Notes to the Consolidated Financial Statements

Note 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 of the Company as at and for the fifty-two weeks ended January 2, 2016, 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. The Company's fiscal year ends on the Saturday closest to December 31. Most fiscal years have fifty-two weeks, but from time to time, fiscal years, including Fiscal 2014, have fifty-three weeks, and therefore, amounts presented are not entirely comparable.

These consolidated financial statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on February 17, 2016.

Note 2. Basis of preparation

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

The Company conducts its business in Canadian dollars ("CAD") and U.S. dollars ("USD"). Unless otherwise noted, all amounts in these consolidated financial statements are in USD and values are rounded to the nearest thousand ($000).

Basis of measurement

These consolidated financial statements have been prepared on the historical-cost basis except for the following material items in the statement of financial position, which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss ("FVTPL") and liabilities for cash-settled share-based compensation payment arrangements. The defined benefit employee future benefit liability is recognized as the net total of the plan assets, plus unrecognized past-service costs and the present value of the defined benefit obligation ("DBO").

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at January 2, 2016. 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 re-assesses 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. Assets, liabilities, income and expenses of a subsidiary are included in the statement of comprehensive income from the date the Company gains control of the subsidiary until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

Use of estimates and critical judgments

The preparation of the Company's 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 that could require a material adjustment to the reported carrying amounts in the future.

The most significant estimates and judgments made by management include the following:

Impairment of non-financial assets

The Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. Individual assets are grouped together as a cash generating unit ("CGU") for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other Company assets. The carrying amounts of CGUs, including goodwill, are tested for impairment annually and at other times when indicators of impairment arise. Management calculates the recoverable amount of each CGU based on the expected future cash flows from the individual asset or CGU and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details, including the manner in which the Company identifies its CGUs and key assumptions used in determining the recoverable amounts are disclosed in *Note 5*.

Future employee benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the DBO is 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. Actual results will differ from results which are estimated based on assumptions. See *Note 13* for certain assumptions made with respect to future employee benefits.

Income taxes

Income taxes are accrued based on current taxes expected to be paid or recovered for the period, and deferred taxes applicable in respect of the temporary differences that will reverse in subsequent periods. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

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.

Significant judgment is required in determining the global provision for taxation. 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 it believes appropriately reflect its 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 balance sheet 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 statement 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 assumptions about these factors could affect the reported fair value of financial instruments.

Sales and marketing accruals

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

Note 3. Significant accounting policies

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

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.

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 International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement," is measured at fair value with changes in fair value recognized either in the consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 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 CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Fair value measurement

The Company measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. Fair values of financial instruments measured at amortized cost are disclosed in *Note 21*. 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 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 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.

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 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.

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.

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. 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 procured finished goods and unprocessed raw material inventory is weighted average cost. 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.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Company's subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies 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 statement 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. These 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are effectively translated using the exchange rate at the date of the transaction.

Translation of parent company to usd for presentation currency

The Parent (High Liner Foods' Canadian company) has a CAD functional currency, however the presentation currency of the Company's consolidated financial statements is USD. The USD presentation currency is used because it better reflects the Company's overall business activities and improves investors' ability to compare the total Company's financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the U.S. and report in USD) and should result in less volatility in reported sales on the conversion into the reporting currency.

The Company follows the requirements set out in IAS 21, "The Effects of Change in Foreign Exchange Rates." The assets and liabilities of the Parent are translated to USD at the exchange rate as at the reporting date. 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 OCI.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset, including the present value of the expected cost for the decommissioning of 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 cost of additions, including betterments and replacements of parts of property, plant and equipment are included in "Property, plant and equipment." The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are expensed as incurred in the consolidated statement of income.

When parts of property, plant and equipment have different useful lives, they are accounted for separately (major components). A part of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on the derecognition of an asset is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized on a net basis within the consolidated statement of income.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in income on a straight-line basis over the estimated useful lives of each major component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets 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 for the current and comparative periods are as follows:

Land and buildings	15–60 years
Furniture, fixtures and production equipment	10–25 years
Computer equipment	4–11 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment 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 to the Company substantially all the risks and benefits incidental to ownership of the leased item, 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 so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership of a leased asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision and the amount initially recognized, less any amortization. Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

Impairment

Non-financial assets

The carrying amounts of CGUs, including goodwill, are tested for impairment annually and at other times when indicators of impairment arise. The Company estimates the non-financial asset's recoverable amount for the purpose of impairment testing using the higher of FVLCS and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount, with the write-down being recognized in the consolidated statement of income.

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 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 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 reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed its carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized in the consolidated statement of income.

Financial assets

The Company assesses at each financial reporting date whether a financial asset or group of assets is impaired.

If there is objective evidence that an impairment loss on an asset or a group of assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's or group of assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's or group of assets' original effective interest rate ("EIR"), computed at initial recognition. The carrying amount of the asset or group of assets is reduced through use of an allowance account and the loss is recognized in the consolidated statement of income. Assets or group of assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset or group of assets does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

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

- Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
- Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful lives of the Company's intangible assets for the current and comparative periods are as follows:

Brands	2–8 years
Customer relationships	25 years
Indefinite lived brands	Indefinite, subject to impairment testing annually

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. 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses from 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 statement of income when the asset is derecognized.

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 obligations, the projected age of employees upon retirement, the expected rate of future compensation increases and the expected mortality rate of pensioners. Actual results will differ from results which are estimated based on assumptions. The total past-service cost arising from plan amendments is recognized immediately in the consolidated statement of income. The present value of the 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 statement 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 statement 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. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

The Company has entered into Change of Control Agreements (the "Agreements") between the Company with the Chief Executive Officer ("CEO") and other Named Executive Officers ("NEO"). 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 the CEO or NEO for good reason as defined in the Agreements, the CEO and other NEOs are entitled to: (a) cash compensation equal to their final annual compensation (including base salary and short-term incentives) multiplied by three for the CEO and two for all other NEOs; (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 3 years for the CEO and 2 years for all other NEOs; (c) continue to participate in certain benefit programs for 3 years for the CEO and 2 years for all other NEOs.

Share-based compensation plans

The Company's share-based compensation plans consist of a Share Option Plan ("Option Plan"), a Performance Share Units ("PSUs") Plan and a Deferred Share Units ("DSU") Plan which are described in *Note 17*. Compensation expense for share-based awards is recognized using the fair value method of accounting. Options issued may be awarded, at the discretion of the Board, with tandem Share Appreciation Rights ("SARs"), which allow employees to either exercise the options for shares or to exercise the SARs and thereby receive the value of the options in cash. Options with SARs, are accounted for as cash-settled transactions and options without SARs, are accounted for as equity-settled transactions.

The PSUs are designed to maximize long-term shareholder value by rewarding members of the Company's Leadership Team for performance, which are based on the market value of the Company's commons shares. The PSU plan is dilutive and can be settled in cash and/or shares. The Company estimates the fair value of the PSU by using the fair market value of a common share at the reporting date and the performance multiplier. The compensation expense is recognized over the three-year performance cycle, at which point the PSUs will vest if agreed upon performance measures are met.

The Company allocates DSUs to Directors of the Company who have elected to receive DSUs, which are based on the market value of the Company's common shares. Under the DSU plan, Directors may elect to receive their annual retainer and additional Board related fees in the form of DSUs in lieu of cash or options. DSUs entitle Directors to receive a cash payment for the value of the DSU held following cessation of all functions as a Director of the Company. These are considered cash-settled share-based payment awards and are non-dilutive.

(i) Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the award grant date using the Black-Scholes pricing model. The Company accrues compensation expense with a corresponding increase in liabilities in the amount which represents the fair value of the amount payable to employees over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date with any changes in the fair value recognized as employee benefits expense in the consolidated statement of income. In the case of options with 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 statement of income.

(ii) Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value of the equity instrument at the award grant date made appropriate using the valuation model. The fair value estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life, volatility, and dividend yield, and making assumptions about these inputs, which are fully described in *Note 17*. That cost is recognized in employee benefits expense, together with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to payment. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The credit or expense in the consolidated statement of income for any given period represents the movement in cumulative expense recognized as at the beginning and at the end of that period.

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.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of diluted earnings per share (*Note 16*).

Income taxes

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in the consolidated statement of income except to the extent that they relate 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: a) 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; and b) 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. In addition, deferred income tax is not recognized for 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.

Revenue recognition

The Company recognizes sales in income when the risks and rewards of the underlying products have been substantially transferred to the customer (usually on delivery of the goods). The Company experiences very few product returns and collection of its invoices is consistently high.

Marketing programs provided to customers and operators, including volume rebates, cooperative advertising and other trade marketing programs, are all customer-specific programs to promote the Company's products. Consequently, sales are recorded net of these estimated marketing costs, which are recognized at the time of sale. Consumer coupons used to encourage consumers to purchase the Company's products through the Company's customers are recognized as a reduction to sales in the period the coupons are issued. Certain customers require payment of one-time listing allowances (or "slotting fees") in order to obtain space for a new product in their stores. These fees are recognized as reductions of revenue at the earlier of the date the fees are paid in cash or on which a liability to the customer is created (usually on shipment of the new product). All other non-customer-specific marketing costs (general advertising, etc.) are expensed as incurred as selling, general and administrative expense.

Financial instruments

All financial assets and liabilities are recognized initially at fair value and in the case of financial assets and liabilities not recorded at FVTPL, net of directly attributable transaction costs. After initial recognition, loans and receivables, loans and borrowings, payables and held-to-maturity investments are subsequently measured at amortized cost, and derivatives designated as "hedging instruments in an effective hedge" are measured as appropriate. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not "held-for-trading" ("HFT") or designated at FVTPL. The Company's financial assets include cash and trade and other receivables. The Company's financial liabilities include accounts payables, accrued liabilities, bank loans, derivative financial instruments and long-term debt.

For purposes of subsequent measurement, financial assets and liabilities are classified into the following categories:

(i) Fair value through profit or loss
Financial assets and liabilities at FVTPL include financial instruments which are HFT or designated upon initial recognition. Financial instruments are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments as defined by IAS 39. The Company has not designated any financial assets or liabilities upon initial recognition at FVTPL. Financial instruments at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of income.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less 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 income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

(iii) Loans and borrowings
Loans and borrowings generally apply to 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 statement of income when the liabilities are derecognized as well as through the EIR amortization process. For more information refer to *Notes 11* and *12*.

A financial asset is derecognized when 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.

Derivative instruments/hedging

All derivative instruments, including embedded derivatives that are not closely related to the host contract, are recorded in the statement of financial position at fair value on the date a contract is entered into and subsequently re-measured at fair value. 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 either:

(i) Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statement of income. Re-assessment 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 statement 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 as OCI. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income. Additionally:

- Amounts accumulated in OCI are recycled to the consolidated statement 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 statement of income when the forecasted transaction ultimately affects profit and loss; and
- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recognized in the consolidated statement of income.

The Company uses forward currency contracts to hedge the Parent's exposure to the foreign currency risk of expected future purchases from suppliers transacting in USD.

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 entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(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 statement 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 statement of income.

The Company uses a loan as a hedge of its exposure to foreign exchange risk on its investment in a foreign subsidiary. Refer to *Note 22* for more detail.

(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 statement of income consistent with the underlying nature and purpose of the derivative instruments.

New standards, interpretations and amendments thereof, adopted by the Company

There have been no new standards and interpretations adopted during the year ended January 2, 2016, which had an impact on the accounting policies, financial position or performance of the Company.

Future accounting policies not yet adopted

The standards 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 9 "Financial Instruments: Classification and Measurement"
In 2013, the IASB issued amendments to IFRS 9, "Financial Instruments" ("IFRS 9"), issued in 2010, which will ultimately replace 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. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time. The new revenue standard is effective for annual periods beginning on or after January 1, 2018.

The Company is currently evaluating the impact of these new standards, interpretations and amendments on its consolidated financial statements.

Note 4. Business combinations

Acquisition of Atlantic Trading Company

On October 7, 2014, the Company acquired the net assets and operations of a business operating as Atlantic Trading Company, LLC ("Atlantic Trading") based in Miami, Florida, and specializing in frozen and fresh Atlantic salmon sourced from Chile and Norway.

The primary reason for the business acquisition was to enhance the Company's product offerings to include Atlantic Trading's Atlantic salmon products.

The Company paid $17.9 million after working capital adjustments and cash acquired as part of the acquisition. This amount included an estimate for contingent consideration to be paid in each of the two years from closing of the acquisition based on reaching certain earnings before interest, taxes, depreciation and amortization ("EBITDA") thresholds.

The final fair value of the identifiable assets and liabilities recognized on the acquisition was:

(Amounts in $000s)	Provisional fair value recognized on acquisition	Adjustments to the provisional allocation	Final fair value recognized
Assets			
Accounts receivable	$ 3,807	$ —	$ 3,807
Prepaid expenses	38	—	38
Inventories	1,694	—	1,694
Intangibles	—	7,486	7,486
Goodwill	15,535	(7,240)	8,295
	21,074	**246**	**21,320**
Liabilities			
Accounts payable and accrued liabilities	(3,139)	—	(3,139)
Deferred income taxes	—	(246)	(246)
	(3,139)	**(246)**	**(3,385)**
Total identifiable net assets at fair value	**$ 17,935**	**$ —**	**$ 17,935**
Agreed upon purchase price based on average working capital	$ 14,300	$ —	$ 14,300
Estimated fair value of contingent consideration[1]	4,236	—	4,236
Net post-closing working capital adjustments	892	—	892
Cash acquired	(1,493)	—	(1,493)
Net purchase consideration recorded	**$ 17,935**	**$ —**	**$ 17,935**

1 Refer to the Company's January 3, 2015 Audited Consolidated Financial Statements for additional details on the contingent consideration negotiated as part of this business combination. As at January 2, 2016, $2.3 million has been paid in contingent consideration, representing the first of two annual installments.

The net assets recognized in the January 3, 2015 statement of financial position were based on a provisional assessment of fair value as the results of the valuation had not been finalized at the date the financial statements for Fiscal 2014 were approved for issue by management. This was subsequently completed in 2015 and the Company has retroactively restated the statement of financial position as at January 3, 2015 to record the adjustments to the provisional assessment of fair value.

Note 5. Goodwill and intangible assets

(Amounts in $000s)	Brands	Customer relationships	Indefinite lived brands	Total intangible assets	Goodwill	Total goodwill and intangible assets
Cost						
December 28, 2013	$ 6,216	$ 100,632	$ 14,611	$ 121,459	$ 111,999	$ 233,458
Additions from acquisitions *(Note 4)*	850	6,636	—	7,486	8,295	15,781
Translation adjustment of Canadian based assets	(51)	(127)	(48)	(226)	(1,024)	(1,250)
January 3, 2015	$ 7,015	$ 107,141	$ 14,563	$ 128,719	$ 119,270	$ 247,989
Additions from acquisitions	—	—	—	—	178	178
Translation adjustment of Canadian based assets	(77)	(185)	(75)	(337)	(1,624)	(1,961)
January 2, 2016	**$ 6,938**	**$ 106,956**	**$ 14,488**	**$ 128,382**	**$ 117,824**	**$ 246,206**
Accumulated amortization						
December 28, 2013	$ (2,296)	$ (13,469)	$ (441)	$ (16,206)	$ —	$ (16,206)
Amortization	(999)	(3,924)	—	(4,923)	—	(4,923)
Translation adjustment of Canadian based assets	48	67	—	115	—	115
January 3, 2015	$ (3,247)	$ (17,326)	$ (441)	$ (21,014)	$ —	$ (21,014)
Amortization	(1,119)	(4,106)	—	(5,225)	—	(5,225)
Translation adjustment of Canadian based assets	74	98	—	172	—	172
January 2, 2016	**$ (4,292)**	**$ (21,334)**	**$ (441)**	**$ (26,067)**	**$ —**	**$ (26,067)**
Net carrying value						
January 3, 2015	$ 3,768	$ 89,815	$ 14,122	$ 107,705	$ 119,270	$ 226,975
January 2, 2016	**$ 2,646**	**$ 85,622**	**$ 14,047**	**$ 102,315**	**$ 117,824**	**$ 220,139**

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

	Canada		**U.S.**	
(Amounts in $000s)	**January 2, 2016**	January 3, 2015	**January 2, 2016**	January 3, 2015
Goodwill	**$ 9,013**	$ 10,636	**$ 108,811**	$ 108,634
Indefinite lived brands	**$ 441**	$ 516	**$ 13,606**	$ 13,606

Impairment of Goodwill and Identifiable Intangible Assets

As described in *Note 1*, 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 October 4, 2015. The key assumptions used to determine the recoverable amount for the different CGUs for the most recently completed impairment calculations for Fiscal 2015 and Fiscal 2014 are discussed below. The Company has not identified any indicators of impairment at any other date and as such has not completed an additional impairment calculation.

The recoverable amount of the CGUs has been determined based on the FVLCS. Fair Value Measurement is defined in IFRS 13 as a market-based measurement rather than an entity-specific measurement. Therefore, 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 determining the FVLCS of the CGUs, an income approach using the discounted cash flow methodology was utilized. 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, gross margins, 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 average median 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. 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 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 (WACC) reflects the current market assessment of the risk specific to comparable companies. 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 post-tax WACC applied to the Canadian CGU and U.S. CGU cash flow projections was 11.6% and 10.3%, respectively, at October 3, 2015.

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 growth rate applied to the cash flow projections of both the Canadian and U.S. CGU was 2.0% at October 3, 2015.

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 regards to the assessment of the FVLCS for each of the CGUs, 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.

Note 6. Property, plant and equipment

(Amounts in $000s)	Land and buildings	Furniture, fixtures, and production equipment	Computer equipment and vehicles[1]	Total
Cost				
At December 28, 2013	$ 68,818	$ 65,606	$ 16,502	$ 150,926
Additions	16,658	8,500	2,917	28,075
Disposals	(603)	(1,839)	(172)	(2,614)
Effect of exchange rates	(1,752)	(1,783)	(714)	(4,249)
At January 3, 2015	$ 83,121	$ 70,484	$ 18,533	$ 172,138
Additions	4,707	11,204	2,676	18,587
Disposals	(3,745)	(8,703)	(1,079)	(13,527)
Effect of exchange rates	(2,739)	(3,061)	(1,261)	(7,061)
At January 2, 2016	**$ 81,344**	**$ 69,924**	**$ 18,869**	**$ 170,137**
Accumulated depreciation and impairment				
At December 28, 2013	$ (17,875)	$ (24,957)	$ (6,624)	$ (49,456)
Depreciation for the year	(2,838)	(7,552)	(1,484)	(11,874)
Disposals	501	1,379	145	2,025
Impairment	—	(852)	—	(852)
Effect of exchange rates	1,073	829	348	2,250
At January 3, 2015	$ (19,139)	$ (31,153)	$ (7,615)	$ (57,907)
Depreciation for the year	(3,100)	(6,993)	(1,422)	(11,515)
Disposals	1,245	9,656	837	11,738
Effect of exchange rates	1,654	1,169	603	3,426
At January 2, 2016	**$ (19,340)**	**$ (27,321)**	**$ (7,597)**	**$ (54,258)**
Carrying amounts				
At January 3, 2015	$ 63,982	$ 39,331	$ 10,918	$ 114,231
At January 2, 2016	**$ 62,004**	**$ 42,603**	**$ 11,272**	**$ 115,879**

1 The carrying value of equipment held under finance leases at January 2, 2016 was $5.1 million (2014: $5.6 million) and additions during the year include $0.4 million (2014: $0.8 million).

In early 2015, the Company ceased production at its leased manufacturing facility in Malden, Massachusetts, to reduce excess capacity across its manufacturing facilities in the U.S. For the fifty-three weeks ended January 3, 2015, the Company recorded a pre-tax impairment loss of $0.9 million representing the write-down of certain equipment. The impairment loss was recognized in the consolidated statement of income in the line item "Impairment of property, plant and equipment." The fair value for the Malden plant's equipment was determined through future cash flow analysis and the impairment loss was allocated to the U.S. reportable operating segment.

Note 7. Inventories

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

(Amounts in $000s)	**January 2, 2016**	January 3, 2015
Finished goods	**$ 167,570**	$ 163,184
Raw and semi-finished material	**94,201**	98,803
	$ 261,771	$ 261,987

During 2015, $799.8 million (2014: $831.2 million) was recognized as an expense for inventories in cost of sales on the consolidated statement of income. Of this, $4.9 million (2014: $3.6 million) was written-down during the year and included a reversal for unused impairment reserves of $0.8 million (2014: $1.2 million). As of January 2, 2016, the value of inventory subject to a reserve was $13.9 million (January 3, 2015: $20.7 million).

Note 8. Accounts receivable

(Amounts in $000s)		January 2, 2016		January 3, 2015
Trade accounts receivable	$	**75,063**	$	79,067
Other accounts receivable		**1,272**		2,705
	$	**76,335**	$	81,772

Accounts receivable bear normal commercial credit terms, usually 30 days or less, and are non-interest bearing. The entire accounts receivable balance is pledged as collateral for the Company's working capital facility.

See below for the movements in the position for impairment of receivables:

(Amounts in $000s)		
At December 28, 2013	$	269
New impairment reserves charged		349
Impairment reserves utilized		(136)
Unused impairment reserves reversed		(95)
At January 3, 2015	$	387
New impairment reserves charged		134
Impairment reserves utilized		(8)
Unused impairment reserves reversed		(191)
At January 2, 2016	**$**	**322**

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

	0–30 days	31–60 days	over 60 days
At January 3, 2015	89%	11%	—%
At January 2, 2016	**90%**	**9%**	**1%**

Note 9. Accounts payable and accrued liabilities

(Amounts in $000s)		January 2, 2016		January 3, 2015
Trade accounts payable and accrued liabilities[1]	$	**112,393**	$	72,643
Employee accruals, including incentives and vacation pay		**7,330**		10,952
Share-based payments *(Note 17)*		**613**		2,259
	$	**120,336**	$	85,854

1 Includes contingent consideration (*Note 4*) of $2.3 million at January 2, 2016 (January 3, 2015: $2.2 million).

Trade accounts payable and accrued liabilities bear normal commercial credit terms, usually 30 days or less, and are non-interest bearing.

Employee accruals, including incentives and vacation pay, are non-interest bearing and normally settle within 52 weeks. Share-based payments included in the above are settled within 52 weeks.

Note 10. Provisions

All provisions are considered current. The carrying amounts are analyzed as follows:

(Amounts in $000s)		
January 3, 2015	$	437
New provisions added		4,100
Provisions utilized		(1,491)
Reclassified to accounts payable and accrued liabilities		(2,027)
Unused amounts reversed		(756)
January 2, 2016	**$**	**263**

The amounts recognized in provisions include the Company's coupon redemption costs, termination benefits (*Note 13*) and employee incentives. Employee incentives are included as other provisions in the first, second and third quarters of the year only, until the amounts can be estimated with certainty at the end of the fourth quarter. Provision amounts are usually settled within eleven months from initiation and 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 January 2, 2016. The Company is not eligible for any reimbursement by third parties for these amounts.

Note 11. Bank loans

(Amounts in $000s)		**January 2, 2016**		January 3, 2015
Bank loans, denominated in CAD (average variable rate 2.70% (January 3, 2015: 2.62%)	**$**	**1,077**	$	3,131
Bank loans, denominated in USD (average variable rate 1.88% (January 3, 2015: 1.64%)		**16,551**		62,720
		17,628		65,851
Less: deferred finance costs		**(470)**		(721)
	$	**17,158**	$	65,130

In April 2014, the Company amended its five year $180.0 million working capital facility (the "Facility"), entered into with Royal Bank of Canada as Administrative and Collateral Agent, to extend the term from December 2016 to April 2019. The Facility is asset-based and collateralized by the Company's inventories and accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands and trade names and related intangibles under the long-term debt facility. A second charge over the Company's plant and equipment is also in place. As at January 2, 2016 and January 3, 2015, the Facility allowed the Company to borrow: Canadian Prime Rate revolving loans, Canadian Base Rate revolving loans and U.S. Prime Rate revolving loans at their respective rates plus 0.00% to 0.25%; BA Equivalent revolving loans and LIBOR revolving loans at their respective rates plus 1.25% to 1.75%; and letter of credit fees of 1.25% to 1.75%. Standby fees are 0.25% to 0.375% and are required to be paid on the un-utilized facility. As at January 2, 2016, the Company had $148.9 million of un-drawn borrowing facility (2014: $100.9 million).

Note 12. Long-term debt and finance lease obligations

Long-term debt (Amounts in $000s)		**January 2, 2016**		January 3, 2015
Term loan at 3.25% plus LIBOR (floor at 1.00%)	**$**	**294,750**	$	297,750
Less: current portion		**(11,816)**		(3,000)
		282,934		294,750
Less: deferred finance costs		**(1,917)**		(2,717)
	$	**281,017**	$	292,033

In April 2014, the Company refinanced its term loan, which was concluded to be an extinguishment of the original debt placement. $5.3 million in deferred finance costs and accelerated accretion of the bifurcated embedded interest rate derivative relating to the original placement was expensed in the first quarter of 2014. In addition, a $4.4 million mark-to-market gain was included in income related to the change in fair market value of the embedded derivative recognized in other long-term financial liabilities. The combined impact of these items was a $0.9 million increase in finance costs in the first quarter of 2014. The principal amendments to the term loan included: a reduction in applicable interest rates resulting in a reduced interest rate for loans under the facility from 3.5% plus a 1.25% LIBOR floor to 3.25% plus a 1.00% LIBOR floor; a total leverage ratio financial covenant was removed; increased capacity for capital expenditures, distributions and repurchases was added; and increased flexibility and capacity for permitted investments and acquisitions by the Company was obtained. The principal amount increased from $232.7 million to $300.0 million and the maturity and amortization terms changed from December 19, 2017 to April 24, 2021.

The LIBOR floor of 1.25% represented the original embedded interest rate derivative that required bifurcation, where the bifurcated amount was carried at fair value. The new term loan executed in April 2014 also has an embedded derivative related to the 1.00% LIBOR floor, however, bifurcation is not required as it was concluded to be closely related to the host instrument.

The principal payments required on finance leases are as follows:

Long-term finance lease obligations (Amounts in $000s)	**Future minimum lease payments**	**Imputed interest**	**Finance lease liabilities**
2016	$ 1,074	$ 59	$ 1,015
2017	490	19	471
2018	234	5	229
2019	16	1	15
			1,730
Less: current portion			(1,015)
			$ 715

Note 13. Future employee benefits

Pension and non-pension benefit plans

In Canada, the Company maintains a DCPP and two active DBPPs covering all Canadian employees. With respect to U.S. employees, the Company's subsidiary maintains a DCPP (401(k)) that covers substantially all U.S. employees.

In Canada, the Company also 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 25 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 including new NEOs.

In the U.S., the Company maintains a DCPP under the provisions of the Employment Retirement Income Security Act of 1974 (a 401(k) plan), which covers substantially all employees of the Company's U.S. subsidiary, including U.S. NEOs. 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 NEOs which 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 $2.2 million for the year ended January 2, 2016 (January 3, 2015: $2.5 million).

Defined benefit pension plans

The Company sponsors two actively funded and one non-funded DBPP in Canada. No Company pension plans provide indexation in retirement.

One of the actively funded DBPPs is for the Nova Scotia Union employees and provides a flat-dollar plan with negotiated increases. The other pension plan is for management employees and is described below:

Canadian management plan

The Company sponsors a DBPP specifically for Canadian management employees (the "Management Plan"). On January 2, 2016, nine persons were enrolled as active members in the Management Plan, including one NEO, 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 each Canadian NEO is 20 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 25 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 60 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.

The Company also guarantees through its SERP to extend the same pension plan benefits to Canadian NEOs 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. As at January 2, 2016, one of the Company's NEOs is a member of the SERP.

U.S. management plans

The Company also has three small DBPPs in the U.S. that cover two former employees and one current employee. These plans cease to accrue benefits to employees.

Information regarding the Company's DBPP, in aggregate, is as follows:

Funded status (Amounts in $000s)		**January 2, 2016**		January 3, 2015
Total present value of obligations[1]	**$**	**35,463**	$	40,825
Fair value of plan assets		**25,832**		31,958
Net accrued defined benefit obligation	**$**	**9,631**	$	8,867

1 The Company has a letter of credit outstanding as at January 2, 2016 relating to the securitization of the Company's unfunded benefit plans under the SERP in the amount of $10.2 million (January 3, 2015: $11.2 million).

Movement in the present value of the defined benefit obligations (Amounts in $000s)		**January 2, 2016**		January 3, 2015
DBO at the beginning of the year	**$**	**40,825**	$	39,344
Benefits paid by the plans		**(1,948)**		(1,860)
Effect of movements in exchange rates		**(6,184)**		(3,713)
Current service costs		**867**		822
Interest on obligations		**1,486**		1,777
Employee contributions		**82**		104
Plan amendments		**577**		—
Effect of changes in demographic assumptions		**—**		(814)
Effect of changes in financial assumptions		**(45)**		4,101
Effect of changes in experience adjustments		**(197)**		1,064
DBO at the end of the year	**$**	**35,463**	$	40,825

Movement in the present value of plan assets (Amounts in $000s)		January 2, 2016		January 3, 2015
Fair value of plan assets at the beginning of the year	$	**31,958**	$	31,415
Employee contributions paid into the plans		**82**		104
Employer contributions paid into the plans		**797**		2,258
Benefits paid by the plans		**(1,948)**		(1,860)
Effect of movements in exchange rates		**(4,765)**		(2,970)
	$	**26,124**	$	28,947
Actual return on plan assets:				
Expected return on plan assets	$	**1,142**	$	1,433
Actuarial gains in OCI		**(1,354)**		1,671
Fees and expenses		**(80)**		(93)
		(292)		3,011
Fair value of plan assets at the end of the year	$	**25,832**	$	31,958

Expense recognized in the consolidated statement of income (Amounts in $000s)		January 2, 2016		January 3, 2015
Current service costs	$	**867**	$	822
Interest on obligation		**1,486**		1,777
Expected return on plan assets		**(1,142)**		(1,433)
Plan amendments		**577**		—
Fees and expenses		**80**		93
	$	**1,868**	$	1,259

Expense recognized in the following line items in the consolidated statement of income (Amounts in $000s)		January 2, 2016		January 3, 2015
Cost of sales	$	**478**	$	239
Selling, general and administrative expenses		**1,390**		1,020
	$	**1,868**	$	1,259

Plan assets comprise: (Amounts in $000s)		January 2, 2016		January 3, 2015
Equity securities[1]	$	**10,100**	$	13,870
Debt securities		**14,957**		16,906
Cash and cash equivalents		**775**		1,182
Total	$	**25,832**	$	31,958

1 The plan assets include CAD$2.9 million of the Company's own common shares at market value at January 2, 2016 (January 3, 2015: CAD$4.2 million).

Actuarial losses (gains) recognized in OCI (Amounts in $000s)		January 2, 2016		January 3, 2015
Cumulative amount at the beginning of the year	$	**6,073**	$	3,879
Recognized during the period		**989**		2,680
Effect of exchange rates		**(873)**		(486)
Cumulative amount at the end of the year	$	**6,189**	$	6,073

Principal actuarial assumptions (Expressed as weighted averages)	**January 2, 2016** **%**	January 3, 2015 %
Discount rate for the benefit cost for the year ended	**3.95**	4.64
Discount rate for the accrued benefit obligation as at year-end	**3.95**	3.95
Expected long-term rate on plan assets as at year-end	**3.95**	4.64
Future compensation increases for the benefit cost for the year ended	**4.00**	4.00
Future compensation increases for the accrued benefit obligation as at year-end	**4.00**	4.00

A quantitative sensitivity analysis for significant assumptions as at January 2, 2016 is shown below:

Assumptions (Amounts in $000s)	**Discount Rate**		**Mortality Rate**	
Sensitivity level	**0.5% increase**	**0.5% decrease**	**One year increase**	**One year decrease**
(Decrease) increase on DBO	**$ (2,366)**	**$ 2,636**	**$ 972**	**$ (988)**

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.

Historical information (Amounts in $000s)	**January 2, 2016**	January 3, 2015
Experience losses arising on plan liabilities	**$ 335**	$ 4,351
Experience losses (gains) arising on plan assets	**$ 1,354**	$ (1,671)

The Company expects CAD$1.1 million in contributions to be paid to its DBPP and CAD$3.1 million to its DCPP in Fiscal 2016.

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 January 2, 2016 was an expense of $0.3 million (January 3, 2015: $1.2 million expense) in business acquisition, integration and other expenses in the consolidated statement 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 which is not based on a future service requirement and are included on the following line items in the consolidated statement of income:

(Amounts in $000s)	**January 2, 2016**	January 3, 2015
Cost of sales	**$ 449**	$ 396
Distribution expenses	**54**	—
Business acquisition, integration and other expenses	**1,137**	130
Selling, general and administrative expenses	**969**	432
	$ 2,609	$ 958

Note 14. Commitments

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

(Amounts in $000s)		Operating lease payments
2016	$	5,344
2017		4,795
2018		4,577
2019		4,484
2020		4,288
Thereafter		6,841

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 January 2, 2016 were $5.5 million (January 3, 2015: $5.3 million).

The Company's lease arrangements do not contain restrictions concerning dividends, additional debt, and further leasing imposed by the lessor, and on aggregate contain the option to renew the contract for at least one additional term.

The Company has letters of credit outstanding as at January 2, 2016, relating to the procurement of inventories and the security of certain contractual obligations of $1.0 million (January 3, 2015: $1.9 million). The Company also had a letter of credit outstanding as at January 2, 2016 relating to the securitization of the Company's SERP benefit plan (*Note 13*) in the amount of $10.2 million (January 3, 2015: $11.2 million).

Note 15. Share capital

The share capital of the Company is as follows:

	January 2, 2016	January 3, 2015
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

For the fifty-two weeks ended January 2, 2016, the Company purchased 13,300 common shares under its January 29, 2014 Normal Course Issuer Bid ("NCIB") at an average price of CAD$21.75 per share for total cash consideration of CAD$0.3 million. The excess of the purchase price over the book value of the shares in the amount of $0.2 million was charged to retained earnings.

On January 28, 2015, the Company announced that the Toronto Stock Exchange approved the Company's renewal of its NCIB to repurchase for cancellation up to 150,000 common shares. For the fifty-two weeks ended January 2, 2016, the Company purchased 30,000 common shares under this plan at an average price of CAD$17.62 per share for total cash consideration of CAD$0.5 million. The excess of the purchase price over the book value of the shares in the amount of $0.4 million was charged to retained earnings.

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

	Fifty-two weeks ended January 2, 2016			Fifty-three weeks ended January 3, 2015		
	Shares		**($000s)**	Shares		($000s)
Common shares						
Balance, beginning of period	**30,706,290**	**$**	**82,658**	30,571,420	$	80,260
Options exercised for shares	**101,678**		**664**	62,017		291
Options exercised via cashless for shares	**109,496**		**—**	91,753		—
Equity-settled reclass from contributed surplus or liability	**—**		**2,049**	—		2,147
Cancelled shares reclassified to retained earnings	**(43,300)**		**(89)**	(18,900)		(40)
Balance, end of period	**30,874,164**	**$**	**85,282**	30,706,290	$	82,658

During the fifty-two weeks ended January 2, 2016, the Company distributed dividends per share of CAD$0.465 (fifty-three weeks ended January 3, 2015: CAD$0.410).

On February 17, 2016, the Company's Board of Directors declared a quarterly dividend of CAD$0.12 per share payable on March 15, 2016 to shareholders of record as of March 1, 2016.

Note 16. Earnings per share

Following is a reconciliation of the numerators and denominators used in the basic and diluted earnings per share computations:

	January 2, 2016			January 3, 2015		
	Net income ($000s)	**Weighted average shares (000s)**	**Per share ($)**	Net income ($000s)	Weighted average shares (000s)	Per share ($)
Basic earnings	**$ 29,581**	**30,819**	**$ 0.96**	$ 30,300	30,665	$ 0.99
Dilutive options and PSUs	**—**	**446**	**—**	—	652	—
Diluted earnings	**$ 29,581**	**31,265**	**$ 0.95**	$ 30,300	31,317	$ 0.97

All options and PSUs outstanding were dilutive for the fifty-two weeks ended January 2, 2016 and the fifty-three weeks ended January 3, 2015.

Note 17. Share-based compensation

The Company has a Share Option Plan for designated directors, officers and certain managers of the Company and of subsidiary companies, a Performance Share Unit ("PSU") Plan for eligible employees and a Deferred Share Unit ("DSU") Plan for directors of the Company.

During 2014, the Company moved from a trinomial option pricing model to a Black-Scholes option pricing model. As no options were granted in 2014 after the Company moved to the Black-Scholes option pricing model, the impact to the Company began in 2015 when options were granted. The effect of the change in the methodology was not material.

The carrying amount of the share-based compensation arrangements including options, PSUs and DSUs, recognized as total liabilities on the consolidated balance sheets was $1.0 million as at January 2, 2016 (January 3, 2015: $2.9 million).

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

(Amounts in $000s)		January 2, 2016		January 3, 2015
Cost of sales resulting from:				
Cash-settled awards	$	(171)	$	(148)
Equity-settled awards		133		188
Selling, general and administrative expenses resulting from:				
Cash-settled awards		(703)		1,288
Equity-settled awards		1,860		2,001
Share-based compensation expense[1]	$	1,119	$	3,329

1 Cash-settled awards include options with SARs, PSUs and DSUs. Equity-settled awards include non-SAR options and PSUs.

Share option plan

Under the Option Plan, when the holder is awarded options with SARs, the Company accounts for those options as cash-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 is not awarded options with SARs, or if the holder elects to receive the cashless exercise option, the Company accounts for these options as equity-settled transactions.

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, then reinvested as options that do not have SARs. On the amendment date, the liability of $7.6 million for these individuals on the 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.

Under the terms of the 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 were 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 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 10 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 following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, options during the period:

	January 2, 2016			January 3, 2015		
	No.		WAEP (CAD$)	No.		WAEP (CAD$)
Outstanding, beginning of period	1,252,172	$	14.90	1,123,984	$	10.47
Granted	445,642		23.21	380,726		22.97
Exercised for shares[1]	(296,298)		9.74	(196,847)		6.80
Exercised for cash	(42,170)		6.42	(52,691)		8.13
Cancelled or forfeited	(36,054)		20.71	(3,000)		23.01
Outstanding, end of period	1,323,292	$	18.98	1,252,172	$	14.90
Exercisable, end of period	868,892	$	17.03	608,128	$	10.55

1 The fifty-two weeks ended January 2, 2016 includes 194,620 options exercised for 109,496 shares via the cashless exercise method and 101,678 options exercised for 101,678 shares, totalling 211,174 shares received for exercise of options. The fifty-two weeks ended January 3, 2015, includes 134,822 options exercised for 91,753 shares via the cashless method and 62,025 options exercised for 62,025 shares, totalling 153,778 shares received for exercise of options.

The weighted average fair value of options granted during the year ended January 2, 2016, was CAD$5.23 (January 3, 2015: CAD$5.36).

The range of exercise prices for options outstanding at January 2, 2016 was CAD$5.17 – CAD$24.80 (January 3, 2015: CAD$3.45 – CAD$23.01).

The fair value of options granted during the years ended January 2, 2016 and January 3, 2015, was estimated on the date of grant using the Black-Scholes pricing model with the following weighted-average inputs and assumptions:

	January 2, 2016	January 3, 2015
Dividend yield (%)	**1.84**	1.68
Expected volatility (%)	**30.69**	30.05
Risk-free interest rate (%)	**0.98**	1.62
Expected life (years)	**4.78**	4.82
Weighted average share price (CAD$)	**23.21**	22.97

PSU Plan

The Company is permitted to issue up to 400,000 shares from treasury in settling bonus entitlements under the PSU Plan.

PSUs 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 PSU Plan is intended to reward the members of the Company's Leadership Team for performance, which is expected to drive long-term shareholder value.

The amount payable to each participant under the PSU Plan in respect of a particular grant of PSUs shall be determined by multiplying the number of PSUs (which will be adjusted in connection with the payment of dividends by the Company as if such PSUs were common shares held under a dividend reinvestment plan) by a performance multiplier to be determined by the Company's Board of Directors and by the fair market value of a common share at the vesting date.

The PSU Plan shall be paid by one or both of the following forms: (i) cash; or (ii) common shares. Issuances of 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 12-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 following table illustrates the number ("No.") of, and movements in, PSUs during the period:

	January 2, 2016	January 3, 2015
	No.	No.
Outstanding, beginning of period	**102,991**	156,404
Granted	**77,823**	57,004
Re-invested dividends	**4,396**	3,760
Released and paid in cash	**(7,997)**	(68,365)
Expired	**(38,029)**	(45,812)
Outstanding, end of period	**139,184**	102,991

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for the PSUs granted during the fifty-two weeks ended January 2, 2016 and the fifty-three weeks ended January 3, 2015 was 19% and 60%, respectively, and the share price at the reporting date was CAD$15.55 (2014: CAD$22.70). The PSUs will vest at the end of a three-year period if agreed upon performance measures are met.

DSU Plan

The DSU Plan allows a director to receive all or any portion of their annual retainer, additional fees and equity value ("Elected Amount") 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. At January 2, 2016 there were 23,580 DSUs outstanding (January 3, 2015: 14,557 DSUs).

Note 18. 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 finance costs and income taxes from continuing operations. The Company also reports a "Corporate" category which does not qualify as a component of another reportable segment nor as a separate reportable segment. Corporate includes expenses for corporate functions, share-based compensation costs and one-time 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.

Operations and identifiable assets and liabilities by reporting segment are as follows:

				Fifty-two weeks ended January 2, 2016				Fifty-three weeks ended January 3, 2015
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Revenue (excluding intercompany sales)	**$ 259,600**	**$ 741,907**	**$ —**	**$ 1,001,507**	$ 304,829	$ 746,784	$ —	$ 1,051,613
Cost of sales (excluding intercompany sales)	**205,423**	**598,921**	**(4,501)**	**799,843**	237,800	593,206	202	831,208
Gross profit	**$ 54,177**	**$ 142,986**	**$ 4,501**	**$ 201,664**	$ 67,029	$ 153,578	$ (202)	$ 220,405
Income (loss) before income taxes	**$ 20,232**	**$ 42,057**	**$ (25,979)**	**$ 36,310**	$ 27,209	$ 43,514	$ (33,192)	$ 37,531
Add back:								
Depreciation and amortization included in:								
Cost of sales	**1,253**	**6,987**	**3**	**8,243**	1,571	7,169	—	8,740
Distribution	**138**	**1,248**	**—**	**1,386**	157	1,241	—	1,398
Selling, general and administrative expenses	**547**	**5,257**	**1,307**	**7,111**	576	4,999	1,084	6,659
Total depreciation and amortization	**1,938**	**13,492**	**1,310**	**16,740**	2,304	13,409	1,084	16,797
Finance costs	**—**	**—**	**16,247**	**16,247**	—	—	17,569	17,569
Income (loss) before depreciation, amortization, finance costs and income taxes	**$ 22,170**	**$ 55,549**	**$ (8,422)**	**$ 69,297**	$ 29,513	$ 56,923	$ (14,539)	$ 71,897

				As at January 2, 2016				As at January 3, 2015
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Total assets	**$ 121,855**	**$ 555,583**	**$ 15,629**	**$ 693,067**	$ 123,998	$ 557,162	$ 24,414	$ 705,574
Total liabilities	**$ 88,452**	**$ 29,917**	**$ 374,179**	**$ 492,548**	$ 25,108	$ 58,303	$ 425,189	$ 508,600

For the fifty-two weeks ended January 2, 2016, the Company recognized $171.1 million (January 3, 2015: $176.9 million) of sales from one customer that represents more than 10% of the Company's total consolidated sales, arising from sales in both the Canadian and U.S. reportable operating segments.

Note 19. Income tax expense

The Company's statutory tax rate for the year ended January 2, 2016 is 29.1% (January 3, 2015: 28.9%). The Company's effective income tax rate for the year ended January 2, 2016 is 18.5% (January 3, 2015: 19.3%). The lower effective income tax rate in Fiscal 2015 is due to higher financing deductions and lower income before income taxes in the Company's U.S. subsidiary.

The major components of income tax expense are as follows:

Consolidated statement of income (Amounts in $000s)		**January 2, 2016**		January 3, 2015
Current income tax expense	**$**	**5,707**	$	3,906
Deferred income tax expense:				
Origination and reversal of temporary differences		**1,022**		2,617
Change in tax rate applicable to reversal of temporary differences		**—**		767
Recognition of previously unrecognized tax asset		**—**		(59)
		1,022		3,325
Income tax expense reported in the consolidated statement of income	**$**	**6,729**	$	7,231

Consolidated statement of comprehensive income (Amounts in $000s)		**January 2, 2016**		January 3, 2015
Income tax expense (recovery) related to items charged or credited directly to OCI during the period:				
Loss on hedge of net investment in foreign operations	**$**	**(5,338)**	$	(2,497)
Gain on translation of net investment in foreign operations		**4,632**		2,330
Effective portion of changes in fair value of cash flow hedges		**2,833**		1,560
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item		**(2,206)**		(540)
Net change in fair value of cash flow hedges transferred to income		**(125)**		(14)
Defined benefit plan actuarial loss		**(53)**		(642)
Income tax (recovery) expense directly to OCI and retained earnings	**$**	**(257)**	$	197

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

(Amounts in $000s)		**January 2, 2016**		January 3, 2015
Accounting profit before tax at statutory income tax rate of 29.1% (2014: 28.9%)	**$**	**10,566**	$	10,847
Non-deductible expenses for tax purposes:				
Non-deductible share-based compensation		**874**		535
Other non-deductible items		**382**		315
Effect of higher income tax rates of U.S. subsidiary		**2,175**		2,691
Acquisition financing deduction		**(7,677)**		(7,404)
Other		**409**		247
Income tax expense	**$**	**6,729**	$	7,231

Deferred income tax	Consolidated statement of financial position as at		Consolidated statement of income for the years ended	
(Amounts in $000s)	**January 2, 2016**	January 3, 2015	**January 2, 2016**	January 3, 2015
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (16,964)**	$ (15,631)	**$ (1,266)**	$ 802
Inventory	**1,921**	(1,367)	**3,288**	459
Intangible assets	**(33,904)**	(35,298)	**1,496**	(157)
Pension	**2,887**	2,697	**(227)**	529
Revaluation of cash flow hedges	**(1,449)**	(1,022)	**2,437**	(808)
Losses available for offset against future taxable income	**1,457**	3,815	**(2,358)**	(1,448)
Deferred charges and other	**1,581**	3,456	**(2,348)**	3,948
Deferred income tax expense			**$ 1,022**	$ 3,325
Net deferred income tax liability	**$ (44,471)**	$ (43,350)		

Reflected in the consolidated statement of financial position as follows:

Deferred income tax assets	**$ 2,495**	$ 3,372
Deferred income tax liabilities	**(46,966)**	(46,722)
Net deferred income tax liability	**$ (44,471)**	$ (43,350)

Reconciliation of net deferred income tax liabilities (Amounts in $000s)	**January 2, 2016**	January 3, 2015
Opening balance, beginning of year	**$ (43,350)**	$ (39,342)
Deferred income tax (expense) recovery during the period recognized in income	**(1,022)**	(3,325)
Deferred income tax arising from an acquisition *(Note 4)*	**—**	(246)
Deferred income tax recovery (expense) during the period recognized in retained earnings	**53**	642
Deferred income tax expense during the period recognized in OCI	**(152)**	(1,079)
Closing balance, end of year	**$ (44,471)**	$ (43,350)

The Company has net operating losses in its U.S. subsidiaries of $0.6 million (January 3, 2015: $8.4 million) that are available for use from 2016–2028. A deferred income tax asset has been recognized for the amount that is probable to be realized.

The Company has unused capital losses of $20.0 million (January 3, 2015: $19.5 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, totals $nil at January 2, 2016 and January 3, 2015.

There are no income tax consequences attached to the payment of dividends in either 2015 or 2014 by the Company to its shareholders.

Note 20. Related party transactions

The ultimate parent

High Liner Foods Incorporated is the ultimate parent entity.

Key management personnel compensation

In addition to their salaries, the Company also provides benefits to the CEO, NEOs and certain senior executive officers in the form of contributions to post-employment benefit plans on their behalf, non-cash plans and various other short- and long-term incentive and benefit plans as described below.

The amounts in the table below are the amounts recognized as an expense during the reporting period related to key management personnel compensation and comprise of:

(Amounts in $000s)		**January 2, 2016**		January 3, 2015
Salaries and short-term incentive plans[1]	**$**	**3,672**	$	4,007
Post-employment benefits		**257**		114
Future employee benefits[2]		**361**		315
Share-based awards[3]		**2,589**		2,270
	$	**6,879**	$	6,706

1 Short-term incentive amounts were for those earned in 2015 and 2014.
2 Refer to *Note 13* for details of each plan.
3 Refer to *Note 17* for details regarding the Company's option and PSU plans.

Entity with significant influence over the company

As at January 2, 2016, Thornridge Holdings Limited owns 37.3% of the outstanding common shares in High Liner Foods (January 3, 2015: 37.6%).

Other related parties

Pier 17 Realty Trust Inc. ("Pier 17 Realty") was the lessor in the lease contract for the Company's processing plant in Malden, Massachusetts, which ceased production in the second quarter of 2015 as described in *Note 6*. As of December 13, 2015, the relationship between Pier 17 Realty and the Company ended and therefore Pier 17 Realty is no longer considered a related party. Total purchases from other related parties were $0.4 million for the years ended January 2, 2016 and January 3, 2015.

The Company had no sales to or amounts due from related parties throughout 2014 or 2015, nor did the Company have any transactions during 2014 or 2015 with entities who had significant influence over the Company or with members of the Board of Directors and their related interests.

Note 21. 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.

The Company's loans and receivables, accounts payable and accrued liabilities, provisions and bank loans are carried at cost and their carrying values approximate fair value due to the short-term to maturity of these financial instruments. 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 its interest rate swaps on its debt.

The Company uses a fair value hierarchy, based on the relative objectivity of the inputs used to measure fair value, 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 classification of the methodology used by the Company to fair value its financial instruments:

	January 2, 2016		January 3, 2015	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Assets measured at fair value				
Foreign exchange contracts	$ **6,552**	$ **—**	$ 4,139	$ —
Liabilities measured at fair value				
Interest rate swaps	**755**	**—**	951	—
Foreign exchange contracts	**151**	**—**	580	—
Long-term debt	**—**	**287,783**	—	293,958
Finance lease obligations	**—**	**1,737**	—	2,221

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 January 2, 2016 no such transfers have occurred.

The financial liabilities that are not measured at fair value on the consolidated statement of financial position consist of long-term debt (including current portion) and finance lease obligations. The carrying amount for these instruments are $292.8 million and $1.7 million, respectively, as at January 2, 2016 (January 3, 2015: $295.0 million and $2.2 million, respectively).

Amortized cost impact on interest expense

In the fifty-two weeks ended January 2, 2016, the Company expensed $0.2 million and $0.4 million (January 3, 2015: $0.2 million and $0.4 million) of short-term and long-term interest, respectively, relating to interest that was calculated using the EIR method relating to its transaction fees and its borrowings.

The fair values of other financial assets and liabilities at January 2, 2016 and January 3, 2015 are shown below.

	Other financial assets		Other financial liabilities	
(Amounts in $000s)	**January 2, 2016**	January 3, 2015	**January 2, 2016**	January 3, 2015
Financial instruments at fair value through OCI				
Foreign exchange forward contracts	$ **5,133**	$ 4,121	$ **151**	$ 580
Interest rate swap	**—**	—	**504**	185
Financial instruments at fair value through profit or loss:				
Foreign exchange contracts not designated in hedge relationships	**1,419**	18	**—**	—
Interest rate swaps not designated in hedge relationships	**—**	—	**251**	766
	$ **6,552**	$ 4,139	$ **906**	$ 1,531

Hedging activities

Interest Rate Swaps

As at January 2, 2016, the Company had the following interest rate swaps outstanding that were designated in a formal hedging relationship to hedge interest rate risk resulting from the term loan facility:

- An interest rate swap to receive a floating three-month LIBOR for a fixed rate of 2.17%, with an embedded floor of 1.0%, on a notional amount of $20.0 million, for the period of December 31, 2014 until December 31, 2019.
- An interest rate swap to receive a floating three-month LIBOR for a fixed rate of 1.915%, with an embedded floor of 1.0%, on a notional amount of $25.0 million, for the period of March 4, 2015 until March 4, 2020.

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.

In looking at the effect on net income, the majority of sales in CAD, being those of the Parent, have USD-denominated input costs. 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 selling, general and administrative costs are incurred in CAD. A strengthening Canadian dollar has an overall effect of increasing net income in USD terms and conversely, a weakening Canadian dollar has the overall effect of decreasing net income in USD terms.

The Parent hedges forecasted cash flows for purchases of USD-denominated products for its Canadian operations where the purchase price is substantially known in advance (purchases identified for hedging). At January 2, 2016, the Parent hedged 55% (January 3, 2015: 81%) of these purchases identified for hedging, extending to March 2017. The Company's "Price Risk Management Policy" (the "Policy") dictates that cash flows out 15 months are hedged between a minimum and maximum percent that declines by quarter the further in the future the cash flows are. The Company does not hedge cash flows on certain USD-denominated seafood purchases in which the ultimate selling prices 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 3 to 12 month, fixed-price contracts in CAD with suppliers.

For the fifty-two weeks ended January 2, 2016, approximately 49% of the Parent's costs were denominated in USD, while almost 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, fixed assets 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 January 2, 2016 a one cent increase/decrease in the USD/CAD exchange rate will decrease/increase equity by approximately $0.1 million (January 3, 2015: $0.1 million).

Credit risk

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 65% of the trade receivables at January 2, 2016 (January 3, 2015: 64%) with the largest customer accounting for 17% (January 3, 2015: 15%).

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 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

The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next 12 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 12-month period. At January 2, 2016, 4% of the Company's debt (January 3, 2015: less than 2%) will mature in less than one year based on the carrying value of borrowings reflected in the consolidated financial statements. At January 2, 2016, 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 $000s)	Due within 1 year	Due in 1–5 years	Due after 5 years	Total
As at January 2, 2016				
Bank loans	**$ —**	**$ 17,628**	**$ —**	**$ 17,628**
Accounts payable	**120,336**	**—**	**—**	**120,336**
Other long-term liabilities	**—**	**483**	**—**	**483**
Long-term debt	**11,816**	**3,152**	**279,782**	**294,750**
Finance lease obligations	**1,015**	**715**	**—**	**1,730**
	$ 133,167	**$ 21,978**	**$ 279,782**	**$ 434,927**
As at January 3, 2015				
Bank loans	$ —	$ 65,851	$ —	$ 65,851
Accounts payable	85,854	—	—	85,854
Other long-term liabilities	—	2,800	—	2,800
Long-term debt	3,000	11,250	283,500	297,750
Finance lease obligations	994	1,212	—	2,206
	$ 89,848	$ 81,113	$ 283,500	$ 454,461

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 $600.0 million of this product annually. A 1% change in the price of frozen raw seafood materials would increase/decrease the Company's procurement costs by $6.0 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. All foreign currency hedging activities are carried out in accordance with its formal Price Risk Management Policy, under the oversight of the Audit Committee.

The Company has multiple strategies to manage seafood costs. The Company focuses on the development of close relationships with key suppliers. The Company currently purchases significant quantities of frozen raw material and finished goods originating from all over the world. The Company's supplier base is diverse to ensure no over-reliance on any one source or species. The Company maintains a strict policy of Supplier Approval and Audit Standards.

Over time, the Company strives to adjust selling prices to its customers as the world price of seafood changes or currency fluctuations occur.

Commodity risk

The Company is exposed to price changes in 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 2015 and 2014, the Company has managed this risk through contracts with our suppliers. The Company enters into fixed price contracts with suppliers on an annual basis, and therefore a significant portion of the Company's 2016 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, decreased significantly in the last half of 2015. World commodity prices for flour, soy and canola oils, important ingredients in many of the Company's products, decreased in 2015 after the decreases seen in 2014. The price of corrugated and folding carton, which is used in packaging, was constant through 2015 and 2014.

Note 24. Supplemental information

Components of income and expenses included in the consolidated statement of income:

(Amounts in $000s)		**January 2, 2016**		January 3, 2015
Included in finance costs:				
Interest expense on bank loans	**$**	**1,622**	$	2,325
Interest expense on long-term debt		**13,993**		13,203
Interest rate hedge		**(641)**		(103)
Deferred financing charges		**562**		577
Revaluation of embedded derivative		**—**		259
Accelerated amortization of financing costs and other items resulting from debt refinancing and amendment activities		**—**		851
Interest on letter of credit for SERP		**145**		285
Fair market value accretion on acquisition		**354**		—
Foreign exchange loss		**212**		172
Total finance costs	**$**	**16,247**	$	17,569
Foreign exchange (gain) loss included in:				
Cost of sales	**$**	**(3,326)**	$	(27)
Finance costs		**212**		172
Total foreign exchange (gain) loss	**$**	**(3,114)**	$	145
Losses (gains) on disposal of assets included in:				
Cost of sales	**$**	**433**	$	586
Distribution expenses		**34**		61
Selling, general and administrative expenses		**(138)**		34
Total losses on disposal of assets	**$**	**329**	$	681
Employee compensation and benefit expense:				
Wages and salaries (including payroll benefits)	**$**	**98,915**	$	116,161
Future employee benefit costs		**4,199**		3,596
Share-based payment expense		**1,119**		3,329
Termination benefits		**2,609**		958
Short-term employee benefits		**(326)**		(1,188)
Total employee compensation and benefit expense	**$**	**106,516**	$	122,856

Note 25. Comparative figures

Comparative figures on the consolidated statement of financial position have been reclassified to reflect adjustments made to the Atlantic Trading business combination purchase price allocation (*Note 4*). Certain other comparative figures have also been reclassified to conform to the current period's presentation.

Note 26. Events after the reporting period

On February 17, 2016, the Company announced it will cease value-added fish operations at its facility in New Bedford, Massachusetts to reduce excess capacity across its manufacturing network. This change does not impact the scallop-processing operations also located at the New Bedford facility. Operations of the value-added fish operations will cease by the end of the third quarter of 2016 with production transitioning to the Company's other manufacturing facilities. The Company is not able to estimate the full impact this transaction will have on its financial statements given the uncertainty surrounding the long-term plans for the scallop-processing operations. However, as at January 2, 2016, the net book value of equipment associated with the value-added fish operations was approximately $6.1 million and the Company expects to incur approximately $5.0 million in pre-tax one-time costs relating to the transfer of assets, cessation of employment at the plant, write-down of inventory and other costs.