primarily relied on cash flows provided by operating activities to support its objectives.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the above-noted acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act,* the Corporation must indicate its intention to borrow money in its annual corporate plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable.

These objectives and strategies are reviewed during the annual corporate planning process and are approved by the Minister of Finance. Borrowings must also be approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2017 as payouts to fishers are based on annual comprehensive income before income tax plus annual depreciation less the three-year rolling average of cash purchases of capital assets.

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

6.2 Fair value measurements of financial instruments

6.2.1 Carrying amount and fair value of financial instruments

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

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

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

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

6.2.2 Fair value hierarchy

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

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

The fair value measurement of cash is classified as Level 1 of the fair value hierarchy as at April 30, 2018 and 2017. 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, 2018 and 2017.

There were no transfers of financial instruments between levels during the year ended April 30, 2018.

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

		2018		2017
Derivative-related liabilities	$	509	$	1,318
Derivative-related assets	$	25	$	-

6.2.3 Finance costs

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

		2018		2017
Interest expense on loans and other payables	$	740	$	678

6.3 Financial risk management objectives and framework

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

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

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

6.3.1 Credit risk management

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

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

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

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

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

	2018			2017		
	Original currency (CAD $)	Original currency (U.S. $)	(CAD $)	Original currency (CAD $)	Original currency (U.S. $)	(CAD $)
Canada	$ 315	$ 36	$ 361	$ 1,088	$ 111	$ 1,240
United States	25	3,495	4,512	49	3,835	5,289
Europe	2,423	-	2,423	1,771	640	2,647
Non-trade accounts receivable	1,176	-	1,176	1,063	-	1,063
			$ 8,472			**$ 10,239**

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

At April 30, 2018, five customers represented 50% of the trade accounts receivable balance. At April 30, 2017, five customers represented 41% of the trade accounts receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for doubtful accounts 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:

	2018	2017
Current 0-30 days	$ 6,270	$ 8,272
Past due 31-60 days	588	390
Past due over 61 days	438	514
Non-trade accounts receivable	1,176	1,063
	$ 8,472	**$ 10,239**

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, 2018 was $1,030 (2017 – $1,601).

Derivative financial instruments

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

6.3.2 Liquidity risk

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

The following table presents the earliest possible contractual maturities for accounts payable and accrued liabilities, derivative financial liabilities and loans payable as at April 30. The Corporation's expected cash flows on certain instruments vary significantly from this analysis. For example, loans that are callable in nature are included in the earliest time band. Term loans totaling $11,875 are included in the loans payable amount of $26,775. Should these term loans be repaid in the normal course, term loan repayments would be $933 per year.

2018

	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 2,893	$ 612	$ 1,103	$ 18	$ -	$ 4,626
Derivative-related liabilities	25	88	161	163	101	538
Loans payable (Note 11)	26,775	-	-	-	-	26,775
Total	**$ 29,693**	**$ 700**	**$ 1,264**	**$ 181**	**$ 101**	**$ 31,939**

2017

	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 3,712	$ 854	$ 1,133	$ -	$ -	$ 5,699
Derivative-related liabilities	81	127	266	610	285	1,369
Loans payable (Note 11)	23,574	-	-	-	-	23,574
Total	**$ 27,367**	**$ 981**	**$ 1,399**	**$ 610**	**$ 285**	**$ 30,642**

6.3.3 Market risk

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

Foreign exchange risk

The Corporation is exposed to currency risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation manages its exposure to exchange rate fluctuations between U.S. and the Canadian dollar by entering into currency forward contracts. A portion of loans payable are U.S. dollar denominated (Note 11).

The net foreign exchange gain of $605 (2017 – gain of $226) represents the net realized and unrealized gains and losses on settlement of financial instruments.

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

(in U.S. $ thousands)	2018	2017
Cash	$ 428	$ 1,272
Accounts receivable	3,531	4,586
Accounts payable and accrued liabilities	(401)	(503)
Loans payable	-	(4,000)
Net assets exposed to currency risk	**$ 3,558**	**$ 1,355**

Based on the net exposure, including the derivative financial instruments described above and assuming that all other variables remain constant, a hypothetical 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in a decrease in comprehensive income of $356 (2017 – decrease of $136). A hypothetical 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in an increase in comprehensive income of $356 (2017 – increase of $136).

Interest rate risk

The Corporation is exposed to interest rate risk on its loans payables of $11,875 (2017 – $12,808). The Corporation manages its exposure to fluctuations of interest rates by entering into interest rate swaps that are approved by the Board of Directors.

The Corporation uses an interest rate swap to limit exposure to fluctuations in interest rates. Interest rate swaps are contracts that provide the Corporation with the ability to exchange a floating payment for a fixed payment and protects the Corporation against rising interest rates while setting a floor on declining interest rates.

An increase of 100 basis points in interest rates at the reporting date would increase comprehensive income by $525 (2017 – $734) and equity by $525 (2017 – $734). A decrease of 100 basis points in interest rates at the reporting date would decrease comprehensive income by $631 (2017 – $831) and equity by $631 (2017 – $831).

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included on the statement of financial position are derivative-related liabilities of $509 (2017 – $1,318) and derivative-related assets of $25 (2017 – nil) representing the fair value of derivative financial instruments held:

	2018	2017
At maturity variable rate forwards: derivative-related liabilities	$ 173	$ 236
At maturity variable rate forwards: derivative-related assets	(25)	-
Interest rate swaps	336	1,082
	$ 484	**$ 1,318**

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

	2018	2017
At maturity variable rate forwards: derivative-related liabilities (USD)	$ 10,750	$ 10,750
At maturity variable rate forwards: derivative-related assets (USD)	(4,750)	-
Interest rate swaps (CAD)	11,875	12,808

The net financial derivative gain of $598 (2017 – loss of $20) represents the change in fair value of the interest rate swap.

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

7. INVENTORIES

	2018	2017
Supplies	$ 1,319	$ 1,094
Processed fish products	27,077	20,836
Write-down of processed fish products expensed in the year	(1,261)	(2,339)
	$ 27,135	**$ 19,591**

Inventory write-downs of $1,261 (2017 – $2,339) are included in inventory values in the cost of sales. The amount of inventories recognized as an expense during the year is $59,317 (2017 – $61,349). There is no pledged collateral in respect of inventory. There were no prior write-downs reversed in the current year.

8. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Buildings**	**Equipment**	**Fresh fish delivery tubs/totes**	**Vessels**	**Construction in progress**	**Total**
Balance at May 1, 2016	$ 336	$ 13,972	$ 22,406	$ 1,323	$ 3,446	$ 1,194	$ 42,677
Additions	-	299	1,202	39	617	-	2,157
Transfers	-	366	825	-	-	(1,191)	-
Adjustment	-	-	-	-	-	-	-
Disposals	-	-	(443)	-	-	-	(443)
Balance at April 30, 2017	336	14,637	23,990	1,362	4,063	3	44,391
Additions	-	480	1,056	30	7	10	1,583
Transfers	-	(3)	(85)	-	85	3	-
Write-downs	-	-	(59)	-	-	-	(59)
Disposals	-	-	(112)	-	-	-	(112)
Balance at April 30, 2018	**$ 336**	**$ 15,114**	**$ 24,790**	**$ 1,392**	**$ 4,155**	**$ 16**	**$ 45,803**

Accumulated depreciation	**Land**	**Buildings**	**Equipment**	**Fresh fish delivery tubs/totes**	**Vessels**	**Construction in progress**	**Total**
Balance at May 1, 2016	$ -	$ 8,826	$ 11,495	$ 1,200	$ 1,282	$ -	$ 22,803
Depreciation	-	367	1,092	24	121	-	1,604
Adjustment	-	-	-	-	-	-	-
Disposals	-	-	(178)	-	-	-	(178)
Balance at April 30, 2017	-	9,193	12,409	1,224	1,403	-	24,229
Depreciation	-	356	1,007	121	132	-	1,616
Write-downs	-	-	(52)	-	-	-	(52)
Disposals	-	-	(36)	-	-	-	(36)
Balance at April 30, 2018	**$ -**	**$ 9,549**	**$ 13,328**	**$ 1,345**	**$ 1,535**	**$ -**	**$ 25,757**
Carrying amount at April 30, 2018	**$ 336**	**$ 5,565**	**$ 11,462**	**$ 47**	**$ 2,620**	**$ 16**	**$ 20,046**

		2018		2017
Cost	$	45,803	$	44,391
Accumulated depreciation		(25,757)		(24,229)
Carrying amount	**$**	**20,046**	**$**	**20,162**

Carrying amount by asset class				
Land	$	336	$	336
Building		5,565		5,444
Equipment		11,462		11,581
Fresh fish delivery tubs/totes		47		138
Vessels		2,620		2,660
Construction in progress		16		3
Carrying amount	$	**20,046**	$	**20,162**

Depreciation expense is recorded on the statement of comprehensive income in cost of sales (2018 – $1,428; 2017 – $1,411), in marketing and administrative expenses (2018 – $38; 2017 – $49) and in other expenses (2018 – $150; 2017 – $144).

No property, plant and equipment were pledged as security for borrowing as at April 30, 2018.

9. INTANGIBLE ASSETS

Information systems software		**2018**		**2017**
Cost	$	589	$	558
Accumulated amortization		(484)		(414)
Carrying amount	**$**	**105**	**$**	**144**

Cost		
Balance at May 1, 2016	$	459
Additions		99
Transfers		-
Disposals		-
Balance at April 30, 2017		558
Additions		31
Disposals		-
Balance at April 30, 2018	**$**	**589**

Accumulated depreciation		
Balance at May 1, 2016	$	346
Depreciation		68
Disposals		-
Balance at April 30, 2017		414
Amortization		70
Disposals		-
Balance at April 30, 2018	**$**	**484**
Carrying amount at April 30, 2018	**$**	**105**

Amortization of intangible assets is recorded on the statement of comprehensive income in marketing and administrative expenses (2018 – $70; 2017 – $68).

No indicators of impairment were identified for intangible assets as at April 30, 2018.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018		2017
Canadian dollars	$	4,111	$	5,018
Denominated in U.S. dollars		515		681
Total accounts payable and accrued liabilities	**$**	**4,626**	**$**	**5,699**

11. LOANS PAYABLE

		2018		2017
Promissory note	$	-	$	5,466
Bankers' acceptances		26,775		18,108
Total loans payable	**$**	**26,775**	**$**	**23,574**

The loans payable consist of the following borrowing facilities:

A $14,900 (2017 – $5,300) bankers' acceptance bearing interest at an annual rate of 2.3% (2017 – 1.49%) and maturing on May 3, 2018. The weighted-average interest rate during the year was 2.04% (2017 – 1.53%). Subsequent to May 3, 2018, new bankers' acceptances were entered into at a rate of 2.3%.

A $7,000 (2017 – $7,500) bankers' acceptance with an interest rate swap bearing an interest rate at 3.47% if the floating rate option on any reset date is less than or equal to 3.65%. If the floating rate option on any reset date is greater than 3.65%, the fixed rate for the calculation period is 4.22%. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving bankers' acceptance and an interest rate swap to lock in the interest rate for 14 years.

A $4,875 (2017 – $5,308) bankers' acceptance with an interest rate swap bearing an interest rate at 3.5% if the floating rate option on any reset date is less than or equal to 3.8%. If the floating rate option on any reset date is greater than 3.8%, the fixed rate for the calculation period is 4.25%. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving bankers' acceptance and an interest rate swap to lock in the interest rate for 11.25 years.

The principal of the bankers' acceptances as at April 30, 2018 is $26,775 (2017 – $18,108) and the fair value of the loans are $26,775 (2017 – $18,108).

A total of $4,000 U.S. dollar denominated promissory note ($5,466 Canadian dollars) was fully paid off during 2018 financial year.

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

12. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

		2018
Loans payable, beginning of the year	$	23,574
Cash provided by additional borrowing		9,600
Cash used for debt payments		(6,399)
Loans payable, end of the year	**$**	**26,775**

13. EMPLOYEE BENEFITS

13.1 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The employer's contribution rate effective at April 30, 2018 for employees enrolled in the Plan prior to January 1, 2013 was 1.01 (2017 – 1.01) and for employees enrolled in the Plan beginning January 1, 2013 was 1.00 (2017 – 1.00). Total contributions of $1,054 (2017 – $1,040) were recognized as an expense in the current year. The estimated contributions for 2018-19 are $1,025.

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

Contributions to the Public Service Pension Plan consisted of:

		2018		2017
Contributions by the Corporation	$	1,054	$	1,040
Contributions by employees	$	1,051	$	955

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. During 2011, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that established the manner in which the Corporation will document cases for employees who should become members under the *Public Service Superannuation Act* (PSSA) retroactively and on a go forward basis. It also established how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. The PSPC establishes the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation is required to fund the employer's portion of these contributions.

		2018		2017
Accrued liability for the Corporation's cost of buyback service	$	126	$	146
Less: current portion		15		15
Non-current portion	**$**	**111**	**$**	**131**

The Corporation estimates that it has a discounted pension obligation of $126 for future matching contributions required under this agreement.

13.2 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, 2018 to establish a measurement of these liabilities.

The statement of comprehensive income includes a charge of $254 (2017 – $265) which relates to current service costs, interest charges on the workers' compensation obligation and an actuarial gain/loss. The statement of comprehensive income also includes a credit of $26 (2017 – credit of $23), which relates to current service costs, interest cost and an actuarial gain/loss related to the sick leave liability.

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

	Workers' Compensation		Sick Leave	
	2018	**2017**	**2018**	**2017**
Actuarial value	$ 158	$ 172	$ 444	$ 464
Less: current portion	83	81	444	464
Non-current portion	$ 75	$ 91	$ -	$ -
Benefits paid	$ 268	$ 235	$ 45	$ 11

	Workers' Compensation		Sick Leave	
	2018	**2017**	**2018**	**2017**
Current service costs	$ 274	$ 208	$ 32	$ 43
Interest costs	8	7	13	17
Actuarial loss from demographic assumptions	-	-	-	16
Actuarial loss from financial assumptions	(46)	3	(18)	13
Actuarial loss (gain) from experience adjustments	18	47	(1)	(112)
Total costs	$ 254	$ 265	$ 26	$ (23)

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

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 were used in the valuation of the sick leave obligation. The Ontario WSIB Workers Compensation 2006-2010 mortality table projection to 2015 was used in the valuation of the workers' compensation.

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

The estimated portion of the workers' compensation liability the Corporation expects to settle during the year ending April 30, 2018 is $83 and $444 for the sick leave liability.

The principal actuarial assumptions (weighted- average) used at the end of the reporting period were as follows:

	Workers' Compensation		**Sick Leave**	
	2018	**2017**	**2018**	**2017**
Discount rate for obligation	3.2%	2.6%	3.4%	2.75%
Rate of compensation increase			2.0%	2.0%
Health care trend	5.0%	5.0%		
All other cost indexation	2.0%	2.0%		

14. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,227 (2017 – $1,302) to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

15. OTHER REVENUE AND EXPENSES

Other revenue comprises the operation of the Poplar River Barge 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 $939 (2017 – $1,201).

Other expenses of $1,309 (2017 – $1,197) consist of costs incurred to earn revenue for the Poplar River Barge and the sales of fishing supplies to fishers.

16. INCOME TAXES

	2018	**2017**
Current income tax expense	$ 873	$ 809
Deferred tax expense	$ 211	$ 274

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 expense for the year can be reconciled to the accounting profit before tax as follows:

	2018	2017
Net profit before tax for the year	$ 4,317	$ 4,116
Computed tax expense (25% income tax rate)	1,079	1,029
Non-deductible expense	4	3
Other net amounts	1	51
Income tax expense recognized in net profit	$ 1,084	$ 1,083

Current tax liabilities / (assets)

	2018	2017
Income taxes payable (receivable)	$ 176	$ (160)

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

Temporary differences for 2018	**Opening balance**	**Recognized in profit or (loss)**	**Ending balance**
Deferred tax assets			
Employee benefits	$ 195	$ (13)	$ 182
Foreign exchange loss	(40)	34	(6)
Financial instrument loss	270	(187)	83
Provision for environmental liability	108	(39)	69
Deferred tax liabilities			
Property, plant and equipment	(2,170)	(16)	(2,186)
Intangible assets	(36)	10	(26)
Net deferred tax liability	**$ (1,673)**	**$ (211)**	**$ (1,884)**

Temporary differences for 2017	**Opening balance**	**Recognized in profit or (loss)**	**Ending balance**
Deferred tax assets			
Employee benefits	$ 203	$ (8)	$ 195
Foreign exchange loss	51	(91)	(40)
Financial instrument loss	324	(54)	270
Provision for environmental liability	261	(153)	108
Deferred tax liabilities			
Property, plant and equipment	(2,210)	40	(2,170)
Intangible assets	(28)	(8)	(36)
Net deferred tax liability	**$ (1,399)**	**$ (274)**	**$ (1,673)**

17. RELATED PARTY TRANSACTIONS

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

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

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

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

- the Government of Canada, and departments and agencies thereof; or
- 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 59,000 kilograms (2017 – 31,000 kilograms) valued at $117 (2017 – $67). These transactions are measured at fair value and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

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

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

Compensation for executive officers of the Corporation is recorded on the statement of comprehensive income as salaries and benefits in marketing and administrative expenses. Compensation for members of the Board of Directors is recorded on the statement of comprehensive income as meeting fees and expenses in marketing and administrative expenses.

	2018	**2017**
Total compensation paid to key management personnel	$ 957	$ 736

18. COMMITMENTS AND CONTINGENCIES

18.1 Commitments
As of April 30, 2018, the Corporation had operating lease commitments of $21 (2017 – $21).

18.2 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.

During the year, a new provision of $125 was established for remediation of the Corporation's site at Moraine Bay, Northwest Territories. The total provision for environmental liabilities for the contaminated sites at Hay River and Moraine Bay Northwest Territories is $277 (2017 – $434). The Corporation spent $282 for site remediation during the year. The Corporation expects to complete the remediation of these sites within the next 12 months.

A number of other vacant facilities may contain some environmental risk with associated remediation costs. The Corporation's ongoing efforts to assess these sites may result in environmental liabilities related to the sites. A provision will be recorded when the Corporation considers that it is probable that it will remediate these contaminated sites and a reliable estimate can be determined for the amount of the obligations. As of April 30, 2018, no liability has been recognized in the financial statements for the remaining contaminated sites.

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

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

		2018		2017
Provision for final payment to fishers, beginning of year	$	3,500	$	3,000
Payments to fishers		(3,500)		(3,000)
Provision added during the year		4,000		3,500
Provision for final payment to fishers, end of year	**$**	**4,000**	**$**	**3,500**

Corporate Officers and Senior Management

Dave Bergunder
Vice-President, Field Operations

Ed Campbell
Vice-President, Sales and Marketing

Dawn Kjarsgaard
Director, Plant Operations

Denis Lavallée
Controller

Stan Lazar
Interim President

Wendy Matheson
Vice-President, Human Resources and Government Services

Employee Recognition

Freshwater extends 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: Diane Cassells; Craig Prudhomme; Lorraine Young; Denise Helbren; Damian D'Souza; Glen Fricker; Warren Thomas; Frank Seepish; Janina Richards; Robert Giles; Larry Ireland; Larry Lacroix; Renato De Los Santos.


Lake Herring Roe
Salted Northern Pike Roe
Salted Tullibee Roe
Lake Herring Caviar
Northern Pike Caviar
Northern Pike
Sauger

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