The cash flow hedge of interest expense variability was assessed to be highly effective for the year ended January 2, 2016, and therefore, the change in fair value, an after-tax net loss of $0.3 million, was included in OCI.

As at January 2, 2016, the Company had the following interest rate swap outstanding to hedge interest rate risk resulting from the term loan facility that was not designated in a formal hedging relationship:

- An interest rate swap to receive a floating three-month LIBOR for a fixed rate of 1.997%, with an embedded floor of 1.5%, on a notional amount of $100.0 million, for the period of April 4, 2014 until April 4, 2016. The change in fair value for the year ended January 2, 2016, a net gain of $0.5 million, was recorded in income (January 3, 2015: net gain of $0.1 million).

Foreign currency contracts

Foreign currency forward contracts are used to hedge foreign currency risk resulting from expected future purchases 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 January 2, 2016, the Company had outstanding notional amounts of $50.8 million in foreign currency average-rate forward contracts, and $3.0 million foreign currency single-rate forward contracts that were formally designated as a hedge. With the exception of $1.3 million average-rate forward contracts with maturities ranging from January 2017 to December 2017, 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 year ended January 2, 2016 and January 3, 2015, and therefore, the change in fair value, an after-tax net gain of $7.2 million and an after-tax net gain of $3.2 million, respectively, was included in OCI. Amounts recognized in income resulting from hedge ineffectiveness during the year ended January 2, 2016 were a net gain of $0.3 million (January 3, 2015: net gain of $0.1 million).

As at January 2, 2016, the Company had outstanding notional amounts of $13.0 million foreign currency single-rate forward contracts outstanding to hedge foreign currency exchange risk on its USD monetary assets and liabilities. These contracts were not formally designated as a hedge. The change in fair value for the year ended January 2, 2016 and January 3, 2015, a net gain of $0.5 million and a nominal gain, respectively, was recorded in income.

Hedge of net investment in foreign operations

As at January 2, 2016, a borrowing of $237.3 million included in long-term debt (January 3, 2015: $27.5 million in bank loans and $237.3 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 ineffectiveness recognized in the fifty-two weeks ended January 2, 2016 or the fifty-three weeks ended January 3, 2015.

Note 22. Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, purchase its capital stock under a NCIB or issue new shares. Capital distributions, including purchases of stock, are subject to availability under the Company's working capital debt facilities. The consolidated average adjusted aggregate availability under the working capital debt facility must be greater than $22.5 million. The Company currently has average adjusted aggregate availability of $134.1 million as at January 2, 2016. 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 January 2, 2016 and fifty-three weeks ended January 3, 2015, the Company paid $11.0 million and $11.3 million in dividends, respectively, and $0.6 million and $0.4 million under the NCIB, respectively. 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 50%. 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 the recent acquisitions.

(Amounts in $000s)		January 2, 2016		January 3, 2015
Total bank loans *(Note 11)*	$	**17,628**	$	65,851
Total term loan debt *(Note 12)*		**294,750**		297,750
Total finance lease obligation *(Note 12)*		**1,730**		2,206
Interest-bearing debt		**314,108**		365,807
Less: cash		**(1,043)**		(1,044)
Net interest-bearing debt		**313,065**		364,763
Shareholders' equity		**200,519**		196,974
Unrealized gains on derivative financial instruments included in accumulated other comprehensive loss		**(2,977)**		(2,175)
Total capitalization	$	**510,607**	$	559,562
Net interest-bearing debt as % of total capitalization		**61%**		65%

No changes were made in the objectives, policies or processes for managing capital for the fiscal years ended January 2, 2016 and January 3, 2015.

Note 23. 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 only 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, liquidity risk, foreign currency risk and credit 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

The Company's exposure to the risk of changes in market interest rates arises out of the Company's debt obligations with floating interest rates. For both of Fiscal 2015 and 2014, the Company's policy is to manage interest cost using a mix of fixed and variable rate debts. 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 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 January 2, 2016, 49% of the outstanding long-term debt was hedged (January 3, 2015: 40%) and 47% of the Company's borrowings, including the working-capital facility, are either hedged or at a fixed rate of interest (January 3, 2015: 42%).

Interest rate sensitivity

The Company's profit before tax is sensitive to a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. As at the fifty-two weeks ended January 2, 2016 the Company's current bank loans were $17.6 million (January 3, 2015: $65.9 million) and long-term debt was $282.9 million (January 3, 2015: $294.8 million). An increase of 25 basis points on the bank loans would have reduced earnings before tax by $0.1 million (January 3, 2015: $0.1 million). An increase of 25 basis points above the LIBOR floor on the long-term debt would have reduced earnings before tax by $0.4 million (January 3, 2015: $0.4 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

The Parent (High Liner Foods' Canadian company) has 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.