HIGH LINER FOODS

FOURTH QUARTER AND FISCAL 2018
REPORT TO SHAREHOLDERS

Thirteen and Fifty-two weeks ended December 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fifty-two weeks ended December 29, 2018

(All amounts are in United States dollars unless otherwise stated)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated February 27, 2019, relates to the financial condition and results of operations of High Liner Foods Incorporated for the fifty-two weeks ended December 29, 2018 ("Fiscal 2018") compared to the fifty-two weeks ended December 30, 2017 ("Fiscal 2017"). Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with our 2018 Annual Report along with our Annual Audited Consolidated Financial Statements ("Consolidated Financial Statements") as at and for the fifty-two weeks ended December 29, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to management as of February 27, 2019, except as otherwise noted.

Comparability of Periods

The Company's fiscal year-end floats, and ends on the Saturday closest to December 31. The Company follows a fifty-two week reporting cycle, which periodically necessitates a fiscal year of fifty-three weeks. Fiscal years 2018, 2017 and 2016 were fifty-two weeks. When a fiscal year contains fifty-three weeks, the reporting cycle is divided into four quarters of thirteen weeks each except for the fourth quarter, which is fourteen weeks in duration. Therefore, amounts presented may not be entirely comparable.

Non-IFRS Financial Measures

This document also includes certain non-IFRS financial measures, which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes. These non-IFRS measures do not have any standardized meaning as prescribed by IFRS, and therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. Non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the *Non-IFRS Financial Measures* section starting on page 28 of this MD&A.

Currency

All amounts in this MD&A are in United States dollars ("USD"), unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion into the presentation currency.

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD).

In some parts of this document, balance sheet and operating items of the Parent are discussed in the CAD functional currency (the "domestic currency" of the Parent) to eliminate the effect of fluctuating foreign exchange rates used to translate the Parent's operations to the USD presentation currency.

Forward-Looking Statements

This MD&A includes statements that are forward looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment. We discuss the principal risks of our business in the *Risk Factors* section on page 39 of this MD&A. We cannot provide any assurance that forecasted financial or operational performance will actually be achieved, and if it is achieved, we cannot provide assurance that it will result in an increase in the Company's share price. See the *Forward-Looking Information* section on page 48 of this MD&A.

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are the leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées, that are sold to North American food retailers and foodservice distributors. The retail channel includes grocery and club stores and our products are sold throughout the U.S., Canada and Mexico under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** labels. The foodservice channel includes sales of seafood that are usually eaten outside the home and our branded products are sold through distributors to restaurants and institutions under the ***High Liner***, ***Icelandic Seafood***[1] and ***FPI*** labels. The Company is also a major supplier of private-label value-added frozen premium seafood products to North American food retailers and foodservice distributors.

We own and operate three food-processing plants located in Lunenburg, Nova Scotia ("NS"), Portsmouth, New Hampshire ("NH"), and Newport News, Virginia ("VA").

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, NS, we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

The Company has embarked on a significant undertaking as represented by the five critical initiatives summarized below to eliminate the challenges in its internal operations and strengthen the overall health of the business. The Company expects to execute on the critical initiatives outlined below within nine to twelve months and as previously disclosed, expects to achieve a minimum of $10 million in annualized cost savings, on a run rate basis, associated with these critical initiatives, starting in 2019. Annualized cost savings of $7.0 million were identified as part of the Company's organizational realignment that was completed in November 2018 (see the *Recent Developments* section on page 6). The Company's five critical initiatives are:

- **Organizational Realignment:** Important progress has been made on this initiative, as mentioned above to realign the organization to create a "One High Liner Foods" culture that improves efficiency, cuts costs, will facilitate knowledge sharing, organizational best practices and lay the foundation for the critical initiatives that follow.
- **Business Simplification:** The Company will take unnecessary complexity out of its business to ensure the product portfolio is simple, yet powerful and focuses on the best of High Liner Foods - in terms of margins, customer appeal and growth potential. Although this will require certain product eliminations, this will enable the Company to focus its resources on developing and innovating the most profitable and desirable products.

[1] In December 2011, as part of our acquisition of the U.S. subsidiary of Icelandic Group h.f., we acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the Icelandic Seafood brand in the U.S., Canada and Mexico. In April 2018, the Company executed a seven year brand license agreement for the continued use of the Icelandic Seafood brand in the U.S. and Canada with royalty payments effective January 2019 (1.5% on net sales of products sold under the Icelandic Seafood brand).

- **Supply Chain Excellence:** The Company will build on efforts to date to create one integrated supply chain by creating a cross-border operating system, increasing the efficiency of manufacturing activities through further centralization and standardization and is focusing its attention on sales and operational planning and continuous improvement.
- **Rubicon Alignment and Growth:** The Company will work to extract the value and synergies in this acquisition that have yet to be fully realized. By fully aligning Rubicon with High Liner Foods, the Company will maximize the opportunity for growth in the shrimp business.
- **Profitable Organic Growth:** The Company will invest in product innovation, research and partnerships to strengthen its customer engagement, shape consumer tastes and demand for our seafood with the goal of returning to profitable growth by 2020.

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and in the Investor Center section of the Company's website at www.highlinerfoods.com.

FINANCIAL OBJECTIVES

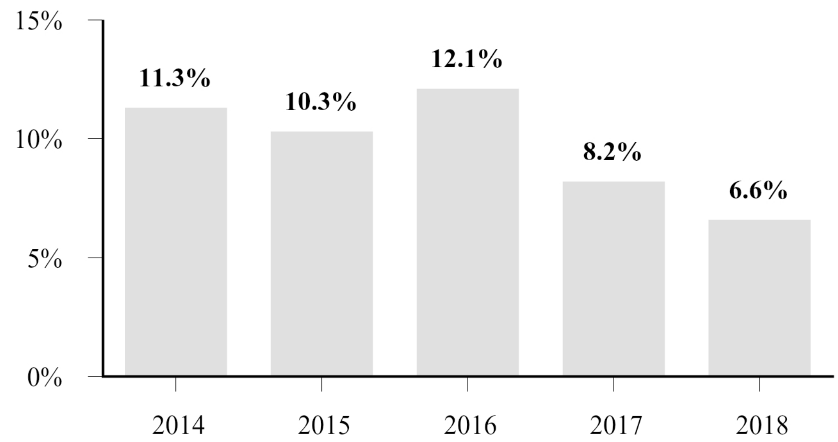
Our strategy was designed with the expectation to increase shareholder value. To help us focus on meeting investor expectations, we use three key financial measures to gauge our financial performance:

	Fiscal 2018	Fiscal 2017
Return		
On assets managed	**6.6%**	8.2%
On equity	**5.8%**	12.1%
Profitability		
Adjusted EBITDA as a percentage of sales	**6.0%**	6.3%
Financial strength		
Net interest-bearing debt to Adjusted EBITDA ratio (times)(1)	**5.8x**	5.9x

(1) Including trailing twelve-month Adjusted EBITDA for Rubicon, net interest-bearing debt to Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 28 of this MD&A for further discussion of Adjusted EBITDA) was 5.6x at December 30, 2017.

Each of these financial measures is further discussed below. See the *Non-IFRS Financial Measures* section starting on page 28 for further explanation of these measures.

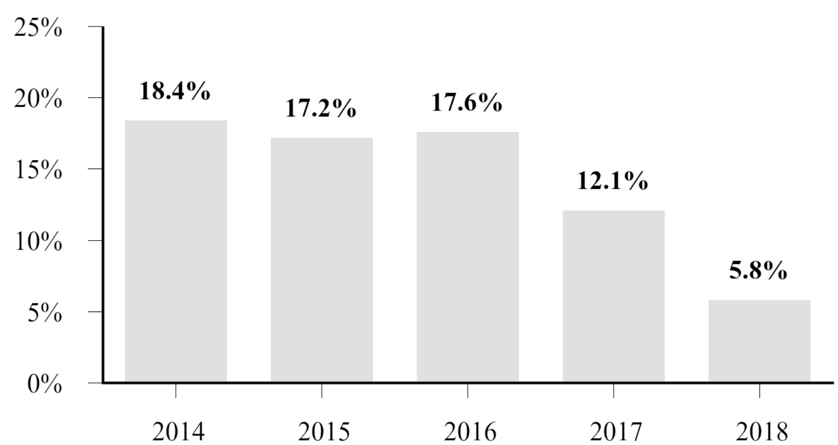
Return on Assets Managed ("ROAM")



In 2018, Adjusted EBIT decreased by $5.1 million, or 10.2%, compared to 2017 and the thirteen-month rolling average net assets managed increased by $65.5 million, or 10.7%. The combined impact of these changes was a decrease in ROAM from 8.2% at the end of Fiscal 2017 to 6.6% at the end of Fiscal 2018.

The decrease in Adjusted EBIT in 2018 is a result of the same factors causing the $3.6 million decrease in Adjusted EBITDA in 2018 compared to 2017, as discussed in the *Consolidated Performance* section on page 10 of this MD&A and an increase in depreciation and amortization expense primarily related to the full year impact of the Rubicon Resources LLC ("Rubicon") acquisition in May 2017. The increase in the average net assets managed in 2018 compared to 2017 is primarily due to the timing of the Rubicon acquisition in 2017, which resulted in higher average inventory held, intangibles, and goodwill, partially offset by an increase in average accounts payable and accrued liabilities over the comparable period.

Return on Equity ("ROE")



In 2018, Adjusted Net Income less share-based compensation expense decreased by $13.6 million, or 46.2%, compared to 2017, and the thirteen-month rolling average common equity increased by $28.9 million, or 11.9%, primarily reflecting the higher average common shares outstanding in 2018 due to the issuance of common shares in May 2017 related to the Rubicon acquisition. The combined impact of these changes resulted in a decrease in ROE from 12.1%

at the end of Fiscal 2017 to 5.8% at the end of Fiscal 2018. The decrease in Adjusted Net Income in 2018 compared to 2017 is discussed in the *Consolidated Performance* section on page 11 of this MD&A.

Adjusted EBITDA as a Percentage of Sales

Adjusted EBITDA as a percentage of sales is calculated as follows:

- **Adjusted EBITDA** as defined in the *Non-IFRS Financial Measures* section on page 28 of this MD&A, divided by:
- **Sales** as disclosed on the consolidated statements of income.

In 2018, Adjusted EBITDA decreased by $3.6 million, or 5.5%, compared to 2017 and sales decreased by $5.3 million, or 0.5%. The combined impact of these changes resulted in a decrease in Adjusted EBITDA as a percentage of sales from 6.3% in 2017 compared to 6.0% in 2018. The decrease in Adjusted EBITDA as a percentage of sales for 2018 compared to 2017 reflects lower gross profit (after adjusting the prior year for the losses associated with the 2017 product recall) and higher distribution expenses, partially offset by lower SG&A expenses in 2018, as discussed in the *Consolidated Performance* section on page 10 of this MD&A.

Net Interest-Bearing Debt to Adjusted EBITDA

Net interest-bearing debt to Adjusted EBITDA is calculated as follows:

- **Net interest-bearing debt** as defined in the *Non-IFRS Financial Measures* section on page 33 of this MD&A, divided by:
- **Adjusted EBITDA** as defined in the *Non-IFRS Financial Measures* section on page 28 of this MD&A.

Net interest-bearing debt to Adjusted EBITDA was 5.8x at the end of Fiscal 2018 compared to 5.9x at the end of Fiscal 2017, as shown in the following table:

				Twelve months ended
(Amounts in $000s, except as otherwise noted)		**December 29, 2018**		**December 30, 2017**
Net interest-bearing debt	**$**	**360,642**	$	387,869
Adjusted EBITDA	**$**	**62,474**	$	66,112
Net interest-bearing debt to Adjusted EBITDA ratio (times)		**5.8x**		5.9x

During 2018, net interest-bearing debt decreased by $27.3 million and Adjusted EBITDA decreased by $3.6 million. The combined impact of these changes was a decrease in net interest-bearing debt to Adjusted EBITDA for 2018 compared to 2017. The change in net interest-bearing debt is discussed on page 23 of this MD&A, and the change in Adjusted EBITDA is discussed on page 10 of this MD&A. Including trailing twelve month Adjusted EBITDA for Rubicon, net interest-bearing debt to Adjusted EBITDA was 5.6x at December 30, 2017. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in 2019, we expect this ratio will be lower at the end of Fiscal 2019.

OUTLOOK

High Liner continues to advise shareholders that until it successfully executes its critical initiatives over the next nine to twelve months, it is likely to continue to face pressure on its financial results due to a number of internal and external factors. Longer term, the Company expects its financial performance to improve and targets a return to profitable growth by 2020.

RECENT DEVELOPMENTS

Organizational Realignment

In August 2018, the Company communicated plans to optimize the Company's structure in order to take better advantage of the Company's North American scale, lower operating costs and improve financial performance. On November 7, 2018, the Company announced an organizational realignment which resulted in a reduction of 14.0% of its salaried workforce. The Company expects to recognize termination benefits of approximately $4.9 million related to this workforce reduction, of which $3.5 million was recognized in the fourth quarter of 2018 as business acquisition, integration and other (income) expense in the consolidated statements of income. The full organizational realignment undertaken in 2018 will generate approximately $7.0 million in net annualized run rate cost savings.

U.S. Tariffs

In September 2018, the U.S. Administration announced an additional 10% tariff on certain Chinese imports, including seafood, effective September 24, 2018, increasing to 25% effective January 1, 2019. On December 19, 2018, the U.S. Administration postponed the January 1, 2019 tariff increase, pending negotiations between the U.S. Administration and China.

The Company currently purchases its seafood raw materials from more than 20 countries around the world, including from the U.S., to meet U.S. consumer demand. A portion of this raw material is imported into China for primary processing and then exported to the U.S. for sale and secondary processing. The Company has determined that the additional tariff applies to the import of certain species into the U.S., most notably haddock, tilapia and sole/flounder. The estimated exposure of a 10% and 25% tariff in 2019 is approximately $4 million and $9 million, respectively based on current volume and raw material costs; however, the Company has begun implementing plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company. The Company will continue to monitor these developments closely, particularly if further information becomes available regarding potential additional tariffs or how the previously announced tariffs will impact the Company.

Product Recall

In 2017, the Company announced a voluntary recall of certain brands of breaded fish and seafood products sold in Canada and the U.S. that may contain a milk allergen that was not declared on the ingredient label and allergen statement. The Company identified that the allergen had originated from ingredients supplied by one of the Company's U.S. based ingredient suppliers. As a result, during the fifty-two weeks ended December 30, 2017, the Company recognized $13.5 million in net losses associated with the product recall related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs. These losses did not include any reduction in earnings as a result of lost sales opportunities due to limited product availability and customer shortages, or increased production costs related to the interruption of production at the Company's facilities.

During the fifty-two weeks ended December 29, 2018, the Company recognized an $8.5 million recovery associated with the product recall losses from the ingredient supplier, which was recognized as business acquisition, integration and other (income) expense in the consolidated statements of income.

Subsequent to December 29, 2018, the Company recovered an additional $8.5 million associated with the product recall from the ingredient supplier, for a total recovery of $17.0 million, see Note 6 *"Product recall"* to the Consolidated Financial Statements for further information). This additional recovery will be recognized during the first quarter of 2019, reflecting the period in which the recovery became virtually certain, in accordance with IFRS. No further recoveries are expected. As a result, the Company has fully recovered the $13.5 million in losses recognized during the fifty-two weeks ended December 30, 2017 related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs, and an additional $3.5 million related to lost sales opportunities and increased production costs. See the *"Events After the Reporting Period"* section on page 28 for further information.

Upgrade of Enterprise Resource Planning System

During the second quarter of 2018, the Company completed a significant upgrade to its enterprise resource planning ("ERP") system, which is the business management software that supports the Company's core business processes. The upgrade provides improved capability to support the organizational realignment, current business objectives and future growth. The upgrade was completed on time, within internal spending targets, and without interruption to customers or the business.

Appointment of New President and Chief Executive Officer

Effective May 1, 2018, High Liner Foods' Board of Directors appointed Rod Hepponstall as President and Chief Executive Officer. Mr. Hepponstall assumed this position from Henry Demone, Chairman of the Board of Directors. Mr. Hepponstall has extensive experience working in the food industry in the United States and Canada, in both retail and foodservice, and most recently, held the position of Senior Vice President, General Manager Retail & Foodservice Business Units at Lamb-Weston Inc., one of the world's leading suppliers of frozen potato products. In connection with Mr. Hepponstall's appointment, he also joined the Company's Board of Directors.

Amendments to the Working Capital Credit Facility

In April 2018, the Company amended the $180.0 million working capital credit facility (see Note 11 "*Bank loans*" to the Consolidated Financial Statements) to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25%.

PERFORMANCE

The discussion and analysis of the Company's financial results focuses on the performance of the consolidated operations, and the performance of the two reportable segments described in Note 24 *"Operating segment information"* to the Consolidated Financial Statements: Canada Operations and U.S. Operations. Information is also provided for the "Corporate" category, which includes expenses for corporate functions, share-based compensation costs and business acquisition, integration and other expenses.

Seasonality

Overall, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

A significant percentage of advertising and promotional activity is typically done in the first quarter. Customer-specific promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Revenues" and non-customer-specific consumer marketing expenditures are included in selling, general and administrative expenses.

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

Consolidated Performance

The table below summarizes key consolidated financial information for the relevant periods.

(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)		Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017		Change		Fifty-two weeks ended December 31, 2016
Sales volume (millions of lbs)		**284.0**		291.8		**(7.8)**		277.3
Average foreign exchange rate (USD/CAD)	**$**	**1.2956**	$	1.2983	**$**	**(0.0027)**	$	1.3248
Sales								
Sales in domestic currency	**$**	**1,123,228**	$	1,131,733	**$**	**(8,505)**	$	1,036,229
Foreign exchange impact		**(74,697)**		(77,887)		**3,190**		(81,243)
Sales in USD	**$**	**1,048,531**	$	1,053,846	**$**	**(5,315)**	$	954,986
Gross profit	**$**	**188,157**	$	186,079	**$**	**2,078**	$	201,807
Gross profit as a percentage of sales		**17.9%**		17.7%		**0.2 %**		21.1%
Distribution expenses	**$**	**52,649**	$	49,827	**$**	**2,822**	$	43,610
Selling, general and administrative expenses	**$**	**92,208**	$	99,449	**$**	**(7,241)**	$	96,978
Adjusted EBITDA(1)								
Adjusted EBITDA in domestic currency	**$**	**66,731**	$	68,780	**$**	**(2,049)**	$	88,352
Foreign exchange impact		**(4,257)**		(2,668)		**(1,589)**		(6,969)
Adjusted EBITDA in USD	**$**	**62,474**	$	66,112	**$**	**(3,638)**	$	81,383
Adjusted EBITDA as a percentage of sales		**6.0%**		6.3%		**(0.3)%**		8.5%
Net income	**$**	**16,776**	$	31,653	**$**	**(14,877)**	$	32,284
Basic Earnings per Share ("EPS")	**$**	**0.50**	$	0.98	**$**	**(0.48)**	$	1.04
Diluted EPS	**$**	**0.50**	$	0.97	**$**	**(0.47)**	$	1.04
Adjusted Net Income(1)	**$**	**17,049**	$	30,142	**$**	**(13,093)**	$	40,284
Adjusted Basic EPS	**$**	**0.51**	$	0.93	**$**	**(0.42)**	$	1.30
Adjusted Diluted EPS(1),(2)	**$**	**0.51**	$	0.93	**$**	**(0.42)**	$	1.29
Total assets	**$**	**837,155**	$	907,969	**$**	**(70,814)**	$	685,108
Total long-term financial liabilities	**$**	**335,364**	$	348,774	**$**	**(13,410)**	$	276,303
Dividends paid per common share (CAD)	**$**	**0.580**	$	0.565	**$**	**0.015**	$	0.520

(1) See the *Non-IFRS Financial Measures* section starting on page 28 for further explanation of Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS.

(2) CAD-Equivalent Adjusted Diluted EPS was $0.66, $1.21 and $1.71 for the fifty-two weeks ended December 29, 2018, December 30, 2017 and December 31, 2016, respectively. See the *Non-IFRS Financial Measures* section on page 32 for further explanation of CAD-Equivalent Adjusted Diluted EPS.

The acquisition of Rubicon on May 30, 2017 had the impact of increasing sales volume by 7.5 million pounds, sales by $35.1 million, gross profit by $4.4 million and Adjusted EBITDA by $1.2 million in 2018 as compared to 2017 as a result of incorporating Rubicon's results for the full year. Additional information relating to the Rubicon acquisition is available in the Company's Consolidated Financial Statements for the year ended December 29, 2018.

Sales

Sales volume in 2018 decreased by 7.8 million pounds, or 2.7%, to 284.0 million pounds compared to 291.8 million pounds in 2017, including the following:

- An additional 7.5 million pounds in 2018 from Rubicon, which was acquired on May 30, 2017, compared to 2017; and
- Lower sales volume in 2017 associated with the product recall of 2.4 million pounds.

Excluding these items, sales volume in 2018 decreased by 17.7 million pounds, or 6.5%, primarily due to lower sales volume in our U.S. retail and foodservice businesses and Canadian retail business, partially offset by higher sales volume in our Canadian foodservice business.

Sales in 2018 were $1,048.5 million, representing a decrease of $5.3 million, or 0.5%, compared to $1,053.8 million in 2017. The stronger Canadian dollar in 2018 compared to 2017 increased the value of reported USD sales from our CAD-denominated operations by approximately $0.5 million relative to the conversion impact last year.

Sales in domestic currency decreased by $8.5 million, or 0.8%, to $1,123.2 million in 2018 compared to $1,131.7 million in 2017. Excluding the additional sales from Rubicon of $35.1 million and the lower sales during 2017 associated the product recall ($8.8 million), sales decreased by $52.4 million, or 5.1%, due to the lower sales volume mentioned above and changes in product mix, partially offset by price increases related to raw material cost increases.

Sales by reportable segment are discussed in more detail in the *Performance by Segment* section on page 12.

Gross Profit

Gross profit increased in 2018 by $2.1 million, or 1.1%, to $188.2 million compared to $186.1 million in 2017, reflecting an increase in gross profit as a percentage of sales to 17.9% compared to 17.7% in the prior year and losses associated with the product recall in 2017 ($13.5 million).

Excluding the impact of the product recall, gross profit decreased by $11.4 million, or 5.7%, due to the decrease in sales volume previously mentioned, raw material cost increases, unfavourable changes in product mix and U.S. plant inefficiencies, partially offset by the price increases, improved efficiency in our Canadian plant and increased gross profit associated with the inclusion of Rubicon for the full period in the current year. In addition, the stronger Canadian dollar had the effect of increasing the value of reported USD gross profit from our Canadian operations in 2018 by approximately $0.2 million relative to the conversion impact last year.

Gross profit by reportable segment is discussed in more detail in the *Performance by Segment* section on page 12.

Distribution Expenses

Distribution expenses, consisting of freight and storage, increased in 2018 by $2.8 million to $52.6 million compared to $49.8 million in the same period last year, due to the acquisition of Rubicon and higher fuel, line-haul and storage costs, partially offset by the lower sales volume mentioned previously. As a percentage of sales, distribution expenses increased to 5.0% in 2018 compared to 4.7% in the same period in 2017.

Selling, General and Administrative ("SG&A") Expenses

		Fifty-two weeks ended	
(Amounts in $000s)		**December 29, 2018**	**December 30, 2017**
SG&A expenses, as reported	**$**	**92,208**	$ 99,449
Less:			
Share-based compensation expense(1)		**1,188**	712
Depreciation and amortization expense(1)		**9,441**	8,296
SG&A expenses, net	**$**	**81,579**	$ 90,441
SG&A expenses, net as a percentage of sales		**7.8%**	8.6%

(1) Represents share-based compensation expense and depreciation and amortization expense that is allocated to SG&A only. The remaining expense is allocated to cost of sales and distribution expenses.

SG&A expenses decreased by $7.2 million to $92.2 million in 2018 as compared to $99.4 million in 2017. SG&A expenses included share-based compensation expense of $1.2 million in 2018 compared to an expense of $0.7 million in 2017, primarily reflecting additional stock option grants during the year, partially offset by a lower share price during the year. SG&A expenses also included depreciation and amortization expense of $9.4 million in 2018 compared to $8.3 million in 2017. The increase in depreciation and amortization expense is primarily related to the amortization of intangible assets acquired as part of the Rubicon acquisition in May 2017.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses decreased in 2018 by $8.8 million to $81.6 million compared to $90.4 million in the same period last year, due to lower administrative expenditures, including termination benefits, and lower consumer marketing expenditures across the Company, reflecting cost saving initiatives. The decrease in SG&A expenses was partially offset by increased expenses associated with the inclusion of Rubicon for the full period in the current year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased to 7.8% in 2018 compared to 8.6% in the same period last year.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A, including in the *Performance by Segment* section on page 12, where Adjusted EBITDA is discussed for both our Canadian and U.S. operations. See the *Non-IFRS Financial Measures* section on page 28 for further explanation of this non-IFRS measure.

Consolidated Adjusted EBITDA decreased in 2018 by $3.6 million, or 5.5%, to $62.5 million compared to $66.1 million in 2017. The impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by $4.3 million in 2018 compared to $2.7 million in 2017.

In domestic currency, Adjusted EBITDA decreased in 2018 by $2.1 million, or 3.0%, to $66.7 million (5.9% of sales) compared to $68.8 million (6.1% of sales) in 2017 reflecting the lower gross profit ($11.8 million) after adjusting for the losses associated with the 2017 product recall and an increase in distribution expenses explained previously, partially offset by the lower SG&A expenses mentioned previously. In addition, Adjusted EBITDA in 2017 included $2.3 million ($2.0 million USD) in product recall costs that were not added back for the purpose of Adjusted EBITDA.

The following table shows the impact in 2018 and 2017 of converting our CAD-denominated operations and corporate activities to our USD presentation currency.

	Fifty-two weeks ended			Fifty-two weeks ended		
	December 29, 2018	December 30, 2017	% Change	December 29, 2018	December 30, 2017	% Change
(Amounts in $000s)	USD	USD	USD	Domestic $	Domestic $	Domestic $
External Sales						
Canada	**$ 253,329**	$ 262,063	**(3.3)%**	**$ 328,026**	$ 339,950	**(3.5)%**
USA	**795,202**	791,783	**0.4 %**	**795,202**	791,783	**0.4 %**
	1,048,531	1,053,846	**(0.5)%**	**1,123,228**	1,131,733	**(0.8)%**
Conversion	**—**	—		**(74,697)**	(77,887)	
	$ 1,048,531	$ 1,053,846	**(0.5)%**	**$ 1,048,531**	$ 1,053,846	**(0.5)%**
Adjusted EBITDA						
Canada	**$ 16,039**	$ 13,657	**17.4 %**	**$ 20,795**	$ 17,715	**17.4 %**
USA	**50,604**	56,991	**(11.2)%**	**50,604**	56,991	**(11.2)%**
Corporate	**(4,169)**	(4,536)	**(8.1)%**	**(4,668)**	(5,926)	**(21.2)%**
	62,474	66,112	**(5.5)%**	**66,731**	68,780	**(3.0)%**
Conversion	**—**	—		**(4,257)**	(2,668)	
	$ 62,474	$ 66,112	**(5.5)%**	**$ 62,474**	$ 66,112	**(5.5)%**
Adjusted EBITDA as percentage of sales						
In USD	**6.0%**	6.3%				
In Domestic $				**5.9%**	6.1%	

Net Income

We refer to Adjusted Net Income, Adjusted Diluted EPS and CAD-Equivalent Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 28 for further explanation of these non-IFRS measures.

Net income decreased in 2018 by $14.9 million, or 47.0%, to $16.8 million ($0.50 per diluted share) compared to $31.7 million ($0.97 per diluted share) in 2017. The decrease in net income reflects the decrease in Adjusted EBITDA mentioned previously, an impairment of property, plant and equipment, an increase in termination benefits as a result of restructuring activities in the first three quarters of 2018 and the organizational realignment announced in November 2018 (see the *Recent Developments* section on page 6), an increase in finance costs and depreciation and amortization expense. Additionally, in 2018 the Company had an income tax expense of $6.1 million compared to an income tax recovery of $14.1 million in the same period last year that related to the impact of the reduction in federal corporate income tax rate associated with the U.S. Tax Reform in 2017 (see the *Income Taxes* section on page 20 of this MD&A). This decrease in net income was partially offset by the product recall recovery of $8.5 million from the ingredient supplier (see the *Recent Developments* section on page 6).

In 2018, net income included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 19 of this MD&A) related to the product recall recovery mentioned above, termination benefits as a result of restructuring activities in the first three quarters of 2018 and the organizational realignment announced in November 2018, and other non-cash expenses, including an impairment of property, plant and equipment. In 2017, net income included "business acquisition, integration and other (income) expense" related to the acquisition of Rubicon and other business development activities, losses associated with the product recall, and other non-cash expenses. Excluding the impact of these non-routine expenses or other non-cash expenses, and the impact of the U.S. Tax Reform in 2017, Adjusted Net Income in 2018 decreased by $13.1 million, or 43.4%, to $17.0 million compared to $30.1 million in 2017.

Adjusted Diluted EPS decreased by $0.42 to $0.51 in 2018 compared to $0.93 in 2017 and when converted to CAD using the average USD/CAD exchange rate for 2018 of 1.2956 (2017: 1.2983), CAD-Equivalent Adjusted Diluted EPS decreased by CAD$0.55 to CAD$0.66 in 2018 compared to CAD$1.21 in 2017 due to the increase in the weighted average number of shares outstanding associated with the acquisition of Rubicon and the decrease in Adjusted Net Income explained above.

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

	Fifty-two weeks ended					
(in $000s, except sales volume and percentage amounts)		December 29, 2018		December 30, 2017		Change
Sales volume (millions of lbs)		**66.6**		68.9		**(2.3)**
Sales	**$**	**328,026**	$	339,950	**$**	**(11,924)**
Gross profit	**$**	**60,576**	$	59,358	**$**	**1,218**
Gross profit as a percentage of sales		**18.5%**		17.5%		**1.0%**
Adjusted EBITDA(1)	**$**	**20,795**	$	17,715	**$**	**3,080**
Adjusted EBITDA as a percentage of sales		**6.3%**		5.2%		**1.1%**

(1) See the *Non-IFRS Financial Measures* section on page 28 for further explanation of Adjusted EBITDA.

Sales volume for our Canadian operations decreased in 2018 by 2.3 million pounds to 66.6 million pounds compared to 68.9 million pounds in 2017. Excluding the reduced sales volume associated with the product recall during 2017 (0.4 million pounds), sales volume in 2018 decreased by 2.7 million pounds, or 3.9% reflecting lower sales volume in the retail business, partially offset by higher volume in the foodservice business.

Sales in 2018 decreased by $12.0 million, or 3.5%, to $328.0 million compared to $340.0 million in 2017. Excluding the sales impact of the 2017 product recall ($2.8 million), sales in 2018 decreased by $14.8 million, or 4.3%, primarily reflecting the decreased sales volume and changes in product mix, partially offset by price increases related to raw material cost increases.

Gross profit increased in 2018 by $1.2 million to $60.6 million (18.5% of sales) compared to $59.4 million (17.5% of sales) in 2017. Excluding the losses associated with the 2017 product recall ($5.0 million), gross profit decreased by $3.8 million, or 6.0%, reflecting the lower sales volume noted above, changes in product mix and raw material cost increases, partially offset by the price increases and improvement in plant efficiency.

Adjusted EBITDA for our Canadian operations increased in 2018 by $3.1 million, or 17.4%, to $20.8 million (6.3% of sales) compared to $17.7 million (5.2% of sales) in 2017, primarily reflecting decreased SG&A expenses due to lower administrative and consumer marketing expenses, partially offset by the lower gross profit ($3.8 million) after adjusting for the losses associated with the 2017 product recall, and increased distribution expenses. In addition, Adjusted EBITDA in 2017 included $1.4 million in product recall costs that were not added back for the purpose of Adjusted EBITDA.

U.S. Operations

(All currency amounts in this section are in USD)

(in $000s, except sales volume and percentage amounts)	Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017		Change
Sales volume (millions of lbs)	**217.3**		222.9		**(5.6)**
Sales	**$**	**795,202**	$ 791,783	**$**	**3,419**
Gross profit	**$**	**140,775**	$ 140,372	**$**	**403**
Gross profit as a percentage of sales	**17.7%**		17.7%		**— %**
Adjusted EBITDA[1]	**$**	**50,604**	$ 56,991	**$**	**(6,387)**
Adjusted EBITDA as a percentage of sales	**6.4%**		7.2%		**(0.8)%**

[1] See the *Non-IFRS Financial Measures* section on page 28 for further explanation of Adjusted EBITDA.

Sales volume for our U.S. operations decreased by 5.6 million pounds, or 2.5%, in 2018 to 217.3 million pounds compared to 222.9 million pounds in 2017, including the following:

- An additional 7.5 million pounds in 2018 from Rubicon, which was acquired on May 30, 2017, as compared to 2017; and
- Lower sales volume in 2017 related to the product recall of 1.9 million pounds.

Excluding the impact of these items, sales volume for the 2018 decreased by 15.0 million, or 7.4%, reflecting lower sales volume in both the retail and foodservice businesses.

Sales in 2018 increased by $3.4 million, or 0.4%, to $795.2 million compared to $791.8 million in 2017, primarily reflecting the additional sales from Rubicon ($35.1 million) and lower sales during 2017 associated with the product recall ($6.0 million). Excluding the impact of these items, sales decreased by $37.7 million, or 5.5%, primarily due to the decreased volume mentioned above and changes in product mix, partially offset by price increases related to raw material cost increases.

Gross profit increased in 2018 by $0.4 million to $140.8 million (17.7% of sales) compared to $140.4 million (17.7% of sales) in 2017, reflecting the losses associated with the product recall in 2017 ($9.6 million). Excluding the impact the 2017 product recall, gross profit decreased by $9.2 million, or 6.1%, primarily due to the lower sales volume mentioned above, raw material cost increases, plant inefficiencies and product mix, partially offset by the price increases and increased gross profit associated with the inclusion of Rubicon for the full period in the current year.

Adjusted EBITDA for our U.S. operations decreased in 2018 by $6.4 million, or 11.2%, to $50.6 million (6.4% of sales) compared to $57.0 million (7.2% of sales) in 2017 reflecting the lower gross profit ($9.2 million) after adjusting for the losses associated with the 2017 product recall, and increases in distribution expenses that were partially related to the inclusion of Rubicon for the full period in the current year. The decrease in Adjusted EBITDA was partially offset by lower SG&A expenses due to lower consumer marketing expenditures and lower administrative expenses, despite the inclusion of Rubicon for a full period in the current year. In addition, Adjusted EBITDA in 2017 included $0.9 million in recall costs that were not added back for the purpose of Adjusted EBITDA.

RESULTS BY QUARTER

The following table provides summarized financial information for the last eight quarters:

Fiscal 2018

(Amounts in $000s, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	**$ 319,184**	**$ 245,312**	**$ 241,157**	**$ 242,878**	**$ 1,048,531**
Adjusted EBITDA(1)	**$ 24,221**	**$ 12,050**	**$ 14,235**	**$ 11,968**	**$ 62,474**
Net Income	**$ 10,251**	**$ 2,804**	**$ 4,531**	**$ (810)**	**$ 16,776**
Basic EPS	**$ 0.31**	**$ 0.08**	**$ 0.13**	**$ (0.02)**	**$ 0.50**
Diluted EPS	**$ 0.31**	**$ 0.08**	**$ 0.13**	**$ (0.02)**	**$ 0.50**
Adjusted Net Income(1)	**$ 10,703**	**$ 3,766**	**$ 412**	**$ 2,169**	**$ 17,049**
Adjusted Basic EPS	**$ 0.32**	**$ 0.11**	**$ 0.01**	**$ 0.07**	**$ 0.51**
Adjusted Diluted EPS(1)	**$ 0.32**	**$ 0.11**	**$ 0.01**	**$ 0.07**	**$ 0.51**
Dividends paid per common share (in CAD)	**$ 0.145**	**$ 0.145**	**$ 0.145**	**$ 0.145**	**$ 0.580**
Net non-cash working capital(2)	**$ 244,764**	**$ 227,935**	**$ 233,916**	**$ 228,683**	**$ 228,683**

Fiscal 2017

(Amounts in $000s, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	$ 275,735	$ 232,385	$ 282,704	$ 263,022	$ 1,053,846
Adjusted EBITDA(1)	$ 22,337	$ 13,417	$ 17,298	$ 13,060	$ 66,112
Net Income	$ 10,742	$ 644	$ 6,040	$ 14,227	$ 31,653
Basic	$ 0.35	$ 0.02	$ 0.18	$ 0.43	$ 0.98
Diluted	$ 0.34	$ 0.02	$ 0.18	$ 0.43	$ 0.97
Adjusted Net Income(1)	$ 10,815	$ 6,054	$ 8,424	$ 4,849	$ 30,142
Adjusted Basic EPS	$ 0.34	$ 0.19	$ 0.25	$ 0.15	$ 0.93
Adjusted Diluted EPS(1)	$ 0.34	$ 0.19	$ 0.25	$ 0.15	$ 0.93
Dividends paid per common share (in CAD)	$ 0.140	$ 0.140	$ 0.140	$ 0.145	$ 0.565
Net non-cash working capital(2)	$ 218,832	$ 206,094	$ 208,507	$ 239,102	$ 239,102

(1) See the *Non-IFRS Financial Measures* section starting on page 28 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

(2) Net non-cash working capital comprises accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, contract liability, and provisions.

FOURTH QUARTER

Consolidated Performance

		Thirteen weeks ended						Thirteen weeks ended
(in $000s, except sales volume, per share amounts, percentage amounts and exchange rates)		**December 29, 2018**		**December 30, 2017**		**Change**		**December 31, 2016**
Sales volume (millions of lbs)		**66.1**		71.6		**(5.5)**		62.4
Average foreign exchange rate (USD/CAD)	**$**	**1.3197**	$	1.2715	**$**	**0.0482**	$	1.3341
Sales								
Sales in domestic currency	**$**	**261,224**	$	280,917	**$**	**(19,693)**	$	229,580
Foreign exchange impact		**(18,346)**		(17,895)		**(451)**		(20,787)
Sales in USD	**$**	**242,878**	$	263,022	**$**	**(20,144)**	$	208,793
Gross profit	**$**	**40,287**	$	44,504	**$**	**(4,217)**	$	43,632
Gross profit as a percentage of sales		**16.6%**		16.9%		**(0.3)%**		20.9%
Distribution expenses	**$**	**12,125**	$	13,328	**$**	**(1,203)**	$	10,023
Selling, general and administrative expenses	**$**	**20,959**	$	24,609	**$**	**(3,650)**	$	21,300
Adjusted EBITDA[(1)]								
Adjusted EBITDA in domestic currency	**$**	**13,663**	$	13,355	**$**	**308**	$	17,986
Foreign exchange impact		**(1,695)**		(295)		**(1,400)**		(1,869)
Adjusted EBITDA in USD	**$**	**11,968**	$	13,060	**$**	**(1,092)**	$	16,117
Adjusted EBITDA as a percentage of sales		**4.9%**		5.0%		**(0.1)%**		7.7%
Net (loss) income	**$**	**(810)**	$	14,227	**$**	**(15,037)**	$	6,658
Basic EPS	**$**	**(0.02)**	$	0.43	**$**	**(0.45)**	$	0.22
Diluted EPS	**$**	**(0.02)**	$	0.43	**$**	**(0.45)**	$	0.21
Adjusted Net Income[(1)]	**$**	**2,169**	$	4,849	**$**	**(2,680)**	$	6,969
Adjusted EPS	**$**	**0.07**	$	0.15	**$**	**(0.08)**	$	0.22
Adjusted Diluted EPS[(1)]	**$**	**0.07**	$	0.15	**$**	**(0.08)**	$	0.22

[(1)] See the *Non-IFRS Financial Measures* section starting on page 28 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

Sales

Consolidated sales volume for the fourth quarter of 2018 decreased by 5.5 million pounds, or 7.6%, to 66.1 million pounds compared to 71.6 million pounds in the same period in 2017 due to lower sales volumes in our Canadian retail business and our U.S. retail and foodservice businesses.

Sales in the fourth quarter of 2018 decreased by $20.1 million, or 7.7%, to $242.9 million compared to $263.0 million in the same period last year. The weaker Canadian dollar in the fourth quarter of 2018 compared to the same quarter of 2017 decreased the value of USD sales from our CAD-denominated operations by approximately $2.2 million relative to the conversion impact last year.

Sales in domestic currency decreased by $19.7 million, or 7.0%, to $261.2 million in the fourth quarter of 2018 compared to $280.9 million in the fourth quarter of 2017. Excluding the decrease in sales during the fourth quarter of 2017 associated with the revision of estimated product returns related to the product recall ($0.4 million), sales decreased by $20.1 million, or 7.1%, mainly due to the decreased volume mentioned previously and changes in product mix, partially offset by price increases related to raw material cost increases.

Gross Profit

Gross profit decreased in the fourth quarter of 2018 by $4.2 million, or 9.5%, to $40.3 million compared to $44.5 million in the same period in 2017, partially reflecting a decrease in gross profit as a percentage of sales to 16.6% compared to 16.9%. Gross profit in the fourth quarter of 2017 included losses associated with the product recall in 2017 ($1.5 million).

Excluding the impact of the recall, gross profit decreased by $5.7 million to $40.3 million (16.6% as a percentage of sales) compared to $46.0 million in the same period of 2017 (17.5% as a percentage of sales), due to lower sales volume, raw material cost increases, unfavourable changes in product mix and U.S. plant inefficiencies, partially offset by the price increases. In addition, the weaker Canadian dollar had the effect of decreasing the value of reported USD gross profit from our Canadian operations in 2018 by approximately $0.4 million relative to the conversion impact last year.

Distribution Expenses

Distribution expenses, consisting of freight and storage, decreased in the fourth quarter of 2018 by $1.2 million to $12.1 million compared to $13.3 million in the same period in 2017, primarily due to the lower sales volume, partially offset by higher fuel and line-haul costs. As a percentage of sales, these expenses decreased to 5.0% in the fourth quarter of 2018 compared to 5.1% in the same period in 2017.

Selling, General and Administrative Expenses

SG&A expenses decreased in the fourth quarter of 2018 by $3.6 million to $21.0 million compared to $24.6 million in the same period last year. SG&A expenses included share-based compensation expense of $0.2 million in the fourth quarter of 2018 compared to a nominal recovery for the same period in 2017. SG&A expenses also included depreciation and amortization expense of $2.4 million in the fourth quarter of 2018 and $2.3 million in the same period of 2017.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses decreased in the fourth quarter of 2018 by $3.9 million to $18.4 million compared to $22.3 million in the same period last year, due to lower administrative expenses, termination benefits and consumer marketing expenditures across the Company, reflecting cost saving initiatives. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased to 7.6% in the fourth quarter of 2018 compared to 8.5% in the same period last year.

Adjusted EBITDA

Consolidated Adjusted EBITDA decreased in the fourth quarter of 2018 by $1.1 million, or 8.4%, to $12.0 million compared to $13.1 million in 2017. The impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by $1.7 million in the fourth quarter of 2018 compared to $0.3 million in 2017.

In domestic currency, Adjusted EBITDA increased in the fourth quarter of 2018 by $0.3 million, or 2.3%, to $13.7 million (5.2% of sales) compared to $13.4 million (4.8% of sales) in 2017. The increase in Adjusted EBITDA reflects lower distribution expenses and SG&A expenses across the Company, partially offset by the lower gross profit ($5.0 million) after adjusting for the losses associated with the 2017 product recall.

The following table shows the impact in the fourth quarter of 2018 and 2017 of converting our CAD-denominated operations and corporate activities to our USD presentation currency.

	Thirteen weeks ended			Thirteen weeks ended		
(Amounts in $000s)	December 29, 2018 USD	December 30, 2017 USD	% Change USD	December 29, 2018 Domestic $	December 30, 2017 Domestic $	% Change Domestic $
External Sales						
Canada	**$ 57,509**	$ 65,928	**(12.8)%**	**$ 75,855**	$ 83,823	**(9.5)%**
USA	**185,369**	197,094	**(5.9)%**	**185,369**	197,094	**(5.9)%**
	242,878	263,022	**(7.7)%**	**261,224**	280,917	**(7.0)%**
Conversion	**—**	—		**(18,346)**	(17,895)	
	$ 242,878	$ 263,022	**(7.7)%**	**$ 242,878**	$ 263,022	**(7.7)%**
Adjusted EBITDA						
Canada	**$ 4,700**	$ 3,476	**35.2 %**	**$ 6,223**	$ 4,418	**40.9 %**
USA	**8,825**	11,231	**(21.4)%**	**8,825**	11,231	**(21.4)%**
Corporate	**(1,557)**	(1,647)	**(5.5)%**	**(1,385)**	(2,294)	**(39.6)%**
	11,968	13,060	**(8.4)%**	**13,663**	13,355	**2.3 %**
Conversion	**—**	—		**(1,695)**	(295)	
	$ 11,968	$ 13,060	**(8.4)%**	**$ 11,968**	$ 13,060	**(8.4)%**
Adjusted EBITDA as percentage of sales						
In USD	**4.9%**	5.0%				
In Domestic $				**5.2%**	4.8%	

Net (Loss) Income

Net income decreased in the fourth quarter of 2018 by $15.0 million, or 105.7%, to a net loss of $0.8 million ($0.02 loss per diluted share) compared to net income of $14.2 million ($0.43 per diluted share) in 2017. The decrease in net income reflects the lower income tax recovery during the fourth quarter of 2018 of $1.7 million compared to the $13.5 million recovery in the same period last year related to the impact of the reduction in federal corporate income tax rate associated with the U.S. Tax Reform (see the *Income Taxes* section on page 20 of this MD&A). Additionally, net income decreased due to the decrease in Adjusted EBITDA mentioned previously, an impairment of property, plant and equipment, an increase in termination benefits associated with the organizational realignment announced in November 2018 (see the *Recent Developments* section on page 6) and an increase in finance costs.

In 2018, net loss included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 19 of this MD&A) related to termination benefits associated with the organizational realignment and other non-cash expenses, including an impairment of property, plant and equipment. In 2017, net income included "business acquisition, integration and other (income) expense" related to business development activities, termination benefits associated with restructuring activities, losses related to the product recall, and other non-cash expenses. Excluding the impact of these non-routine or non-cash expenses and the impact of the U.S. Tax Reform in 2017, Adjusted Net Income in the fourth quarter of 2018 decreased by $2.6 million, or 55.3%, to $2.2 million compared to $4.8 million in 2017.

Correspondingly, Adjusted Diluted EPS decreased by $0.08 to $0.07 compared to $0.15 in the fourth quarter of 2017, and when converted to CAD using the average USD/CAD exchange rate for the period of 1.3197 (2017: 1.2715), CAD-Equivalent Adjusted Diluted EPS decreased by CAD$0.10 to CAD$0.09 compared to CAD$0.19 in the fourth quarter of 2017.

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

		Thirteen weeks ended			
(in $000s, except sales volume and percentage amounts)		December 29, 2018		December 30, 2017		Change
Sales volume (millions of lbs)		**15.7**		17.0		**(1.3)**
Sales	**$**	**75,855**	$	83,823	**$**	**(7,968)**
Gross profit	**$**	**14,562**	$	14,784	**$**	**(222)**
Gross profit as a percentage of sales		**19.2%**		17.6%		**1.6%**
Adjusted EBITDA[(1)]	**$**	**6,223**	$	4,418	**$**	**1,805**
Adjusted EBITDA as a percentage of sales		**8.2%**		5.3%		**2.9%**

(1) See the *Non-IFRS Financial Measures* section on page 28 for further explanation of Adjusted EBITDA.

Thirteen weeks

Sales volume for our Canadian operations decreased in the fourth quarter of 2018 by 1.3 million pounds to 15.7 million pounds as compared to 17.0 million pounds in 2017 primarily reflecting lower sales volume in the retail business.

Sales in the fourth quarter decreased by $8.0 million, or 9.5%, to $75.8 million compared to $83.8 million in the same period of 2017. Excluding the incremental sales during the fourth quarter of 2017 associated with the revision of estimated product returns related to the product recall ($0.1 million), sales in the fourth quarter of 2018 decreased by $7.9 million, or 9.4%, due to decreased sales volume and changes in product mix, partially offset by price increases related to raw material cost increases.

Gross profit decreased by $0.2 million in the fourth quarter of 2018 to $14.6 million compared to $14.8 million in 2017, while gross profit as a percentage of sales increased to 19.2% in the fourth quarter of 2018 compared to 17.6% in 2017. Excluding the losses associated with the 2017 product recall ($0.1 million), gross profit decreased by $0.3 million, or 2.3%, reflecting the lower sales volume mentioned above and raw material cost increases, partially offset by price increases and favorable changes in product mix resulting in a higher gross profit as a percentage of sales as noted above.

Adjusted EBITDA for our Canadian operations increased during the fourth quarter of 2018 by $1.8 million, or 40.9%, to $6.2 million (8.2% of sales) as compared to $4.4 million (5.3% of sales) in 2017, reflecting lower distribution, consumer marketing and administrative expenses, partially offset by the lower gross profit ($0.3 million) after adjusting for the losses associated with the 2017 product recall.

U.S. Operations

(All currency amounts in this section are in USD)

		Thirteen weeks ended				
(in $000s, except sales volume and percentage amounts)		December 29, 2018		December 30, 2017		Change
Sales volume (millions of lbs)		**50.5**		54.6		**(4.1)**
Sales	**$**	**185,369**	$	197,094	**$**	**(11,725)**
Gross profit	**$**	**29,035**	$	33,115	**$**	**(4,080)**
Gross profit as a percentage of sales		**15.7%**		16.8%		**(1.1)%**
Adjusted EBITDA[(1)]	**$**	**8,825**	$	11,231	**$**	**(2,406)**
Adjusted EBITDA as a percentage of sales		**4.8%**		5.7%		**(0.9)%**

[(1)] See the *Non-IFRS Financial Measures* section on page 28 for further explanation of Adjusted EBITDA.

Thirteen weeks

Sales volume for our U.S. operations decreased by 4.1 million pounds, or 7.6%, in the fourth quarter of 2018 to 50.5 million pounds compared to 54.6 million pounds in 2017, due to lower sales volume from the foodservice and retail businesses.

Sales during the fourth quarter decreased by $11.7 million, or 5.9%, to $185.4 million compared to $197.1 million in 2017, partially reflecting lower sales during the fourth quarter of 2017 associated with the product recall ($0.5 million). Excluding the impact of the recall, sales decreased by $12.2 million, or 6.2%, primarily due to the lower sales volume mentioned above, partially offset by price increases to recover raw material cost increases and changes in product mix.

Gross profit decreased in the fourth quarter of 2018 by $4.1 million to $29.0 million (15.7% of sales) compared to $33.1 million (16.8% of sales) in the same period last year. Excluding the non-reoccurring losses associated with the 2017 product recall ($1.4 million), gross profit decreased by $5.5 million, or 16.0%, due to plant inefficiencies, the lower sales volume mentioned above, raw material cost increases and unfavourable changes in product mix, partially offset by price increases related to raw material cost increases.

Adjusted EBITDA for our U.S. operations decreased during the fourth quarter of 2018 by $2.4 million, or 21.4%, to $8.8 million (4.8% of sales), compared to $11.2 million (5.7% of sales) in 2017 reflecting the lower gross profit ($5.5 million) after adjusting for the losses associated with the 2017 product recall, partially offset by lower consumer marketing and administrative expenses.

BUSINESS ACQUISITION, INTEGRATION AND OTHER (INCOME) EXPENSES

The Company reports expenses associated with business acquisition and integration activities, and certain other non-routine costs separately in its consolidated statements of income as follows:

		Thirteen weeks ended				Fifty-two weeks ended		
(Amounts in $000s)		December 29, 2018		December 30, 2017		December 29, 2018		December 30, 2017
Business acquisition, integration and other (income) expense	**$**	**3,631**	$	991	**$**	**(2,471)**	$	2,639

Business acquisition, integration and other (income) expense for the fifty-two weeks ended December 29, 2018 included the recognition of an $8.5 million recovery associated with the 2017 product recall from the ingredient supplier, partially offset by termination benefits as a result of restructuring activities during the first three quarters of 2018 and the organizational realignment initiated in November 2018 of $3.5 million. See *Recent Developments* section on page 6 of this MD&A for further discussion.

In 2017, business acquisition, integration and other (income) expense included costs related to the acquisition of Rubicon, termination benefits related to restructuring activities, and other strategic business development activities.

FINANCE COSTS

The following table shows the various components of the Company's finance costs:

	Thirteen weeks ended		Fifty-two weeks ended	
(Amounts in $000s)	**December 29, 2018**	**December 30, 2017**	**December 29, 2018**	**December 30, 2017**
Interest paid in cash during the period	**$ 5,229**	$ 4,549	**$ 19,917**	$ 14,745
Change in cash interest accrued during the period	**344**	71	**812**	1,160
Total interest to be paid in cash	**5,573**	4,620	**20,729**	15,905
Deferred financing cost amortization	**215**	221	**874**	721
Total finance costs	**$ 5,788**	$ 4,841	**$ 21,603**	$ 16,626

Finance costs were $1.0 million higher in the fourth quarter of 2018 and $5.0 million higher in 2018 compared to the same periods last year due to higher interest rates and higher average net interest-bearing debt during 2018 compared to 2017.

INCOME TAXES

High Liner Foods' effective income tax rate for the year ended December 29, 2018 was an expense of 26.6% compared to a recovery of 80.5% in 2017. In the fourth quarter of 2018, the effective tax rate was a recovery of 67.8% compared to a recovery of 1,835.6% in the fourth quarter of 2017. The higher effective tax rate for the year and quarter ended December 29, 2018 compared to the same period last year was attributable to the reduced interest expense deductibility associated with the Company's tax efficient financing structures and the recognition of transitional tax benefits in the fourth quarter of 2017 triggered by the U.S. Tax Reform resulting in a revaluation of the deferred tax liability for changes in substantively enacted tax rates. The applicable statutory rates in Canada and the U.S. were 29.2% and 27.6%, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act ("U.S. Tax Reform") was signed into law, which reduced the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the U.S. Tax Reform, the Company's net deferred tax liability at December 30, 2017 decreased by $11.2 million.

The U.S. Tax Reform introduced other important changes in the U.S. corporate income tax laws, including the creation of a new Base Erosion Anti-Abuse Tax that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to certain deductions for net interest expense incurred by U.S. corporations. The U.S. Tax Reform also included an increase in bonus depreciation from 50% to 100% for qualified property placed in service after September 27, 2017 and before 2023. Future regulations and interpretations may be issued by U.S. authorities that may also impact the Company's estimates and assumptions used in calculating its income tax provisions.

See Note 18 "*Income tax*" to the Consolidated Financial Statements for full information with respect to income taxes.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the Foreign Currency risk discussion on page 45 (in the *Risk Factors* section).

Our capital management practices are described in Note 26 *"Capital management"* to the 2018 Consolidated Financial Statements.

Working Capital Credit Facility

The Company entered into an asset-based working capital credit facility in November 2010 with the Royal Bank of Canada as Administrative and Collateral agent, which would expire by its terms in April 2019. There have been several amendments made to this facility, with the most substantial amendment occurring in April 2014 when it was amended concurrently with the term loan, and increased from $120.0 million to $180.0 million. In April 2018, the Company amended the working capital credit facility to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25% (previously a range of 0.25% to 0.375%).

The working capital credit facility provides for the rates noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of December 29, 2018 are also noted in the following table.

Per Credit Agreement		As at December 29, 2018
Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.75%	plus 1.25%
LIBOR revolving loans at LIBOR, at their respective rates	plus 1.25% to 1.75%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.75%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during 2018 were $46.8 million compared to $24.1 million in 2017. This $22.7 million increase primarily reflects increased borrowing due to the acquisition of Rubicon in May 2017, reduced cash flow provided by operations in the latter half of Fiscal 2017 and increased working capital requirements during the first half of 2018, partially offset by higher payments in the latter half of 2018.

At the end of the fourth quarter of 2018, the Company had $118.2 million (December 30, 2017: $111.8 million) of unused borrowing capacity, taking into account both margin calculations and the total line availability. Included in this amount are letters of credit, which reduce the availability under the working capital credit facility. On December 29, 2018, letters of credit and standby letters of credit were outstanding in the amount of $15.4 million (December 30, 2017: $14.7 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

The facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility, and excluding the assets acquired as part of the Rubicon acquisition. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 11 *"Bank loans"* to the Consolidated Financial Statements.

In the absence of any major acquisitions or capital expenditures, we expect average short-term borrowings by the end of 2019 to be lower than 2018, and we believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

The Company entered into a term loan in December 2011. There have been several amendments made to the term loan with the most recent being in April 2014, when it was amended concurrently with the working capital credit facility and increased to $300.0 million. In June 2017, the term loan facility was increased from $300.0 million to $370.0 million to facilitate the Rubicon acquisition. The $70.0 million addition to the term loan was made in accordance with the term loan credit agreement, which provides for incremental increases that meet stated provisions, at consistent terms.

Minimum repayments on the term loan are required on an annual basis, plus, based on a leverage test, additional payments could be required of up to 50% of the previous year's defined excess cash flow. There were excess cash flows in 2015, due largely to decreased working capital and capital expenditures in 2015 as compared to 2014, and as a result, an excess cash flow payment of $11.8 million was made in March 2016. In addition, the Company made a voluntary repayment of $15.0 million during the second quarter of 2016 to reduce excess cash balances. Quarterly principal repayments of $0.9 million are required on the term loan; however, as per the loan agreement, the mandatory excess cash flow payment and the voluntary repayment will be applied to future regularly scheduled principal repayments. As such, no regularly scheduled principal repayments were paid in 2018 and no principal repayments are required for 2019. There were excess cash flows in 2018, primarily due to higher cash flows from operations and lower capital expenditures in 2018 compared to 2017, and as a result an excess cash flow payment of $13.7 million is payable as at December 29, 2018.

Substantially all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the term loan.

During the fifty-two weeks ended December 29, 2018, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility:

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
December 31, 2014	December 31, 2019	3-month LIBOR (floor 1.0%)	2.1700% $	20.0
March 4, 2015	March 4, 2020	3-month LIBOR (floor 1.0%)	1.9150% $	25.0
April 4, 2016	April 4, 2018	3-month LIBOR (floor 1.0%)	1.2325% $	35.0
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700% $	40.0
January 4, 2018	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200% $	80.0

As of December 29, 2018, the combined impact of the interest rate swaps listed above effectively fix the interest rate on $165.0 million of the $370.0 million face value of the term loan and the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when LIBOR is higher than the embedded floor of 1.0%.

Additional details regarding the Company's term loan are provided in Note 14 *"Long-term debt and finance lease obligations"* to the Consolidated Financial Statements.

Net Interest-Bearing Debt

The Company's net interest-bearing debt (as calculated in the *Non-IFRS Financial Measures* section on page 33 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs) and finance leases, less cash. Net interest-bearing debt decreased by $27.3 million to $360.6 million at December 29, 2018 compared to $387.9 million at December 30, 2017, reflecting higher payments in the latter half of 2018 due to higher cash flow from operating activities during 2018 compared to 2017, partially due to improved inventory management, lower capital expenditures and a higher cash balance on hand as at December 29, 2018 compared to December 30, 2017.

Net interest-bearing debt to rolling twelve-month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 28 of this MD&A for further discussion of Adjusted EBITDA) was 5.8x at December 29, 2018 compared to 5.9x at the end of Fiscal 2017, as shown in the table in the *Financial Objectives* section on page 3 of this MD&A. Including trailing twelve-month Adjusted EBITDA for Rubicon, net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 5.6x at the end of Fiscal 2017. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in 2019, we expect this ratio will be lower at the end of Fiscal 2019.

Capital Structure

At December 29, 2018, net interest-bearing debt was 58.0% of total capitalization compared to 59.1% at December 30, 2017.

(Amounts in $000s)		December 29, 2018		December 30, 2017
Net interest-bearing debt	**$**	**360,642**	$	387,869
Shareholders' equity		**263,859**		268,867
Unrealized gains on derivative financial statements included in AOCI		**(2,215)**		(220)
Total capitalization	**$**	**622,286**	$	656,516
Net interest-bearing debt as percentage of total capitalization		**58.0%**		59.1%

Using our December 29, 2018 market capitalization of $178.9 million, based on a share price of CAD$7.30 (USD $5.36 equivalent), instead of the book value of equity, net interest-bearing debt as a percentage of total capitalization increased to 66.8%.

Normal Course Issuer Bid

In January 2017, we filed a new Normal Course Issuer Bid ("2017 NCIB") to purchase up to 150,000 common shares. The 2017 NCIB terminated on February 8, 2018. During the fifty-two weeks ended December 30, 2017 there were no purchases under this plan.

In January 2018, we filed a new NCIB ("2018 NCIB") to purchase up to 150,000 common shares. The 2018 NCIB terminates on February 1, 2019. During the fifty-two weeks ended December 29, 2018 there were no purchases under this plan.

The Company has established an automatic securities purchase plan for the common shares of the Company for all the bids listed above with a termination date coinciding with the NCIB termination date. The preceding plans also constitute an "automatic plan" for purposes of applicable Canadian Securities Legislation and have been approved by the TSX.

Dividends

As shown in the following table, the quarterly dividend on the Company's common shares increased one time during the last two fiscal years. The quarterly dividends paid in the last two years were as follows:

Dividend record date		Quarterly dividend CAD
December 1, 2018	$	0.145
September 1, 2018	$	0.145
June 1, 2018	$	0.145
March 1, 2018	$	0.145
December 1, 2017	$	0.145
September 1, 2017	$	0.140
June 1, 2017	$	0.140
March 1, 2017	$	0.140

Dividends and NCIBs are subject to restrictions as follows:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, must be $22.5 million or higher, and was $109.8 million on December 29, 2018, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and
- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or the defined available amount based on excess cash flow accumulated over the term of the loan when the defined total leverage ratio is below 4.5x, and becomes unlimited when the defined total leverage ratio is below 3.75x. The defined total leverage ratio was 5.3x on December 29, 2018. NCIBs are subject to an annual limit of $10.0 million under the term loan facility.

On February 27, 2019, the Directors approved a quarterly dividend of CAD$0.145 per share on the Company's common shares payable on March 15, 2019 to holders of record on March 7, 2019. These dividends are "eligible dividends" for Canadian income tax purposes. The Board is continuing to review the Company's capital structure to determine the prudent use of capital and will provide an update when the Company reports its financial results for the first quarter of 2019 in May.

Disclosure of Outstanding Share Data

On February 27, 2019, 33,383,481 common shares and 1,624,681 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

Cash Flow

	Thirteen weeks ended			Fifty-two weeks ended		
(Amounts in $000s)	December 29, 2018	December 30, 2017	Change	December 29, 2018	December 30, 2017	Change
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes refunded (paid)	**$ 7,922**	$ 10,777	**$ (2,855)**	**$ 64,647**	$ 51,331	**$ 13,316**
Interest paid	**(5,229)**	(4,549)	**(680)**	**(19,917)**	(14,745)	**(5,172)**
Income taxes refunded (paid)	**3,736**	(202)	**3,938**	**7,762**	(9,166)	**16,928**
Cash flows provided by operations, including interest and income taxes, and before changes in non-cash working capital balances	**6,429**	6,026	**403**	**52,492**	27,420	**25,072**
Net change in non-cash working capital balances	**3,535**	(29,339)	**32,874**	**4,441**	(48,909)	**53,350**
Net cash flows provided by (used in) operating activities	**9,964**	(23,313)	**33,277**	**56,933**	(21,489)	**78,422**
Net cash flows provided by (used in) financing activities	**1,826**	32,995	**(31,169)**	**(36,942)**	106,329	**(143,271)**
Net cash flows used in investing activities	**(3,541)**	(6,021)	**2,480**	**(13,842)**	(101,068)	**87,226**
Foreign exchange (decrease) increase on cash	**(1,068)**	(1,250)	**182**	**(1,319)**	2,714	**(4,033)**
Net change in cash during the period	**$ 7,181**	$ 2,411	**$ 4,770**	**$ 4,830**	$ (13,514)	**$ 18,344**

Net cash flows provided by (used in) operating activities increased by $33.3 million in the fourth quarter of 2018 to an inflow of $10.0 million compared to an outflow of $23.3 million in 2017 reflecting the following:

- Cash flows from operating activities, including interest and income taxes, and before the change in non-cash working capital balances, increased $0.4 million in the fourth quarter of 2018 to an inflow of $6.4 million compared to an inflow of $6.0 million in 2017. This increase reflects income tax refunds received, partially offset by less favourable cash flows from operations and higher interest payments.

- Cash flows from changes in net non-cash working capital increased by $32.9 million in the fourth quarter of 2018 to an inflow of $3.6 million compared to an outflow of $29.3 million in 2017. This increase primarily reflects more favourable changes in inventories, provisions and accounts payable and accrued liabilities, partially offset by a less favourable change in accounts receivable, during the fourth quarter of 2018 compared to 2017.

Net cash flows provided by (used in) operating activities increased by $78.4 million in 2018 to an inflow of $56.9 million compared to an outflow of $21.5 million in 2017, reflecting the following:

- Cash flows from operating activities, including interest and income taxes, and before the change in non-cash working capital balances, increased by $25.1 million in 2018 to an inflow of $52.5 million compared to an inflow of $27.4 million in 2017. This increase reflects more favourable cash flows from operations and income tax refunds received, partially offset by higher interest payments.

- Cash flows from changes in net non-cash working capital increased by $53.3 million in 2018 to an inflow of $4.4 million compared to an outflow of $48.9 million in 2017. This increase primarily reflects more favourable changes in inventories and accounts receivable, partially offset by a less favourable change in accounts payable and accrued liabilities during 2018 compared to 2017.

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 32 for further explanation of Standardized Free Cash Flow) for the rolling twelve months ended December 29, 2018 increased by $91.0 million to an inflow of $43.0 million compared to an outflow of $48.0 million for the twelve months ended December 30, 2017. This increase reflects higher cash flows from operating activities, including interest and income taxes, a more favourable change in working capital and lower capital expenditures during the twelve months ended December 29, 2018 as compared to the twelve months ended December 30, 2017.

Net Non-Cash Working Capital

(Amounts in $000s)		December 29, 2018		December 30, 2017		Change
Accounts receivable	**$**	**84,873**	$	92,395	**$**	**(7,522)**
Inventories		**301,411**		353,433		**(52,022)**
Prepaid expenses		**4,333**		3,462		**871**
Accounts payable and accrued liabilities		**(161,934)**		(209,910)		**47,976**
Provisions		**(1,460)**		(278)		**(1,182)**
Net non-cash working capital	**$**	**227,223**	$	239,102	**$**	**(11,879)**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital decreased by $11.9 million to $227.2 million at the end of December 29, 2018 as compared to $239.1 million at the end of December 29, 2018, primarily reflecting lower inventories and accounts receivable, partially offset by lower accounts payable and accrued liabilities, reflecting improved inventory management due to the timing of working capital requirements.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time. Going forward, we expect the trend of inventory peaking between December and March to continue, and believe we have enough availability on our working capital credit facility to finance our working capital requirements throughout 2019.

Capital Expenditures

Capital expenditures (including finance leases and computer software) were $3.7 million and $14.6 million during the fourth quarter and fifty-two weeks ended 2018 respectively, as compared to capital expenditures of $6.5 million and $27.8 million during the fourth quarter and fifty-two weeks ended 2017, respectively, due to non-reoccurring 2017 projects that were primarily related to improvements in manufacturing facilities and leasehold improvements, and the timing of capital expenditures related to improvements in the Company's enterprise-wide business management system, which was completed in May 2018.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2019 will be approximately $10.0 million and funded by cash generated from operations and short-term borrowings.

Other Liquidity Items

Share-based compensation awards

Share-based compensation expense of $1.2 million was recorded in 2018 compared to $0.8 million in 2017, based on: the change in the Company's share price for outstanding awards accounted for as a liability, expense over the vesting period for outstanding awards accounted for as equity-settled transactions, and the issuance of options during the year valued using a Black-Scholes model. Share-based compensation expense is non-cash until unit holders exercise the awards, and was higher in 2018 compared to 2017 primarily due to the issuance of options and cash-settled awards during the year resulting in a higher share-based compensation expense, partially offset by the lower share price during 2018, which impacts the fair value of the outstanding awards accounted for as a liability.

During 2018, holders exercised Performance Share Units ("PSUs") and Restricted Share Units ("RSUs") and received cash in the amount of $0.2 million (2017: $0.5 million). The liability for share-based compensation awards at the end of Fiscal 2018 was $1.7 million compared to $1.8 million at the end of Fiscal 2017.

Any options exercised in shares are cash positive or cash neutral if the holder elects to use the cashless exercise method under the plan. Cash received from options exercised for shares during 2018 was $nil (2017: $0.1 million).

Defined Benefit Pension Plans

The Company's defined benefit pension plans can impact the Company's cash flow requirements and affect its liquidity. In 2018, the defined benefit pension expense for accounting purposes was $1.3 million (2017: $1.3 million) and the annual cash contributions were $0.1 million lower than the 2018 accounting expense (2017: $0.2 million lower). For 2019, we expect cash contributions to be approximately CAD$2.1 million and the defined benefit pension expense to be approximately CAD$1.6 million. We have more than adequate availability under our working capital credit facility to make the required future cash contributions for our defined benefit pension plans. As well, we have a SERP liability for accounting purposes of $5.9 million that is secured by a letter of credit in the amount of $8.5 million.

Contractual Obligations

Contractual obligations relating to our long-term debt, finance lease obligations, operating leases, purchase obligations and other long-term liabilities as at December 29, 2018 were as follows:

	Payments Due by Period			
(Amounts in $000s)	**Total**	**Less than 1 year**	**1-5 Years**	**Thereafter**
Long-term debt	**$ 337,926**	$ 13,655	$ 324,271	$ —
Finance lease obligations	**779**	372	407	—
Other current and long-term liabilities	**1,738**	245	1,493	—
Operating leases	**20,186**	5,537	12,205	2,444
Purchase obligations	**89,995**	84,832	5,163	—
Total contractual obligations	**$ 450,624**	$ 104,641	$ 343,539	$ 2,444

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* risk section on page 41 and the *Foreign Currency* section on page 45 of this MD&A for further details.

Financial Instruments and Risk Management

The Company has exposure to the following risks as a result of its use of financial instruments: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts, and insurance contracts to manage these risks that arise from the Company's operations and its sources of financing, in accordance with a written policy that is reviewed and approved by the Audit Committee of the Board of Directors. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

Readers are directed to Note 25 "*Fair value measurement*" of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 "*Financial risk management objectives and policies*" of the Consolidated Financial Statements for further discussion of the Company's financial risks and policies.

RELATED PARTY TRANSACTIONS

The Company's business is carried on through the Parent company, High Liner Foods Incorporated, and wholly-owned operating subsidiaries, Sjovik, h.f. and High Liner Foods (USA) Incorporated. Sjovik, h.f. has a subsidiary in Thailand.

High Liner Foods (USA) Incorporated's wholly owned subsidiaries include: ISF (USA), LLC; and Rubicon Resources, LLC. These companies purchase and/or sell inventory between them, and do so in the normal course of operations. The companies lend and borrow money between them, and periodically, capital assets are transferred between companies. High Liner Foods Incorporated buys the seafood for all of the subsidiaries, and also provides management, procurement and IT services to the subsidiaries. On consolidation, revenue, costs, gains or losses, and all inter-company balances are eliminated.

In addition to transactions between the Parent and subsidiaries, High Liner Foods may enter into certain transactions and agreements in the normal course of business with certain other related parties (see Note 23 *"Related party disclosures*" to the Consolidated Financial Statements). Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As a result of the Rubicon acquisition during Fiscal 2017, the Company has right of first refusal on certain commodity seafood sales from a company controlled by Brian Wynn, who is part of the Company's management. Total purchases from related parties for the fifty-two weeks ended December 29, 2018 were $nil (fifty-two weeks ended December 30, 2017: $1.7 million), and as at December 29, 2018, there was $nil (December 30, 2017: $nil) due to the related parties. Total sales to related parties for the fifty-two weeks ended December 29, 2018 were $0.9 million (fifty-two weeks ended December 30, 2017: $0.2 million), and as at December 29, 2018 there was $0.5 million (December 30, 2017: $0.2 million) due from the related parties. The Company leases an office building from a related party at an amount which approximates the fair market value that would be incurred if leased from a third party. The aggregate payments under the lease, which are measured at the exchange amount, totaled approximately $0.7 million during the fifty-two weeks ended December 29, 2018 (fifty-two weeks ended December 30, 2017: $0.6 million).

EVENTS AFTER THE REPORTING PERIOD

As described in the *Recent Developments* section on page 6 of this MD&A, subsequent to December 29, 2018, the Company recovered an additional $8.5 million associated with the product recall from the ingredient supplier, for a total recovery of $17.0 million. This additional recovery will be recognized during the first quarter of 2019, reflecting the period in which the recovery became virtually certain, in accordance with IFRS. No further recoveries are expected.

As a result, the Company has fully recovered the $13.5 million in losses recognized during the fifty-two weeks ended December 30, 2017 related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs, and an additional $3.5 million related to lost sales opportunities and increased production costs.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures in this MD&A to explain the following financial results: Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted Earnings before Interest and Taxes ("Adjusted EBIT"); Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); CAD-Equivalent Adjusted Diluted EPS; Standardized Free Cash Flow; Net Interest-Bearing Debt; Return on Assets Managed; and Return on Equity.

Adjusted EBITDA

Adjusted EBITDA follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by the Chartered Professional Accountants of Canada ("CPA Canada") and is earnings before interest, taxes, depreciation and amortization, excluding: business acquisition, integration and other expenses including those related to the cessation of plant operations; gains or losses on disposal of assets; termination benefits; and share-based compensation expense. The related margin is defined as Adjusted EBITDA divided by net sales ("Adjusted EBITDA as a percentage of sales"), where net sales is defined as "Revenues" on the consolidated statements of income.

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses associated with business acquisition, integration activities, certain non-routine costs and share-based compensation expense related to the Company's share price. We believe investors and analysts also use Adjusted EBITDA and Adjusted EBITDA as a percentage of sales to evaluate performance of our business. The most directly comparable IFRS measure to Adjusted EBTIDA is "Results from operating activities" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

The following table reconciles our Adjusted EBITDA with measures that are found in our Consolidated Financial Statements, including the operating segment information disclosed in Note 24 *"Operating segment information"*.

			Thirteen weeks ended December 29, 2018				Thirteen weeks ended December 30, 2017	
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	**Canada**	**U.S.**	**Corporate**	**Total**
Net income (loss)	**$ 3,908**	**$ 5,359**	**$ (10,077)**	**$ (810)**	$ 2,883	$ 6,173	$ 5,171	$ 14,227
Add back (deduct):								
Depreciation and amortization expense	**512**	**3,340**	**612**	**4,464**	512	3,561	345	4,418
Financing costs	**—**	**—**	**5,788**	**5,788**	—	—	4,841	4,841
Income tax recovery			**(1,705)**	**(1,705)**	—	—	(13,492)	(13,492)
Standardized EBITDA	**4,420**	**8,699**	**(5,382)**	**7,737**	3,395	9,734	(3,135)	9,994
Add back (deduct):								
Business acquisition, integration and other expenses (1)	**—**	**—**	**3,631**	**3,631**	—	—	991	991
Impairment of property, plant and equipment	**238**	**61**	**—**	**299**	—	—	—	—
Loss on disposal of assets	**42**	**65**	**5**	**112**	—	54	523	577
Direct costs and returned destroyed product(2)	**—**	**—**	**—**	**—**	81	1,443	—	1,524
Share-based compensation expense (recovery)	**—**	**—**	**189**	**189**	—	—	(26)	(26)
Adjusted EBITDA	**$ 4,700**	**$ 8,825**	**$ (1,557)**	**$ 11,968**	$ 3,476	$ 11,231	$ (1,647)	$ 13,060

				Fifty-two weeks ended December 29, 2018				Fifty-two weeks ended December 30, 2017
(Amounts in $000s)	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Net income (loss)	**$ 13,681**	**$ 35,822**	**$ (32,727)**	**$ 16,776**	$ 8,853	$ 34,997	$ (12,197)	$ 31,653
Add back (deduct):								
Depreciation and amortization expense	**2,094**	**13,602**	**2,075**	**17,771**	1,961	13,120	1,230	16,311
Financing costs	**—**	**—**	**21,603**	**21,603**	—	—	16,626	16,626
Income tax expense (recovery)			**6,090**	**6,090**	—	—	(14,115)	(14,115)
Standardized EBITDA	**15,775**	**49,424**	**(2,959)**	**62,240**	10,814	48,117	(8,456)	50,475
Add back (deduct):								
Business acquisition, integration and other (income) expenses[1]	**—**	**—**	**(2,471)**	**(2,471)**	—	—	2,639	2,639
Impairment of property, plant and equipment	**238**	**1,033**	**31**	**1,302**	—	—	—	—
Loss (gain) on disposal of assets	**26**	**147**	**(7)**	**166**	56	168	510	734
Direct costs and returned destroyed product[2]	**—**	**—**	**—**	**—**	2,787	8,706	—	11,493
Share-based compensation expense	**—**	**—**	**1,237**	**1,237**	—	—	771	771
Adjusted EBITDA	**$ 16,039**	**$ 50,604**	**$ (4,169)**	**$ 62,474**	$ 13,657	$ 56,991	$ (4,536)	$ 66,112

[1] Associated with the product recall (see the *Recent Developments* section on page 6).
[2] See the *Business Acquisition, Integration and Other (Income) Expense* section on page 19.

Adjusted EBIT

Adjusted EBIT is Adjusted EBITDA less depreciation and amortization expense. Corporate incentives and management analysis of the business are based on Adjusted EBIT. The following tables reconcile Adjusted EBITDA to Adjusted EBIT.

				Thirteen weeks ended December 29, 2018				Thirteen weeks ended December 30, 2017
(Amounts in $000s)	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Adjusted EBITDA	**$ 4,700**	**$ 8,825**	**$ (1,557)**	**$ 11,968**	$ 3,476	$ 11,231	$ (1,647)	$ 13,060
Less:								
Depreciation and amortization expense	**512**	**3,340**	**612**	**4,464**	512	3,561	345	4,418
Adjusted EBIT	**$ 4,188**	**$ 5,485**	**$ (2,169)**	**$ 7,504**	$ 2,964	$ 7,670	$ (1,992)	$ 8,642

	Fifty-two weeks ended December 29, 2018				Fifty-two weeks ended December 30, 2017			
(Amounts in $000s)	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Adjusted EBITDA	**$ 16,039**	**$ 50,604**	**$ (4,169)**	**$ 62,474**	$ 13,657	$ 56,991	$ (4,536)	$ 66,112
Less:								
Depreciation and amortization expense	**2,094**	**13,602**	**2,075**	**17,771**	1,961	13,120	1,230	16,311
Adjusted EBIT	**$ 13,945**	**$ 37,002**	**$ (6,244)**	**$ 44,703**	$ 11,696	$ 43,871	$ (5,766)	$ 49,801

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income excluding the after-tax impact of: business acquisition, integration and certain other non-routine costs; the non-cash expense or income related to marking-to-market an interest rate swap not designated for hedge accounting; termination benefits; the U.S. Tax Reform and share-based compensation expense. Adjusted Diluted EPS is Adjusted Net Income divided by the average diluted number of shares outstanding.

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the aforementioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. The most comparable IFRS financial measures are net income and EPS.

The table below reconciles our Adjusted Net Income with measures that are found in our Consolidated Financial Statements:

	Thirteen weeks ended December 29, 2018		Thirteen weeks ended December 30, 2017	
	$000s	Diluted EPS	$000s	Diluted EPS
Net income	**$ (810)**	**$ (0.02)**	$ 14,227	$ 0.43
Add back (deduct):				
Business acquisition, integration and other (income) expenses[1]	**3,631**	**0.10**	991	0.03
Impairment of property, plant and equipment	**299**	**0.01**	—	—
Direct costs and returned destroyed product[1]	**—**	**—**	1,524	0.05
Share-based compensation expense (recovery)	**189**	**0.01**	(26)	—
U.S. Tax Reform[2]	**—**	**—**	(11,186)	(0.34)
Tax impact of reconciling items	**(1,140)**	**(0.03)**	(681)	(0.02)
Adjusted Net Income	**$ 2,169**	**$ 0.07**	$ 4,849	$ 0.15
Average shares for the period (000s)		**33,675**		33,423

	Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017	
	$000s	**Diluted EPS**	**$000s**	**Diluted EPS**
Net income	$ **16,776**	$ **0.50**	$ 31,653	$ 0.97
Add back (deduct):				
Business acquisition, integration and other (income) expenses(1)	**(2,471)**	**(0.07)**	2,639	0.08
Impairment of property, plant and equipment	**1,302**	**0.04**	—	—
Direct costs and returned destroyed product(2)	**—**	**—**	11,493	0.35
Share-based compensation expense	**1,237**	**0.03**	770	0.03
U.S. Tax Reform(3)	**—**	**—**	(11,186)	(0.34)
Tax impact of reconciling items	**205**	**0.01**	(5,227)	(0.16)
Adjusted Net Income	$ **17,049**	$ **0.51**	$ 30,142	$ 0.93
Average shares for the period (000s)		**33,619**		32,527

(1) See the *Business Acquisition, Integration and Other (Income) Expense* section on page 19 for further details.
(2) Associated with the product recall (see the *Recent Developments* section on page 6).
(3) Associated with the U.S. Tax Reform enacted on December 22, 2017 (see the *Income Taxes* section on page 20).

CAD-Equivalent Adjusted Diluted EPS

CAD-Equivalent Adjusted Diluted EPS is Adjusted Diluted EPS, as defined above, converted to CAD using the average USD/CAD exchange rate for the period. High Liner Foods' common shares trade on the TSX and are quoted in CAD. The CAD-Equivalent Adjusted Diluted EPS is provided for the purpose of calculating financial ratios, like share price-to-earnings ratio, where investors should take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD. This measure is included for illustrative purposes only, and would not equal the Adjusted Diluted EPS in CAD that would result if the Company's Consolidated Financial Statements were presented in CAD.

	Thirteen weeks ended		Fifty-two weeks ended	
	December 29, 2018	**December 30, 2017**	**December 29, 2018**	**December 30, 2017**
Adjusted Diluted EPS	$ **0.07**	$ 0.15	$ **0.51**	$ 0.93
Average foreign exchange rate for the period	**1.3197**	1.2715	**1.2956**	1.2983
CAD-Equivalent Adjusted Diluted EPS	$ **0.09**	$ 0.19	$ **0.66**	$ 1.21

Standardized Free Cash Flow

Standardized Free Cash Flow follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by CPA Canada and is cash flow from operating activities less capital expenditures (net of investment tax credits) as reported in the consolidated statements of cash flows. The capital expenditures related to business acquisitions are not deducted from Standardized Free Cash Flow.

We believe Standardized Free Cash Flow is an important indicator of financial strength and performance of our business because it shows how much cash is available to pay dividends, repay debt and reinvest in the Company. We believe investors and analysts use Standardized Free Cash Flow to value our business and its underlying assets. The most comparable IFRS financial measure is "cash flows from operating activities" in the consolidated statements of cash flows.

The table below reconciles our Standardized Free Cash Flow calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the consolidated statements of cash flows.

	Twelve months ended		
(Amounts in $000s)	December 29, 2018	December 30, 2017	Change
Net change in non-cash working capital items	**$ 4,441**	$ (48,909)	**$ 53,350**
Cash flow from operating activities, including interest and income taxes	**52,492**	27,420	**25,072**
Cash flow from operating activities	**56,933**	(21,489)	**78,422**
Less: total capital expenditures, net of investment tax credits	**(13,961)**	(26,488)	**12,527**
Standardized Free Cash Flow	**$ 42,972**	$ (47,977)	**$ 90,949**

Net Interest-Bearing Debt

Net Interest-Bearing Debt is calculated as the sum of bank loans, long-term debt and finance lease obligations, less cash.

We consider Net Interest-Bearing Debt to be an important indicator of our Company's financial leverage because it represents the amount of debt that is not covered by available cash. We believe investors and analysts use Net Interest-Bearing Debt to determine the Company's financial leverage. Net Interest-Bearing Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

The following table reconciles Net Interest-Bearing Debt to IFRS measures reported as at the end of the indicated periods.

(Amounts in $000s)	December 29, 2018	December 30, 2017
Current bank loans	**$ 31,152**	$ 53,352
Add-back: deferred finance costs on current bank loans	**353**	208
Total current bank loans	**31,505**	53,560
Long-term debt	**322,674**	335,441
Current portion of long-term debt	**13,655**	—
Add-back: deferred finance costs on long-term debt	**1,597**	2,485
Total term loan debt	**337,926**	337,926
Long-term portion of finance lease obligations	**407**	407
Current portion of finance lease obligations	**372**	714
Total finance lease obligation	**779**	1,121
Less: cash	**(9,568)**	(4,738)
Net interest-bearing debt	**$ 360,642**	$ 387,869

Return on Assets Managed

ROAM is Adjusted EBIT divided by average assets managed (calculated using the average net assets month-end balance for each of the preceding thirteen months, where "net assets managed" includes all assets, except for future employee benefits, deferred income taxes and other certain financial assets, less accounts payable and accrued liabilities, and provisions).

We believe investors and analysts use ROAM as an indicator of how efficiently the Company is using its assets to generate earnings. ROAM has no comparable IFRS financial measure, but rather is calculated using several asset items in the consolidated statements of financial position.

The table below reconciles our average net assets, calculated on a rolling thirteen-month basis, with Adjusted EBIT (which is reconciled to IFRS measures on page 30 of this MD&A).

(Amounts in $000s)		December 29, 2018		December 30, 2017
Adjusted EBIT	**$**	**44,703**	$	49,801
Thirteen-month rolling average net assets		**676,343**		610,891
ROAM		**6.6%**		8.2%

Return on Equity

ROE is calculated as Adjusted Net Income, less share-based compensation expense, divided by average common equity (calculated using the common equity month-end balance for each of the preceding thirteen months, comprised of common shares, contributed surplus, retained earnings, and accumulated other comprehensive income).

We believe investors and analysts use ROE as an indicator of how efficiently the Company is managing the equity provided by shareholders. ROE has no comparable IFRS financial measure, but rather is calculated using average equity from the consolidated statements of financial position.

The table below reconciles our average common equity calculated on a rolling thirteen-month basis, with Adjusted Net Income (which is reconciled to IFRS measures on page 31 of this MD&A).

(Amounts in $000s)		December 29, 2018		December 30, 2017
Adjusted Net Income	**$**	**17,049**	$	30,142
Less: Share-based compensation expense, net of tax(1)		**1,176**		658
		15,873		29,484
Thirteen-month rolling average common equity		**272,952**		244,012
ROE		**5.8%**		12.1%

(1) Net of tax expense of $0.1 million during the fifty-two weeks ended December 29, 2018 and net of tax expense of $0.1 million during the fifty-two weeks ended December 30, 2017.

GOVERNANCE

Our 2018 Management Information Circular, to be filed in connection with our Annual General Meeting of Shareholders on May 14, 2019, includes full details of our governance structures and processes.

We maintain a set of disclosure controls and procedures ("DC&P") designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

For the first two quarters of 2018, in accordance with National Instrument 52-109, our certifying officers had limited the scope of their DC&P, and the Company's Internal Control over Financial Reporting ("ICFR") to exclude controls, policies and procedures relating to Rubicon Resources, LLC which was acquired on May 30, 2017, as they had not performed sufficient procedures to include it in the Company's certifications. National Instrument 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's financial year-end be excluded from the scope of the certifications to allow it sufficient time to perform adequate procedures to ensure controls, policies and procedures are effective. Rubicon Resources, LLC was integrated with High Liner Foods as of June 30, 2018, and the scope limitation was removed for the Fiscal 2018 year-end certificates.

In May 2018, the Company upgraded its ERP system which has resulted in changes to the Company's ICFR. The Company has made appropriate changes to internal controls and procedures, as is expected with a system upgrade, and has evaluated the design and effectiveness of these controls as part of the financial compliance program as of December 29, 2018.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of our DC&P as of December 29, 2018. They have concluded that our current DC&P are designed to provide, and do operate to provide, reasonable assurance that: (a) information required to be disclosed by the Company in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods; and (b) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO to allow timely decisions regarding required disclosure.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, ICFR, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Furthermore, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the fiscal year-end and have concluded that our current ICFR was effective at the fiscal year-end based on that evaluation.

There has been no change in the Company's ICFR during 2018 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR, except as noted above.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

The most significant estimates made by management include the following:

Impairment of non-financial assets

The Company's estimate of the recoverable amount for the purpose of impairment testing requires management to make assumptions regarding future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and/or budgets, and a terminal value calculated by discounting the final year in perpetuity. The future cash flows are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business. Further details, including the manner in which the Company identifies its CGUs, and the key assumptions used in determining the recoverable amounts, are disclosed in Note 10 "*Goodwill and intangible assets*" to the Consolidated Financial Statements.

Future employee benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increases, mortality rates and future pension increases. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the discount rate. See Note 15 "*Future employee benefits*" to the Consolidated Financial Statements for certain assumptions made with respect to future employee benefits.

Income taxes

The Company is subject to income tax in various jurisdictions. Significant judgment is required to determine the consolidated tax provision. The tax rates and tax laws used to compute income tax are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that are believed to appropriately reflect the risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each reporting date; however, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in these inputs could affect the reported fair value of financial instruments.

Sales and marketing accruals

The Company estimates variable consideration to determine the costs associated with the sale of product to be allocated to certain variable sales and marketing expenses, including volume rebates and other sales volume discounts, coupon redemption costs, costs incurred related to damages and other trade marketing programs. The Company's estimates include consideration of historical data and trends, combined with future expectations of sales volume, with estimates being reviewed on a frequent basis for reasonability.

Accounting Standards

High Liner Foods reports its financial results using IFRS. Our detailed accounting policies are included in the Notes to the Consolidated Financial Statements.

As disclosed in Note 3 "*Significant accounting policies*" to the Consolidated Financial Statements for the period ended December 29, 2018, we adopted the following new standards and amendments that were effective for annual periods beginning on January 1, 2018 and that the Company has adopted on December 31, 2017:

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued final amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company has adopted the amendments to IFRS 2; however they did not have a material impact on the Consolidated Financial Statements.

IFRS 9, *Financial Instruments: Classification and Measurement*

In 2015, the IASB issued the final version of the amendments to IFRS 9, *Financial Instruments*, issued in 2010, which replaced IAS 39. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of December 31, 2017. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements and no adjustments to the comparative information for the period beginning January 1, 2017 were required.

- The Company did not identify any changes to the classification and measurement of the existing financial instruments upon applying IFRS 9, other than a change in the classification of cash and accounts receivable from loans and receivables to financial assets at amortized cost, which had no impact on measurement of these financial instruments.
- The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record ECL on the entire accounts receivable balance. The Company has applied the simplified approach and has calculated the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The adoption of the ECL requirements of IFRS 9 had an immaterial impact on the Consolidated Financial Statements (see Note 7 "*Accounts receivable*" to the Consolidated Financial Statements).
- The Company has concluded that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not have an impact on the Company's Consolidated Financial Statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and various revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is applicable to all contracts the Company has with customers. The Company has elected to adopt the standard using the full retrospective method and applied the completed contract practical expedients, which allows the Company to exclude completed contracts that began and ended in the same annual reporting period and those contracts that were complete at the beginning of the earliest period presented. For completed contracts with variable consideration, the Company applied the practical expedient and has used the transaction price at the date when the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods because the Company has concluded that the difference was immaterial.

The Company has applied the new standard and did not identify any material impacts on the consolidated statements of financial position or income upon initial application. Specifically, the adoption of IFRS 15 did not result in any material refinements to the current estimation methodologies or the timing of the recognition of estimates in relation to the Company's trade marketing programs. However, the following two presentation differences on the consolidated statements of income have been identified:

- The Company receives donated product at no cost from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. IFRS 15 requires the Company to include the fair value of the donated product in the transaction price recognized on the sale of the finished products. This will increase both the revenue recorded upon distribution to the eligible agencies and the related cost of sales (by an equivalent amount), as compared to the Company's historical accounting treatment.
- The Company identified payments made to a customer that were accounted for as a reduction of revenue under IFRS 15. This decreased revenue and the related cost of sales by an equivalent amount, as compared to the Company's historical accounting treatment.

If the Company did not elect to use the completed contract practical expedient, revenue and cost of sales in the comparative period would require adjustments, with no resulting impact on net income, as follows:

- The Company would have recognized $4.7 million of incremental revenue and cost of sales on the sale of donated finished products for the fifty-two weeks ended December 30, 2017.
- The Company would have decreased revenue and cost of sales recorded by $0.6 million for the fifty-two weeks ended December 30, 2017 for identified payments made to a customer that would be accounted for as a reduction of revenue under IFRS 15.

New Accounting Standards and Interpretations Issued but not yet Effective

In addition to the existing IFRS standards adopted by the Company, the International Accounting Standards Board and the IFRS Interpretations Committee have issued additional standards and interpretations with an effective date subsequent to Fiscal 2018. The Company intends to adopt these standards when they become effective.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and its associated interpretive guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15, *Revenue from Contracts with Customers*.

The Company has substantially completed the assessment of IFRS 16 and the impact the new standard will have on the consolidated financial statements, which will be significant as the Company will recognize new assets and liabilities for most of the leases that are currently classified as operating leases. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense for right-of-use assets and an interest expense on the lease liabilities. The standard permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company has decided to adopt the standard on December 30, 2018 using the modified retrospective method with certain practical expedients that are available under this method. The Company has reached conclusions on key accounting policies upon transition to IFRS 16. The Company will finalize the impact of the new standard and disclosures on the consolidated financial statements during the first quarter of Fiscal 2019.

IAS 19, *Employee Benefits*

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19"), which addresses the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The current service cost and net interest for the remainder of the period after the plan amendment, curtailment or settlement should reflect the updated actuarial assumptions after such an event. The amendments apply to plan amendments, curtailments, or settlements that occur on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment*

The IFRS Interpretation Committee issued an Interpretation to address the accounting for income taxes when treatments involve uncertainty that affects the application of IAS 12, *Income Taxes* ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Company will apply the interpretation from the effective date. The Company is currently evaluating the impact of the Interpretation on its consolidated financial statements.

RISK FACTORS

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Company takes a strategic approach to risk management. To achieve a return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization.

While risk management is part of the Company's transactional, operational and strategic decisions, as well as the Company's overall management approach, risk management does not guarantee that events or circumstances will not occur which could have a material adverse impact on the Company's financial condition and performance.

Food Safety

At High Liner Foods, food safety is our top priority. Our brand equity and reputation are inextricably linked to the quality and safety of our food products. We must be vigilant in ensuring our products are safe and comply with all applicable laws and regulations. Customers expect consistently safe, quality products and their expectations are unwavering regardless of the commodity or complexity of the supply chain. Consumers are increasingly better informed about conscientious food choices.

High Liner processing plants have all the required State, Provincial and/or Federal licenses to operate. Additionally, all High Liner plants are certified to the Global Food Safety Initiatives ("GFSI"), Safe Quality Foods ("SQF") and British Retail Consortium ("BRC") standards, meaning our processing plants have passed a rigorous quality and food safety system audit that is internationally recognized and globally benchmarked. The GSFI certification enables High Liner to supply our wide range of products to some of the industry's most discerning customers. This yearly certification process helps drive improvement across the organization, critical for maintaining customer and consumer confidence.

In Canada, all seafood-processing plants are required to adopt a Preventative Control Plan ("PCP") under the recently implemented Safe Food for Canadians Act and Regulations. These requirements cover the regulatory and safety aspects of food processing and importing in Canada and have been developed by the Canadian Food Inspection Agency ("CFIA") based on global best practices. This plan must also include a Hazard Analysis Critical Control Point ("HACCP") Plan. High Liner Foods' PCP and processing facilities are regularly inspected and audited by the CFIA and remain in good standing.

In the United States, High Liner's plants produce product in accordance with standards set forth by the U.S. Food and Drug Administration's ("FDA") and the U.S. Department of Agriculture ("USDA"). The regulatory requirements for seafood processing (and importing) in the United States are very specific for fish and fishery products and all plants are required to operate with current seafood HACCP programs. Our plants are regularly inspected and audited by our regulatory partners in the U.S. and remain in good standing.

In addition, our suppliers' plants outside of North America must demonstrate compliance for imported products in accordance with the guidelines set forth in the FDA seafood HACCP. All of the Company's non-North American suppliers operate with HACCP approved plans and are required to adhere to newly strengthened FDA and Canadian CFIA importation requirements focusing on food safety and traceability. In addition, all purchases are subject to risk based quality review and inspection by the Company's own trained quality inspectors. We have strict specifications for suppliers of both raw material and finished goods to ensure that procured goods are of the same quality and consistency as products processed in our own plants. High Liner Foods has offices in Qingdao, China; Bangkok, Thailand; and Reykjavik, Iceland and employs full-time procurement and food safety and quality experts to oversee procurement activities around the world. This oversight includes production monitoring and finished product inspection at the source before shipment to North America. We also maintain strict *Supplier Approval and Audit Standards*. Through audit procedures, all food suppliers are required to meet our quality control and safety standards, which, in many instances, are higher than regulatory standards. All product is inspected, to assure consumers that High Liner Foods quality is consistent, regardless of source or origin.

In order to maintain compliance with the various, and ever changing regulatory, industry and customer requirements and expectations, we employ a Food Safety and Quality Assurance team comprised of highly qualified, trained and experienced personnel including food scientists, quality technicians, quality and food safety auditors, and labelling and nutritional professionals. High Liner has retained independent auditors to add an additional level of scrutiny to our food safety programs. High Liner Foods has robust audit policies and processes that are consistently applied throughout the Company, audit processes are implemented and all personnel are adequately trained. Quality and food safety activities also include state-of-the-art product specification and traceability systems. We are continuously evaluating and updating our internal operating standards to keep pace with the industry expectations and to support improved performance and greater success.

Product Recall

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such systems, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as precautionary measures. There is also a risk that not all of the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

The Company initiated a product recall during the second quarter of 2017. See the *Recent Developments* section on page 6 of this MD&A.

Procurement

Our business depends upon the procurement of frozen raw seafood materials and finished goods on world markets. In 2018, the Company purchased approximately 180 million pounds of seafood, with an approximate value of $556.0 million. Seafood and other food input markets are global with values expressed in USD. We buy approximately 30 species of seafood from 20 countries around the world. There are no formal hedging mechanisms in the seafood market. Prices can fluctuate due to changes in the balance between supply and demand over which the Company has little or no control. Weather, quota changes, disease, geopolitical issues, including economic sanctions, tariffs and trade barriers, and other environmental impacts in key fisheries can affect supply. Changes in the relative values of currency can change the demand from a particular country whose currency has risen or fallen as compared to the U.S. dollar. The increasing middle class and government policies in emerging economies, as well as demand from health-conscious consumers, affect demand as well.

Raw material costs in Canada are affected by the Canadian and U.S. dollar exchange rates. A strong Canadian dollar offsets increases in the U.S. dollar cost of raw materials for our Canadian operations, and conversely, when the Canadian dollar weakens, it increases our costs. We hedge exposures to currency changes and enter into annual supply contracts when possible. All foreign currency hedging activities are carried out in accordance with the Company's formal "*Price Risk Management Policy"*, under the oversight of the Audit Committee of the Board of Directors.

Our broad product line and customer base, along with geographically diverse procurement operations, help us mitigate changes in the cost of our raw materials. In addition, product formulation changes, long-term relationships with suppliers, and price changes to customers are all important factors in our ability to manage supply of necessary products.

We purchase frozen raw material and finished goods originating from many different areas of the world and ensure, to the extent possible, that our supplier base is diverse to ensure no over-reliance on any source. Our strategy is to always have at least two suppliers of seafood products where possible.

There can be no assurance that disruptions in supply will not occur, nor can there be any assurance that all or part of any increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner.

Availability of Seafood and Non-Seafood Goods

Historically, North American markets have consumed less seafood per capita than certain Asian and European markets. If increased global seafood demand results in materially higher prices, North American consumers may be less likely to consume amounts historically consistent with their share of the global seafood market, which may adversely affect the financial results of High Liner Foods due to its North American focus.

The Company expects demand for seafood to grow from current levels as the global economy, and particularly the BRIC and Southeast Asian economies, improve. In general, we expect the supply of wild-caught seafood in our core species to be stable over the long term. We anticipate new seafood demand will be supplied primarily from aquaculture. Currently, four of the top seven species consumed in the U.S. (shrimp, salmon, tilapia and pangasius) are partly or totally supplied by aquaculture and approximately 41% of the Company's procurement by value is related to aquaculture products. To the extent there are unexpected declines in our core products of wild-caught seafood, or aquaculture is unable to supply future demand, prices may increase materially, which may have a negative impact on the Company's results.

The Company has made the strategic decision not to be vertically integrated for a number of reasons, including the large amount of capital that would be involved and expected returns on such capital. However, in the event supply shortages of certain seafood, or trade barriers to acquiring seafood as a result of economic sanctions or otherwise, results in difficulty procuring species, the financial results of High Liner Foods may be adversely affected.

In addition, the Company purchases non-seafood goods and ingredients from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate in North America and other major markets. Furthermore, issues with suppliers regarding pricing or performance of the goods they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could impact the Company's financial condition and performance. Any such impact will depend on the effectiveness of the Company's contingency plan.

Seafood Production from Asia

For more than a decade, many seafood companies, including High Liner Foods, have diverted production of certain primary produced products to Asia, and China in particular. Asian processing plants are able to produce many high quality seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on raw material due to the use of more manual processes. We work closely with selected Asian suppliers and have made it possible for these suppliers to meet our exacting quality and manufacturing standards. In turn, we have access to the variety and volume of seafood products, including a significant amount of wild-caught product from the Atlantic and Pacific Oceans, that we need to fulfil our brand strategy. These suppliers are central to our supply chain operating efficiently, and thus, any adverse changes in the operations of such suppliers, or our commercial relationships with such suppliers, may adversely affect the Company's results.

Non-Seafood Commodities

Our operating costs are affected by price changes in commodities such as crude oil, wheat, corn, paper products and frying oils. To minimize our risk, the Company's "*Price Risk Management Policy"* dictates the use of fixed pricing with suppliers whenever possible but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2018 and 2017, the Company has managed this risk through contracts with suppliers.

Crude oil prices, which influence fuel surcharges from freight suppliers increased during 2018 compared to 2017. World commodity prices for flour, soy and canola oils, important ingredients in many of the Company's products, fluctuated throughout the year, with flour prices increasing and soy and canola oil prices decreasing in 2018 compared to 2017. The price of corrugated and folding carton, which is used in packaging, increased in 2018. The Company currently has fixed price contracts with suppliers relating to our 2019 commodity purchase requirements and any additional amounts will be negotiated and fixed as necessary.

Customer Consolidation

We sell the vast majority of our products to large food retailers, including supercentres and club stores, and foodservice distributors in North America. As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's net sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidation of customers is expected to result in some consolidation of suppliers in the U.S. seafood industry. The supply of seafood, especially in the U.S. foodservice market, is highly fragmented. Consolidation is needed to reduce costs and increase service levels to keep pace with the expectation of customers.

We are focusing efforts on brand strength, new products, procurement activities and customer service to ensure we outperform competitors. Consolidation makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. We are in a good position to meet these demands, since we offer quality, popular products under leading brands and have the ability to meet the customer service expectations of the major retailers.

Competition Risk

High Liner Foods competes with a number of food manufacturers and distributors and its competition varies by distribution method, product category and geographic market. Some of High Liner Foods' competitors have greater financial and other resources than it does and/or may have access to labour or products that are not available to High Liner Foods. In addition, High Liner Foods' competitors may be able to better withstand market volatility. There can be no assurance that High Liner Foods' principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base and/or market share.

In addition, High Liner Foods and its financial results may be significantly adversely affected if High Liner Foods' suppliers become competitors, if our customers decide to source their own food products, or if one or more of High Liner Foods' competitors were to merge with another of its competitors. Competitors may also establish or strengthen relationships with parties with whom High Liner Foods has relationships, thereby limiting its ability to distribute certain products. Disruptions in High Liner Foods' business caused by such events could have a material adverse effect on its results of operations and financial condition.

Geopolitical Risk

The Company's operations are currently conducted in North America and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: fluctuations in currency exchange rates; inflation rates; labour unrest; terrorism; civil commotion and unrest; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions and social unrest; changes in trade agreements; economic sanctions, tariffs and other trade barriers.

Changes, if any, in trade agreements or policies, or shifts in political attitude, could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations including, but not limited to, export controls, income taxes, foreign investment, and environmental legislation.

In 2017, the U.S. Tax Reform resulted in significant changes to tax legislation in the United States and certain aspects of the U.S. Tax Reform are still subject to interpretation which could impact the results of operations, financial condition and cash flows of the Company (see the *Income Taxes* section on page 20 of this MD&A).

In September 2018, the U.S. Administration announced an additional 10% tariff on certain Chinese imports, including seafood, effective September 24, 2018, increasing to 25% effective January 1, 2019. On December 19, 2018, the U.S. Administration postponed the January 1, 2019 tariff increase, pending negotiations between the U.S. Administration and China. The Company currently purchases its seafood raw materials from more than 20 countries around the world, including from the U.S., to meet U.S. consumer demand. A portion of this raw material is imported into China for primary processing and then exported to the U.S. for sale and secondary processing. The Company has determined that the additional tariff will apply to the import of certain species into the U.S., most notably haddock, tilapia and sole/flounder. The estimated exposure of a 10% and 25% tariff in 2019 is approximately $4 and $9 million, respectively based on current volume and raw material costs; however, the Company has begun implementing plans, including pricing action and certain supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company. The Company will continue to monitor these developments closely, particularly if further information becomes available regarding additional tariffs or how the previously announced tariffs will impact the Company.

The occurrence and the extent of these various factors and uncertainties cannot be accurately predicted and could have a material adverse effect on the Company's operations and profitability.

Sustainability, Corporate Responsibility and Public Opinion

The future success and growth of our business relies heavily upon our ability to use our position in the marketplace to protect and preserve the natural resources essential for our business and to make sustainability part of how we operate in every facet of our business.

High Liner Foods made a public sustainability commitment in late 2010 to source all of its seafood from "certified sustainable or responsible" fisheries and aquaculture by the end of 2013. The Company was substantially successful in fulfilling the commitment it made in late 2010 and is now recognized as a global leader in driving best practice improvements in wild fisheries and aquaculture. Customers will continue to demand product solutions that are innovative, high quality and responsibly-sourced. To the extent we fail to meet these customer expectations, or customer expectations in this regard change, operational results and brand equity may be adversely affected. Credible sustainability certifications have become a required tool to validate industry-driven wild fishery and aquaculture improvements. Environmental advocacy groups will continue to promote use of credible certification schemes to define sustainable wild fisheries and aquaculture.

In 2015, the Company implemented a social compliance program with seafood suppliers which outlines acceptable standards for the treatment of all suppliers' employees involved in the production of seafood product for our Company.

Corporate Social Responsibility ("CSR") is a term used to refer to the set of voluntary actions companies take to mitigate the social and environmental impacts of their operations on society. CSR is significant in the seafood industry as seen through the multiplication of private initiatives such as certification programs, sourcing commitments and improvement projects. Many of the issues addressed through CSR in seafood occur in the downstream end of seafood supply chains and include sustainable fish stocks, social aspects such as working conditions and fair wages, and transparency. High Liner Foods has continued its leadership position with the publication of CSR reports in 2017 and 2018, which disclose many of the improvement efforts underway.

High Liner's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gases and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with environmental laws and regulations. Compliance with these laws and regulations requires that the Company continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the Company's financial position and could require additional expenditures to achieve or maintain compliance.

In the long term, further enhancing policies related to sustainability, environmental and social compliance both within High Liner Foods and its supply chain may add to High Liner Foods' costs and reduce margins.

Growth (Other than by Acquisition)

A key component of High Liner Foods' growth strategy is organic or internal growth by (a) increasing sales and earnings in existing markets with existing products; and (b) expanding into new markets and products. There can be no assurance that the Company will be successful in growing its business or in managing its growth in a manner consistent with this strategy. Furthermore, successful expansion may place a significant strain on key personnel of High Liner Foods, from a retention perspective, as well as on its operations, financial resources and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to grow and enhance its information systems in a timely fashion. It must also manage succession planning for personnel across the organization to support such growth. Any inability to properly manage growth could result in cancellation of customer orders, as well as increased operating costs, and correspondingly, could have an adverse effect on High Liner Foods' financial results.

In addition, the success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time certain products are deemed more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Acquisition and Integration Risk

A component of the Company's strategy is to pursue acquisition opportunities to support sales and earnings growth and further species diversification. While management intends to be careful in selecting businesses to acquire, acquisitions inherently involve a number of risks, including, but not limited to, the possibility that the Company pays more than the acquired assets are worth; the additional expense associated with completing an acquisition; the potential loss of customers of the particular business; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption to the Company's ongoing business and the distraction of management from the Company's day-to-day operations; the inability to incorporate acquired businesses successfully into the Company's existing operations; and the potential impairment of relationships with the Company's employees, suppliers and customers. If any one or more of such risks materialize, they could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

In addition, the Company may not be able to maintain the levels of operating efficiency that the acquired company had achieved or might have achieved had it not been acquired by the Company. Successful integration of the acquired company's operations would depend upon the Company's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it expected to achieve with the acquisition. Any difficulties in this process could disrupt the Company's ongoing business, distract its management, result in the loss of key personnel or customers, increase its expenses and otherwise materially adversely affect the Company's business, financial condition, liquidity and operating results. Further, inherent in any acquisition, there is risk of liabilities and contingencies that the Company may not discover in its due diligence prior to the consummation of a particular acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies in any acquisition could also have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Employment Matters

The Company and its subsidiaries have approximately 1,300 full-time and part-time employees, which include salaried and union employees, some of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Credit Risk

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base. Although we insure our accounts receivable risk, our bad debt expense has historically been insignificant. As of the filing of this report, we are not aware of any customer that is in financial trouble that would result in a material loss to the Company and our receivables are substantially current at year-end.

Foreign Currency

High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Company's results of operations and financial condition are both affected by foreign currency fluctuations in a number of ways. The table below summarizes the effects of foreign exchange on our operations in their functional currency:

Currency	Strength	Impact on High Liner Foods
CAD	Strong	Results in a reduction in the cost of inputs for the Canadian operations in CAD. Competitive activity may result in some selling price declines on unprocessed product.
CAD	Weak	Results in an increase in the cost of inputs for the Canadian operations in CAD. Justified cost increases are usually accepted by customers. If prices rise too sharply there may be a volume decline until consumers become accustomed to the new level of pricing.
Euro	Strong	Results in increased demand from Europe for seafood supplies and may increase prices in USD.
Euro	Weak	Results in decreased demand from Europe for seafood supplies and may decrease prices in USD.
Asian currencies	Strong	Results in higher cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, increased demand may result from domestic Asian markets increasing USD prices. Justified cost increases are usually accepted by customers. If prices rise too sharply, there may be a volume decline until consumers become accustomed to the new level of pricing.
Asian currencies	Weak	Results in lower cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, decreased demand may result from domestic Asian markets, decreasing USD prices. Competitive activity may result in some selling price declines on unprocessed product.
USD	Strong	As in most commodities, a strong USD usually decreases input costs in USD, as suppliers in countries not using the USD need less USD to receive the same amount in domestic currency. In Canadian operations, it increases input costs in CAD.
USD	Weak	As in most commodities, a weak USD usually increases input costs in USD, as suppliers in countries not using the USD need more USD to receive the same amount in domestic currency. In Canadian operations, it decreases input costs in CAD.

The value of the USD compared to other world currencies has an impact on many commodities, including seafood, packaging, flour-based products, cooking oil and transportation costs that are either sold in USD or have USD-input costs. This is because many producing countries do not use the USD as their functional currency and, therefore, changes in the value of the USD means that producers in other countries need less or more USD to obtain the same amount in their domestic currency. Changes in the value of the CAD by itself against the USD simply result in an increase or decrease in the CAD cost of inputs.

For products sold in Canada, raw material is purchased in USD and flour-based ingredients, cooking oils and transportation costs all have significant commodity components that are traded in USD. However, labour, packaging and ingredient conversion costs, overheads and SG&A costs are incurred in CAD. A strengthening CAD decreases the cost of these inputs and vice versa in the Canadian operation's domestic currency. When the value of the CAD changes, competitive factors on commodity products, primarily raw frozen shellfish and groundfish, especially in our Canadian foodservice business, force us to react when competitors use a lower CAD cost of imported products to decrease prices and, therefore, pass on the cost decrease to customers. An increasing CAD cost usually results in higher selling prices to Canadian customers.

The Parent has a CAD functional currency, meaning that all transactions are recorded in CAD. However, as we report in USD, the results of the Parent are converted into USD for external reporting purposes. As such, fluctuations in exchange rates impact the translated value of the Parent's sales, costs and expenses when translated to USD.

Although High Liner Foods reports in USD, our Canadian operations continue to be managed in CAD. Therefore, in accordance with the Company's "*Price Risk Management Policy"* (the "Policy"), we undertake hedging activities, buying USD forward and using various derivative products. To reduce our exposure to the USD on the more price inelastic items, the Policy allows us to hedge forward a maximum of 15 months of purchases; at 70-90% of exposure for the first three months, 55-85% for the next three months, 30-75% for the next three months, 10-60% for the next three months, and 0-60% for the last three months. The lower end of these ranges is required to be hedged by the Policy, with the upper ranges allowed if management believes the situation warrants a higher level of purchases to be hedged. Variations from the Policy require the approval of the Audit Committee.

The Policy excludes certain products where the price in the marketplace moves up or down with changes in the CAD cost of the product. Approximately $60.0-80.0 million of the USD purchases of the Parent are part of the hedging program annually and are usually hedged between 40.0% and 75.0% of the next twelve months of forecasted purchases. We are currently forecasting purchases of $48.8 million to be hedged in 2019 and of this amount, 47.0% are currently hedged.

Details on the hedges in place as at December 29, 2018 are included in Note 25 "*Fair value measurement*" to the Consolidated Financial Statements.

Liquidity Risk

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to fund business growth and manage its liquidity.

Our primary sources of working capital are cash flows from operations and borrowings under our credit facilities. We actively manage our relationships with our lenders and have adequate credit facilities in place until April 2021, when the working capital credit facility expires. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant adverse impact on the Company's financial position and opportunities for growth.

The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable and finance leases. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period.

At December 29, 2018, less than 4% of our debt will mature in less than one year based on the carrying value of borrowings reflected in the Consolidated Financial Statements. Our long-term debt is described in Note 14 "*Long-term debt and finance lease obligations*" to the Consolidated Financial Statements. At December 29, 2018 and at the date of this document, we are in compliance with all covenants and terms of our banking facilities.

Uncertainty of Dividend Payments

Payment of dividends may be impacted by factors that can have a material adverse effect on High Liner's business, results of operations, cash flows, financial position or prospects and which could impact its liquidity and ability to declare and pay dividends (whether at current levels, revised levels or at all), and is also dependent on, among other things, the ability of the Company to generate sufficient cash flows, the financial requirements of High Liner, and applicable solvency tests and contractual restrictions (whether under credit agreements or other contracts).

As the payment of dividends is subject to the discretion of the Company's Board of Directors, the Company's dividend policy could change at any time if the Board determines that a change is in the best interests of the Company.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

The asset mix of our defined benefit pension plans was established with the objective of reducing the volatility of the plan's anticipated funded position. This has resulted in investing part of the portfolio in fixed income assets with a duration similar to that of the pension obligations. The latest actuarial valuations of these two plans were performed during Fiscal 2016 and Fiscal 2017 and showed: combined going concern surpluses of CAD$2.9 million; one plan had a solvency deficit of CAD$1.4 million; and the other plan had a solvency deficit of CAD$3.4 million.

Information Technology and Cybersecurity Risk

High Liner Foods relies on information technology systems and network infrastructure in all areas of operations and is therefore exposed to an increasing number of sophisticated cybersecurity threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A cybersecurity attack and a breach of sensitive information could disrupt systems and services and compromise the Company's financial position or brands, and/or otherwise adversely affect the ability to achieve its strategic objectives.

The Company maintains policies, processes and procedures to address capabilities, performance, security and availability including resiliency and disaster recovery for systems, infrastructure and data. Security protocols, along with corporate information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers and employees. The Company actively monitors, manages and continues to enhance its ability to mitigate cyber risk through its enterprise-wide programs.

The implementation of major information technology projects carries with it various risks, including the risk of realization of benefits, that must be mitigated by disciplined change management and governance processes. The Company has a business process optimization team staffed with knowledgeable internal resources (supplemented by external resources as needed) that is responsible for implementing the various initiatives.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of our business in general are based on a number of factors and assumptions including, but not limited to: availability, demand and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the CAD to the USD; our ability to attract and retain customers; our operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce our operating and supply chain costs; and our ability to develop new and innovative products that result in increased sales and market share; increased demand for our products whether due to the recognition of the health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from our brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected timing and the amount of the recovery associated with product recall costs; our ability to successfully integrate the acquisition of Rubicon Resources, LLC; levels of accretion and synergy and earnings growth relating to Rubicon; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected net interest-bearing debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of our plant production and U.S. tariffs on certain seafood products imported from China; expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; our projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; and amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Factors section of this MD&A and the Risk Factors section of our most recent AIF. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: volatility in the CAD/USD exchange rate; the interpretation of the U.S. Tax Reform by tax authorities; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods and the impact of geopolitical events (and related economic sanctions) on same; the impact of the U.S. Administration's tariffs on certain seafood products; costs of commodity products and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; supplier fulfillment of contractual agreements and obligations; competitor reactions; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; compliance with debt covenants; the availability of adequate levels of insurance; and management retention and development.

Forward-looking information is based on management's current estimates, expectations and assumptions, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities laws, we do not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the fifty-two weeks ended December 29, 2018
With comparative figures as at and for the fifty-two weeks ended December 30, 2017

To the Shareholders of High Liner Foods Incorporated

Management's Responsibility

The Management of High Liner Foods Incorporated includes corporate executives, operating and financial managers and other personnel working full-time on Company business. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using management's best estimates and judgments, where appropriate. The financial information elsewhere in this report is consistent with the statements.

Management has established a system of internal control that it believes provides a reasonable assurance that, in all material respects, assets are maintained and accounted for in accordance with management's authorization and transactions are recorded accurately on the Company's books and records. The Company's internal audit program is designed for constant evaluation of the adequacy and effectiveness of the internal controls. Audits measure adherence to established policies and procedures.

The Audit Committee of the Board of Directors is composed of four outside directors. The Committee meets periodically with management, the internal auditor and independent chartered professional accountants to review the work of each and to satisfy itself that the respective parties are properly discharging their responsibilities. The independent chartered professional accountants and the internal auditor have full and free access to the Audit Committee at any time. In addition, the Audit Committee reports its findings to the Board of Directors, which reviews and approves the consolidated financial statements.

Dated February 27, 2019

Signed

P.A. Jewer, FCPA
Executive Vice President and Chief Financial Officer

Independent auditor's report

To the Shareholders of
High Liner Foods Incorporated

Opinion

We have audited the consolidated financial statements of **High Liner Foods Incorporated** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 29, 2018 and December 30, 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of accumulated other comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the fifty-two weeks then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 29, 2018 and December 30, 2017, and its consolidated financial performance and its consolidated cash flows for the fifty-two weeks then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gina Kinsman.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Halifax, Canada
February 27, 2019

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars)

	Notes		December 29, 2018		December 30, 2017
ASSETS					
Current assets					
Cash		**$**	**9,568**	$	4,738
Accounts receivable	**7**		**84,873**		92,395
Income taxes receivable			**6,411**		13,533
Other financial assets	**25**		**2,504**		570
Inventories	**8**		**301,411**		353,433
Prepaid expenses			**4,333**		3,462
Total current assets			**409,100**		468,131
Non-current assets					
Property, plant and equipment	**9**		**114,371**		120,289
Deferred income taxes	**18**		**7**		2,787
Other receivables and miscellaneous assets	**25**		**1,013**		837
Intangible assets	**10**		**155,594**		158,044
Goodwill	**10**		**157,070**		157,881
Total non-current assets			**428,055**		439,838
Total assets	**11,14**	**$**	**837,155**	$	907,969
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**11**	**$**	**31,152**	$	53,352
Accounts payable and accrued liabilities	**12**		**157,162**		205,855
Contract liability	**19**		**4,772**		4,055
Provisions	**13**		**1,460**		278
Other current financial liabilities	**25**		**78**		1,965
Other current liabilities			**245**		166
Income taxes payable			**585**		—
Current portion of long-term debt	**14**		**13,655**		—
Current portion of finance lease obligations	**14**		**372**		714
Total current liabilities			**209,481**		266,385
Non-current liabilities					
Long-term debt	**14**		**322,674**		335,441
Other long-term financial liabilities	**25**		**5**		62
Other long-term liabilities			**1,493**		1,641
Long-term finance lease obligations	**14**		**407**		407
Deferred income taxes	**18**		**28,451**		23,943
Future employee benefits	**15**		**10,785**		11,223
Total non-current liabilities			**363,815**		372,717
Total liabilities			**573,296**		639,102
Shareholders' equity					
Common shares	**16**		**112,887**		112,835
Contributed surplus			**15,357**		14,354
Retained earnings			**161,377**		159,157
Accumulated other comprehensive loss			**(25,762)**		(17,479)
Total shareholders' equity			**263,859**		268,867
Total liabilities and shareholders' equity		**$**	**837,155**	$	907,969

See accompanying notes to the Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of United States dollars, except per share amounts)

	Notes	Fifty-two weeks ended December 29, 2018	Fifty-two weeks ended December 30, 2017
Revenues	**19**	**$ 1,048,531**	$ 1,053,846
Cost of sales		**860,374**	867,767
Gross profit		**188,157**	186,079
Distribution expenses		**52,649**	49,827
Selling, general and administrative expenses		**92,208**	99,449
Impairment of property, plant and equipment	**9**	**1,302**	—
Business acquisition, integration and other (income) expense	**6, 15**	**(2,471)**	2,639
Results from operating activities		**44,469**	34,164
Finance costs	**28**	**21,603**	16,626
Income before income taxes		**22,866**	17,538
Income taxes			
Current	**18**	**1,583**	(723)
Deferred	**18**	**4,507**	(13,392)
Total income tax expense (recovery)		**6,090**	(14,115)
Net income		**$ 16,776**	$ 31,653
Earnings per common share			
Basic	**20**	**$ 0.50**	$ 0.98
Diluted	**20**	**$ 0.50**	$ 0.97
Weighted average number of shares outstanding			
Basic	**20**	**33,617,203**	32,412,215
Diluted	**20**	**33,618,919**	32,527,296

See accompanying notes to the Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of United States dollars)

		Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017
Net income	**$**	**16,776**	$	31,653
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss) to be reclassified to net income:				
(Loss) gain on hedge of net investment in foreign operations		**(25,160)**		20,985
Gain (loss) on translation of net investment in foreign operations		**35,067**		(30,309)
Translation impact on Canadian dollar denominated non-AOCI items		**(21,793)**		17,803
Translation impact on Canadian dollar denominated AOCI items		**1,608**		(1,291)
Total exchange (losses) gains on translation of foreign operations and Canadian dollar denominated items		**(10,278)**		7,188
Effective portion of changes in fair value of cash flow hedges		**3,494**		(1,838)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item		**(533)**		482
Net change in fair value of cash flow hedges transferred to income		**(181)**		436
Translation impact on Canadian dollar denominated AOCI items		**(785)**		579
Total exchange gains (losses) on cash flow hedges		**1,995**		(341)
Net other comprehensive (loss) gain to be reclassified to net income		**(8,283)**		6,847
Other comprehensive income (loss) not to be reclassified to net income				
Defined benefit plan actuarial gains (losses)		**107**		(1,877)
Other comprehensive (loss) income, net of income tax		**(8,176)**		4,970
Total comprehensive income	**$**	**8,600**	$	36,623

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ("AOCI")
(in thousands of United States dollars)

		Foreign currency translation differences		**Net exchange differences on cash flow hedges**		**Total AOCI**
Balance at December 30, 2017	**$**	**(17,699)**	**$**	**220**	**$**	**(17,479)**
Total exchange losses on translation of foreign operations and Canadian dollar denominated items		**(10,278)**		**—**		**(10,278)**
Total exchange gains on cash flow hedges		**—**		**1,995**		**1,995**
Balance at December 29, 2018	**$**	**(27,977)**	**$**	**2,215**	**$**	**(25,762)**
Balance at December 31, 2016	$	(24,887)	$	561	$	(24,326)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items		7,188		—		7,188
Total exchange losses on cash flow hedges		—		(341)		(341)
Balance at December 30, 2017	$	(17,699)	$	220	$	(17,479)

See accompanying notes to the Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of United States dollars)

	Common shares	Contributed surplus	Retained earnings	AOCI	Total
Balance at December 30, 2017	**$ 112,835**	**$ 14,354**	**$ 159,157**	**$ (17,479)**	**$ 268,867**
Other comprehensive loss	**—**	**—**	**107**	**(8,283)**	**(8,176)**
Net income	**—**	**—**	**16,776**	**—**	**16,776**
Common share dividends	**—**	**—**	**(14,663)**	**—**	**(14,663)**
Share-based compensation	**52**	**1,003**	**—**	**—**	**1,055**
Balance at December 29, 2018	**$ 112,887**	**$ 15,357**	**$ 161,377**	**$ (25,762)**	**$ 263,859**
Balance at December 31, 2016	$ 86,094	$ 14,654	$ 143,782	$ (24,326)	$ 220,204
Other comprehensive income	—	—	(1,877)	6,847	4,970
Net income	—	—	31,653	—	31,653
Common share dividends	—	—	(14,355)	—	(14,355)
Share-based compensation	983	(300)	—	—	683
Share issuance	25,758	—	(46)	—	25,712
Balance at December 30, 2017	$ 112,835	$ 14,354	$ 159,157	$ (17,479)	$ 268,867

See accompanying notes to the Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States dollars)

	Notes	Fifty-two weeks ended December 29, 2018	Fifty-two weeks ended December 30, 2017
Cash flows provided by (used in):			
Operating activities			
Net income		**$ 16,776**	$ 31,653
Adjustments to net income not involving cash from operations:			
Depreciation and amortization	**24**	**17,771**	16,311
Share-based compensation expense	**17**	**1,237**	771
Loss on asset disposals and impairment	**9**	**1,565**	789
Future employee benefits contribution, net of expense		**(84)**	233
Finance costs		**21,603**	16,626
Income tax expense (recovery)	**18**	**6,090**	(14,115)
Unrealized foreign exchange gain		**(311)**	(937)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes refunded (paid)		**64,647**	51,331
Changes in non-cash working capital balances:			
Accounts receivable		**5,666**	(1,612)
Inventories		**44,561**	(37,158)
Prepaid expenses		**(1,030)**	321
Accounts payable and accrued liabilities		**(45,977)**	(10,284)
Provisions		**1,221**	(176)
Net change in non-cash working capital balances		**4,441**	(48,909)
Interest paid		**(19,917)**	(14,745)
Income taxes refunded (paid)		**7,762**	(9,166)
Net cash flows provided by (used in) operating activities		**56,933**	(21,489)
Financing activities			
(Decrease) increase in bank loans	**21**	**(21,380)**	52,618
Repayment of finance lease obligations	**21**	**(598)**	(725)
Proceeds of long-term debt	**14, 21**	**—**	70,000
Deferred finance costs		**(325)**	(1,276)
Common share dividends paid		**(14,663)**	(14,355)
Options exercised for shares		**24**	140
Share issuance		**—**	(73)
Net cash flows (used in) provided by financing activities		**(36,942)**	106,329
Investing activities			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(13,961)**	(26,488)
Net proceeds on disposal of assets		**119**	331
Acquisition of business, net of cash acquired	**5**	**—**	(74,911)
Net cash flows used in investing activities		**(13,842)**	(101,068)
Foreign exchange (decrease) increase on cash		**(1,319)**	2,714
Net change in cash during the period		**4,830**	(13,514)
Cash, beginning of period		**4,738**	18,252
Cash, end of period		**$ 9,568**	$ 4,738

See accompanying notes to the Consolidated Financial Statements

1. Corporate information

High Liner Foods Incorporated (the "Company" or "High Liner Foods") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the fifty-two weeks ended December 29, 2018, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on February 27, 2019.

2. Statement of compliance and basis for presentation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements have been prepared on the historical-cost basis except for derivative financial instruments, financial instruments at fair value through profit or loss, and liabilities for cash-settled share-based compensation payment arrangements, which are measured at fair value, and the defined benefit employee future benefit liability which is recognized as the net total of the plan assets plus unrecognized past-service costs and the present value of the defined benefit obligation.

3. Significant accounting policies

(a) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at December 29, 2018. Control is achieved when the Company is exposed, or has rights, to direct the activities that significantly affect the returns from its involvement with the investee. The Company reassesses whether or not it controls an investee on an ongoing basis.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intercompany balances, equity, income, expenses and cash flows are eliminated in full on consolidation.

(b) Foreign currency

Functional and presentation currency

The Company determines its functional currency based on the currency of the primary economic environment in which it operates. The Parent's functional currency is the Canadian dollar ("CAD"), while the functional currencies of its subsidiaries are the CAD and the United States dollar ("USD"). The Company has chosen a USD presentation currency for its Consolidated Financial Statements because the USD better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ["U.S."] and report in USD) and should result in less volatility in reported sales and income on the conversion to the presentation currency.

The Company follows the requirements set out in IAS 21, *The Effects of Change in Foreign Exchange Rates* to translate to the presentation currency. The assets and liabilities of the Parent are translated to USD at the exchange rate as at the reporting date, and the income and expenses of the Parent are translated to USD at the monthly average exchange rates of the reporting period. Foreign currency differences are recognized in other comprehensive income ("OCI").

Translation of transactions and balances into the functional currency
Transactions in currencies other than the functional currency ("foreign currencies") are translated to the respective functional currencies of the Parent and its subsidiaries at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at that date. Foreign currency non-monetary items that are measured in terms of historical cost are not retranslated. Foreign currency non-monetary items that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of income with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. The latter exchange differences are recognized in OCI, to the extent the hedge is effective, until the net investment is disposed of or the hedge is ineffective, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

(c) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 - *Financial Instruments* ("IFRS 9"), is measured at fair value with changes in fair value recognized either in the consolidated statements of income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

When the Company acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Acquisition-related costs are expensed as incurred and included in business acquisition, integration and other expenses in the consolidated statements of income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is not amortized, and is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(d) Non-current assets held for sale and discontinued operations
The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell ("FVLCS"). For the asset to be classified as held for sale, the sale must be highly probable and the asset or disposal group must be available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

(e) Cash
Cash includes cash on hand and demand deposits with initial and remaining maturity of three months or less. Cash does not include any restricted cash.

(f) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the first-in first-out method. The cost of procured finished goods and unprocessed raw material inventory is based on weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories and semi-finished materials, cost includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from OCI of any gain or loss on qualifying cash flow hedges of foreign currency related to purchases of inventories.

(g) Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any expenditures directly attributable to bringing the asset into operation, and the present value of the expected cost for decommissioning the asset after its use, if the recognition criteria for a provision are met. The cost of self-constructed assets includes the cost of materials, direct labour, other costs directly attributable to bringing the assets to a working condition for their intended use, and costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from OCI of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The capitalized value of a finance lease is also included in property, plant and equipment, and is measured at the lower of the present value of the minimum lease payments and the fair value of the leased asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company, and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major components of the asset, when the refurbishment results in a significant extension in the physical life of the component, and in which case, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property, plant and equipment are expensed as incurred in the consolidated statements of income.

Gains or losses from the derecognition of an asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

The cost of property, plant and equipment, less any residual value, is allocated over the estimated useful life of the asset on a straight-line basis. Depreciation is recognized on a straight-line basis as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets and leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives applicable to each category of property, plant and equipment, except for land, for the current and comparative periods are as follows:

Buildings	20 - 40 years
Furniture, fixtures and production equipment	10 - 25 years
Computer equipment and vehicles	4 - 10 years

When components of an item of property, plant and equipment have different useful lives than those noted above, they are accounted for as separate items of property, plant and equipment. The estimated useful lives, depreciation methods, and residual values are reviewed annually, with any changes in estimate being accounted for prospectively from the date of the change.

(h) Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s).

Company as a lessee

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of income.

Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

(i) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if applicable.

The useful lives of intangible assets are assessed to be either finite or indefinite.

- Intangible assets with finite lives are amortized over their useful or economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.
- Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually at the CGU level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. Certain brands acquired through business combinations have no foreseeable limit to the period over which the assets are expected to generate net cash flows and are therefore determined to have indefinite useful lives.

The estimated useful lives applicable to each category of intangible assets for the current and comparative periods are as follows:

Brands	2 - 8 years
Customer and supplier relationships	10 - 25 years
Computer software	3 - 15 years
Indefinite lived brands	Indefinite, subject to impairment testing annually

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and accounted for prospectively from the date of the change.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset. Gains or losses from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

(j) Impairment

Non-financial assets

The carrying amounts of non-financial assets, excluding inventories and deferred income tax assets, are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. Reviews are undertaken on an asset-by-asset basis, except where the recoverable amount for an individual asset cannot be determined, in which case the review is undertaken at a CGU level.

On an annual basis, the Company evaluates the carrying amount of CGUs to which goodwill has been allocated, to determine whether such carrying amount may be impaired. To accomplish this, the Company compares the recoverable amount of a CGU to its carrying amount. This evaluation is performed more frequently if there is an indication that a CGU may be impaired.

The Company estimates the non-financial asset's recoverable amount for the purpose of impairment testing using the higher of its FVLCS and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. The excess of the carrying amount over the recoverable amount is considered an impairment loss and is recognized in the consolidated statements of income. With respect to CGUs, impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

In determining FVLCS, an appropriate valuation model is used. These calculations are corroborated by the use of valuation multiples, quoted share prices and other available fair value indicators.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previous impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount of the asset or CGU. 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 impairment loss to be reversed in the consolidated statements of income is limited to the recoverable amount, but not beyond the carrying amount, net of depreciation or amortization, that would have arisen if the prior impairment loss had not been recognized.

Financial assets
The Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") with an initial application date of December 31, 2017 (see Note 3(t)). The Company recognizes an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate ("EIR"). The expected cash flows include cash flows from the sale, collateral held and other credit enhancements that are integral to the contractual terms.

In relation to trade receivables, the Company records ECLs on the entire accounts receivable balance. The Company applies the simplified approach and calculates the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The carrying amount of the asset or group of assets is reduced through use of an ECL account and the loss is recognized in the consolidated statements of income. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(k) Provisions, contingent liabilities and contingent assets
All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. When the Company 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 a provision is presented in the consolidated statements of income net of any reimbursement, when the reimbursement is realized in the same reporting period as the related expense.
Possible inflows of economic benefits to the Company are considered contingent assets when the possible inflows become virtually certain.

Restructuring provisions are recognized only when the Company has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the expenditures that will be undertaken, and the timing of when the plan will be implemented; and (ii) the employees affected have been notified of the plan's main features.

(l) Future employee benefits

Defined benefit pension plans ("DBPP")
For DBPPs and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected-unit-credit method pro-rated on service and management's best estimate of expected salary escalation and retirement ages of employees.

The determination of benefit expense requires assumptions such as the discount rate to measure the obligation, the projected age of employees upon retirement, the expected rate of future compensation increases and the expected mortality rate of pensioners.

The total past-service cost arising from plan amendments is recognized immediately in the consolidated statements of income. The present value of the defined benefit obligation ("DBO") is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the DBO and the fair value of plan assets are recognized immediately in the consolidated statements of comprehensive income. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

Fair value is based on market price information, and in the case of quoted securities, is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined contribution pension plans ("DCPP")
A DCPP is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to DCPPs are recognized as an employee benefit expense in the consolidated statements of income in the periods during which services are rendered by employees.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination benefits
Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits payable more than twelve months after the reporting period are discounted to their present value.

(m) Revenue recognition
Revenue from the sale of products is recognized when the terms of a contract with a customer has been satisfied, which occurs when control has been transferred to customers, either upon delivery to or pick-up by the customer. Revenue is measured as the amount of consideration the Company expects to receive, and varies with changes in marketing programs provided to customers, including volume rebates, cooperative advertising and other trade marketing programs that promote the Company's products. Revenue from customer contracts is recognized based on the price specified in the contract, net of the estimated trade marketing programs. Accumulated historical experience is used to estimate and accrue for the trade marketing programs, using the expected value method or most likely method, depending on the program. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognized when the goods are delivered or picked up by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Company has determined that no significant financing components exist with respect to contracts with customers, as account receivables bear normal commercial credit terms and are non-interest bearing.

The Company has elected to apply the practical expedient and will recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period of the asset that the Company otherwise would have recognized is less than one year. See Note 3(t) for further details on the transition to IFRS 15, *Revenue from Contracts with Customer*s ("IFRS 15").

(n) Share-based compensation

Equity-settled transactions
The Company measures all equity-settled share-based awards made to employees and others providing similar services (collectively, "employees") based on the fair value of the options or units on the date of grant. The grant date fair value of stock options is estimated using an option pricing model and is recognized as employee benefits expense over the vesting period, based on the number of options that are expected to vest, with a corresponding increase recognized in contributed surplus. The fair value

estimate requires determination of the most appropriate inputs to the pricing model, including the expected life, volatility, and dividend yield, which are fully described in Note 17. The grant date fair value of equity-settled deferred share units, performance share units and restricted share units is determined based on the market value of the Company's shares on the date of grant, and is expensed over the vesting period based on the estimated number of units that are expected to vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of the award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. See Note 3(t) for further details regarding final transition to IFRS 2, *Share-based Payment* ("IFRS 2").

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based compensation payments or is otherwise beneficial to the employee as measured at the date of modification.

Cash-settled transactions
The cost of cash-settled transactions is initially measured at fair value using the Company's share price at the award grant date and is remeasured at each reporting date using the market value of the Company's shares. The Company recognizes the fair value of the amount payable to employees as compensation expense as it is earned, based on the estimated number of units expected to vest with a corresponding change to the liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

In the case of stock options issued with tandem share appreciation rights ("SARs"), if employees elect to exercise their options for shares, thereby cancelling the SARs, share capital is increased by the sum of the consideration paid by employees and the liability is reversed, with any difference being recorded in the consolidated statements of income.

(o) Income taxes
Income tax expense comprises current and deferred income taxes, and is recognized in the consolidated statements of income, except to the extent that it relates to a business combination or to items recognized directly in equity or OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates that are enacted or substantively enacted at the reporting date and any adjustment to taxes payable or receivable in respect of previous years. Current income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities but the entity intends to settle current income tax assets and liabilities on a net basis or their income tax assets and liabilities will be realized simultaneously.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary differences can be controlled, and (iii) taxable temporary differences arising on the initial recognition of goodwill which is not deductible for tax purposes. Deferred income tax assets and liabilities are measured at the enacted or substantively enacted rate that is expected to apply when the related temporary differences reverse.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized.

(p) Earnings per share

Basic earnings per share is calculated by dividing net income attributable to equity holders by the weighted average number of shares outstanding during the period, accounting for any changes to the number of shares outstanding, except those transactions affecting the number of shares outstanding without a corresponding change in resources.

Diluted earnings per share is calculated by dividing net income attributable to equity holders by the weighted average number of shares outstanding adjusted for the effects of all potentially dilutive shares. Potentially dilutive shares are only those shares that would result in a decrease to earnings per share or increase to loss per share. Dilutive shares are calculated using the treasury method for stock options, which assumes that outstanding units with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period. The if-converted method is used for other share-based units, and assumes that all units have been converted in determining diluted earnings per share if they are in-the-money, except where such conversion would be anti-dilutive.

(q) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component and financial assets at fair value through profit or loss, the Company initially measures a financial asset at its fair value including related transaction costs . Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers* (see Note 3(m)). In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, which is the Company's business model. This assessment is referred to as the SPPI test and is performed at an instrument level. All financial liabilities are recognized initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Measurement in subsequent periods depends on whether the financial instrument has been classified as: (i) financial asset at fair value through profit or loss, (ii) financial assets at fair value through other comprehensive income, (iii) financial assets at amortized cost, (iv) financial liabilities at fair value through profit or loss, or (v) financial liabilities at amortized cost.

Financial assets or liabilities at fair value through profit or loss ("FVTPL")

Financial assets and liabilities at FVTPL include financial instruments which are held-for-trading ("HFT"), financial instruments that are designated as FVTPL upon initial recognition, and financial instruments required to be measured at fair value. Financial instruments are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Financial instruments at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value presented as finance costs or finance income in the consolidated statements of income.

Assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are classified as such if the following conditions are met: (i) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statements of income. Any losses arising from impairment are recognized in the consolidated statements of income in finance costs for loans and in selling, general and administrative expenses for receivables.

Financial liabilities at amortized cost

Financial liabilities at amortized cost generally include interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Transaction costs are combined with the fair value of the financial liability on initial recognition and amortized using the EIR method.

Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Company transfers its contractual rights to receive cash flows without retaining control or substantially all the risks and rewards of ownership of the asset, or the Company enters into a pass-through arrangement. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially different, such an exchange or substantial modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income. Transaction costs related to the original financial liability are expensed in the event of an exchange or substantial modification, or if the terms of a modification are not substantially different, the transaction costs related to the original financial liability are combined with the new carrying amount, and amortized over the new term of the financial liability using the EIR method.

The Company's financial instruments are classified and subsequently measured as follows:

Asset / liability	Classification	Subsequent measurement
Cash	Financial assets at amortized cost	Amortized cost
Accounts receivable	Financial assets at amortized cost	Amortized cost
Foreign exchange contracts	Fair value through profit or loss	Fair value
Interest rate swaps	Fair value through profit or loss	Fair value
Bank loans	Financial liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Provisions	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost
Finance lease obligations	Financial liabilities at amortized cost	Amortized cost

(r) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the Consolidated Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

(s) Derivative instruments and hedging

All derivative instruments, including embedded derivatives that are not closely related to the host contract, are recorded in the consolidated statements of financial position at fair value on the date a contract is entered into and subsequently remeasured at fair value. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedge instrument, the hedged item of the transaction, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the hedge designation. The Company designates certain derivatives as one of the following:

(i) Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset or financial liability out of FVTPL.

(ii) Fair value hedges are hedges of the fair value of recognized assets, liabilities or a firm commitment. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in the consolidated statements of income together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

(iii) Cash flow hedges are hedges of highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognized in OCI. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of income. Additionally:

- Amounts accumulated in OCI are recycled to the consolidated statements of income in the period when the hedged item affects profit and loss;
- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that was reported in OCI remains in AOCI and is recognized in the consolidated statements of income when the forecasted transaction ultimately affects profit and loss; and
- When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recognized in the consolidated statements of income.

(iv) Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in OCI while any gains or losses relating to the ineffective portion are recognized in the consolidated statements of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in AOCI is transferred to the consolidated statements of income.

(v) Derivatives that do not qualify for hedge accounting
Certain of the Company's derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized as finance costs in the consolidated statements of income consistent with the underlying nature and purpose of the derivative instruments.

(t) New standards, interpretations and amendments thereof, adopted by the Company
The Company transitioned to the following new standards and amendments that were effective for annual periods beginning on January 1, 2018 and that the Company has adopted on December 31, 2017:

IFRS 2, *Share-based Payment*
In June 2016, the IASB issued final amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-

In United States dollars, unless otherwise noted

settled to equity-settled. The Company has adopted the amendments to IFRS 2; however they did not have a material impact on the Consolidated Financial Statements.

IFRS 9, *Financial Instruments: Classification and Measurement*

In 2015, the IASB issued the final version of the amendments to IFRS 9, *Financial Instruments*, issued in 2010, which replaced IAS 39. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of December 31, 2017. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements and no adjustments to the comparative information for the period beginning January 1, 2017 were required.

- The Company did not identify any changes to the classification and measurement of the existing financial instruments upon applying IFRS 9, other than a change in the classification of cash and accounts receivable from loans and receivables to financial assets at amortized cost, which had no impact on measurement of these financial instruments. The changes in the Company's classification of financial instruments are as follows:

Asset / liability	IFRS 9 - Classification	IAS 39 - Classification
Cash	Financial assets at amortized cost	Loans and receivables
Accounts receivable	Financial assets at amortized cost	Loans and receivables
Foreign exchange contracts	Fair value through profit or loss	Fair value through profit or loss
Interest rate swaps	Fair value through profit or loss	Fair value through profit or loss
Bank loans	Financial liabilities at amortized cost	Other financial liabilities
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Other financial liabilities
Provisions	Financial liabilities at amortized cost	Other financial liabilities
Long-term debt	Financial liabilities at amortized cost	Other financial liabilities
Finance lease obligations	Financial liabilities at amortized cost	Other financial liabilities

- The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record ECL on the entire accounts receivable balance. The Company has applied the simplified approach and has calculated the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The adoption of the ECL requirements of IFRS 9 had an immaterial impact on the Consolidated Financial Statements (see Note 7).
- The Company has concluded that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not have an impact on the Company's Consolidated Financial Statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and various revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is applicable to all contracts the Company has with customers. The Company has elected to adopt the standard using the full retrospective method and applied the completed contract practical expedients, which allows the Company to exclude completed contracts that began and ended in the same annual reporting period and those contracts that were complete at the beginning of the earliest period presented. For completed contracts with variable consideration, the Company applied the practical expedient and has used the transaction price at the date when the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods because the Company has concluded that the difference was immaterial.

The Company has applied the new standard and did not identify any material impacts on the consolidated statements of financial position or income upon initial application. Specifically, the adoption of IFRS 15 did not result in any material refinements to the current estimation methodologies or the timing of the recognition of estimates in relation to the Company's trade marketing programs. However, the following two presentation differences on the consolidated statements of income have been identified:

- The Company receives donated product at no cost from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. IFRS 15 requires the Company to include the fair value of the donated product in the transaction price recognized on the sale of the finished products. This will increase both the revenue recorded upon distribution to the eligible agencies and the related cost of sales (by an equivalent amount), as compared to the Company's historical accounting treatment.
- The Company identified payments made to a customer that were accounted for as a reduction of revenue under IFRS 15. This decreased revenue and the related cost of sales by an equivalent amount, as compared to the Company's historical accounting treatment.

If the Company did not elect to use the completed contract practical expedient, revenue and cost of sales in the comparative period would require adjustments, with no resulting impact on net income, as follows:

- The Company would have recognized $4.7 million of incremental revenue and cost of sales on the sale of donated finished products for the fifty-two weeks ended December 30, 2017.
- The Company would have decreased revenue and cost of sales recorded by $0.6 million for the fifty-two weeks ended December 30, 2017 for identified payments made to a customer that would be accounted for as a reduction of revenue under IFRS 15.

(u) Accounting pronouncements issued but not yet effective

The standards, amendments and interpretations that have been issued, but are not yet effective, up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and its associated interpretive guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15, *Revenue from Contracts with Customers*.

The Company has substantially completed the assessment of IFRS 16 and the impact the new standard will have on the consolidated financial statements, which will be significant as the Company will recognize new assets and liabilities for most of the leases that are currently classified as operating leases. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense for right-of-use assets and an interest expense on the lease liabilities. The standard permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company has decided to adopt the standard on December 30, 2018 using the modified retrospective method with certain practical expedients that are available under this method. The Company has reached conclusions on key accounting policies upon transition to IFRS 16. The Company will finalize the impact of the new standard and disclosures on the consolidated financial statements during the first quarter of Fiscal 2019.

IAS 19, *Employee Benefits*

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19"), which addresses the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The current service cost and net interest for the remainder of the period after the plan amendment, curtailment or settlement should reflect the updated actuarial assumptions after such an event. The amendments apply to plan amendments, curtailments, or settlements that occur on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment*
The IFRS Interpretation Committee issued an Interpretation to address the accounting for income taxes when treatments involve uncertainty that affects the application of IAS 12, *Income Taxes* ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Company will apply the interpretation from the effective date. The Company is currently evaluating the impact of the Interpretation on its consolidated financial statements.

4. Critical accounting estimates and judgments

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and the accompanying notes. On an ongoing basis, management evaluates the judgments, estimates and assumptions using historical experience and various other factors believed to be reasonable under the given circumstances. Actual outcomes may differ from these estimates and could require a material adjustment to the reported carrying amounts in the future.

The most significant estimates made by management include the following:

Impairment of non-financial assets
The Company's estimate of the recoverable amount for the purpose of impairment testing requires management to make assumptions regarding future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and/or budgets, and a terminal value calculated by discounting the final year in perpetuity. The future cash flows are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business. Further details, including the manner in which the Company identifies its CGUs, and the key assumptions used in determining the recoverable amounts, are disclosed in Note 10.

Future employee benefits
The cost of the defined benefit pension plan and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increases, mortality rates and future pension increases. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the discount rate. See Note 15 for certain assumptions made with respect to future employee benefits.

Income taxes
The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that are believed to appropriately reflect the risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each reporting date; however, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in these inputs could affect the reported fair value of financial instruments.

Sales and marketing accruals
The Company estimates variable consideration to determine the costs associated with the sale of product to be allocated to certain variable sales and marketing expenses, including volume rebates and other sales volume discounts, coupon redemption costs, costs incurred related to damages and other trade marketing programs. The Company's estimates include consideration of historical data and trends, combined with future expectations of sales volume, with estimates being reviewed on a frequent basis for reasonability.

The most significant judgments made by management include the following:

Impairment of non-financial assets
Assessment of impairment triggers are based on management's judgement of whether there are sufficient internal and external factors that would indicate an asset or CGU is impaired, or any indicators of impairment reversal, which would require a quarterly impairment test. The determination of the Company's CGUs is also based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Income taxes
The Company is subject to income tax in various jurisdictions. Significant judgment is required to determine the consolidated tax provision. The tax rates and tax laws used to compute income tax are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

5. Business combinations

Acquisition of Rubicon Resources, LLC
On May 30, 2017, the Company acquired 100% of the outstanding interests in Rubicon Resources, LLC ("Rubicon"), a privately held U.S.-based company engaged principally in the import and distribution of sustainably sourced frozen shrimp products in the private-label U.S. retail market. The Company believes this acquisition will provide a strong platform for growth in this key species. The transaction also includes a five-year renewable supply agreement with Rubicon's supply partners based on mutually acceptable terms. The results of Rubicon have been consolidated with the results of the Company commencing on May 30, 2017.

After working capital adjustments and cash acquired as part of the acquisition, the Company paid $100.6 million to acquire 100% of the outstanding interests in Rubicon. The purchase consideration was settled in cash ($75.0 million), and in common shares ($25.8 million or 2.43 million shares). The share consideration is subject to a three-year standstill agreement during which time the sellers are not permitted to sell the shares (except in limited circumstances).

The acquisition was financed using the Company's existing asset-based revolving credit facility ("ABL", see Note 11); however, on June 6, 2017, the Company refinanced a portion of this additional ABL debt to a fixed term by replacing it with a $70.0 million addition to the senior secured term loan (see Note 14).

The total consideration paid of $100.6 million was calculated as follows:

(Amounts in $000s)		
Cash	$	75,000
Common shares, net of discount		25,758
Post-closing working capital adjustments		(119)
Net purchase consideration recorded	**$**	**100,639**

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares reflecting the trading restrictions placed on the shares.

In accordance with the acquisition method of accounting, the purchase price was allocated to the underlying assets acquired and liabilities assumed based on their fair values at the date of acquisition. Fair values were determined based on discounted cash flows and quoted market prices.

The following sets forth the final allocation of the purchase price to assets and liabilities acquired, based on the final estimate of the fair value of the identifiable assets and liabilities recognized on the acquisition date.

(Amounts in $000s)		**Final fair value recognized on acquisition**
Assets		
Cash	$	89
Accounts receivable		14,273
Prepaid expenses		293
Inventories		58,631
Property, plant and equipment		184
Deferred income taxes		6,683
Intangible assets		57,785
Goodwill		39,105
		177,043
Liabilities		
Accounts payable and accrued liabilities		**(76,404)**
Total identifiable net assets at fair value	**$**	**100,639**

Receivables acquired were primarily comprised of receivables from Rubicon's customers and have been collected subsequent to the acquisition. Therefore, no allowance was recorded against these amounts.

Goodwill recorded on this transaction represents the value anticipated to be created from the Company's ability to grow sales of shrimp throughout its operations. The goodwill, with a tax basis of $44.4 million, is deductible for income tax purposes. The goodwill has been allocated to the Canadian and U.S. CGUs during Fiscal 2017, based on synergies expected to be realized in each CGU (see Note 10).

In order to complete this acquisition, the Company incurred acquisition-related costs, in the form of advisory, legal, and professional fees. Acquisition-related costs totaled $0.7 million during the fifty-two weeks ended December 30, 2017 and have been included in business acquisition, integration and other expenses on the consolidated statements of income.

From the date of acquisition, Rubicon contributed $117.1 million of revenue and $3.0 million of earnings before income taxes, excluding one-time business acquisition costs for the fifty-two weeks ended December 30, 2017. Had the acquisition occurred as of the beginning of the annual reporting period, January 1, 2017, the revenue for the combined entity, including Rubicon, would have been $1.1 billion, and earnings before income taxes, excluding one-time business acquisition costs, for the combined entity would have been $19.5 million for the fifty-two weeks ended December 30, 2017.

6. Product recall

In April 2017, the Company announced a voluntary recall of certain brands of breaded fish and seafood products sold in Canada that may contain a milk allergen that was not declared on the ingredient label and allergen statement. The Company identified that the allergen had originated from ingredients supplied by one of the Company's U.S.-based ingredient suppliers. Subsequently, the Company was notified by the ingredient supplier that several additional ingredients were being recalled due to the potential presence of undeclared milk allergens, which necessitated the expansion of the Company's initial recall to include additional value-added seafood products sold in the U.S. and Canada.

As a result, during the fifty-two weeks ended December 30, 2017, the Company recognized $13.5 million in net losses associated with the product recall related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and incremental costs. These losses did not include any reduction in earnings as a result of lost sales opportunities due to limited product availability and customer shortages, or increased production costs related to the interruption of production at the Company's facilities.

During the fifty-two weeks ended December 29, 2018, the Company recognized an $8.5 million recovery associated with the product recall losses from the ingredient supplier, which was recognized as business acquisition, integration and other (income) expense in the consolidated statements of income. The Company will continue to record future recoveries of the product recall losses in the period in which they occur or are virtually certain to occur, in accordance with IFRS (see Note 29, *Events after the reporting period*).

7. Accounts receivable

(Amounts in $000s)		**December 29, 2018**		December 30, 2017
Trade accounts receivable	**$**	**83,843**	$	90,148
Other accounts receivable		**1,030**		2,247
	$	**84,873**	$	92,395

Accounts receivable bear normal trade credit terms and are non-interest bearing. Trade accounts receivable includes revenue from contracts with customers. The entire accounts receivable balance is pledged as collateral for the Company's working capital facility (see Note 11), excluding the accounts receivable acquired as part of the acquisition of Rubicon (see Note 5). As part of the Rubicon acquisition, the Company has assumed financing arrangement guarantees for certain suppliers granting a security interest in substantially all of the inventory and proceeds thereon (see Note 22).

The following is a reconciliation of the changes in the allowance for expected credit losses of receivables:

(Amounts in $000s)		
At December 31, 2016	$	240
New provision for expected credit losses (1)		287
Provision utilized		(22)
Unused provision for expected credit losses reversed		(24)
At December 30, 2017	$	481
New provision for expected credit losses (1)		273
Provision utilized		—
Unused provision for expected credit losses reversed		(40)
At December 29, 2018	**$**	**714**

(1) For the fifty-two weeks ended December 29, 2018, the Company recognized $0.3 million of impairment losses (fifty-two weeks ended December 30, 2017: $0.3 million) related to receivables arising from contracts with customers.

The aging analysis of trade accounts receivables, based on the invoice date is as follows:

	0-30 days	**31-60 days**	**over 60 days**
At December 30, 2017	89 %	10 %	1 %
At December 29, 2018	**88%**	**10%**	**2%**

8. Inventories

Total inventories at the lower of cost and net realizable value on the consolidated statements of financial position comprise the following:

(Amounts in $000s)	**December 29, 2018**	December 30, 2017
Finished goods	**$ 215,744**	$ 246,460
Raw and semi-finished material	**85,667**	106,973
	$ 301,411	$ 353,433

During 2018, $860.4 million (2017: $867.8 million) was recognized as an expense for inventories in cost of sales on the consolidated statements of income. Of this, $6.7 million (2017: $5.9 million) was written-down during the year and a reversal for unused impairment reserves of $0.1 million (2017: $1.2 million) was recorded. As of December 29, 2018, the value of inventory pledged as collateral for the Company's working capital facility (see Note 11), which excludes inventory acquired as part of the Rubicon inventory acquisition (see Note 5), was $177.6 million (December 30, 2017: $230.9 million). As part of the Rubicon acquisition, the Company has assumed financing arrangement guarantees for certain suppliers granting a security interest in substantially all of the inventory and proceeds thereon (see Note 22).

9. Property, plant and equipment

(Amounts in $000s)		Land and buildings		Furniture, fixtures, and production equipment		Computer equipment and vehicles[(1)]		Total
Cost								
At December 31, 2016	$	71,953	$	80,007	$	16,245	$	168,205
Additions		5,217		12,262		1,715		19,194
Acquisition		—		—		184		184
Disposals		(181)		(1,633)		(431)		(2,245)
Effect of exchange rates		1,197		1,452		795		3,444
At December 30, 2017	$	78,186	$	92,088	$	18,508	$	188,782
Additions		1,467		5,774		1,256		8,497
Disposals		(50)		(891)		(1,431)		(2,372)
Effect of exchange rates		(1,468)		(1,905)		(873)		(4,246)
At December 29, 2018	**$**	**78,135**	**$**	**95,066**	**$**	**17,460**	**$**	**190,661**
Accumulated depreciation and impairment								
At December 31, 2016	$	(20,554)	$	(30,281)	$	(7,744)	$	(58,579)
Depreciation and impairment		(2,700)		(5,043)		(2,010)		(9,753)
Disposals		75		1,442		(172)		1,345
Effect of exchange rates		(531)		(587)		(388)		(1,506)
At December 30, 2017	$	(23,710)	$	(34,469)	$	(10,314)	$	(68,493)
Depreciation and impairment		(3,092)		(6,366)		(2,164)		(11,622)
Disposals		27		656		1,112		1,795
Effect of exchange rates		698		805		527		2,030
At December 29, 2018	**$**	**(26,077)**	**$**	**(39,374)**	**$**	**(10,839)**	**$**	**(76,290)**
Net carrying value								
At December 30, 2017	$	54,476	$	57,619	$	8,194	$	120,289
At December 29, 2018	**$**	**52,058**	**$**	**55,692**	**$**	**6,621**	**$**	**114,371**

(1) The carrying value of vehicles and equipment held under finance leases at December 29, 2018 was $1.3 million (December 30, 2017: $1.6 million) and additions during the year were $0.6 million (December 30, 2017: $0.4 million).

An impairment loss of $1.3 million (December 30, 2017: $nil) was recorded during the fifty-two weeks ended December 29, 2018 reflecting a write-down of certain property, plant and equipment in the U.S. CGU and Canadian CGU of $1.0 million and $0.3 million, respectively as a result of equipment obsolescence.

The Company has a General Security Agreement that has pledged all of its property, plant and equipment as collateral for its bank loans and long-term debt. See Note 11 and Note 14 for further information.

10. Goodwill and intangible assets

The Company's intangible assets consist of brands and customer and supplier relationships that have been acquired through a business combination, and computer software.

	Intangible assets						
(Amounts in $000s)	Brands	Customer and supplier relationships	Indefinite lived brands	Computer software	Total intangible assets	Goodwill	Total goodwill and intangible assets
Cost							
At December 31, 2016	$ 6,938	$ 106,988	$ 14,501	1,696	$ 130,123	$ 118,101	$ 248,224
Additions	—	57,785	—	7,666	65,451	39,105	104,556
Effect of exchange rates	—	75	9	217	$ 301	675	976
At December 30, 2017	$ 6,938	$ 164,848	$ 14,510	$ 9,579	$ 195,875	$ 157,881	$ 353,756
Additions	—	—	—	6,113	$ 6,113	—	6,113
Effect of exchange rates	(39)	(116)	(68)	(1,062)	$ (1,285)	(811)	(2,096)
At December 29, 2018	**$ 6,899**	**$ 164,732**	**$ 14,442**	**$ 14,630**	**$ 200,703**	**$ 157,070**	**$ 357,773**
Accumulated amortization							
At December 31, 2016	$ (5,337)	$ (25,473)	$ (441)	$ —	$ (31,251)	$ —	$ (31,251)
Amortization	(1,035)	(4,122)	—	—	(5,157)	—	(5,157)
Amortization on acquisition	—	(1,401)	—	—	(1,401)	—	(1,401)
Effect of exchange rates	—	(22)	—	—	(22)	—	(22)
At December 30, 2017	$ (6,372)	$ (31,018)	$ (441)	$ —	$ (37,831)	$ —	$ (37,831)
Amortization	(451)	(6,396)	—	(604)	(7,451)	—	(7,451)
Effect of exchange rates	39	82	30	22	173	—	173
At December 29, 2018	**$ (6,784)**	**$ (37,332)**	**$ (411)**	**$ (582)**	**$ (45,109)**	**$ —**	**$ (45,109)**
Net carrying value							
At December 30, 2017	$ 566	$ 133,830	$ 14,069	$ 9,579	$ 158,044	$ 157,881	$ 315,925
At December 29, 2018	**$ 115**	**$ 127,400**	**$ 14,031**	**$ 14,048**	**$ 155,594**	**$ 157,070**	**$ 312,664**

Goodwill related to the Rubicon acquisition (see Note 5) has been allocated to the Canadian and U.S. CGUs during Fiscal 2017, based on synergies expected to be realized in each CGU.

The carrying amount of goodwill acquired through business combinations and brands with indefinite lives have been allocated to the Canadian and U.S. CGUs for impairment testing as follows:

	Canada		U.S.	
(Amounts in $000s)	**December 29, 2018**	December 30, 2017	**December 29, 2018**	December 30, 2017
Goodwill	**$ 19,459**	$ 20,270	**$ 137,611**	$ 137,611
Indefinite lived brands	**$ 425**	$ 463	**$ 13,606**	$ 13,606

Impairment of goodwill and identifiable intangible assets

As described in Note 3, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually (as at the first day of the Company's fourth quarter). The Company's impairment test for goodwill and intangible assets with indefinite useful lives was based on FVLCS at September 30, 2018, resulting in $nil impairment in the U.S. and Canadian CGUs, respectively (October 1, 2017: $nil, respectively). The key assumptions used to determine the recoverable amount for the different CGUs for the most recently completed impairment calculations for Fiscal 2018 and Fiscal 2017 are discussed below.

The Company identified additional internal and external indicators of impairment in the U.S. CGU during the fourth quarter of Fiscal 2018, and as a result, an additional impairment calculation was performed as at December 29, 2018. The Company has experienced negative trends in operating results in the U.S. business, which were further exacerbated by the uncertainty regarding U.S. tariffs on certain seafood products imported from China. The key assumptions used to determine the recoverable amount for the U.S. CGU at December 29, 2018 are also discussed below.

The recoverable amount of the CGUs has been determined based on the FVLCS, determined using an income approach using the discounted cash flow methodology. The fair value of the CGU must be measured using the assumptions that market participants would use rather than those related specifically to the Company. In addition, the market approach was employed in assessing the reasonableness of the conclusions reached.

Income approach

The discounted cash flow ("DCF") technique provides the best assessment of what each CGU could be exchanged for in an arm's length transaction as fair value is represented by the present value of expected future cash flows of the business together with the residual value of the business at the end of the forecast period. The DCF was applied on an enterprise-value basis, where the after-tax cash flows prior to interest expense are discounted using a weighted average cost of capital ("WACC"). This approach requires assumptions regarding revenue growth rates, income margins before finance costs, income taxes, depreciation and amortization, capital expenditures, tax rates and discount rates.

Market approach

It is assumed under the market approach that the value of a company reflects the price at which comparable companies in the same industry are purchased under similar circumstances. A comparison of a CGU to similar companies in the same industry whose financial information is publicly available may provide a reasonable basis to estimate fair value. Fair value under this approach is calculated based on EBITDA multiples and revenue multiples compared to the multiples based on publicly available information for comparable companies and transaction prices.

Key assumptions used in determining the FVLCS

Cash flow projections

The cash flow projections, covering a five-year period ("projection period"), were based on financial projections approved by management using assumptions that reflect the Company's most likely planned course of action, given management's judgment of the most probable set of economic conditions, adjusted to reflect the perspective of the expectations of a market participant. For the purpose of the Company's annual impairment tests as at September 30, 2018, gross margins are based on actual and estimated values in the first year of the projection period, budgeted values in the second year of the projection period, and these are increased over the projection period for anticipated efficiency improvements and growth. For the purpose of the U.S. CGU test as at December 29, 2018, gross margins are based on budgeted values in the first year of the projection period (fiscal 2019), and these are increased over the projection period using an approximate growth rate for anticipated efficiency improvements. The projected gross margins are updated to reflect anticipated future changes, such as currency fluctuations, in the cost of inputs (primarily raw materials and commodity products used in processing), which are obtained from forward-looking data. Forecast figures are used where data is publicly available; otherwise, past actual raw material cost movements have been used combined with management's industry experience and analysis of the seafood and commodity markets.

Discount rate

The discount rate, derived from the WACC, represents the current market assessment of the risk specific to each CGU, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow projections. The discount rate was based on the weighted average cost of equity and cost of debt for comparable companies within the industry. The cost of equity was calculated using the capital asset pricing model. The debt component of the WACC was determined by using an after-tax cost of debt. The after-tax WACC applied to the Canadian CGU and U.S. CGU cash flow projections was 10.1% and 11.2%, respectively, at September 30, 2018. The after-tax WACC applied to the U.S. CGU cash flow projections was 11.3% at December 29, 2018 compared to the September 30, 2018 impairment test, which reflects additional uncertainty in cash flow projections, partially attributed to the U.S. tariffs on certain seafood products imported from China.

Growth rate

Growth rates used to extrapolate the Company’s projection were determined using published industry growth rates in combination with inflation assumptions and the input of each CGU's management group based on historical trend analysis and future expectations of growth. The long term growth rate applied to the cash flow projections of both the Canadian and U.S. CGUs was 2.0% at September 30, 2018 and December 29, 2018, respectively.

Costs to sell

The costs to sell each CGU have been estimated at approximately 3.0% of the CGU’s enterprise value. The costs to sell reflect the incremental costs, excluding finance costs and income taxes, that would be directly attributable to the disposal of the CGU, including legal costs, marketing costs, costs of removing assets and direct incremental costs incurred in preparing the CGU for sale.

Sensitivity to changes in assumptions

With regard to the assessment of the FVLCS for the Canadian CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of either CGU to materially exceed its recoverable amount.

With regards to the assessment of the FVLCS for the U.S. CGU, the key assumptions would have to change as follows at September 30, 2018 and December 29, 2018, respectively, in order to cause the recoverable amount to equal the carrying value of the U.S. CGU:

- Discount rate: increase by approximately 0.5% and 0.3% as at September 30, 2018 and December 29, 2018;
- Growth rate: decrease by approximately 1.0 % and 0.5% as at September 30, 2018 and December 29, 2018;
- Cash flow projections: management has estimated an annual growth rate for anticipated efficiency improvements that are based on historical returns and are applied over the projection period. If management assumes no efficiency improvements will be realized, the recoverable value would equal the carrying value.

11. Bank loans

(Amounts in $000s)	**December 29, 2018**	December 30, 2017
Bank loans, denominated in CAD (average variable rate of 3.95%; December 30, 2017: 3.04%)	**$ 165**	$ 9,435
Bank loans, denominated in USD (average variable rate of 4.80%; December 30, 2017: 3.64%)	**31,340**	44,125
	31,505	53,560
Less: deferred finance costs	**(353)**	(208)
	$ 31,152	$ 53,352

In April 2018, the Company amended the $180.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral Agent, to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25% (previously 0.25% to 0.375%). The amendment to the Facility was not assessed as a substantial modification, and as a result, the deferred finance costs related to the original Facility continue to be amortized over the remaining term. The Facility is asset-based and collateralized by the Company’s inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 14), and excluding the assets acquired as part of the Rubicon acquisition which was closed on May 30, 2017 (see Note 5). A second charge over the Company’s property, plant and equipment is also in place. As at December 29, 2018, the Company had $118.2 million of undrawn borrowing facility (December 30, 2017: $111.8 million).

As at December 29, 2018 and December 30, 2017, the Facility allowed the Company to borrow:

Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.75%
LIBOR revolving loans at LIBOR, at their respective rates	plus 1.25% to 1.75%
Letters of credit, with fees of	1.25% to 1.75%
Standby fees, required to be paid on the unutilized facility, of	0.25% and 0.25% to 0.375%, respectively

12. Accounts payable and accrued liabilities

(Amounts in $000s)		**December 29, 2018**		December 30, 2017
Trade accounts payable and accrued liabilities	**$**	**146,990**	$	194,274
Employee accruals, including incentives and vacation pay		**10,172**		11,546
Share-based compensation (Note 17)		**—**		35
	$	**157,162**	$	205,855

Trade accounts payable and accrued liabilities are non-interest bearing. Employee accruals, including incentives and vacation pay, are non-interest bearing and normally settle within fifty-two weeks. Share-based payments included in the above are settled within fifty-two weeks.

13. Provisions

The amounts recognized in provisions include the Company's coupon redemption costs, termination benefits (see Note 15) and expenditures associated with the restructuring. Employee termination benefits, when applicable, are included as other provisions until the amounts can be estimated with certainty, at which time they are reclassified to accounts payable and accrued liabilities. The following is a reconciliation of the carrying amounts:

(Amounts in $000s)		**Restructuring**		**Other**		**Total**
At December 30, 2017	$	—	$	278	$	278
New provisions added		3,515		1,049		4,564
Provisions utilized		(533)		(1,064)		(1,597)
Reclassified to accounts payable and accrued liabilities		(1,785)		—		(1,785)
At December 29, 2018	**$**	**1,197**	**$**	**263**	**$**	**1,460**

On November 7, 2018, the Company announced an organizational realignment that is expected to result in the recognition of termination benefits of approximately $4.9 million, of which $3.5 million was recognized in the fourth quarter of 2018. The restructuring is expected to be completed by the second quarter of 2019.

The Company's provision amounts are usually settled within eleven months from initiation and, other than the restructuring provision, are immaterial to the Company on an individual basis. Management does not expect the outcome of any of the recorded amounts will give rise to any significant expense beyond the amounts recognized at December 29, 2018. The Company is not eligible for any reimbursement by third parties for these amounts.

14. Long-term debt and finance lease obligations

(Amounts in $000s)		**December 29, 2018**		December 30, 2017
Term loan	**$**	**337,926**	$	337,926
Less: current portion		**(13,655)**		—
		324,271		337,926
Less: deferred finance costs		**(1,597)**		(2,485)
	$	**322,674**	$	335,441

As at December 29, 2018, the Company had a $370.0 million term loan facility with an interest rate of 3.25% plus LIBOR (LIBOR floor of 1.00%), maturing on April 24, 2021. The term loan facility was increased from $300.0 million to $370.0 million on June 6, 2017 to facilitate the Rubicon acquisition, in accordance with the term loan credit agreement, which provides for incremental increases that meet stated provisions, at consistent terms.

Quarterly principal repayments of $0.9 million are required on the term loan. During the fifty-two weeks ended December 31, 2016, a mandatory prepayment of $11.8 million was made due to excess cash flows in 2015, and a voluntary repayment of $15.0 million was made to reduce excess cash balances. The prepayments are applied to future regularly scheduled principal repayments, and as such, no regularly scheduled principal repayments were paid in 2017 and 2018. As at December 29, 2018, the Company had a mandatory payment of $13.7 million due to excess cash flows in 2018.

Substantially all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the term loan facility.

The Company has finance leases for various vehicles and other items of equipment. The principal payments required on finance leases are as follows:

Finance lease obligations *(Amounts in $000s)*		**Future minimum lease payments**		**Imputed interest**		**Finance lease liabilities**
2019	$	409	$	37	$	372
2020		277		19		258
2021		150		3		147
2022		2		—		2
						779
Less: current portion						(372)
					$	**407**

Interest payable on the various obligations ranges from fixed rates of 0% to 8.38% for the fifty-two weeks ended December 29, 2018 (fifty-two weeks ended December 30, 2017: 0% to 8.84%).

15. Future employee benefits

Non-pension benefit plan

In Canada, the Company sponsors a non-pension benefit plan for employees hired before May 19, 1993. This benefit is a paid-up life insurance policy or a lump sum payment based on the employee's final earnings at retirement. In both Canada and the U.S., the Company maintains a non-pension benefit plan for employees who retire after twenty-five years of service with the Company. At retirement, the benefit is a payment of $1,000 to $2,500 depending on the years of service.

Defined contribution pension plans
In Canada, the Company maintains a DCPP for all salaried employees.

In the U.S., the Company maintains two DCPP under the provisions of the *Employment Retirement Income Security Act of 1974* (a 401(k) Savings Plan), which covers substantially all employees of the Company's U.S. subsidiary. The Company also makes a safe harbor matching contribution equal to 100% of salary deferrals (contributions to the plan) that do not exceed 3% of compensation plus 50% of salary deferrals between 3% and 5% of salary compensation.

In both Canada and the U.S., the Company maintains defined contribution Supplemental Executive Retirement Plans ("SERP") to extend the same pension plan benefits to certain senior executives, as is provided to others in the DCPP who were not affected by income tax maximums.

Total expense and cash contributions for the Company's DCPP was $2.0 million for the year ended December 29, 2018 (December 30, 2017: $2.0 million).

Defined benefit pension plans
In Canada, the Company also sponsors two actively funded DBPPs. None of the Company's pension plans provide indexation in retirement.

Canadian union employee plan
One of the actively funded DBPPs is for the Nova Scotia Union employees and provides a flat-dollar plan with negotiated increases.

Canadian management plan
The Company sponsors a DBPP specifically for Canadian management employees (the “Management Plan”). On December 29, 2018, six persons were enrolled as active members in the Management Plan, including one senior executive, who are Canadian residents and were employed prior to January 1, 2000. The objective of the Management Plan is to provide an annual pension (including Canada Pension Plan) of 2% of the average of a member’s highest five years’ regular earnings while a member of the Management Plan, multiplied by the number of years of credited service. Incentive payments are not eligible earnings for pension purposes. The Management Plan was grandfathered and no new entrants are permitted. All members contribute 3.25% of their earnings up to the Years Maximum Pensionable Earnings (“YMPE”) and 5% in excess of the YMPE to the maximum that a member can contribute based on income tax rules. The credited service under the Management Plan for the Canadian senior executive is twenty-seven years.

Upon retirement, the employees in the Management Plan are provided lifetime retirement income benefits based on their best five years of salary less Canada Pension Plan benefits. Full benefits are payable at age 65, or at age 60 if the executive has at least twenty-five years of service. The normal benefits are payable for life and 60% is payable to their spouse upon the employee's death, with a guarantee of sixty months. Members can retire at age 55 with a reduction. Other levels of survivor benefits are offered. Instead, members can elect to take their pension benefit in a lump-sum payment at retirement.

As at December 29, 2018, the Company also guarantees through its SERP to extend the same pension plan benefits to one Canadian senior executive that it provides to others in the Management Plan who were not affected by income tax maximums. The annual pension amounts derived from the aggregate of the Management Plan and SERP benefits represent 1.3% of the five-year average YMPE plus 2% of the salary remuneration above the five-year average YMPE. The combination of these amounts is multiplied by the years of service to determine the full annual pension entitlement from the two plans.

U.S. management plans
The Company also has one DBPP in the U.S. that covers two former employees. These plans have ceased to accrue benefits to employees.

Information regarding the Company's DBPPs, and non-pension benefit plans in aggregate, is as follows:

Funded status *(Amounts in $000s)*	**December 29, 2018**	December 30, 2017
Total present value of obligations[(1)(2)]	**$ 36,903**	$ 43,066
Fair value of plan assets	**26,118**	31,843
Net accrued defined benefit obligation	**$ 10,785**	$ 11,223

[(1)] The Company has a letter of credit outstanding as at December 29, 2018 relating to the securitization of the Company's unfunded benefit plans under the SERP in the amount of $8.5 million (December 30, 2017: $9.7 million).
[(2)] As at December 29, 2018, $0.9 million (December 30, 2017: $1.2 million) of the total obligation is related to non-pension benefit plans.

Movement in the present value of the defined benefit obligations *(Amounts in $000s)*	**December 29, 2018**	December 30, 2017
DBO at the beginning of the year	**$ 43,066**	$ 37,073
Benefits paid by the plans	**(2,231)**	(1,695)
Effect of movements in exchange rates	**(3,446)**	2,762
Current service costs	**929**	842
Interest on obligations	**1,395**	1,466
Employee contributions	**54**	53
Plan curtailment	**177**	—
Effect of changes in financial assumptions related to non-pension benefit plans	**(273)**	—
Effect of changes in financial assumptions	**(2,768)**	2,565
DBO at the end of the year	**$ 36,903**	$ 43,066

Movement in the present value of plan assets *(Amounts in $000s)*	**December 29, 2018**	December 30, 2017
Fair value of plan assets at the beginning of the year	$ 31,843	$ 28,883
Employee contributions paid into the plans	54	53
Employer contributions paid into the plans	1,243	979
Benefits paid by the plans	(2,165)	(1,695)
Effect of movements in exchange rates	(2,514)	2,116
	$ 28,461	$ 30,336
Actual return on plan assets:		
Return on plan assets	$ 1,027	$ 1,127
Actuarial (losses) gains in OCI	(3,291)	459
Fees and expenses	(79)	(79)
	(2,343)	1,507
Fair value of plan assets at the end of the year	**$ 26,118**	$ 31,843

Expense recognized in the consolidated statements of income *(Amounts in $000s)*		**December 29, 2018**		December 30, 2017
Current service costs		929	$	842
Interest on obligation		1,395		1,466
Return on plan assets		(1,027)		(1,127)
Plan curtailment		177	$	—
Effect of changes in financial assumptions related to non-pension benefit plans		(273)	$	—
Fees and expenses		79	$	79
	$	**1,280**	$	1,260

Expense recognized in the following line items in the consolidated statements of income *(Amounts in $000s)*		**December 29, 2018**		December 30, 2017
Cost of sales	**$**	**968**	$	730
Selling, general and administrative expenses		**312**		530
	$	**1,280**	$	1,260

Plan assets comprise: *(Amounts in $000s)*		**December 29, 2018**		December 30, 2017
Equity securities[(1)]	**$**	**10,760**	$	13,565
Debt securities		**14,522**		17,418
Cash and cash equivalents		**836**		860
	$	**26,118**	$	31,843

[(1)] The plan assets include CAD$1.3 million of the Company's own common shares at market value at December 29, 2018 (December 30, 2017: CAD$2.7 million).

Actuarial (gains) losses recognized in OCI *(Amounts in $000s)*		**December 29, 2018**		December 30, 2017
Cumulative amount at the beginning of the year	**$**	**8,234**	$	5,596
Recognized during the period		**499**		2,182
Effect of exchange rates		**(640)**		456
Cumulative amount at the end of the year	**$**	**8,093**	$	8,234

Principal actuarial assumptions *(Expressed as weighted averages)*	**December 29, 2018** %	December 30, 2017 %
Discount rate for the benefit cost for the year ended	**3.40**	3.82
Discount rate for the accrued benefit obligation as at year-end	**3.92**	3.40
Expected long-term rate on plan assets as at year-end	**3.40**	3.82
Future compensation increases for the benefit cost for the year ended	**3.00**	3.00
Future compensation increases for the accrued benefit obligation as at year-end	**3.00**	3.00

A quantitative sensitivity analysis for significant assumptions as at December 29, 2018 is shown below:

(Amounts in $000s)	**Discount rate**		**Mortality rate**	
Sensitivity level	0.5% increase	0.5% decrease	One-year increase	One-year decrease
(Decrease) increase on DBO	**$ (2,252)**	**$ 2,498**	**1,001**	**$ (1,037)**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period. An analysis on salary increases and decreases is not material. The Company expects CAD$2.1 million in contributions to be paid to its DBPP and CAD$2.4 million to its DCPP in Fiscal 2019.

Short-term employee benefits
The Company has recognized severance and retention benefits that were dependent upon the continuing provision of services through to certain pre-defined dates, which for the fifty-two weeks ended December 29, 2018 was an expense of $1.2 million (December 30, 2017: $0.2 million expense) in the consolidated statements of income.

Termination benefits
The Company has also expensed termination benefits during the period, which are recorded as of the date the committed plan is in place and communication is made. These termination benefits relate to severance that is not based on a future service requirement, and are included on the following line items in the consolidated statements of income:

(Amounts in $000s)	**December 29, 2018**	December 30, 2017
Cost of sales	**$ 19**	$ 260
Distribution expenses	**—**	11
Business acquisition, integration and other expenses	**4,769**	897
Selling, general and administrative expenses	**115**	1,804
	$ 4,903	$ 2,972

16. Share capital

The share capital of the Company is as follows:

	December 29, 2018	December 30, 2017
Authorized:		
Preference shares, par value of CAD$25 each, issuable in series	**5,999,994**	5,999,994
Subordinated redeemable preference shares, par value of CAD$1 each, redeemable at par	**1,025,542**	1,025,542
Non-voting equity shares	**Unlimited**	Unlimited
Common shares, without par value	**Unlimited**	Unlimited

Purchase of shares for cancellation
In January 2018, the Company announced that the Toronto Stock Exchange approved the renewal of the Company's Normal Course Issuer Bid ("NCIB") to repurchase for cancellation up to 150,000 common shares. The price the Company will pay for any common shares acquired will be the market price at the time of acquisition. Purchases could commence on February 2, 2018 and will terminate no later than February 1, 2019. During the fifty-two weeks ended December 29, 2018 there were no purchases under this plan.

A summary of the Company's common share transactions is as follows:

	Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017	
	Shares	**($000s)**	Shares	($000s)
Balance, beginning of period	**33,379,815**	**$ 112,835**	30,889,078	$ 86,094
Shares issued on acquisition of Rubicon	**—**	**—**	2,429,014	25,758
Options exercised for shares	**3,666**	**24**	19,187	140
Options exercised for shares via cashless exercise method (Note 17)	**—**	**—**	42,536	—
Fair value of share-based compensation on options exercised	**—**	**28**	—	843
Balance, end of period	**33,383,481**	**$ 112,887**	33,379,815	$ 112,835

During the fifty-two weeks ended December 29, 2018, the Company distributed dividends per share of CAD$0.580 (fifty-two weeks ended December 30, 2017: CAD$0.565).

On February 27, 2019, the Company's Board of Directors declared a quarterly dividend of CAD$0.145 per share, payable on March 15, 2019 to shareholders of record as of March 7, 2019.

17. Share-based compensation

The Company has a Share Option Plan (the "Option Plan") for designated directors, officers and certain managers of the Company, a Performance Share Unit ("PSU") Plan for eligible employees which includes the potential issuances of restricted share units ("RSU"), and a Deferred Share Unit ("DSU") Plan for directors of the Company.

Issuances of options, RSUs and PSUs may not result in the following limitations being exceeded: (a) the aggregate number of shares issuable to insiders pursuant to the PSU Plan, the Option Plan or any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares at any time; and (b) the issuance from treasury to insiders, within a twelve-month period, of an aggregate number of shares under the PSU Plan, the Option Plan and any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares.

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $0.2 million and $1.5 million, respectively, as at December 29, 2018 (December 30, 2017: $0.2 million and $1.6 million, respectively).

Share-based compensation expense is recognized in the consolidated statements of income as follows:

(Amounts in $000s)	**Fifty-two weeks ended December 29, 2018**	Fifty-two weeks ended December 30, 2017
Cost of sales resulting from:		
Equity-settled awards (1)	**$ 49**	$ 59
Selling, general and administrative expenses resulting from:		
Cash-settled awards (1)	**200**	256
Equity-settled awards (1)	**988**	456
Share-based compensation expense	**$ 1,237**	$ 771

(1) Cash-settled awards may include options with SARs, RSUs, PSUs, and DSUs. Equity-settled awards include options.

In United States dollars, unless otherwise noted

Share Option Plan

Under the terms of the Company's Share Option Plan, the Company may grant options to eligible participants, including: Directors, members of the Company's Leadership Team, and senior managers of the Company. Shares to be optioned are not to exceed the aggregate number of 3,800,000 as of May 7, 2013 (adjusted for the two-for-one stock split that was effective May 30, 2014), representing 12.4% of the then issued and outstanding authorized shares. The option price for the shares cannot be less than the fair market value (as defined further in the Share Option Plan) of the optioned shares as of the date of grant. The term during which any option granted may be exercised may not exceed ten years from the date of grant. The purchase price is payable in full at the time the option is exercised. Options are not transferable or assignable.

The Share Option Plan permits, at the time of granting an option, granting the right to receive, at the time of exercise and in lieu of the right to purchase an optioned share, a cash amount equal to the difference between the option price and the fair market value of the share on the date of exercise (a SAR). Effective March 29, 2013, amendments were made to eliminate the SARs on certain options granted in early 2012 and prior for certain Directors and officers of the Company. On a voluntary basis, these Directors and officers relinquished the entitlement under the SARs, resulting in 409,649 options with SARs being extinguished, and then reinvested as options that do not have SARs. On the amendment date, the liability of $7.6 million for these options with SARs was fixed, resulting in no future impact on profit or loss for the options that were vested at that time, and was reclassified to contributed surplus. Options with SARs are accounted for as cash-settled transactions and options without SARs are accounted for as equity-settled transactions.

Options issued may also be awarded a cashless exercise option at the discretion of the Board, where the holder may elect to receive, without payment of any additional consideration, optioned shares equal to the value of the option as computed by the Option Plan. When the holder elects to receive the cashless exercise option, the Company accounts for these options as equity-settled transactions.

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, options during the period:

	Fifty-two weeks ended December 29, 2018		Fifty-two weeks ended December 30, 2017	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**1,340,449**	**$ 18.99**	1,607,350	$ 18.21
Granted	**804,312**	**11.27**	216,599	17.70
Exercised for shares [2]				
Exercised for shares via cashless method [1],[2]	**—**	**—**	(116,384)	9.27
Exercised for shares [2]	**(3,666)**	**8.25**	(19,187)	9.37
	(3,666)	**8.25**	(135,571)	9.29
Exercised for cash [2]	**(2,000)**	**8.25**	(10,083)	10.02
Cancelled or forfeited	**(169,177)**	**16.68**	(190,997)	18.07
Expired	**(345,237)**	**20.92**	(146,849)	19.42
Outstanding, end of period	**1,624,681**	**$ 15.03**	1,340,449	$ 18.99
Exercisable, end of period	**753,439**	**$ 18.04**	825,375	$ 20.34

[1] For the fifty-two weeks ended December 29, 2018, nil shares were issued via the cashless exercise method (fifty-two weeks ended December 30, 2017: 42,536 shares).
[2] The weighted average share price at the date of exercise for these options was CAD$10.79 for the fifty-two weeks ended December 29, 2018 (fifty-two weeks ended December 30, 2017: CAD$14.62).

In United States dollars, unless otherwise noted

Set forth below is a summary of the outstanding options to purchase common shares as at December 29, 2018:

	Options outstanding			Options exercisable	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 8.25-10.00	8,666	$ 8.25	0.25	8,666	$ 8.25
$ 10.01-15.00	841,991	11.45	4.76	146,300	11.18
$ 15.01-20.00	390,402	15.30	2.25	242,890	15.30
$ 20.01-25.00	383,622	22.79	1.09	355,583	22.96
	1,624,681			**753,439**	

The fair value of options granted during the fifty-two weeks ended December 29, 2018 and December 30, 2017 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	December 29, 2018	December 30, 2017
Dividend yield (%)	**5.16**	3.15
Expected volatility (%)	**35.45**	34.71
Risk-free interest rate (%)	**2.10**	1.62
Expected life (years)	**5.00**	6.73
Weighted average share price (CAD)	**$ 11.34**	$ 17.70
Weighted average fair value (CAD)	**$ 2.32**	$ 4.28

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Performance Share Unit Plan

The PSU Plan is intended to align the Company's senior management with the enhancement of shareholder returns and other operating measures of performance. Both PSUs and RSUs may be issued under the PSU Plan to any eligible employee of the Company, or its subsidiaries, who have rendered meritorious services that contributed to the success of the Company. Directors who are not full-time employees of the Company may not participate in the PSU Plan. The Company is permitted to issue up to 400,000 shares from treasury in settling entitlements under the PSU Plan.

The PSU plan is dilutive and units may be settled in cash or shares upon vesting. If settled in cash, the amount payable to the participant shall be determined by multiplying the number of PSUs or RSUs (which will be adjusted in connection with the payment of dividends by the Company as if such PSUs or RSUs were common shares held under a dividend reinvestment plan) by the fair market value of a common share at the vesting date, and in the case of PSUs, by a performance multiplier to be determined by the Company's Board of Directors. If settled in shares on the vesting date, each RSU is exchanged for a common share, and each PSU is multiplied by a performance multiplier and then exchanged for common shares.

In United States dollars, unless otherwise noted

The following table illustrates the movements in the number of PSUs during the period:

	Fifty-two weeks ended December 29, 2018	Fifty-two weeks ended December 30, 2017
Outstanding, beginning of period	**263,556**	216,070
Granted	**730,695**	95,096
Reinvested dividends	**31,624**	9,153
Released and paid in cash	**(14,096)**	(25,873)
Forfeited and expired	**(132,022)**	(30,890)
Outstanding, end of period	**879,757**	263,556

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the fifty-two weeks ended December 29, 2018 was 65% (December 30, 2017: 34%).

The following table illustrates the movements in the number of RSUs during the period:

	Fifty-two weeks ended December 29, 2018	Fifty-two weeks ended December 30, 2017
Outstanding, beginning of period	**72,529**	—
Granted	**213,133**	70,971
Reinvested dividends	**16,804**	2,283
Forfeited	**(21,362)**	(725)
Outstanding, end of period	**280,562**	72,529

The share price at the reporting date was CAD$7.30 (December 30, 2017: CAD$14.83). The PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met (if applicable) and the RSUs will vest in accordance with the terms of the agreement.

Deferred Share Unit Plan

The DSU Plan allows a director to receive all or any portion of their annual retainer, additional fees and equity value in DSUs in lieu of cash or options. DSUs cannot be redeemed for cash until the holder is no longer a Director of the Company. These units are considered cash-settled share-based payment awards and are non-dilutive.

The following table illustrates the movements in the number of DSUs during the period:

	Fifty-two weeks ended December 29, 2018	Fifty-two weeks ended December 30, 2017
Outstanding, beginning of period	**77,934**	34,337
Granted	**66,657**	41,239
Reinvested dividends	**8,834**	2,358
Outstanding, end of period	**153,425**	77,934

18. Income tax

The Company's statutory tax rate for the year ended December 29, 2018 is 29.2% (December 30, 2017: 29.3%). The Company's effective income tax rate was an expense of 26.6% for the year ended December 29, 2018 (December 30, 2017: a recovery of 80.5%). The higher effective income tax rate in Fiscal 2018 compared to the same period last year was attributable to the reduced interest expense deductibility associated with the Company's tax efficient financing structures and the recognition of transitional tax benefits in the fourth quarter of 2017 triggered by the U.S. Tax Reform resulting in a revaluation of the deferred tax liability for changes in substantively enacted tax rates.

On December 22, 2017, the Tax Cuts and Jobs Act ("U.S. Tax Reform") was signed into law, which reduced the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the U.S. Tax Reform, the Company's net deferred tax liability at December 30, 2017 decreased by $11.2 million.

The U.S. Tax Reform introduced other important changes in the U.S. corporate income tax laws, including the creation of a new Base Erosion Anti-Abuse Tax that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to certain deductions for net interest expense incurred by U.S. corporations. The U.S. Tax Reform also included an increase in bonus depreciation from 50% to 100% for qualified property placed in service after September 27, 2017 and before 2023. Future regulations and interpretations may be issued by U.S. authorities that may also impact the Company's estimates and assumptions used in calculating its income tax provisions.

The major components of income tax (recovery) expense are as follows:

Consolidated statements of income *(Amounts in $000s)*	**December 29, 2018**	December 30, 2017
Current income tax expense (recovery)	**$ 1,583**	$ (723)
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**4,507**	(2,206)
Change in substantively enacted tax rates (U.S.)	**—**	(11,186)
	4,507	(13,392)
Income tax expense (recovery) reported in the consolidated statements of income	**$ 6,090**	$ (14,115)

Consolidated statements of comprehensive income *(Amounts in $000s)*	**December 29, 2018**	December 30, 2017
Income tax expense (recovery) related to items charged or credited directly to OCI during the period:		
(Loss) gain on hedge of net investment in foreign operations	**$ (1,834)**	$ 1,481
Gain (loss) on translation of net investment in foreign operations	**1,732**	(1,242)
Effective portion of changes in fair value of cash flow hedges	**1,444**	(756)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**(221)**	199
Net change in fair value of cash flow hedges transferred to income	**(75)**	177
Defined benefit plan actuarial loss	**(144)**	(641)
Income tax expense (recovery) directly to other comprehensive income (loss)	**$ 902**	$ (782)

The reconciliation between income tax (recovery) expense and the product of accounting profit multiplied by the Company's statutory tax rate is as follows:

(Amounts in $000s)	**December 29, 2018**	December 30, 2017
Accounting profit before tax at statutory income tax rate of 29.2% (2017: 29.3%)	**$ 6,677**	$ 5,139
Non-deductible expenses for tax purposes:		
Non-deductible share-based compensation	**220**	575
Tax benefits not previously recognized	**228**	(1,639)
Other non-deductible items	**325**	239
Effect of (lower) higher income tax rates of U.S. subsidiary	**(546)**	1,566
U.S. Base Erosion & Anti-Abuse Tax	**379**	—
Acquisition financing structures deduction	**(1,526)**	(8,720)
Change in substantively enacted tax rates (U.S.)	**—**	(11,186)
Other	**333**	(89)
Income tax expense (recovery)	**$ 6,090**	$ (14,115)

Deferred income tax	**Consolidated statements of financial position as at:**		**Consolidated statements of income for the years ended:**	
(Amounts in $000s)	**December 29, 2018**	December 30, 2017	**December 29, 2018**	December 30, 2017
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (12,493)**	$ (10,378)	**$ (428)**	$ (2,621)
Inventory	**(3,115)**	(93)	**3,022**	(1,203)
Intangible assets	**(21,397)**	(21,142)	**3,053**	(7,879)
Pension	**3,404**	3,499	**(32)**	(46)
Revaluation of cash flow hedges	**(392)**	302	**(479)**	(10)
Losses available for offset against future taxable income	**2,697**	4,179	**(742)**	(884)
Deferred charges and other	**2,852**	2,477	**113**	(749)
Deferred income tax recovery (expense)			**$ 4,507**	$ (13,392)
Net deferred income tax liability	**$ (28,444)**	$ (21,156)		

Reflected in the consolidated statements of financial position as follows:		
Deferred income tax assets	**$ 7**	$ 2,787
Deferred income tax liabilities	**(28,451)**	(23,943)
Net deferred income tax liability	**$ (28,444)**	$ (21,156)

Reconciliation of net deferred income tax liabilities *(Amounts in $000s)*		**December 29, 2018**		December 30, 2017
Opening balance, beginning of year	**$**	**(21,156)**	$	(42,312)
Deferred income tax (expense) recovery during the period recognized in income		**(4,507)**		2,206
Deferred income tax recovery arising from a change in tax rate		**—**		11,186
Deferred income tax recovery arising from an acquisition (Note 5)		**—**		6,683
Deferred income tax reclassified to income tax receivable		**(1,800)**		—
Deferred income tax recovery during the period recognized in retained earnings		**144**		641
Deferred income tax (expense) recovery during the period recognized in OCI		**(1,125)**		440
Closing balance, end of year	**$**	**(28,444)**	$	(21,156)

The Company has net operating losses in its U.S. subsidiaries of $3.1 million at December 29, 2018 (December 30, 2017: $1.7 million) that are available to use from 2019 to 2029. A deferred income tax asset has been recognized for the amount that is probable to be realized.

The Company had unused capital losses of $nil at December 29, 2018 (December 30, 2017: $18.4 million), which have an indefinite carryforward period. A deferred tax asset has only been recognized to the extent of the benefit that is probable to be realized.

The Company can control the distribution of profits, and accordingly, no deferred income tax liability has been recorded on the undistributed profit of its subsidiaries that will not be distributed in the foreseeable future.

The temporary difference associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, is $nil at December 29, 2018 and December 30, 2017.

There are no income tax consequences attached to the payment of dividends in either 2018 or 2017 by the Company to its shareholders.

19. Revenue from contracts with customers

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers using existing operating segments, which are based on geographical locations, the U.S. and Canada (see Note 24). The Company has determined that a disaggregation of revenue using existing segments best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Contract liability

The Company's contract liability consists of donated product received from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. The donated inventory is non-cash consideration that is recorded at the fair value of the product received. The Company has an obligation to sell the product to the eligible agencies at the reduced price, with the donated product being included in the transaction price recognized on the sale of the finished products. The Company has changed the presentation of this obligation on the consolidated statements of financial position and has reclassified $4.1 million as at December 30, 2017 from accounts payable and accrued liabilities to contract liability to reflect the terminology and the presentation requirements of IFRS 15. The contract liability continues to be classified as current because the Company expects to settle the obligation within twelve months from the reporting date. During the fifty-two weeks ended December 29, 2018, the Company recognized $5.6 million (fifty-two weeks ended December 30, 2017: $6.5 million) in revenue that was included in the contract liability balance at the beginning of the period.

20. Earnings per share

Net income and basic weighted average shares outstanding are reconciled to diluted earnings and diluted weighted average shares outstanding, respectively, as follows:

	Fifty-two weeks ended December 29, 2018			Fifty-two weeks ended December 30, 2017		
	Net income ($000s)	**Weighted average shares (000s)**	**Per share ($)**	Net income ($000s)	Weighted average shares (000s)	Per share ($)
Net income	**$ 16,776**	**33,617**	**$ 0.50**	$ 31,653	32,412	$ 0.98
Dilutive options and units	**—**	**2**	**—**	—	115	—
Diluted earnings	**$ 16,776**	**33,619**	**$ 0.50**	$ 31,653	32,527	$ 0.97

Excluded from the diluted earnings per common share calculation for the fifty-two weeks ended December 29, 2018 were 1,616,015 options, as their effect would have been anti-dilutive (December 30, 2017: 752,152 options).

21. Changes in financial liabilities arising from financing activities

(Amounts in $000s)	December 30, 2017	**Cash flows**	**Reclassified between current and non-current**	**Change in fair values**	**New (cancelled) leases**	**Deferred finance costs**	**Other[(1)]**	**December 29, 2018**
Bank loans	$ 53,352	$ (21,380)	$ —	$ —	$ —	$ (325)	$ (495)	**$ 31,152**
Current portion of long-term debt	—	—	13,655	—	—	—	—	**13,655**
Other current financial liabilities	1,965	—	—	(1,829)	—	—	(58)	**78**
Current portion of finance lease obligations	714	(598)	407	—	(153)	—	2	**372**
Long-term debt	335,441	—	(13,655)	—	—	—	888	**322,674**
Other long-term financial liabilities	62	—	—	(53)	—	—	(4)	**5**
Long-term finance lease obligations	407	—	(407)	—	487	—	(80)	**407**
Total liabilities from financing activities	$ 391,941	$ (21,978)	$ —	$ (1,882)	$ 334	$ (325)	$ 253	**$ 368,343**

(1) 'Other' includes the effect of amortization of deferred financing charges and the impact of the foreign exchange movements. The Company classifies interest paid and income taxes paid as cash flows from operating activities.

22. Guarantees and commitments

Guarantee of supplier financing arrangement
As part of the Rubicon acquisition (see Note 5), the Company assumed financing arrangement guarantees for certain suppliers that finance their exports of seafood products to Rubicon. As part of this financing arrangement, the Company has granted a security interest in substantially all of the inventory and proceeds thereon arising from purchases from these suppliers and has guaranteed the suppliers' borrowings, to the extent that such borrowings were used in connection with the exportation of seafood products to Rubicon. The Company has deemed the amount of the guarantee to be the open accounts payable to these suppliers and as of December 29, 2018, the open accounts payable was $26.6 million.

Operating lease commitments for the next five years and thereafter are as follows:

(Amounts in $000s)		**Operating lease payments**
2019	$	5,537
2020		5,234
2021		4,067
2022		1,454
2023		1,450
Thereafter		2,444

Operating lease commitments result principally from leases for cold storage facilities, office equipment, premises and production equipment. Operating lease payments recognized as an expense during the fifty-two weeks ended December 29, 2018 were $5.8 million (December 30, 2017: $5.1 million).

The Company's lease arrangements do not contain restrictions concerning dividends, additional debt, and further leasing imposed by the lessor, and the Company has the option, under some operating leases, to renew the contract for an additional term.

The Company had letters of credit outstanding as at December 29, 2018 relating to the procurement of inventories and the security of certain contractual obligations of $6.9 million (December 30, 2017: $5.0 million). The Company also had a letter of credit outstanding as at December 29, 2018 relating to the securitization of the Company's SERP benefit plan (see Note 15) in the amount of $8.5 million (December 30, 2017: $9.7 million).

23. Related party disclosures

Entity with significant influence over the Company
As at December 29, 2018, Thornridge Holdings Limited owns 34.5% of the Company's outstanding common shares (December 30, 2017: 34.5%).

Other related parties
As a result of the Rubicon acquisition, the Company has related party transactions with a company controlled by certain key management of Rubicon. Total purchases from related parties for the fifty-two weeks ended December 29, 2018 were $nil (fifty-two weeks ended December 30, 2017: $1.7 million), and as at December 29, 2018, there was $nil (December 30, 2017: $nil) due to the related parties. Total sales to related parties for the fifty-two weeks ended December 29, 2018 were $0.9 million (fifty-two weeks ended December 30, 2017: $0.2 million), and as at December 29, 2018 there was $0.5 million (December 30, 2017: $0.2 million) due from the related parties. The Company leases an office building from a related party at an amount which approximates the fair market value that would be incurred if leased from a third party. The aggregate payments under the lease, which are measured at the exchange amount, totaled approximately $0.7 million during the fifty-two weeks ended December 29, 2018 (fifty-two weeks ended December 30, 2017: $0.6 million).

The Company did not have any transactions during 2017 or 2018 with entities who had significant influence over the Company or with members of the Board of Directors and their related interests.

Key management personnel compensation

In addition to their salaries, the Company also provides benefits to the Chief Executive Officer ("CEO"), and certain senior executive officers in the form of contributions to post-employment benefit plans, non-cash plans and various other short- and long-term incentive and benefit plans. The Company has entered into Change of Control Agreements (the "Agreements") with certain senior executive officers. The Agreements are automatically extended annually by one additional year unless the Company provides 90 days' notice of its unwillingness to extend the agreements. The Agreements provide that in the event of a termination by the Company following a change of control, other than for cause or by senior executive officers for good reason as defined in the Agreements, senior executive officers are entitled to: (a) cash compensation equal to their final annual compensation (including base salary and short-term incentives) multiplied by two for all senior executive officers; (b) the automatic vesting of any options or other entitlements for the purchase or acquisition of shares in the capital of the Company which are not then exercisable, which shall be exercisable following termination for two years for all senior executive officers; and (c) continue to participate in certain benefit programs for two years for all senior executive officers.

The following are the amounts recognized as an expense during the reporting period related to key management personnel compensation:

(Amounts in $000s)	**Fifty-two weeks ended December 29, 2018**	Fifty-two weeks ended December 30, 2017
Salaries and short-term incentive plans (1)	**$ 5,594**	$ 3,218
Post-employment benefits (2)	**228**	163
Termination benefits (2)	**697**	1,534
Share-based compensation (3)	**1,052**	544
	$ 7,571	$ 5,459

(1) Short-term incentive amounts were for those earned in 2018 and 2017.

(2) Refer to Note 15 for details of each plan.

(3) Refer to Note 17 for details regarding the Company's Share Option, DSU, PSU and RSU Plans.

24. Operating segment information

The Company operates in one dominant industry segment, the manufacturing and marketing of prepared and packaged frozen seafood. The Company evaluates performance of the reportable segments on a geographical basis using net income before depreciation, amortization, finance costs and income taxes. The Company also reports a "Corporate" category, which does not qualify as a component of another reportable segment or as a separate reportable segment. Corporate includes expenses for corporate functions, share-based compensation costs and business acquisition, integration and other expenses. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No operating segments have been aggregated to form the reportable operating segments.

The operating results and identifiable assets and liabilities by reportable segment are as follows:

	Fifty-two weeks ended December 29, 2018				Fifty-two weeks ended December 30, 2017			
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Revenue (excluding intercompany sales)	**$ 253,329**	**$ 795,202**	**$ —**	**$1,048,531**	$ 262,063	$ 791,783	$ —	$1,053,846
Cost of sales (excluding intercompany sales)	**206,505**	**654,427**	**(558)**	**860,374**	216,329	651,411	27	867,767
Gross profit	**$ 46,824**	**$ 140,775**	**$ 558**	**$ 188,157**	$ 45,734	$ 140,372	$ (27)	$ 186,079
Income (loss) before income taxes	**$ 13,681**	**$ 35,822**	**$ (26,637)**	**$ 22,866**	$ 8,853	$ 34,997	$ (26,312)	$ 17,538
Add-back:								
Depreciation and amortization included in:								
Cost of sales	**1,411**	**5,218**	**219**	**6,848**	1,319	5,073	153	6,545
Distribution expenses	**147**	**1,335**	**—**	**1,482**	150	1,320	—	1,470
Selling, general and administrative expenses	**536**	**7,049**	**1,856**	**9,441**	492	6,727	1,077	8,296
Total depreciation and amortization	**2,094**	**13,602**	**2,075**	**17,771**	1,961	13,120	1,230	16,311
Finance costs	**—**	**—**	**21,603**	**21,603**	—	—	16,626	16,626
Income (loss) before depreciation, amortization, finance costs and income taxes	**$ 15,775**	**$ 49,424**	**$ (2,959)**	**$ 62,240**	$ 10,814	$ 48,117	$ (8,456)	$ 50,475

	As at December 29, 2018				As at December 30, 2017			
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Total assets	**$ 171,244**	**$ 648,318**	**$ 17,593**	**$ 837,155**	$ 172,180	$ 713,729	$ 22,060	$ 907,969
Total liabilities	**$ 52,996**	**$ 106,374**	**$ 413,926**	**$ 573,296**	$ 51,894	$ 156,821	$ 430,387	$ 639,102

For the fifty-two weeks ended December 29, 2018 and December 30, 2017 the Company recognized $272.1 million and $332.7 million of sales from two customers, respectively, that represent more than 10% of the Company's total consolidated sales, arising from sales in both the Canadian and U.S. reportable operating segments.

25. Fair value measurement

Fair value of financial instruments

Fair value is a market-based measurement, not an entity-specific measurement. Fair value measurements are required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information including the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. Management is responsible for valuation policies, processes and the measurement of fair value within the Company.

Financial liabilities carried at amortized cost are shown using the EIR method. Other financial assets and other financial liabilities represent the fair value of the Company’s foreign exchange contracts as well as the fair value of interest rate swaps on debt.

The Company uses a fair value hierarchy, based on the relative objectivity of the inputs used to measure the fair value of financial instruments, with Level 1 representing inputs with the highest level of objectivity and Level 3 representing inputs with the lowest level of objectivity. The following table sets out the Company's financial assets and liabilities by level within the fair value hierarchy:

	December 29, 2018		December 30, 2017	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Foreign exchange contracts	**$ 1,424**	**$ —**	$ 501	$ —
Interest rate swaps	**2,093**	**—**	906	—
Fair value of financial liabilities				
Interest rate swaps	**—**	**—**	367	—
Foreign exchange contracts	**83**	**—**	1,660	—
Long-term debt	**—**	**310,647**	—	335,711
Finance lease obligations	**—**	**749**	—	1,129

The Company's Level 2 derivatives are valued using valuation techniques such as forward pricing and swap models. These models incorporate various market-observable inputs including foreign exchange spot and forward rates, and interest rate curves.

The fair values of long-term debt instruments, classified as Level 3 in the fair value hierarchy, are estimated based on unobservable inputs, including discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities, adjusted to reflect the Company's credit risk.

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the fifty-two weeks ended December 29, 2018 and December 30, 2017, no such transfers occurred.

The financial liabilities that are not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion) and finance lease obligations. The carrying amounts for these instruments are $336.3 million and $0.8 million, respectively, as at December 29, 2018 (December 30, 2017: $335.4 million and $1.1 million, respectively).

Amortized cost impact on interest expense

During the fifty-two weeks ended December 29, 2018, the Company expensed $0.2 million and $0.7 million (December 30, 2017: $0.2 million and $0.6 million) of short-term and long-term interest, respectively, relating to interest that was calculated using the EIR method associated with transaction fees and borrowings.

The fair values of other financial assets and liabilities at December 29, 2018 and December 30, 2017 are shown below:

	Other financial assets		**Other financial liabilities**	
(Amounts in $000s)	**December 29, 2018**	December 30, 2017	**December 29, 2018**	December 30, 2017
Financial instruments at fair value through OCI:				
Foreign exchange forward contracts	**$ 1,424**	$ 501	**$ 83**	$ 1,532
Interest rate swap	**2,093**	906	**—**	367
Financial instruments at fair value through profit or loss:				
Foreign exchange forward contracts not designated in hedge relationships	**—**	—	**—**	128
	$ 3,517	$ 1,407	**$ 83**	$ 2,027

Hedging activities

Interest rate swaps
During the fifty-two weeks ended December 29, 2018, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 14):

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
December 31, 2014	December 31, 2019	3-month LIBOR (floor 1.0%)	2.1700%	$ 20.0
March 4, 2015	March 4, 2020	3-month LIBOR (floor 1.0%)	1.9150%	$ 25.0
April 4, 2016	April 4, 2018	3-month LIBOR (floor 1.0%)	1.2325%	$ 35.0
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700%	$ 40.0
January 4, 2018	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200%	$ 80.0

The cash flow hedge of interest expense variability was assessed to be highly effective for the fifty-two weeks ended December 29, 2018 and December 30, 2017, and therefore, the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of $1.3 million and a nominal after-tax net loss, respectively.

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the fifty-two weeks ended December 29, 2018 and December 30, 2017.

Foreign currency contracts
Foreign currency forward contracts are used to hedge foreign currency risk resulting from expected future purchases denominated in USD, which the Company has qualified as highly probable forecasted transactions, and to hedge foreign currency risk resulting from USD monetary assets and liabilities, which are not covered by natural hedges.

As at December 29, 2018, the Company had outstanding notional amounts of $23.9 million (December 30, 2017: $38.1 million) in foreign currency average-rate forward contracts and $1.4 million (December 30, 2017: $6.0 million) in foreign currency single-rate forward contracts that were formally designated as a hedge. With the exception of $0.4 million (December 30, 2017: $1.5 million) average-rate forward contracts with maturities ranging from January 2020 to March 2020, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be highly effective for the fifty-two weeks ended December 29, 2018 and December 30, 2017, and therefore, the change in fair value was recorded in OCI as after-tax net gains of $2.2 million and after-tax net losses of $1.8 million, respectively. The amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the fifty-two weeks ended December 29, 2018 and December 30, 2017 were nominal .

As at December 29, 2018, the Company had $nil outstanding notional amounts (December 30, 2017: $5.0 million) of foreign currency single-rate forward contracts outstanding to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value for the fifty-two weeks ended December 29, 2018 and December 30, 2017 was a net gain of $0.3 million and nominal, respectively, which was recorded in the consolidated statements of income.

Hedge of net investment in foreign operations
As at December 29, 2018, a total borrowing of $338.0 million ($324.3 million included in long-term debt and $13.7 million included in the current portion of long-term debt) (December 30, 2017: a total borrowing of $312.3 million ($5.0 million included in bank loans and $307.3 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the fifty-two weeks ended December 29, 2018 and December 30, 2017.

26. Capital management

The primary objective of the Company's capital management policy is to ensure a strong credit rating and healthy capital ratios in order to support the business and maximize shareholder value. The Company defines capital as funded debt and common shareholder equity, including AOCI, except for gains and losses on derivatives used to hedge interest and foreign exchange cash flow exposure.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, by adjusting the dividend payment to shareholders, returning capital to shareholders, purchasing capital stock under a NCIB, or issuing new shares.

Capital distributions, including purchases of capital stock, are subject to availability under the Company's working capital debt facility. The consolidated Average Adjusted Aggregate Availability under the working capital debt facility must be greater than $22.5 million. As at December 29, 2018, the Company has Average Adjusted Aggregate Availability of $109.8 million. The Company also has restrictions on capital distributions, where the aggregate amount for dividends are subject to an annual limit of $17.5 million with a provision to increase this amount subject to leverage and excess cash flow tests. NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts, subject to a maximum of $20.0 million per annum. For the fifty-two weeks ended December 29, 2018 and December 30, 2017, the Company paid $14.7 million and $14.4 million in dividends, respectively, and $nil under the NCIB.

The Company monitors capital (excluding letters of credit) using the ratio of net interest-bearing debt to capitalization, which is net interest-bearing debt divided by total capital plus net interest-bearing debt. The Company's objective is to keep this ratio between 35% and 60%. Seasonal working capital debt may result in the Company exceeding the ratio at certain times throughout the fiscal year. The Directors of the Company have also decided that this range can be exceeded on a temporary basis as a result of acquisitions.

(Amounts in $000s)	**December 29, 2018**	December 30, 2017
Total bank loans (Note 11)	**$ 31,505**	$ 53,560
Total term loan debt (Note 14)	**337,926**	337,926
Total finance lease obligation (Note 14)	**779**	1,121
Interest-bearing debt	**370,210**	392,607
Less: cash	**(9,568)**	(4,738)
Net interest-bearing debt	**360,642**	387,869
Shareholders' equity	**263,859**	268,867
Unrealized gains on derivative financial instruments included in AOCI	**(2,215)**	(220)
Total capitalization	**$ 622,286**	$ 656,516
Net interest-bearing debt as percentage of total capitalization	**58%**	59%

No changes were made in the objectives, policies or processes for managing capital for the fiscal year ended December 29, 2018 and December 30, 2017.

27. Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, term loans, letters of credit, notes payable, finance leases, and trade payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various financial assets such as trade receivables, other accounts receivable, and cash, which arise directly from its operations.

The Company is exposed to interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts and insurance contracts to manage these types of risks from the Company's operations and its sources of financing. The Company's policy is that no speculative trading in derivatives shall be undertaken. The Audit Committee of the Board of Directors reviews and approves policies for managing each of these risks, which are summarized below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which relates to the Company's debt obligations with floating interest rates. The Company's policy is to manage interest rate risk by having a mix of fixed and variable rate debt. The Company's objective is to keep between 35% and 55% of its borrowings at fixed rates of interest. To manage this, the Company enters into fixed rate debt facilities or interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps are designated to hedge the underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Company will pay may also be used to manage this exposure. At December 29, 2018, 45% of the Company's borrowings, including the long-term debt and the working capital facility, were either hedged or at a fixed rate of interest (December 30, 2017: 51%).

Interest rate sensitivity
The Company's income before income taxes is sensitive to the impact of a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. As at December 29, 2018, the Company's current bank loans were $31.5 million (December 30, 2017: $53.6 million) and long-term debt was $324.3 million (December 30, 2017: $337.9 million). An increase of 25 basis points on the bank loans would have reduced income before income taxes by $0.1 million (December 30, 2017: $0.1 million). An increase of 25 basis points above the LIBOR floor on the long-term debt would have reduced income before income taxes by $0.4 million (December 30, 2017: $0.3 million). A corresponding decrease in respective interest rates would have an approximately equal and opposite effect. There is no impact on the Company's equity except through changes in income.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Parent company having a CAD functional currency, meaning that all transactions are recorded in CAD. However, as the Company's Consolidated Financial Statements are reported in USD, the results of the Parent are converted into USD for external reporting purposes. Therefore, the Canadian to U.S. exchange rates (USD/CAD) impact the results reported in the Company's Consolidated Financial Statements.

The Parent's operating activities, including the majority of sales that are in CAD, have USD-denominated input costs. For products sold in Canada, raw material is purchased in USD. However, labour, packaging and ingredient conversion costs, overheads and selling, general and administrative costs are incurred in CAD. A strengthening Canadian dollar has an overall effect of increasing income before income taxes in USD terms and conversely, a weakening Canadian dollar has the overall effect of decreasing income before income taxes in USD terms.

The Parent hedges forecasted cash flows for purchases of USD-denominated products for the Canadian operations where the purchase price is substantially known in advance. At December 29, 2018, the Parent hedged 37% (December 30, 2017: 49%) of these purchases identified for hedging, extending to March 2020. The Company's *Price Risk Management Policy* dictates that cash flows out fifteen months are hedged between a minimum and maximum percent that declines by quarter the further into the future the cash flows are. The Company does not hedge cash flows on certain USD-denominated seafood purchases in which the ultimate selling price charged to the Company's Canadian customers move with changes in the USD/CAD exchange rates. It is the Company's policy to set the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. The Company also has foreign exchange risk related to the USD-denominated input costs of commodities used in its Canadian operations related to freight surcharges on transportation costs, paper products in packaging, grain and corn products in its breading and batters, and soya and canola bean-based cooking oils. The Company hedges these USD-denominated input costs on a small scale, but relies where possible on three to thirty-six month, fixed price contracts in CAD with suppliers.

For the fifty-two weeks ended December 29, 2018, approximately 84.3% of the Parent's costs were denominated in USD, while approximately 91% of the Parent's sales were denominated in its CAD functional currency.

The Parent has some assets and liabilities that are denominated in CAD, and therefore, the assets and liabilities reported in the Consolidated Financial Statements change as USD/CAD exchange rates fluctuate. A stronger CAD has the effect of increasing the carrying value of assets and liabilities such as accounts receivable, inventory, property, plant and equipment, and accounts payable of the Parent when translated to USD. The net offset of those changes flow through OCI. Based on the equity of the Parent as of December 29, 2018, a one-cent increase/decrease in the USD/CAD exchange rate will decrease/increase equity by approximately $0.7 million (December 30, 2017: $0.4 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company holds credit insurance on its trade accounts receivable and all receivable balances are managed and monitored at the corporate level on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company's top ten customers account for 67% of the trade receivables at December 29, 2018 (December 30, 2017: 68%), with the largest customer accounting for 14% (December 30, 2017: 14%).

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and certain derivative instruments, the Company's exposure to credit risk arises from default of the counterparty. The Company manages this risk by dealing with financially creditworthy counterparties, such as Chartered Canadian banks and U.S. banks with investment grade ratings. The maximum exposure to credit risk is equal to the carrying value of accounts receivable and derivative instruments.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as the models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable, and finance leases. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period. At December 29, 2018, less than 4% of the Company's debt (December 30, 2017: less than 1%) will mature in less than one year based on the carrying value of borrowings reflected in the Consolidated Financial Statements. At December 29, 2018, the Company was in compliance with all covenants and terms of its debt facilities.

The table below shows the maturities of the Company's non-derivative financial liabilities:

(Amounts in $000s)	**Due within 1 year**	**Due in 1-5 years**	**Total**
Bank loans	**$ —**	**$ 31,505**	**$ 31,505**
Accounts payable and accrued liabilities	**157,162**	**—**	**157,162**
Contract liability	**4,772**	**—**	**4,772**
Other liabilities	**245**	**1,493**	**1,738**
Long-term debt	**13,655**	**324,271**	**337,926**
Finance lease obligations	**372**	**407**	**779**
As at December 29, 2018	**$ 176,206**	**$ 357,676**	**$ 533,882**
Bank loans	$ —	$ 53,560	$ 53,560
Accounts payable and accrued liabilities	205,855	—	205,855
Contract liability	4,055	—	4,055
Other liabilities	166	1,641	1,807
Long-term debt	—	337,926	337,926
Finance lease obligations	714	407	1,121
As at December 30, 2017	$ 210,790	$ 393,534	$ 604,324

Commodity price risk

The Company is affected by price volatility of certain commodities such as crude oil, wheat, corn, paper products, and frying oils. The Company's *Price Risk Management Policy* dictates the use of fixed pricing with suppliers whenever possible, but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2018 and 2017, the Company managed this risk through contracts with suppliers. The Company enters into fixed price contracts with suppliers on an annual basis and, therefore, a significant portion of the Company's 2019 commodity purchase requirements are covered. Should an increase in the price of commodities materialize, there could be a negative impact on earnings performance and alternatively, a decrease in the price of commodities could result in a benefit to earnings performance.

Crude oil prices, which influence fuel surcharges from freight suppliers increased during 2018 compared to 2017. World commodity prices for flour, soy and canola oils, important ingredients in many of the Company's products, fluctuated throughout the year, with flour prices increasing and soy and canola oil prices decreasing in 2018 compared to 2017. The price of corrugated and folding carton, which is used in packaging, increased in 2018.

Seafood price risk

The Company is dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. The Company buys as much as $556.0 million of this product annually. A 1.0% change in the price of frozen raw seafood materials would increase/decrease the Company's procurement costs by $5.6 million. Prices can fluctuate and there is no formal commercial mechanism for hedging either sales or purchases. Purchases of seafood on global markets are principally in USD. The Company hedges exposures to a portion of its currency exposures and enters into longer-term supply contracts when possible.

The Company maintains a strict policy of *Supplier Approval and Audit Standards,* including a diverse supplier base to ensure no over-reliance on any one source or species. The Company has multiple strategies to manage seafood costs, including purchasing significant quantities of frozen raw material and finished goods originating from all over the world. Over time, the Company strives to adjust selling prices to its customers as the world price of seafood changes or currency fluctuations occur.

28. Supplemental information

The components of income and expenses included in the consolidated statements of income are as follows:

(Amounts in $000s)	**Fifty-two weeks ended December 29, 2018**	Fifty-two weeks ended December 30, 2017
Included in finance costs:		
Interest expense on bank loans	**$ 2,053**	$ 1,453
Interest expense on long-term debt	**18,373**	14,456
Deferred financing charges	**874**	721
Interest on letter of credit for SERP	**108**	119
Foreign exchange loss (gain)	**195**	(123)
Total finance costs	**$ 21,603**	$ 16,626
Foreign exchange (gain) loss included in:		
Cost of sales	**$ (573)**	$ (13)
Finance costs	**195**	(122)
Total foreign exchange gain	**$ (378)**	$ (135)
Loss (gain) on disposal of assets included in:		
Cost of sales	**$ 240**	$ 179
Distribution expenses	**10**	59
Selling, general and administrative expenses	**(84)**	496
Total losses on disposal of assets	**$ 166**	$ 734
Employee compensation and benefit expense:		
Wages and salaries (including payroll benefits)	**$ 97,445**	$ 102,198
Future employee benefit costs	**3,264**	3,088
Share-based compensation expense	**1,237**	771
Termination benefits	**4,903**	2,972
Short-term employee benefits	**1,197**	153
Total employee compensation and benefit expense	**$ 108,046**	$ 109,182

29. Events after the reporting period

Product recall

Subsequent to December 29, 2018, the Company recovered an additional $8.5 million associated with the product recall from the ingredient supplier, for a total recovery of $17.0 million (see Note 6). This additional recovery will be recognized during the first quarter of 2019, reflecting the period in which the recovery became virtually certain, in accordance with IFRS. No further recoveries are expected.

As a result, the Company has fully recovered the $13.5 million in losses recognized during the fifty-two weeks ended December 30, 2017 related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs, and an additional $3.5 million related to lost sales opportunities and increased production costs.