Five-Year Corporate Plan

Summary

Corporate Plan 10/11 to 14/15

Capital Budget 10/11

Operating Budget 10/11

Submitted: October 2010

*** Note:** **Treasury Board and the Governor-in-Council have approved this Plan and Budgets for Year One only.**

EXECUTIVE SUMMARY

In fulfilling its mandate over forty years, Freshwater has returned more than $1.0 billion to the mainly remote and northern communities it serves and has generated an additional economic benefit of more than $0.7 billion through the operation of its plant and collection infrastructure.

Realizing that after nearly forty years it must present a solid plan for its future, in 2007 the Corporation undertook a thorough strategic review and created a comprehensive Strategic Plan designed to guide the Corporation's recovery. Significant progress has been made on the priority initiatives first identified in 2007 and this has resulted in the start of improved results for the fishery. In spite of the recession, FY08/09 turned out to be the most productive and profitable for fishers in at least five years. The Corporation itself did not fare so well, losing $0.72 million as prices to fishers had been set prior to the economic collapse of October 2008. In FY09/10 improved margins along with the success of the Corporation's hedging policy will generate a significant improvement in the Corporation's results. Total Sales of $63.6 million and Net Earnings of $1.5 million are forecast.

The central theme of the FY10/11 plan is the need for the business to adjust to a Canadian dollar at par with the US dollar and gaining strength against the Euro. There are two ways to achieve this adjustment, price increases and cost reductions. On the first point, the sales team has done an outstanding job of keeping prices stable during the recession and increasing prices again as markets show strength.

Cost reduction projects have been ongoing for a number of years and appear in several areas of this plan, most significantly:

Working capital	Increased focus on reducing working capital requirements by reducing inventory levels and managing payables
ERP / business processes	Upgrading of the system and training so that all critical business functions operate on the ERP system with the goal of reducing manual functions and therefore workload
Supply chain management	Efficiency gains through improved information flow, timing and production planning
Plant renovation	Although renovation of the plant is required for business continuity reasons, it will also generate significant reductions in the cost of labour, maintenance and utilities

Freshwater's forty-year-old processing plant has deteriorated from lack of ongoing investment and is now at the point where closure is a very real possibility without significant renovation. An estimated $35 million needs to be spent to bring the plant up to modern food processing standards. To prevent major breakdown, delisting by CFIA or cancellation of orders by important customers, approximately $10 million of this requirement has been invested over the past three years. Of the remaining $25 million, $8 million can be funded internally or by existing debt structures and $17 million will need to be raised by other means. In this plan, capital expenditures for FY10/11 will be limited to $6.1 million; $5.5 million of this will be spent on the plant and $0.6 million on infrastructure for field operations. Net earnings for the year are budgeted at $2.6 million and total returns to fishers $28.6 million.

STATUTORY AUTHORITY, MANDATE AND PROFILE

STATUTORY AUTHORITY FOR INCORPORATION

The *Freshwater Fish Marketing Act* R.S.C. c.F-13

MANDATE

Increase returns to fishers; create an orderly market; promote international markets; increase trade in fish; purchase all fish offered for sale.

CORPORATE PROFILE

Freshwater Fish Marketing Corporation (FFMC) is a federal Crown corporation created in 1969 under the *Freshwater Fish Marketing Act* to buy, process and market freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and northwestern Ontario. A Board of Directors, with the President and Chief Executive Officer, governs the Corporation.

Freshwater operates as a self-supporting business receiving no government subsidies, with a complex supply chain of delivery points, agents, temperature-controlled transport, processing and inventory management to match the fish harvest of approximately 2100 commercial fishers with market demand. It purchases 17 million kgs of freshwater fish each year, which is packed whole or processed into fillets, minced and caviar products in the Winnipeg plant. The plant is federally-inspected, kosher-certified, and compliant with international standards for product safety and quality.

Annual sales of $63+ million go to important niche markets in the USA (60%), Canada (18%), and Europe (20%). A ‘final payment’ from any year-end surpluses is distributed to fishers annually.

STRATEGIC INITIATIVES

1) Balance sheet

Description

The Corporation has a weak balance sheet with high levels of debt and minimal retained earnings. In FY09/10, total debt peaked at $37.7 million financed entirely through a single operating line. Of this debt $20.0 million is required for working capital but $17.4 million is actually long term debt covering capital purchases. The Corporation needs to separate its operating and long term capital into separate debt vehicles, put long term capital on a repayment schedule and start the process of building retained earnings.

Action Plan

Year One

The approval of a Board policy on initial payments, retained earnings and final payments is planned for November 2010, with implementation by year-end FY10/11. The objective of the retained earnings policy is to ensure adequate equity is retained to invest in areas where the Corporation can create growth opportunities, such as investing in new equipment and infrastructure and developing new products and markets.

Five years

- Regular contributions to retained earnings and repayment of long term debt
- Plant renovations: If it is agreed that the plant renovation project is to proceed in time for completion by the end of year four of this action plan (the ideal schedule with the lowest risk) additional financing, not part of this Corporate Plan will be required. The effect of this on the balance sheet, cash flow and income statement are shown in Appendix 6.

Performance Measures

Year One

- Debt separated into operating line and long term capital
- Board policy on retained earnings and profit distribution in place
- Contribution to retained earnings committed from FY09/10 earnings

Five Years

- To be determined

2) Plant renovation

Description

As discussed in the Risks and Opportunities section investment in the plant since its original opening in 1971 was minimal until FY06/07, running at or below the annual depreciation rate. After 39 years of operation the plant infrastructure and its equipment are nearing the end of their useful life. An estimated $35 million needs to be invested in the plant if it is to continue operating; of this, it has been necessary to invest approximately $10 million over the past three years to assure uninterrupted service.

Action Plan

The objectives of the renovation are to bring the risk of equipment or infrastructure failure down to normal levels and extend the useful life of the plant by 25 years (Appendix 7 – Plant Renovation – Engineering Plan). From a risk mitigation and engineering perspective, the work should be accomplished over a three-year timeframe;

however, this will not be possible given the Corporation's financial situation. The actual schedule will be determined by the Corporation's success in funding the $17 million that cannot be financed internally or by existing debt structures.

Performance Measures

Year One

- Finalize action plan for plant renovation including layout, costs and schedule
- Install new freezer(s) to replace three tunnel freezers listed as non-compliant by CFIA

Five Years

- Execute renovation project as per agreed schedule and financing
- The following table summarizes the capital reinvestment

No funding of long-term debt

	Capital Expenditures			Long-term Debt Funding	Annual Borrowing Limit
	Processing Plant	Field Operations	Total		
FY10/11	$ 5.6	$ 0.5	$ 6.1	$ -	$ 39.5
FY 11/12	$ 3.5 *	$ -	$ 3.5	$ -	$ 41.0
FY 12/13	$ 3.5 *	$ -	$ 3.5	$ -	$ 41.3
FY 13/14	$ 3.5 *	$ -	$ 3.5	$ -	$ 42.8
FY 14/15	$ 1.4	$ 0.4	$ 1.8	$ -	$ 43.0
Total	$ 17.5	$ 0.9	$ 18.4	$ -	$ -
Peak Borrowing	$ -			$ -	$ 43.0

*Total plant capital expenditures of $10.5M over FY 11/12, FY 12/13 and FY 13/14
- FFMC will assume long-term debt with payback obligations for the total $10.5M

Funding of $17.4 million in long-term debt (note #1)

	Capital Expenditures			Long-term Debt Funding	Annual Borrowing Limit
	Processing Plant	Field Operations	Total		
FY10/11	$ 5.6	$ 0.5	$ 6.1	$ 17.4	$ 39.5
FY 11/12	$ 8.3 *	$ 0.5	$ 8.8	$ -	$ 27.7
FY 12/13	$ 8.3 *	$ 0.5	$ 8.8	$ -	$ 33.4
FY 13/14	$ 8.3 *	$ 0.5	$ 8.8	$ -	$ 40.3
FY 14/15	$ 1.8	$ 1.8	$ 3.5	$ -	$ 43.2
Total	$ 32.3	$ 3.8	$ 36.0	$ 17.4	
Peak Borrowing	$ -			$ -	$ 43.2

*Total plant capital expenditures of $25M over FY 11/12, FY 12/13 and FY 13/14
- FFMC will assume long-term debt with payback obligations for the total $25M
- For this alternative scenario, external funding of $17.4M for long-term-debt would be required to comply with the legislated borrowing limit

Note #1 - see appendix 6 for details of this alternative scenario

3) Culture of Excellence

Description

The missing skills sets identified in the 2007 strategic plan have been added by filling the positions of Supply Chain Manager, Cost Accountant and Maintenance Planner and the executive team (CFO, VP Operations and VP Sales and Marketing) have all been replaced through planned and early retirements. A performance and compensation system implemented in FY08/09 is now fully in place. The strategy and the team are now ready to move the Corporation forward, thus the 'Create an Organizational Structure' strategy and initiative have been closed and replaced with a strategy of Total Quality Management and this 'Culture of Excellence' initiative with the goal of changing entrenched and less than ideal work habits and practices.

Action Plan

Focus employees on the Corporation's strategic direction and Culture of Excellence initiative using quarterly reviews given by the president and senior management and Lunch and Learn meetings by Human Resources throughout the year.

Improve training in areas where excellence is lacking giving priority to training for users of the ERP system. This training will require the use of third-party contractors and the use of departmental super-users to train others.

Continue to operate and develop the Pay-at-Risk and Performance Development programs that support the Corporation's strategic goals including the Culture of Excellence initiative

Performance measures

Year One

- Measurement of employee understanding of the corporate strategy will increase from the year-beginning to the year-ending attitude surveys
- Complete training of ERP system super-users
- All departments will be operating on the ERP system

Five Years

FY-11/12 Revise all policies and procedures and communicate to all staff to ensure compliance, fair/consistent expectations, and accountability.

FY-12/13 Identify critical positions, assess employee development needs and create a succession planning program where opportunities exist.

Revise staff selection procedures to attract candidates with core values of new culture.

FY-13/14 Maintain all employee information on benefits/pension/vacation/sick accrual on the ERP system and provide employee access.

FY-14/15

4) Lake to plate quality assurance

Description

This is a subset of the 'Culture of Excellence' initiative. The Corporation already markets safe, high quality fish products but recognizes that there is an opportunity to increase value to fishers and customers by improving on processes and work habits to provide a more consistent product with fewer errors in specifications, documentation and timing.

Action Plan

- Develop an awareness of quality workmanship and personal accountability among all employees
- Full integration of the ERP system into management of the business, especially production planning and product traceability

Performance Measures

Year One

- Implementation of a QA module that can be integrated into the ERP system
- Item master revised to standardize specifications and labels

Five Years

11/12 Replace non-integrated labeling systems with one operation

12/13 Implement system to reduce product recall time span

13/14 Full implementation of a Total Quality Management system

14/15

5) Supply chain management

Description

Historically, there has been no one responsible for tying together all of the various parts of the Corporation's rather complex and costly supply chain. This has been addressed by the following:

- A supply chain manager hired in the spring of 2008
- The Corporation's ERP system is being updated to provide the tools necessary for modern supply chain management
- Programs designed to manage the impact of peak season loading and effective load leveling were tested during FY08/09 and FY09/10 and proven effective

Action Plan

Complete upgrading of the ERP system to integrate the following:

- Raw material and finished product tracing
- Production planning
- Demand-supply balancing
- Risk management
- Enhance inventory and logistics management

Performance Measures

Year One

- Production planning and traceability fully integrated into the ERP system

Five Years

11/12	Expand utility of integrated ERP in sales order management, business intelligence and as decision support system for risk management
12/13	Optimize inbound/outbound freight and inventory management
13/14	
14/15	

6) Cost management

Description

The first step in cost management was the installation of a Process Operating System (POS) the first phase of which pre-dated the current strategic plan. Savings generated by this project have repaid costs and are now contributing to earnings, to date $1.1 million. Step two was the hiring of a Cost Accountant to develop costing processes and a standard costing system.

Action Plan

The third step in this process is installation of yield management systems; this has potentially the greatest payback but cannot proceed without significant capital investment. Where yield management can be undertaken with no or minor capital requirements it will be completed during the action plan period.

Performance Measures

Year One

- The upgraded ERP system will be fully operational by end of Q2, FY10/11

Five Years

- All yield management equipment and software will be fully functional. Schedule will be dependent on the final plant renovation plan.

7) <u>Supply Development</u>

<u>Description</u>

Food processing is a low-margin, capital-intensive business that requires high volumes to achieve profitability; with this in mind, reversing the decline in deliveries is a priority of the strategic plan. To reach the long term revenue goal of $90 million, delivered volumes must continue to increase back to the levels seen in the early 2000's. Improving deliveries from existing sources will become more important if volume is lost through the withdrawal of signatories from the FFMA. Various tools are being used including incentive pricing and lake by lake production planning. Field Operations Managers are now required to spend time with fisher organizations and individual fishers working through issues that affect the harvest at the local level.

<u>Action Plan</u>

- The focus will be on whitefish as the species with most potential for growth.
- Employ a more flexible approach to initial pricing to influence the quantity and distribution of deliveries, to better match market demand.
- Delivery incentives, seasonal premiums, size grade incentives and two-tier initial pricing.
- Work with governments involved to build a strong base of committed, professional fishers in each community.
- Improve two-way communications to provide timely information to and from fishers.
- Develop fish purchase programs in areas outside the Corporation's mandated region.
- Improve delivery and sales forecasting as the basis for effective supply chain management.

<u>Performance Measures</u>

Year One

- Production targets and action plans will be created for each major lake
- Great Slave Lake deliveries to exceed previous year volumes

Five Years

Million kgs Round Equivalent Weight (REW)

	Whitefish	Walleye	Perch	N. Pike	Mullet
FY-10/11	5.3	6.0	0.2	2.7	2.4
FY-11/12	5.9	6.0	0.2	2.3	2.7
FY-12/13	6.4	6.0	0.2	2.3	2.7
FY-13/14	7.0	6.0	0.2	2.3	2.7
FY-14/15	7.5	6.0	0.2	2.3	2.7

8) <u>Market and Product Development</u>

<u>Description</u>

To grow volume and reduce risk while maintaining prices over the long term the business must expand beyond its traditional markets and products and to this end the Corporation has started investing where it has an opportunity to build new markets.

The very successful portioning program has gradually expanded to more than 300,000 kgs of product and an automatic portioning line was installed to reduce unit costs and keep up with demand. The Corporation has partnered with several key industry leaders such as Canfisco and High Liner to introduce value-added products (walleye strips, smoked trout) and to reach new markets for whitefish and walleye in the retail channel in Canada, whitefish fillets and pike caviar in Finland.

Action Plan

In keeping with its market driven business model the Corporation will:

- Address more directly the demands of customers for new ideas, programs and products, with the introduction of a Business Development Manager
- Work more closely with brokers and distributors to maintain and grow menu placements
- Look for profitable retail opportunities in Canada and Europe
- Develop Canadian retail and foodservice markets as a hedge against a strengthening Canadian Dollar.

Whitefish	• Russia – work with new broker to increase volumes to 50 containers / year
	• Poland – work with broker to build volumes back to previous high of 18 containers / year
	• Iran – re-introduce whole frozen to this market if pricing permits
	• Canada – new retail pack
Walleye	• Strips and battered strips to US markets
Trout	• Smoked trout and lox into the Canadian market

Performance Measures

Additional volume into markets that did not exist in FY09/10

Year One (Million kgs)		Five Years (Million kgs)	
Whitefish to Russia	0.45	FY-11/12	1.3
Mullet to new markets	0.45	FY-12/13	1.3
Other	0.30	FY-13/14	1.4
Total	1.20	FY-14/15	1.5

9) Species management

Description

There is enough uniqueness to the production, processing and marketing of the various species handled by the Corporation to treat each as an individual business unit. To focus attention on this uniqueness each of the major species now has its own business plan with its own supply development and marketing plans. The ERP system now provides a profit and loss statement by species on a monthly basis rather than the previous annual basis giving management the ability to make decisions in a more timely manner.

Action Plan

Summaries of the business plans for the five major species (whitefish, walleye, northern pike, mullet and sauger) are given in Appendix 9.

The long term objective of managing each species as its own business unit is the maximization of profitability within each species pool and to operate each pool on a profitable basis so that cross-subsidization is not required.

Performance Measures
Million kgs delivered weight
Year One

	Whitefish	Walleye	Perch	N. Pike	Mullet
FY-10/11	3.5	2.8	0.2	0.88	1.1

Five Years

	Whitefish	Walleye	Perch	N. Pike	Mullet
FY-11/12	3.9	2.8	0.21	0.92	1.2
FY-12/13	4.3	2.8	0.21	0.92	1.2
FY-13/14	4.6	2.8	0.21	0.92	1.2
FY-14/15	5.0	2.8	0.21	0.92	1.2

10) Stakeholder Communications

Description

The Corporation has communications strategies for each of its stakeholder groups – fishers, government, employees and customers to improve two-way communication between the Corporation and its various audiences with the overall goal of improving support from all stakeholders. A communications company has been retained to help implement each strategy. Using a third-party has allowed the Corporation to progress this initiative without hiring additional resources.

Action Plan

Fishers:

- Continue regional workshops as a way to deliver information on how the Corporation operates and the changing market situation. These workshops will be given as part of regular fisher meetings rather than Corporation sponsored regional workshops to keep costs down.
- Quarterly newsletter to fishers will be continued in the new format
- An annual public meeting will be held for the first time during the 10/11 fiscal year.

Government

- Priority is communication of the Corporation's Strategic Plan and its approval by all signatories to the *Freshwater Fish Marketing Act*.

Employees

- Effectively deliver the message and expectations of the Culture of Excellence initiative
- Listen to employees' issues and development needs

Customers

- Addressed in the detailed marketing plans which are not part of this document

Performance measures

Fishers

Year One and annually through the action plan period

- Minimum of ten workshops / fisher meetings, four newsletters and one public meeting through the year

Five Years

- Support for the Corporation when the next survey is carried out (2011 or 2012) is to be higher than in the 2007 survey

Government

Year One

- Signatory agreement to a Corporate Strategic Plan

Five Years

- Will be determined by the results of Year One

Employees

Year One

- Employee attitude as measured by beginning and end of year surveys will show a positive change

Five Years

- Will be determined by the results of Year One

11) Governance

Description

In 2009 the Department of Finance asked for a third party review of the Corporation's financial management and planning processes. The analysis assessed the integrity of forecasting sales projections, fish landings/purchases and capital investment requirements. Additionally, the study included an assessment of payments, initial payment policy and final payment policy. Accounts payable/receivable and payment/collection practices were also reviewed. An overall assessment of financial risk management including capital and operating planning and budgeting, monthly cash flow assessment and associated borrowing requirements, retained earnings and foreign exchange hedging was also reviewed.

Suggested practical improvements, taking into account legal and resource constraints and the scale of the business, were:

- Use an integrated budgeting module to provide more objectivity and reliability
- Ensure the CFO participates as a reviewer of the final product, not detail
- The process for creating the deliveries forecast and various considerations be thoroughly documented when senior operations staff retire or leave the Corporation
- Document all processes within departments

The full report is attached as Appendix 8.

The Board has been working toward improving its governance processes in keeping with the requirements of the Governance Framework for Crown Corporations.

Action Plan

An Audit Committee was added to the Board structure and a one-day training workshop took place during the 09/10 fiscal year. The following are planned for the first year of the plan period:

- An annual public meeting
- A second Board meeting specifically for the training of Board members

Performance Measures

Year One

- Annual public meeting
- Annual Board training

Five Years

- Priorities over the balance of the action plan period will be dependent on recommendations made by the Auditor General's Office in a Special Examination report to be presented to the Board in November 2010.

KEY PERFORMANCE INDICATORS FOR FY10/11

Corporate

	Metric	Performance Target
1	Total returns to fishers	Meet budget of $28.9 million
2	Net corporate earnings	Meet budget of $2.6 million
3	ERP / business processes	Each department to be operating with its core functions on ERP (as defined in the project summary)

Departmental

Department		Metric	Performance Target
All departments		Expenses	Operate within budgeted expense targets
Finance	1	Balance Sheet	Long & short-term debt separated Retained earnings policy implemented By April 30, 2011
	2	Improve reporting cycle time / cost info	7 days by January 31, 2011
	3	IFRS conversion	On E&Y – Schedule to meet May 1, 2011 conversion date
Marketing	1	Gross Sales Revenue	Meet budget of $65.7 million
	2	Gross Profit	Meet budget of $9.8 million
Processing	1	Improve direct and indirect labour efficiency	By 2% this year
	2	Reduce days lost (WCB)	By 5% (401 in FY09/10 to 380)
Field Operations	1	Delivery volumes	Each budgeted deliveries by species subject to market demand if lower
	2	Increase Great Slave Lake whitefish deliveries	270,000 kgs
Quality Assurance	1	Third party audits	Partners – all new partners/suppliers (5)
	2	Compliance	Zero major non-conformities and maintain customer ratings
Human Resources	1	Reduce days lost (WCB)	By 5% (401 in FY09/10 to 380)
	2	Job profiles	Complete 50% (24 of 47)
	3	Attendance – Reduce absent/no call; late and early quits	Overall reduction of 10% (514 in FY09/10 to 463)
Supply Chain	1	ERP stabilization	Full integration by department
	2	Customer service	Build structure for improved efficiency in logistics and service
Presidents Office	1	Annual Public Meeting	Held after Annual Report released
	2	Quarterly Staff Update	Held 1 month after end of each quarter

Strategic Projects

	Project	Performance Target
1	Respectful workplace	• Conduct 4 Employee Awareness sessions • Employee barbeque to kick off Culture of Excellence – enhance work environment, team-building • Employee satisfaction survey – Analysis and Action Plan 50% completed • President's quarterly update to staff (4)
2	Employee training and education	• Complete 24 job profiles • Report on skills development required • Training in emergency evacuation, ammonia, asbestos
3	Regional supply development	Achieve year one of the three year plan
4	Re-structure and re-focus sales and marketing	Marketing department positions and timelines as follows: • Business Development Manager in place by end of Q3 • Frozen Sales Manager in place by end of Q2 • Marketing Manager: role of Market Analyst redefined to meet the requirements of a Marketing Manager • Sales Assistant role moves to Supply Chain
5	ERP / business processes	Each department to be operating with its core functions on ERP (as defined in the project summary)
6	Plant renovation	Engineering plan complete including detailed costs and timelines
7	Labeling system	Data clean and reliable – plan for migration to new system in place
8	Barcode and inventory systems	Data clean and reliable – plan for migration to new system in place
9	Business intelligence	Implementation plan and schedule defined by January 31, 2011
10	Define meaning and role of Quality Assurance	QA defined and a communication plan in place to roll-out an enhanced QA role across the organization
11	Mandate	To be discussed and agreed with signatories

10/11 CAPITAL BUDGET

Highlights – Transcona Plant

Roof	$107,000

The renovations and repairs to the roof have been an ongoing multi-year program by which one section has been replaced each year. In FY09/10, in an effort to keep capital expenditures at a reduced level, we did not carry out the scheduled renovation. It does need to be done this year, however, as leaks have been experienced in the section that was postponed.

Tunnel Freezers	$4,237,000

Freshwater's three tunnel freezers are very old (installed as used equipment in 1970), in need of expensive repairs and failing to meet the food safety standards of the day. The intent is to replace them with two new freezers that will be more cost-effective.

Mincing Line Chop Saw and Conveyor	$193,000

All of the mincing line will require replacing over the next two or three years. This line has been experiencing considerable downtime due to mechanical failures and it has not been delivering consistent yields. We presently need to replace the chop saw and conveyor because the present system is inadequate for cutting Northern pike resulting in considerable downtime. There is also a food safety issue with the present system resulting in occasional contamination from plastic getting into the product. The mincing line was installed as used equipment in 1970.

Powerhouse – Engineering Failure Contingency	$214,000

Similar to the budget last year, there is no plan to spend money in this area but, because of the age of the equipment, it is prudent to set aside monies as a contingency.

Plant - Contingency	$107,000

This is a provision for small, unplanned capitals that occur each year. This allocation is usually spent during the fiscal year.

Highlights – Field Operations

Freight Barge - Hull work	$235,000

The steel on a portion of the hull is worn and must be replaced. The Department of Transport has identified this as a serious problem requiring attention. This was originally budgeted to be done in FY09/10 but due to time constraints it was not completed.

Riverton Packing Shed Ice Bin and Ice Machine	$128,000

The Riverton facility suffers from a shortage of ice during peak delivery periods. The intent is to build another ice bin and add a third ice machine to increase storage and ice making capacity.

Year One (FY10/11) Capital Budget (000's)

	Business Continuance			Payback		TOTAL
	Infrastructure	Operations	Compliance	Cost Savings	Business Development	
TRANSCONA PLANT						
Roof		$ 107				
Blast Freezer Storage Racks - Phase 1		$ 39				
Other Building repair and Paint			$ 29			
Tunnel Freezer (To replace three		$ 4,237				
Caviar Packing - New Equipment		$ 63				
Mincing line Chop Saw and Conveyor		$ 193				
Fish Scaler		$ 90				
Doors			$ 11			
Ceiling			$ 43			
Ozone Ventilation System			$ 63			
Preventative maintenance software- Phase 2 and 3				$ 64		
Security access system - phase 2 of 2		$ 64				
Automatic Data Collection (RFSmart/ERP)		$ 250				
Forklifts & power workers - phase 2		$ 45				
Failure Contingency						
Powerhouse - Engineering	$ 214					
Plant - Maintenance	$ 107					
TOTAL TRANSCONA PLANT	**$ 321**	**$ 5,088**	**$ 146**	**$ 64**	**$ -**	**$ 5,618**
FIELD OPERATIONS						
Spud Cylinders		$ 18				
Deck House Door Seal, Staircase T/C Requirement		$ -	$ 7			
Starboard Transmission Rebuild		$ 13				
Bildge Water Oil Recovery		$ 1				
Dyno Test Port and Starboard Engines		$ 2				
Hull Work (Dry Dock)		$ 235				
Pallet Jack and Scale		$ 3				
Riverton Ice Bine and Machines		$ 128				
Tubs for Shed (300)		$ 10				
Truck		$ 28				
Security Surveilance System		$ 3				
Computer		$ 2				
Septic Field Repair		$ 4				
Gas Monitor System		$ 3				
Tool Kit		$ 1				
Vent System over Tub Washer		$ 3				
Pallet Stacker		$ 13				
Pallet Jack		$ 8				
1000 brown Tubs c/w Lids		$ 17				
Chemical Storage Bin		$ 1				
Totes 332 Replacement Broken (64)		$ 43				
Ecocertification Test Neting		$ 21				
NMA - Waboden		$ -				
Pallet Jacks		$ 1				
New Roof on Storage Building		$ 2				
Rear Truck Tires		$ 1				
100 Green Fish Tubs		$ 3				
NMA - The Pas		$ -				
Pallet Jacks		$ 1				
Door Hardware		$ 1				
100 Green Fish Tubs		$ 3				
FFMC La Ronge		$ -				
Natural Gas Connection/Converstion (payback 2.5yrs)		$ -				
Hay River Agency		$ -				
Office Equipment		$ 1				
Roof Repair		$ 7				
Edmonton		$ -				
Photocopier		$ 1				
TOTAL FIELD OPERATIONS	**$ -**	**$ 581**	**$ 7**	**$ -**	**$ -**	**$ 588**
TOTAL CAPITAL BUDGET	**$ 321**	**$ 5,668**	**$ 153**	**$ 64**	**$ -**	**$ 6,106**
TOTAL CAPITAL BUDGET $ BY CATEGORY	**$ 6,042**			**$ 64**		**$ 6,106**
TOTAL CAPITAL BUDGET % BY CATEGORY	**96.32%**			**0.13%**		**100.00%**

The FY10/11 balance sheet reflects the Corporation’s commitment to separate long-term capital debt from working capital, and start repaying principal.

FY10/11 Projected Balance Sheet (000’s)

	09/10 (A)		Q1-10/11		Q2-10/11		Q3-10/11		Q4-10/11	
ASSETS										
Current assets										
Cash and accounts receivable		$ 7,892		$ 5,747		$ 5,596		$ 7,500		$ 7,500
Inventory										
Fish		$ 15,015		$ 21,293		$ 25,446		$ 24,156		$ 16,226
Packaging		$ 886		$ 893		$ 562		$ 697		$ 880
Prepaid expenses		$ 105		$ 500		$ 500		$ 500		$ 500
Total current assets		$ 23,898		$ 28,433		$ 32,104		$ 32,853		$ 25,106
Fixed assets										
Buildings and Equipment	$ 40,045		$ 41,045		$ 43,045		$ 43,545		$ 46,145	
less: Accumulated depreciation	$ (25,747)	$ 14,298	$ (25,481)	$ 15,564	$ (26,903)	$ 16,142	$ (27,215)	$ 16,330	$ (28,840)	$ 17,305
Total Assets		$ 38,196		$ 43,997		$ 48,246		$ 49,183		$ 42,411
LIABILITIES and EQUITY										
Current liabilities										
Accounts payable	$ 4,592		$ 6,011		$ 6,587		$ 5,598		$ 1,958	
Provision for final payment	$ 1,333		$ 1,883		$ 2,222		$ 1,429		$ 2,354	
USD LIBOR Loan	$ 4,063		$ 4,000		$ 4,000		$ 4,000		$ 4,000	
Operating/term loans payable	$ 25,300		$ 28,986		$ 32,073		$ 28,553		$ 24,878	
Total current liabilities		$ 35,288		$ 40,880		$ 44,882		$ 39,580		$ 33,190
Long-term liabilities										
Capital loan payable	$ -		$ -		$ -		$ 6,079		$ 6,052	
Total long-term liabilities		$ -		$ -		$ -		$ 6,079		$ 6,052
Equity										
Retained earnings	$ 2,908		$ 3,117		$ 3,364		$ 3,523		$ 3,170	
		$ 2,908		$ 3,117		$ 3,364		$ 3,523		$ 3,170
Total Liabilities and Equity		$ 38,196		$ 43,997		$ 48,246		$ 49,182		$ 42,411

FY10/11 Projected Income Statement

Sales Revenue

These figures incorporate significant increases in sales volume and revenue growth in value-added products with greater margins. Examples of these products are: battered walleye strips, smoked lake trout, whitefish PBO portions, and boneless pike portions. Volume to new markets is also projected to increase due to the addition of a new Business Development Manager. While there will be some impact in FY10/11, it will not be significant until year two and later.

It should also be noted that in the FY10/11-FY14/15 period, the plan assumes no further strengthening of the $CAD against the USD. For comparison, revenues had to absorb a 38% rise in the $CAD/USD exchange rate in the FY04/05-FY09/10 period.

The impact of the $CAD/$US exchange rate has had a significant impact on the FY10/11 plan. In the FY09/10 plan, the exchange rate was forecasted at 1.22 resulting in a planned exchange gain of $8.8 million. Growing economic stability and the renewed strength of $CAD has resulted in a foreign exchange gain of $0 or par for FY10/11 planning. The Corporation's foreign exchange hedging strategy will be followed to mitigate downside risk; however, the potential for gains is minimal.

Cost of goods sold

The Corporation's goal is to set initial prices at 85% of total returns in any given year; however, it will take effort over the plan period to reach this goal. Appreciation of $CAD has been mitigated by aggressive pricing and sales growth in FY10/11, and the overall initial pricing to fishers is set at 89.9% for the year.

Minimal investment in only the most at risk assets ($5.6 million in Winnipeg and $.58 million in Field Operations) have been planned in FY10/11. Paybacks in material yield, overhead cost reduction and labour efficiencies therefore, will not be significant in FY10/11.

Administrative overhead

Administrative expenses reflect the transfer of cost accounting, quality and purchasing resources from plant overhead to administration. Additionally, gaps in logistics, production planning and marketing resources have been added to the FY10/11 plan. The overall increase equates to two full-time equivalent employees. Improved management of the entire supply chain, reduced freight costs and significantly increased sales revenues and volumes are the results that have been incorporated into the FY10/11 plan.

Mandatory training in quality, information technology, maintenance and engineering has also increased administrative overhead in FY10/11.

Over $300,000 has been planned in FY10/11 for conversion to International Financial Reporting Standards (IFRS) and engagement of a consultant to work on renovation plans for the Winnipeg plant.

The Corporation's borrowing costs have increased in FY10/11. The impact of rising interest rates equate to a forecasted 2.63% borrowing rate.

Final payments to fishers will be paid from cash flow (net income less capital plus depreciation) rather than income.

Borrowing Plan

Financing of capital through a revolving credit facility will be used for short-term borrowings. Banker's acceptances and the $4 million USD LIBOR loan of between 30 and 365 days will be utilized. For operating requirements, the Corporation is requesting authority to borrow up to $39.5 million from a financial institution that is a member of the Canadian Payments Association. $39.5 million equates to 80% of the Corporation's legislated borrowing limit.

INCOME STATEMENT & BORROWING PLAN
YEAR ONE (FY10/11) PROJECTED INCOME STATEMENT

Sales Revenue

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FY10/11 Projected Income Statement
(000's)

	FY 09/10 (A)	10/11	10/11 Q1	10/11 Q2	10/11 Q3	10/11 Q4
SALES VOLUME (Kgs)	**8,749**	**9,784**	**2,190**	**2,357**	**2,500**	**2,737**
GROSS SALES REVENUE						
Gross Sales Revenue - $CAD	$ 24,437	**$ 26,774**	**$ 6,001**	**$ 6,770**	**$ 7,855**	**$ 6,148**
Gross Sales Revenue - $USD	$ 37,989	**$ 38,934**	**$ 8,949**	**$ 8,796**	**$ 9,198**	**$ 11,991**
TOTAL GROSS SALES REVENUE	**$ 62,426**	**$ 65,707**	**$ 14,950**	**$ 15,566**	**$ 17,053**	**$ 18,138**
f/x on $US Revenue	$ 3,228	$ -	$ -	$ -	$ -	$ -
TOTAL GROSS SALES REVENUE	**$ 65,654**	**$ 65,707**	**$ 14,950**	**$ 15,566**	**$ 17,053**	**$ 18,138**
DISCOUNTS AND ALLOWANCES						
Customer Returns	$ 658	$ -	$ -	$ -	$ -	$ -
Promotional Allowance	$ 1,016	$ 972	$ 233	$ 240	$ 235	$ 264
Broker Commissions	$ 1,191	$ 1,279	$ 329	$ 337	$ 350	$ 263
Price/Quality Adjustment	$ 93	$ 250	$ 56	$ 60	$ 64	$ 70
Freight	$ 399	$ 458	$ 103	$ 110	$ 117	$ 128
Certification and Inspection Fees	$ 5	$ 11	$ 3	$ 2	$ 3	$ 3
Fees/Bad Debt	$ (2)	$ 39	$ 10	$ 12	$ 7	$ 10
TOTAL DISCOUNTS AND ALLOWANCES	**$ 3,360**	**$ 3,009**	**$ 733**	**$ 762**	**$ 776**	**$ 738**
NET SALES REVENUE	**$ 62,294**	**$ 62,698**	**$ 14,217**	**$ 14,804**	**$ 16,277**	**$ 17,400**
Net Sales Revenue/kg		$ 6.41	$ 6.49	$ 6.28	$ 6.51	$ 6.36
COST OF GOODS						
Material Cost	$ 31,803	$ 26,271	$ 5,891	$ 6,270	$ 6,574	$ 7,536
Material Burden	$ 4,546	$ 5,987	$ 1,711	$ 1,798	$ 1,994	$ 484
Packaging	$ -	$ 1,035	$ 232	$ 249	$ 264	$ 290
Outside Processing	$ -	$ 442	$ 99	$ 107	$ 113	$ 124
Labour	$ 2,485	$ 2,506	$ 511	$ 552	$ 701	$ 742
Overhead	$ 16,456	$ 14,158	$ 2,967	$ 3,136	$ 3,367	$ 4,689
Off Standard	$ 2,000	$ 2,497	$ 609	$ 702	$ 609	$ 577
COST OF GOODS SOLD	**$ 57,290**	**$ 52,895**	**$ 12,019**	**$ 12,813**	**$ 13,622**	**$ 14,440**
GROSS PROFIT	**$ 5,004**	**$ 9,803**	**$ 2,198**	**$ 1,991**	**$ 2,654**	**$ 2,961**
OVERHEAD						
Administrative Expenses	$ 2,999	$ 4,144	$ 1,025	$ 1,064	$ 1,050	$ 1,005
Sales and Marketing Expenses	$ 754	$ 994	$ 222	$ 233	$ 280	$ 259
Field Operations Expenses	$ 737	$ 826	$ 207	$ 207	$ 206	$ 206
TOTAL OVERHEAD	**$ 4,490**	**$ 5,964**	**$ 1,454**	**$ 1,504**	**$ 1,536**	**$ 1,470**
Overhead % of Sales Revenue						
OPERATING PROFIT/(LOSS)	**$ 514**	**$ 3,840**	**$ 744**	**$ 487**	**$ 1,118**	**$ 1,491**
			$ -	$ -	$ -	$ -
OTHER INCOME AND EXPENSE						
Foreign Exchange (Gain)/Loss	$ (1,718)	$ -	$ -	$ -	$ -	$ -
Other (Income)/Expense	$ (28)	$ (5)	$ (2)	$ (2)	$ 0	$ (1)
Bank Charges and Interest	$ 284	$ 1,010	$ 158	$ 267	$ 279	$ 306
NET OTHER INCOME AND EXPENSE	**$ (1,462)**	**$ 1,005**	**$ 156**	**$ 265**	**$ 279**	**$ 305**
NET INCOME BEFORE AGENCIES	**$ 1,976**	**$ 2,835**	**$ 588**	**$ 222**	**$ 839**	**$ 1,186**
FIELD OPERATIONS INCOME						
Field Operations Lake Winnipeg	$ (237)	$ 5	$ 66	$ 146	$ (129)	$ (78)
Field Operations Northern Manitoba	$ (59)	$ 36	$ 17	$ 68	$ (37)	$ (12)
Field Operations Saskatchewan	$ (51)	$ (30)	$ (7)	$ (7)	$ (10)	$ (6)
Field Operations Alberta&NWT	$ (147)	$ (230)	$ (53)	$ (52)	$ (63)	$ (62)
TOTAL AGENCY INCOME Profit/(Loss)	**$ (494)**	**$ (220)**	**$ 23**	**$ 155**	**$ (239)**	**$ (159)**
NET INCOME before final payment to fishers	**$ 1,482**	**$ 2,615**	**$ 611**	**$ 377**	**$ 600**	**$ 1,027**
FINAL PAYMENT	**$ 1,334**	**$ 2,353**	**$ 549**	**$ 339**	**$ 540**	**$ 924**

YEAR ONE (FY10/11) PROJECTED CASH FLOW AND BORROWING PLAN

Financing of capital through a revolving credit facility will be used for short-term borrowings. Banker's acceptances and the $4 million USD LIBOR loan of between 30 and 365 days will be utilized. For operating requirements, the Corporation is requesting authority to borrow up to $39.5 million from a financial institution that is a member of the Canadian Payments Association. $39.5 million equates to 80% of the Corporation's legislated borrowing limit.

FY10/11 Projected Cash Flow (000's)

$CAD	Apr. 28, 2010	May 26, 2010	June 30, 2010	July 29, 2010	Aug 25, 2010	Sep 29, 2010	Oct 26, 2010	Nov 24, 2010	Dec 29, 2010	Jan 5,2011	Jan 26,2011	Feb 2,2011	Mar.2, 2011	Mar. 30, 2011	Apr. 27, 2011
Opening Bank Balance	$ 17	$ 40	$ (74)	$ 80	$ (8)	$ 42	$ 53	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ (3)
Fish Purchases	$ 99	$ 225	$ 1,200	$ 491	$ 221	$ 761	$ 1,012	$ 156	$ 239	$ 570	$ 570	$ 532	$ 353	$ 353	$ 111
Operations Purchases	$ 218	$ 293	$ 277	$ 310	$ 301	$ 273	$ 307	$ 292	$ 270	$ 300	$ 300	$ 299	$ 270	$ 270	$ 298
Payroll & benefits	$ 177	$ 177	$ 335	$ 379	$ 260	$ 341	$ 444	$ 280	$ 244	$ 228	$ 228	$ 239	$ 168	$ 168	$ 198
CAPEX	$ -	$ 149	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts Receivable - US & CAD	$ -	$ (916)	$ (790)	$ (1,538)	$ (1,213)	$ (1,039)	$ (1,320)	$ (1,273)	$ (1,059)	$ (978)	$ (978)	$ (1,962)	$ (1,665)	$ (1,665)	$ (1,533)
Provision for seasonal delivery contingency	$ -	$ -	$ -	$ -	$ 13	$ -	$ -	$ 1,333	$ 13	$ -	$ -	$ -	$ -	$ -	$ -
Closing Bank Balance	$ (477)	$ 112	$ (1,096)	$ 438	$ 410	$ (294)	$ (389)	$ (738)	$ 344	$ (69)	$ (69)	$ 942	$ 924	$ 924	$ 922
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bankers Acceptance (Maturing)	$ 19,000	$ 19,700	$ 24,000	$ 24,500	$ 23,200	$ 24,600	$ 26,700	$ 27,100	$ 27,800	$ 27,500	$ 27,500	$ 27,500	$ 26,600	$ 25,700	$ 24,800
										$ -					
Required Bankers Acceptance	**$ 19,477**	**$ 19,588**	**$ 25,096**	**$ 24,062**	**$ 22,790**	**$ 24,894**	**$ 27,089**	**$ 27,838**	**$ 27,456**	**$ 27,569**	**$ 27,569**	**$ 26,558**	**$ 25,676**	**$ 24,776**	**$ 23,878**
$US	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Opening Bank Balance	$ 6,718	$ 11,958	$ 82,782	$ 8,213	$ 5,213	$ 292,293	$ 16,008	$ 51,083	$ 16,168	$ 16,169	$ 16,172	$ 16,173	$ 16,177	$ 16,181	$ 16,182
Accounts Payable	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Accounts Receivable - US	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)	$ (5,001)
Closing Bank Balance	$ 6,719	$ 11,959	$ 82,783	$ 8,214	$ 5,214	$ 292,294	$ 16,009	$ 51,084	$ 16,169	$ 16,170	$ 16,173	$ 16,174	$ 16,178	$ 16,182	$ 16,183
LIBOR Loan $4,000,000	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**	**$ 4,000**
US $ sub-credit for FX exposure of $1M	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**
Projected Operating Loan Balance	**$ 24,470**	**$ 24,576**	**$ 30,013**	**$ 29,054**	**$ 27,785**	**$ 29,602**	**$ 32,073**	**$ 32,332**	**$ 34,323**	**$ 32,553**	**$ 32,553**	**$ 31,542**	**$ 30,660**	**$ 29,760**	**$ 28,878**
Long-Term Capital Debt										**$ 6,100**	**$ 6,086**	**$ 6,079**	**$ (865)**	**$ (7,809)**	**$ (14,753)**
Principal Repayment										**$ -**	**$ (7)**	**$ (6,944)**	**$ (6,944)**	**$ (6,944)**	**$ (6,944)**
Projected Capital Loan Balance	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,100**	**$ 6,079**	**$ (865)**	**$ (7,809)**	**$ (14,753)**	**$ (21,698)**
Total Borrowing Required	**$ 24,470**	**$ 24,576**	**$ 30,013**	**$ 29,054**	**$ 27,785**	**$ 29,602**	**$ 32,073**	**$ 32,332**	**$ 34,323**	**$ 38,653**	**$ 38,632**	**$ 37,614**	**$ 36,725**	**$ 35,819**	**$ 34,929**

The Corporation's requested borrowing limit is $39,500,000 to include seasonal delivery contingencies