

Management's Responsibility

To the Shareholders of High Liner Foods Incorporated

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

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

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

Dated February 23, 2022

(Signed)

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

Independent Auditor's Report

To the shareholders of High Liner Foods Incorporated

OPINION

We have audited the consolidated financial statements of **High Liner Foods Incorporated** [the "Company"], which comprise the consolidated statements of financial position as at January 1, 2022 and January 2, 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of accumulated other comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the fifty-two weeks and fifty-three weeks then ended, respectively, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 1, 2022 and January 2, 2021, and its consolidated financial performance and its consolidated cash flows for the fifty-two weeks and fifty-three weeks then ended, respectively, in accordance with International Financial Reporting Standards ["IFRSs"].

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter***Impairment of goodwill and indefinite useful life intangible assets***

As at January 1, 2022, the Company has \$172 million of goodwill and indefinite useful life intangible assets. Goodwill and indefinite useful life intangible assets are subject to an annual assessment for impairment at the cash generating unit ["CGU"] level. The recoverable amount of the CGU has been determined based on the fair value less costs of disposal ["FVLCD"], determined using an income approach, by applying a discounted cash flow methodology. The Company discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in Note 10 to the consolidated financial statements.

Auditing management's annual goodwill and indefinite useful life intangible assets impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the CGU. The recoverable amount estimate is sensitive to significant assumptions, including the cash flow projections, the after-tax discount rate, the growth rate and costs to sell, which are affected by expectations about future market and economic conditions.

OTHER INFORMATION

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

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

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

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

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

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

How our audit addressed the key audit matter

To test the estimated recoverable amount of the CGU, our audit procedures included, among others, assessing methodologies and the significant assumptions discussed above and underlying data used by the Company in its analysis. With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodology, and certain significant assumptions, including the after-tax discount rate, and the terminal growth rate.

In addition, we assessed the historical accuracy of management's estimates on cash flow projections by comparing management's past projections to actual and historical performance. We also compared the costs to sell, sales growth rate and operating margins to current industry, market and economic trends in addition to comparing forecasts to approved business plans. We performed sensitivity analyses on significant assumptions, including the after-tax discount rate and the growth rate, to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions. We also assessed the adequacy of the Company's disclosures included in Note 10 to the accompanying consolidated financial statements in relation to this matter.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants

Halifax, Canada

February 23, 2022

Consolidated Statements of Financial Position

(in thousands of United States dollars)	Notes	January 1, 2022	January 2, 2021
ASSETS			
Current assets			
Cash		\$ 443	\$ 32,935
Accounts receivable	6	87,122	60,927
Income taxes receivable		5,870	2,609
Other financial assets	25	540	211
Inventories	7	308,183	250,861
Prepaid expenses		3,419	4,176
Total current assets		405,577	351,719
Non-current assets			
Property, plant and equipment	8	115,852	107,221
Right-of-use assets	9	11,041	15,018
Deferred finance costs	11	—	287
Deferred income taxes	18	24	2,401
Other receivables and assets	25	1,008	47
Intangible assets	10	135,195	142,168
Goodwill	10	157,772	157,697
Total non-current assets		420,892	424,839
Total assets	11, 14	\$ 826,469	\$ 776,558
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans	11	\$ 4,388	\$ —
Accounts payable and accrued liabilities	12	164,135	114,326
Contract liability	19	1,585	4,351
Provisions	13	172	3,327
Other current financial liabilities	25	1,269	2,735
Other current liabilities	17	5,499	2,731
Income taxes payable		35	41
Current portion of long-term debt	14	5,625	20,185
Current portion of lease liabilities	9	4,327	4,866
Total current liabilities		187,035	152,562
Non-current liabilities			
Long-term debt	14	244,994	268,048
Other long-term financial liabilities	25	23	329
Other long-term liabilities	17	7,874	6,510
Long-term lease liabilities	9	6,851	10,722
Deferred income taxes	18	34,179	31,071
Future employee benefits	15	12,989	16,314
Total non-current liabilities		306,910	332,994
Total liabilities		493,945	485,556
Shareholders' equity			
Common shares	16	113,458	112,739
Contributed surplus		17,477	16,551
Retained earnings		219,965	183,649
Accumulated other comprehensive loss		(18,376)	(21,937)
Total shareholders' equity		332,524	291,002
Total liabilities and shareholders' equity		\$ 826,469	\$ 776,558

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Income

(in thousands of United States dollars, except per share amounts)	Notes	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Sales	24	\$ 875,405	\$ 827,453
Cost of sales		676,861	649,529
Gross profit		198,544	177,924
Distribution expenses		50,807	45,076
Selling, general and administrative expenses		88,269	73,926
Impairment of property, plant and equipment	8	42	—
Business acquisition, integration and other expense		2,850	2,767
Results from operating activities		56,576	56,155
Finance costs	28	7,494	19,483
Income before income taxes		49,082	36,672
Income taxes			
Current	18	2,953	6,535
Deferred	18	3,880	1,335
Income tax expense	18	6,833	7,870
Net income		\$ 42,249	\$ 28,802
Earnings per common share			
Basic	20	\$ 1.25	\$ 0.85
Diluted	20	\$ 1.20	\$ 0.83
Weighted average number of shares outstanding			
Basic	20	33,865,092	33,853,881
Diluted	20	35,121,174	34,519,305

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(in thousands of United States dollars)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Net income	\$ 42,249	\$ 28,802
Other comprehensive income (loss), net of income tax		
Other comprehensive income (loss) to be reclassified to net income:		
Gain on hedge of net investment in foreign operations	2,576	6,867
Loss on translation of net investment in foreign operations	(3,071)	(10,245)
Translation impact on Canadian dollar denominated non-AOCI items	1,797	6,373
Translation impact on Canadian dollar denominated AOCI items	(178)	(521)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	1,124	2,474
Effective portion of changes in fair value of cash flow hedges	286	(1,246)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	1,563	(506)
Net change in fair value of cash flow hedges transferred to income	502	631
Translation impact on Canadian dollar denominated AOCI items	86	228
Total exchange gains (losses) on cash flow hedges	2,437	(893)
Net other comprehensive gain to be reclassified to net income	3,561	1,581
Other comprehensive income (loss) to not be reclassified to net income		
Defined benefit plan actuarial gains (losses)	3,253	(2,267)
Other comprehensive income (loss), net of income tax	6,814	(686)
Total comprehensive income	\$ 49,063	\$ 28,116

Consolidated Statements of Accumulated Other Comprehensive Loss

(in thousands of United States dollars)	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total accumulated other comprehensive (loss) income
Balance at January 2, 2021	\$ (20,648)	\$ (1,289)	\$ (21,937)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	1,124	—	1,124
Total exchange gains on cash flow hedges	—	2,437	2,437
Balance at January 1, 2022	\$ (19,524)	\$ 1,148	\$ (18,376)
Balance at December 28, 2019	\$ (23,122)	\$ (396)	\$ (23,518)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	2,474	—	2,474
Total exchange losses on cash flow hedges	—	(893)	(893)
Balance at January 2, 2021	\$ (20,648)	\$ (1,289)	\$ (21,937)

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of United States dollars)	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 2, 2021	\$ 112,739	\$ 16,551	\$ 183,649	\$ (21,937)	\$ 291,002
Other comprehensive income	—	—	3,253	3,561	6,814
Net income	—	—	42,249	—	42,249
Common share dividends	—	—	(8,219)	—	(8,219)
Share-based compensation (Note 16, 17)	1,059	926	—	—	1,985
Common shares repurchased for cancellation (Note 16)	(340)	—	(967)	—	(1,307)
Balance at January 1, 2022	\$ 113,458	\$ 17,477	\$ 219,965	\$ (18,376)	\$ 332,524
Balance at December 28, 2019	\$ 112,887	\$ 16,028	\$ 162,773	\$ (23,518)	\$ 268,170
Other comprehensive income	—	—	(2,267)	1,581	(686)
Net income	—	—	28,802	—	28,802
Common share dividends	—	—	(5,518)	—	(5,518)
Share-based compensation	—	523	—	—	523
Common shares repurchased for cancellation (Note 16)	(148)	—	(141)	—	(289)
Balance at January 2, 2021	\$ 112,739	\$ 16,551	\$ 183,649	\$ (21,937)	\$ 291,002

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

(in thousands of United States dollars)	Notes	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Cash flows provided by (used in):			
Operating activities			
Net income		\$ 42,249	\$ 28,802
Adjustments to net income not involving cash from operations:			
Depreciation and amortization	28	23,081	23,228
Share-based compensation expense	17	7,751	5,861
Loss on asset disposals and impairment	8	328	135
Future employee benefits contribution, net of expense		1,198	363
Finance costs	28	7,494	19,483
Income tax expense	18	6,833	7,870
Unrealized foreign exchange loss		406	1,234
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		89,340	86,976
Changes in non-cash working capital balances:			
Accounts receivable		(26,599)	24,325
Inventories		(57,170)	45,871
Prepaid expenses		750	256
Accounts payable and accrued liabilities		45,494	(30,970)
Provisions		(3,160)	2,994
Net change in non-cash working capital balances		(40,685)	42,476
Interest paid		(14,321)	(19,271)
Income taxes paid		(5,649)	(7,184)
Net cash flows provided by operating activities		28,685	102,997
Financing activities			
Increase (decrease) in bank loans	21	4,529	(37,745)
Repayment of lease liabilities	21	(5,848)	(5,568)
Repayment of long-term debt	14	(29,560)	(14,685)
Deferred finance costs	21	(1,017)	(54)
Common share dividends paid		(8,219)	(5,518)
Common shares repurchased for cancellation	16	(1,306)	(289)
Net cash flows used in financing activities		(41,421)	(63,859)
Investing activities			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		(20,319)	(8,952)
Net cash flows used in investing activities		(20,319)	(8,952)
Foreign exchange increase (decrease) on cash		563	(395)
Net change in cash during the period		(32,492)	29,791
Cash, beginning of period		32,935	3,144
Cash, end of period		\$ 443	\$ 32,935

See accompanying notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

1. Corporate information

High Liner Foods Incorporated (the “Company” or “High Liner Foods”) is a company incorporated and domiciled in Canada. The address of the Company’s registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Consolidated Financial Statements (“Consolidated Financial Statements”) of the Company as at and for the fifty-two weeks ended January 1, 2022 (“Fiscal 2021”) comprise High Liner Foods’ Canadian company (the “Parent”) and its subsidiaries (herein together referred to as the “Company” or “High Liner Foods”). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company’s Board of Directors on February 23, 2022.

2. Statement of compliance and basis for presentation

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

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

3. Significant accounting policies

(a) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at January 1, 2022. Control is achieved when the Company is exposed, or has rights, to direct the activities that significantly affect the returns from its involvement with the investee. The Company reassesses whether or not it controls an investee on an ongoing basis.

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

(b) Foreign currency

FUNCTIONAL AND PRESENTATION CURRENCY

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

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

TRANSLATION OF TRANSACTIONS AND BALANCES INTO THE FUNCTIONAL CURRENCY

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

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

(c) Business combinations and goodwill

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

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

When the Company acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Acquisition-related costs are expensed as incurred and included in business acquisition, integration and other expenses in the consolidated statements of income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is not amortized, and is measured at cost less any accumulated impairment losses.

(d) Non-current assets held for sale and discontinued operations

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

(e) Cash

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

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the first-in first-out method. The cost of procured finished goods and unprocessed raw material inventory is based on weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories, production

or conversion costs, and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories and semi-finished materials, cost includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from OCI of any gain or loss on qualifying cash flow hedges of foreign currency related to purchases of inventories.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any expenditures directly attributable to bringing the asset into operation, and the present value of the expected cost for decommissioning the asset after its use, if the recognition criteria for a provision are met. The cost of self-constructed assets includes the cost of materials, direct labour, other costs directly attributable to bringing the assets to a working condition for their intended use, and costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are eligible for capitalization under the cost of the asset. 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.

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

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

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

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

Buildings	20-40 years
Furniture, fixtures and production equipment	10-25 years
Computer equipment and vehicles	5-10 years

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

(h) Right-of-use assets and lease liabilities

Right-of-use ("ROU") assets are recorded at the present value of the lease payments, plus initial direct costs incurred when entering into the lease and lease payments made at or before the commencement date, less any lease incentives received. The ROU assets are depreciated over the shorter of the lease term or the estimated useful life of the underlying asset. An impairment review is undertaken for any ROU asset that shows indicators of impairment and an impairment loss is recognized against the ROU asset that is impaired.

Lease liabilities are recorded at the present value of the fixed and eligible variable lease payments that depend on an index or rate, net of any lease incentives at the initial measurement date. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments. The present value of the lease payments is determined using the discount rate representing the Company's incremental borrowing rate on the lease commencement date, adjusted for the applicable currency of the lease contract, similar tenor and nature of the asset being leased. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

At inception of a contract, the Company assesses whether the contract is or contains a lease which involves the exercise of judgment. The Company has elected not to separate lease and non-lease components for its ROU assets. The Company has elected not to recognize ROU assets and lease liabilities for leases where the total lease term is less than 12 months, or for a lease of low value. The payments for these leases will be recognized on a straight-line basis over the lease term as operating expenses.

(i) Intangible assets

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

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

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

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

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

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

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

(j) Impairment

NON-FINANCIAL ASSETS

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

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

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

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

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

FINANCIAL ASSETS

The Company recognizes an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate ("EIR"). The expected cash flows include cash flows from the sale, collateral held and other credit enhancements that are integral to the contractual terms.

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

(k) Provisions, contingent liabilities and contingent assets

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of income net of any reimbursement, when the reimbursement is realized in the same reporting period as the related expense.

Possible inflows of economic benefits to the Company are considered contingent assets when the possible inflows become virtually certain.

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

(l) Future employee benefits

DEFINED BENEFIT PENSION PLANS ("DBPP")

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

The determination of benefit expense requires assumptions such as the discount rate to measure the obligation, the projected age of employees upon retirement, the expected rate of future compensation increases and the expected mortality rate of pensioners. The total past-service cost arising from plan amendments is recognized immediately in the consolidated statements of income. The present value of the defined benefit obligation ("DBO") is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the DBO and the fair value of plan assets are recognized immediately in the consolidated statements of comprehensive income. For funded plans, surpluses are recognized only to the extent that the

surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

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

DEFINED CONTRIBUTION PENSION PLANS ("DCPP")

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

SHORT-TERM EMPLOYEE BENEFITS

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

TERMINATION BENEFITS

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

(m) Revenue recognition

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

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

The Company elected to apply the practical expedient and recognizes the incremental costs of obtaining a contract as an expense when incurred because the amortization period of the asset that the Company otherwise would recognize is less than one year.

(n) Government grants

Government grants include assistance by government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating conditions of the entity. Government grants are measured at fair value and are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The Company recognizes income-related government grants in the consolidated statements of income as a deduction to the related expenses on a systematic basis over the periods in which the related expenses are recognized. The Company recognizes asset-related government grants as a reduction to the carrying amount of the asset in the consolidated statements of financial position.

(o) Share-based compensation

EQUITY-SETTLED TRANSACTIONS

The Company measures all equity-settled share-based awards made to employees and others providing similar services (collectively, “employees”) based on the fair value of the options or units on the date of grant. The grant date fair value of stock options is estimated using an option pricing model and is recognized as employee benefits expense over the vesting period, based on the number of options that are expected to vest, with a corresponding increase recognized in contributed surplus. The fair value estimate requires determination of the most appropriate inputs to the pricing model, including the expected life, volatility, and dividend yield, which are fully described in Note 17. The grant date fair value of equity-settled deferred share units, performance share units and restricted share units is determined based on the market value of the Company’s shares on the date of grant, and is expensed over the vesting period based on the estimated number of units that are expected to vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of the award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

CASH-SETTLED TRANSACTIONS

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

(p) Income taxes

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

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

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

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

(q) Earnings per share

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

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

(r) Financial instruments

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

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

FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

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

FINANCIAL ASSETS AT AMORTIZED COST

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

FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities at amortized cost generally include interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are modified or derecognized as well as through the

EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Transaction costs are combined with the fair value of the financial liability on initial recognition and amortized using the EIR method.

DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

(s) Fair value measurement

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

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

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

For assets and liabilities that are recognized in the Consolidated Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

(t) Derivative instruments and hedging

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

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

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

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

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

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

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

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

(v) **Derivatives that do not qualify for hedge accounting**

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

(u) New standards, interpretations and amendments thereof, adopted by the Company

The Company adopted the following standards, interpretations and amendments to existing standards that were effective for annual periods beginning on January 1, 2021 and that the Company adopted on January 3, 2021:

IFRS 9, FINANCIAL INSTRUMENTS, IAS 39, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT AND IFRS 7, FINANCIAL INSTRUMENTS: DISCLOSURES, INTEREST RATE BENCHMARK REFORM

On August 27, 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2* which includes amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*, and concludes phase two of its work to respond to the effects of IBOR reform on financial reporting. The amendments address the issues that affect financial reporting at the time that an existing interest rate benchmark is replaced with a risk-free rate (“RFR”). The amendments are effective for annual periods beginning on or after January 1, 2021 and must be applied retrospectively, with early adoption permitted.

The Company holds interest rate swaps (see Note 25) to hedge the interest rate risk resulting from the term loan facility (see Note 14). The term loan facility has an applicable interest rate for loans under the facility of LIBOR plus 3.75% (0.75% LIBOR floor). The Company is actively managing the process to transition existing contracts using LIBOR to an alternative RFR and to ensure that upon transition, hedge effectiveness will be maintained. The Company has not applied significant judgment in applying these amendments as the impact of the IBOR reform on the Company’s hedge accounting is assessed as low.

The Company has assessed interest rate swaps with a maturity date subsequent to December 31, 2021 as being directly impacted by the IBOR reform and therefore subject to the amendments. As at January 1, 2022, there are four interest rate swap contracts with a maturity date subsequent to December 31, 2021. The terms of these contracts are disclosed in Note 25.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied. The Company has adopted the amendments to IFRS 9, IAS 39 and IFRS 7 on a retrospective basis, which had no impact on the Consolidated Financial Statements.

IFRS 16, LEASES

On May 28, 2020, the IASB issued an amendment to IFRS 16, *Leases* intended to provide practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic. The amendments to IFRS 16 for COVID-19 related rent concessions are to:

- Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification;
- Require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications;
- Require lessees that apply the exemption to disclose the fact; and
- Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require restatement of prior periods.

The amendment is effective annual periods beginning on or after June 1, 2020 with early application permitted. The Company has adopted the amendments to IFRS 16, which had no impact on the Consolidated Financial Statements.

IFRS 9, FINANCIAL INSTRUMENTS

In May 2020, the IASB issued annual improvements to IFRS Standards 2018–2020, which included amendments to IFRS 9 to clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company has adopted the amendments to IFRS 9, in relation to the March 2021 debt repricing (see Note 14).

INTERPRETATIONS COMMITTEE AGENDA DECISION, ATTRIBUTING BENEFIT TO PERIODS OF SERVICE

In April 2021, the IASB issued Interpretations Committee agenda decision – *Attributing Benefit to Periods of Service* to address the periods of service to which an entity attributes benefit for a particular defined benefit plan that affects the application of IAS 19, *Employee Benefits*. The agenda decision specifically addresses the following:

- Employees are entitled to a lump sum benefit payment when they reach a specified retirement age provided they are employed by the entity when they reach that retirement age; and
- The amount of the retirement benefit to which an employee is entitled depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

It was concluded that the principles and requirements in IFRS standards provide an adequate basis for an entity to determine the periods to which the retirement benefit is attributed.

The Company has adopted the agenda decision related to IAS 19, which had no impact on the Consolidated Financial Statements.

INTERPRETATIONS COMMITTEE AGENDA DECISION, COSTS NECESSARY TO SELL INVENTORIES

In June 2021, the IASB issued Interpretations Committee agenda decision – *Costs Necessary to Sell Inventories* to address the necessary costs to sell when determining the net realizable value of inventories that affects the application of IAS 2, *Inventories*.

It was concluded that, when determining the net realizable value of inventories, an entity estimates the costs necessary to make the sale in the ordinary course of business. An entity uses its judgment to determine which costs are necessary to make the sale considering its specific facts and circumstances, including the nature of the inventories.

The Company has adopted the agenda decision related to IAS 2, which had no impact on the Consolidated Financial Statements.

IAS 37, PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “direct related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company has adopted the amendments to IAS 37, which had no impact on the Consolidated Financial Statements.

IAS 16, PROPERTY, PLANT AND EQUIPMENT

The IASB issued amendments to IAS 16, *Property, Plant and Equipment* to prohibit entities from deducting the proceeds of the sale of items of property, plant and equipment produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company has adopted the amendments to IAS 16, which had no impact on the Consolidated Financial Statements.

(v) Accounting pronouncements issued but not yet effective

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

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS

In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 1, DISCLOSURE OF ACCOUNTING POLICIES

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statements 2 *Making Materiality Judgements*, to help entities provide accounting policy disclosures that are more useful by replacing the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 8, DEFINITION OF ACCOUNTING ESTIMATES

In February 2021, the IASB issued amendments to IAS 8 which introduces a new definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

4. Critical accounting estimates and judgments

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

The most significant estimates made by management include the following:

Impairment of non-financial assets

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

Future employee benefits

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

Income taxes

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

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

Fair value of financial instruments

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

Sales and marketing accruals

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

The most significant judgments made by management include the following:

Impairment of non-financial assets

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

Income taxes

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

5. COVID-19 pandemic

In March 2020, the 2019 coronavirus disease outbreak (“COVID-19”) was recognized as a pandemic by the World Health Organization (“WHO”). COVID-19 has continued to spread globally, including in the markets in which the Company operates, and is having a significant impact on general economic conditions on a global scale. In response to the WHO declaration and continuing spread of COVID-19, several social distancing measures have been taken by the Company and third parties, including governments, regulatory authorities, businesses and the Company’s customers and suppliers, that impacted financial results during both Fiscal 2020 and 2021 and could impact future financial results.

The preparation of the Company’s Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and the accompanying notes. The potential impacts on the Company’s most significant estimates and judgments of COVID-19 include, but are not limited to, increased risk of potential impairment charges to the carrying amounts of goodwill, indefinite-lived intangible assets and long-lived assets; and, increased volatility in fair value measurements and future employee benefits, as a result of fluctuating market inputs. Other potential impacts of COVID-19 on the Company’s financial position include, but are not limited to, increased concentration risk, particularly related to the Company’s foodservice business; increased liquidity risk associated with the anticipated impacts on cash flows from operations of expected declines in sales volumes; increased credit risk resulting in increased expected credit losses on trade accounts receivable; increased risk of write-downs of inventories to net realizable value; and, increased product return liabilities associated with revenue from contracts with customers.

During the thirteen weeks ended April 3, 2021, the Company participated in the Canada Emergency Wage Subsidy government grant program, which in general provides wage subsidies to eligible employers as a means of limiting job losses in Canada. During the thirteen weeks ended April 3, 2021, the Company recognized \$0.9 million in income-related wage subsidies as a reduction of salaries and benefits expense recognized in cost of sales, distribution expenses and selling, general and administrative expenses in the consolidated statements of income. During the thirty-nine weeks ended January 1, 2022 the Company did not participate in this program. The Company does not have any unfulfilled conditions or material contingencies related to the government assistance received.

Actual future results may differ materially from the Company’s current estimates as the scope of COVID-19 evolves or if the duration of business disruption is longer than currently anticipated.

6. Accounts receivable

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Trade accounts receivable	\$ 85,622	\$ 59,401
Other accounts receivable	1,500	1,526
	\$ 87,122	\$ 60,927

Accounts receivable bear normal trade credit terms and are non-interest bearing. Trade accounts receivable includes revenue from contracts with customers. The entire trade accounts receivable balance is pledged as collateral for the Company's working capital facility (see Note 11).

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

(Amounts in \$000s)	
At December 28, 2019	\$ 95
New provision for expected credit losses ⁽¹⁾	673
Provision utilized	—
Unused provision for expected credit losses reversed	(509)
At January 2, 2021	\$ 259
New provision for expected credit losses ⁽¹⁾	123
Provision utilized	(3)
Unused provision for expected credit losses reversed	(149)
At January 1, 2022	\$ 230

⁽¹⁾ For the fifty-two weeks ended January 1, 2022, the Company recognized \$0.1 million of impairment losses (fifty-three weeks ended January 2, 2021: \$0.7 million) related to receivables arising from contracts with customers.

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

	0-30 days	31-60 days	Over 60 days
At January 2, 2021	87%	12%	1%
At January 1, 2022	80%	14%	5%

7. Inventories

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

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Finished goods	\$ 197,055	\$ 160,126
Raw and semi-finished material	111,128	90,735
	\$ 308,183	\$ 250,861

During the fifty-two weeks ended January 1, 2022, \$676.9 million (January 2, 2021: \$649.5 million) was recognized as an expense for inventories in cost of sales on the consolidated statements of income. Of this, \$5.3 million (January 2, 2021: \$8.9 million) was written-down during the year and a reversal for unused impairment reserves of \$1.5 million (January 2, 2021: \$1.3 million) was recorded. As of January 1, 2022 the value of inventory pledged as collateral for the Company's working capital facility (see Note 11) was \$220.5 million (January 2, 2021: \$209.3 million).

8. Property, plant and equipment

(Amounts in \$000s)	Land and buildings	Furniture, fixtures, and production equipment	Computer equipment and vehicles	Total
Cost				
At December 28, 2019	\$ 80,411	\$ 98,157	\$ 15,900	\$ 194,468
Additions	2,299	6,105	377	8,781
Transfers	76	(148)	72	—
Disposals	(415)	(3,728)	(2,763)	(6,906)
Effect of exchange rates	330	734	208	1,272
At January 2, 2021	\$ 82,701	\$ 101,120	\$ 13,794	\$ 197,615
Additions	3,824	15,131	740	19,695
Transfers	188	(379)	191	—
Disposals	(370)	(1,884)	(2,312)	(4,566)
Effect of exchange rates	134	143	53	330
At January 1, 2022	\$ 86,477	\$ 114,131	\$ 12,466	\$ 213,074
Accumulated depreciation and impairment				
At December 28, 2019	\$ (29,037)	\$ (44,928)	\$ (11,517)	\$ (85,482)
Depreciation and impairment	(2,901)	(6,630)	(1,104)	(10,635)
Transfers	(13)	13	—	—
Disposals	1,169	2,616	2,746	6,531
Effect of exchange rates	(228)	(400)	(180)	(808)
At January 2, 2021	\$ (31,010)	\$ (49,329)	\$ (10,055)	\$ (90,394)
Depreciation and impairment	(3,031)	(6,845)	(1,004)	(10,880)
Transfers	(1)	54	(53)	—
Disposals	402	1,646	2,235	4,283
Effect of exchange rates	(79)	(106)	(46)	(231)
At January 1, 2022	\$ (33,719)	\$ (54,580)	\$ (8,923)	\$ (97,222)
Net carrying value				
At January 2, 2021	\$ 51,691	\$ 51,791	\$ 3,739	\$ 107,221
At January 1, 2022	\$ 52,758	\$ 59,551	\$ 3,543	\$ 115,852

A nominal impairment loss (January 2, 2021: \$nil) was recorded during the fifty-two weeks ended January 1, 2022 reflecting a write-down of certain property, plant and equipment as a result of equipment obsolescence.

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

9. Right-of-use assets and lease liabilities

Right-of-use assets

(Amounts in \$000s)	Land and buildings	Furniture, fixtures, and production equipment	Computer equipment and vehicles	Total
Cost				
At December 28, 2019	\$ 13,947	\$ 426	\$ 2,537	\$ 16,910
Additions	4,190	105	1,284	5,579
Disposals	(1,143)	(115)	(569)	(1,827)
Effect of exchange rates	61	—	47	108
At January 2, 2021	\$ 17,055	\$ 416	\$ 3,299	\$ 20,770
Additions	263	—	382	645
Disposals	—	—	(538)	(538)
Effect of exchange rates	18	—	20	38
At January 1, 2022	\$ 17,336	\$ 416	\$ 3,163	\$ 20,915
Accumulated depreciation				
At December 28, 2019	\$ (4,001)	\$ (115)	\$ (1,002)	\$ (5,118)
Depreciation	(4,147)	(216)	(634)	(4,997)
Disposals	3,945	89	394	4,428
Effect of exchange rates	(45)	—	(20)	(65)
At January 2, 2021	\$ (4,248)	\$ (242)	\$ (1,262)	\$ (5,752)
Depreciation	(3,660)	(161)	(664)	(4,485)
Disposals	—	—	363	363
Effect of exchange rates	1	—	(1)	—
At January 1, 2022	\$ (7,907)	\$ (403)	\$ (1,564)	\$ (9,874)
Net carrying value				
At January 2, 2021	\$ 12,807	\$ 174	\$ 2,037	\$ 15,018
At January 1, 2022	\$ 9,429	\$ 13	\$ 1,599	\$ 11,041

AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF INCOME

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Variable lease payments not included in the measurement of the lease liabilities	\$ 564	\$ 543
Depreciation expense on right-of-use assets	4,485	4,997
Interest expense on lease liabilities	964	1,192
Total amounts recognized in the consolidated statements of income	\$ 6,013	\$ 6,732

Lease liabilities

The undiscounted payments related to the Company's lease liabilities are shown in the table below:

(Amounts in \$000s)	Maturity analysis			
	Total	Less than 1 year	1-5 years	Thereafter
Lease liabilities	\$ 12,397	\$ 4,963	\$ 7,373	\$ 61

The Company does not face significant liquidity risk in regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

10. Goodwill and intangible assets

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

(Amounts in \$000s)	Intangible assets					Goodwill	Total goodwill and intangible assets
	Brands	Indefinite lived brands	Customer and supplier relationships	Computer software	Total intangible assets		
Cost							
At December 28, 2019	\$ 6,917	\$ 14,019	\$ 164,776	\$ 15,505	\$ 201,217	\$ 157,457	\$ 358,674
Additions	—	—	—	557	557	—	557
Effect of exchange rates	11	11	27	383	432	240	672
At January 2, 2021	\$ 6,928	\$ 14,030	\$ 164,803	\$ 16,445	\$ 202,206	\$ 157,697	\$ 359,903
Additions	—	—	—	623	623	—	623
Effect of exchange rates	5	33	81	129	248	75	323
At January 1, 2022	\$ 6,933	\$ 14,063	\$ 164,884	\$ 17,197	\$ 203,077	\$ 157,772	\$ 360,849
Accumulated amortization							
At December 28, 2019	\$ (6,917)	\$ —	\$ (43,778)	\$ (1,629)	\$ (52,324)	\$ —	\$ (52,324)
Amortization	—	—	(6,452)	(1,144)	(7,596)	—	(7,596)
Effect of exchange rates	(11)	—	(46)	(61)	(118)	—	(118)
At January 2, 2021	\$ (6,928)	\$ —	\$ (50,276)	\$ (2,834)	\$ (60,038)	\$ —	\$ (60,038)
Amortization	—	—	(6,439)	(1,277)	(7,716)	—	(7,716)
Effect of exchange rates	(5)	—	(71)	(52)	(128)	—	(128)
At January 1, 2022	\$ (6,933)	\$ —	\$ (56,786)	\$ (4,163)	\$ (67,882)	\$ —	\$ (67,882)
Net carrying value							
At January 2, 2021	\$ —	\$ 14,030	\$ 114,527	\$ 13,611	\$ 142,168	\$ 157,697	\$ 299,865
At January 1, 2022	\$ —	\$ 14,063	\$ 108,098	\$ 13,034	\$ 135,195	\$ 157,772	\$ 292,967

Impairment of goodwill and identifiable intangible assets

As described in Note 3, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually (as at the first day of the Company's fourth quarter). The Company's impairment test for goodwill and intangible assets with indefinite useful lives was based on FVLCS at October 3, 2021, resulting in \$nil impairment in the North American CGU (September 27, 2020: \$nil). The key assumptions used to determine the recoverable amount for the CGU for the most recently completed impairment calculation for Fiscal 2021 are discussed below.

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

INCOME APPROACH

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

MARKET APPROACH

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

Key assumptions used in determining the FVLCS

CASH FLOW PROJECTIONS

The cash flow projections, covering a five-year period ("projection period"), were based on financial projections approved by management using assumptions that reflect the Company's most likely planned course of action, given management's judgment of the most probable set of economic conditions, adjusted to reflect the perspective of the expectations of a market participant. For the purpose of the Company's annual impairment test as at October 3, 2021, gross margins are based on actual and estimated values in the first year of the projection period, budgeted values in the second year of the projection period, and these are increased over the projection period for anticipated efficiency improvements and growth. The projected gross margins are updated to reflect anticipated future changes, such as currency fluctuations, in the cost of inputs (primarily raw materials and commodity products used in processing), which are obtained from forward-looking data. Forecast figures are used where data is publicly available; otherwise, past actual raw material cost movements have been used combined with management's industry experience and analysis of the seafood and commodity markets.

DISCOUNT RATE

The discount rate, derived from the WACC, represents the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow projections. The discount rate was based on the weighted average cost of equity and cost of debt for comparable companies within the industry. The cost of equity was calculated using the capital asset pricing model. The debt component of the WACC was determined by using an after-tax cost of debt. The after-tax WACC applied to the North American CGU cash flow projections was 9.5% at October 3, 2021.

GROWTH RATE

Growth rates used to extrapolate the Company's projection were determined using published industry growth rates in combination with inflation assumptions and management input based on historical trend analysis and future expectations of growth. The long-term growth rate applied to the cash flow projections of the North American CGU was 2.0% at October 3, 2021.

COSTS TO SELL

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

SENSITIVITY TO CHANGES IN ASSUMPTIONS

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

11. Bank loans

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Bank loans, denominated in CAD (average variable rate of 2.45%; January 2, 2021: 2.45%)	\$ 2,038	\$ —
Bank loans, denominated in USD (average variable rate of 3.32%; January 2, 2021: 3.5%)	2,513	—
	4,551	—
Less: deferred finance costs ⁽¹⁾	(163)	—
	\$ 4,388	\$ —

⁽¹⁾ Total deferred finance costs as at January 2, 2021 were \$0.3 million, and have been classified as non-current assets on the consolidated statements of financial position.

The Company has a \$150.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which expires in April 2023. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 14). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit, as at January 1, 2022, the Company had \$117.1 million of borrowing availability (January 2, 2021: \$132.2 million).

As at January 1, 2022 and January 2, 2021, the Facility allowed the Company to borrow:

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

12. Accounts payable and accrued liabilities

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Trade accounts payable and accrued liabilities	\$ 149,469	\$ 98,918
Employee accruals, including incentives and vacation pay	14,666	15,408
	\$ 164,135	\$ 114,326

Trade accounts payable and accrued liabilities are non-interest bearing. Employee accruals, including incentives and vacation pay, are non-interest bearing and normally settle within fifty-two weeks.

13. Provisions

(Amounts in \$000s)

At January 2, 2021	\$	3,327
New provisions added		136
Provisions utilized		(1,037)
Unused amounts reversed		(2,254)
At January 1, 2022	\$	172

The Company's 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 1, 2022. The Company is not eligible for any reimbursement by third parties for these amounts.

14. Long-term debt

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Term loan	\$ 256,429	\$ 294,212
Less: current portion	(5,625)	(20,185)
	250,804	274,027
Less: deferred finance costs	(5,810)	(5,979)
	\$ 244,994	\$ 268,048

In March 2021, the Company amended the \$300.0 million term facility to decrease the applicable interest rates for loans under the facility from LIBOR plus 4.25% (1.00% LIBOR floor) to LIBOR plus 3.75% (0.75% LIBOR floor). All other material terms of the facility remained unchanged, including the maturity date of October 2026. The amendments to the facility were not assessed as a substantial modification, and as a result, the deferred finance costs related to the original facility continue to be amortized over the remaining term. In addition, the Company incurred finance costs of \$0.9 million. As the net present value of the cash flows of the modified debt was lower than the carrying value of the original facility before the amendments, a modification gain of \$7.8 million was recorded in finance costs on the consolidated statements of income during the fifty-two weeks ended January 1, 2022. Excluding the impact of the net modification loss on the carrying value, the principal balance outstanding of term loan debt was \$255.8 million at January 1, 2022.

Quarterly principal repayments of \$1.9 million are required on the term loan as regularly scheduled repayments. During the fifty-two weeks ended January 1, 2022, a regularly scheduled repayment of \$1.9 million and a voluntary repayment of \$7.5 million were made. A mandatory prepayment of \$20.2 million was also made due to excess cash flows in 2020. Any mandatory and voluntary repayments made prior to the time of refinancing were not applied to future regularly scheduled principal repayments. However, a \$7.5 million voluntary repayment made during the second quarter of 2021 was applied against future scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022, leaving \$5.6 million in regularly scheduled repayments remaining in the next 12 months. There are no mandatory prepayments related to excess cash flows in 2021 expected for 2022.

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

15. Future employee benefits

Non-pension benefit plan

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

Defined contribution pension plans

In Canada, the Company maintains a DCPP for all salaried employees.

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

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

Total expense and cash contributions for the Company's DCPs was \$1.8 million for the year ended January 1, 2022 (January 2, 2021: \$1.8 million).

Defined benefit pension plans

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

CANADIAN UNION EMPLOYEE PLAN

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

CANADIAN MANAGEMENT PLAN

The Company sponsors a DBPP specifically for certain Canadian management employees (the "Management Plan"). On January 1, 2022, two persons were enrolled as active members in the Management Plan, 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.

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

The Company maintains a defined benefit SERP to provide pension plan benefits to designated members of the Management Plan whose benefits are affected by the maximum pension limits of the Income Tax Act (Canada).

The annual pension amounts derived from the aggregate of the Management Plan and SERP benefits represent 1.3% of the five-year average YMPE plus 2% of the salary remuneration above the five-year average YMPE. The combination of these amounts is multiplied by the years of service to determine the full annual pension entitlement from the two plans.

U.S. MANAGEMENT PLANS

The Company also has one DBPP in the U.S. that covers two former employees. This plan has ceased to accrue benefits to employees.

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

Funded status (Amounts in \$000s)	January 1, 2022	January 2, 2021
Total present value of obligations ⁽¹⁾⁽²⁾	\$ 41,987	\$ 47,685
Fair value of plan assets	28,999	31,211
Net accrued defined benefit obligation	\$ 12,988	\$ 16,474

⁽¹⁾ The Company has a letter of credit outstanding as at January 1, 2022 relating to the securitization of the Company's unfunded benefits under the defined benefit SERP in the amount of \$8.5 million (January 2, 2021: \$9.7 million).

⁽²⁾ As at January 1, 2022 \$0.8 million (January 2, 2021: \$0.9 million) of the total obligation is related to non-pension benefit plans.

Movement in the present value of the defined benefit obligations (Amounts in \$000s)	January 1, 2022	January 2, 2021
DBO at the beginning of the year	\$ 47,685	\$ 42,345
Benefits paid by the plans	(5,313)	(2,673)
Effect of movements in exchange rates	419	1,051
Current service costs	895	925
Past service costs	1,174	—
Interest on obligations	1,179	1,361
Employee contributions	13	42
Plan curtailment	—	—
Effect of changes in financial assumptions related to non-pension benefit plans	(12)	488
Effect of changes in financial assumptions	(4,053)	4,146
DBO at the end of the year	\$ 41,987	\$ 47,685

Movement in the present value of plan assets (Amounts in \$000s)	January 1, 2022	January 2, 2021
Fair value of plan assets at the beginning of the year	\$ 31,211	\$ 29,375
Employee contributions paid into the plans	13	42
Employer contributions paid into the plans	1,291	1,246
Benefits paid by the plans	(5,156)	(2,542)
Effect of movements in exchange rates	264	737
	\$ 27,623	\$ 28,858
Actual return on plan assets:		
Return on plan assets	\$ 740	\$ 925
Actuarial gains (losses) in OCI	718	1,508
Fees and expenses	(82)	(80)
	1,376	2,353
Fair value of plan assets at the end of the year	\$ 28,999	\$ 31,211

Expense recognized in the consolidated statements of income (Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Current service costs	\$ 895	\$ 925
Past service costs	1,174	—
Interest on obligation	1,179	1,361
Return on plan assets	(740)	(925)
Effect of changes in financial assumptions related to non-pension benefit plans	52	488
Fees and expenses	82	80
	\$ 2,642	\$ 1,929

Expense recognized in the following line items in the consolidated statements of income (Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Cost of sales	\$ 2,175	\$ 842
Selling, general and administrative expenses	467	1,087
	\$ 2,642	\$ 1,929

Plan assets comprise: (Amounts in \$000s)	January 1, 2022	January 2, 2021
Equity securities ⁽¹⁾	\$ 5,249	\$ 10,611
Debt securities	23,692	20,099
Cash and cash equivalents	58	499
	\$ 28,999	\$ 31,209

⁽¹⁾ The plan assets include CAD\$2.8 million of the Company's own common shares at market value at January 1, 2022 (January 2, 2021: CAD\$2.1 million).

Actuarial losses recognized in OCI (Amounts in \$000s)	January 1, 2022	January 2, 2021
Cumulative amount at the beginning of the year	\$ 13,122	\$ 10,202
Recognized during the period	(4,772)	2,638
Effect of exchange rates	207	282
Cumulative amount at the end of the year	\$ 8,557	\$ 13,122

Principal actuarial assumptions (Expressed as weighted averages)	January 1, 2022	January 2, 2021
	%	%
Discount rate for the benefit cost for the year ended	2.46	3.13
Discount rate for the accrued benefit obligation as at year-end	3.16	2.46
Expected long-term rate on plan assets as at year-end	2.46	3.13
Future compensation increases for the benefit cost for the year ended	3.00	3.00
Future compensation increases for the accrued benefit obligation as at year-end	3.00	3.00

A quantitative sensitivity analysis for significant assumptions as at January 1, 2022 is shown below:

Sensitivity level (Amounts in \$000s)	Discount rate		Mortality rate	
	0.5% increase	0.5% decrease	One-year increase	One-year decrease
(Decrease) increase on DBO	\$ (2,865)	\$ 3,099	\$ 1,304	\$ (1,331)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period. An analysis on salary increases and decreases is not material. The Company expects CAD\$1.8 million in contributions to be paid to its DBPPs and CAD\$2.0 million to its DCPs in Fiscal 2022.

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 1, 2022 was a nominal amount (fifty-three weeks ended January 2, 2021: expense of a nominal amount) in the consolidated statements of income.

Termination benefits

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

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Cost of sales	\$ 36	\$ 24
Distribution expenses	—	56
Selling, general and administrative expenses	852	1,503
	\$ 888	\$ 1,583

16. Share capital

The share capital of the Company is as follows:

	January 1, 2022	January 2, 2021
Authorized:		
Preference shares, par value of CAD\$25 each, issuable in series	5,999,994	5,999,994
Subordinated redeemable preference shares, par value of CAD\$1 each, redeemable at par	1,025,542	1,025,542
Non-voting equity shares	Unlimited	Unlimited
Common shares, without par value	Unlimited	Unlimited

Purchase of shares for cancellation

In June 2021, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 150,000 common shares. Purchases could commence on June 23, 2021 and will terminate no later than June 22, 2022. During the fifty-two weeks ended January 1, 2022, the Company purchased 122,100 common shares under this plan at an average price of CAD\$13.37 per share for total cash consideration of CAD\$1.6 million. The excess of the purchase price over the book value of the shares in the amount of \$1.0 million was charged to retained earnings.

In March 2020, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 common shares. Purchases could commence on March 10, 2020 and terminated on March 9, 2021. During the fifty-three weeks ended January 2, 2021, the Company purchased 60,000 common shares under this plan at an average price of CAD\$6.65 per share for total cash consideration of CAD\$0.4 million. The excess of the purchase price over the book value of the shares in the amount of \$0.1 million was charged to retained earnings.

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

	Fifty-two weeks ended January 1, 2022		Fifty-three weeks ended January 2, 2021	
	Shares	(\$000s)	Shares	(\$000s)
Balance, beginning of period	33,323,481	\$ 112,739	33,383,481	\$ 112,887
Options exercised for shares via cashless exercise method (Note 17)	44,924	173	—	—
Shares issued on redemption of PSU/RSUs (Note 17)	83,405	886	—	—
Shares repurchased for cancellation	(122,100)	(340)	(60,000)	(148)
Balance, end of period	33,329,710	\$ 113,458	33,323,481	\$ 112,739

During the fifty-two weeks ended January 1, 2022, the Company distributed dividends per share of CAD\$0.31 (fifty-three weeks ended January 2, 2021: CAD\$0.22).

In November 2021, the Company's Board of Directors increased the quarterly dividend to CAD\$0.10 per share, which represents a 3.0 cents increase from the CAD\$0.07 per share dividend paid in the first three quarters of 2021, reflecting the Board's continued confidence in the Company's operations. On February 23, 2022, the Company's Board of Directors declared a quarterly dividend of CAD\$0.10 per share, payable on March 15, 2022 to shareholders of record as of March 2, 2022.

17. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was \$5.5 million and \$7.9 million, respectively, as at January 1, 2022 (January 2, 2021: \$2.7 million and \$6.5 million, respectively).

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

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Cost of sales resulting from:		
Equity-settled awards ⁽¹⁾	\$ 29	\$ 95
Selling, general and administrative expenses resulting from:		
Cash-settled awards ⁽¹⁾	7,308	5,339
Equity-settled awards ⁽¹⁾	414	427
Share-based compensation expense	\$ 7,751	\$ 5,861

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

Share Option Plan

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

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

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

	Fifty-two weeks ended January 1, 2022		Fifty-three weeks ended January 2, 2021	
	No.	WAEP (CAD)	No.	WAEP (CAD)
Outstanding, beginning of period	1,748,843	\$ 10.65	1,717,416	\$ 12.53
Granted	155,532	13.45	271,276	7.51
Exercised for shares via cashless method ⁽¹⁾	(122,497)	8.02	—	—
Cancelled or forfeited	—	—	(25,915)	13.42
Expired	(334,782)	14.93	(213,934)	22.04
Outstanding, end of period	1,447,096	\$ 10.18	1,748,843	\$ 10.65
Exercisable, end of period	1,011,955	\$ 10.43	1,222,603	\$ 11.85

⁽¹⁾ For the fifty-two weeks ended January 1, 2022, 44,924 shares were issued related to options exercised via the cashless method (fifty-three weeks ended January 2, 2021: nil shares). The weighted average share price at the date of exercise for these options was CAD\$12.64 for the fifty-two weeks ended January 1, 2022 (fifty-three weeks ended January 2, 2021: \$nil).

Set forth below is a summary of the outstanding options to purchase common shares as at January 1, 2022:

Option price (CAD)	Options outstanding			Options exercisable	
	Number outstanding	Weighted average exercise price	Average life (years)	Number exercisable	Weighted average exercise price
\$7.25-10.00	555,860	\$ 7.48	2.66	276,251	\$ 7.47
\$10.01-15.00	855,754	11.51	2.28	700,222	11.08
\$20.01-25.00	35,482	20.61	0.24	35,482	20.61
	1,447,096			1,011,955	

The fair value of options granted during the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	January 1, 2022	January 2, 2021
Dividend yield (%)	2.17	2.66
Expected volatility (%)	41.96	42.28
Risk-free interest rate (%)	1.23	1.22
Expected life (years)	7.00	5.00
Weighted average share price (CAD)	\$ 13.36	\$ 7.51
Weighted average fair value (CAD)	\$ 4.69	\$ 2.26

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

Performance Share Unit Plan

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

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

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

	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Outstanding, beginning of period	604,940	953,483
Granted	156,038	268,977
Reinvested dividends	13,245	15,286
Released and paid in cash	(92,178)	(476,079)
Released and paid in shares	(38,312)	—
Forfeited	(14,889)	(156,727)
Outstanding, end of period	628,844	604,940

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the fifty-two weeks ended January 1, 2022 was 100% (fifty-three weeks ended January 2, 2021: 111%).

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

	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Outstanding, beginning of period	512,740	383,777
Granted	155,924	187,339
Reinvested dividends	9,818	12,227
Released and paid in cash	(100,693)	(39,608)
Released and paid in shares	(87,355)	—
Forfeited	(10,554)	(30,995)
Outstanding, end of period	479,880	512,740

The share price at the reporting date was CAD\$14.91 (January 2, 2021: CAD\$11.10). PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met, and the RSUs will vest in accordance with the terms of the agreement.

Deferred Share Unit Plan

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

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

	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Outstanding, beginning of period	267,559	199,989
Granted	42,778	79,761
Reinvested dividends	6,766	6,965
Redeemed	—	(19,156)
Outstanding, end of period	317,103	267,559

18. Income tax

The Company's statutory tax rate for the year ended January 1, 2022 is 27.9% (January 2, 2021: 28.2%). The Company's effective income tax rate was 13.9% for the year ended January 1, 2022 (January 2, 2021: 21.5%). The lower effective income tax rate in Fiscal 2021 compared to the same period last year was attributable to the Company's tax-efficient financing structure, lower statutory rates in the United States, and adjustments in respect of prior years.

The major components of income tax expense are as follows:

	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Consolidated statements of income (Amounts in \$000s)		
Current income tax expense	\$ 2,953	\$ 6,535
Deferred income tax expense		
Origination and reversal of temporary differences	3,880	1,335
Income tax expense reported in the consolidated statements of income	\$ 6,833	\$ 7,870

	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Consolidated statements of comprehensive income (Amounts in \$000s)		
Income tax expense related to items charged or credited directly to OCI during the period:		
Gain on hedge of net investment in foreign operations	\$ (18)	\$ (85)
Effective portion of changes in fair value of cash flow hedges	109	(515)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	648	(209)
Net change in fair value of cash flow hedges transferred to income	218	261
Defined benefit plan actuarial gains (losses)	1,305	(546)
Income tax expense (recovery) directly to other comprehensive income (loss)	\$ 2,262	\$ (1,094)

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

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Accounting profit before tax at statutory income tax rate of 27.9% (2020: 28.2%)	\$ 13,694	\$ 10,342
Non-deductible expenses for tax purposes:		
Non-deductible share-based compensation	60	74
Other non-deductible items	(119)	190
Effect of lower income tax rates of U.S. subsidiary	(1,842)	(444)
U.S. Base Erosion & Anti-Abuse Tax	361	—
Acquisition financing structures deduction	(4,683)	(893)
Change in substantively enacted tax rates (U.S.)	(20)	(40)
Adjustments in respect of prior years	(425)	(1,212)
Other	(193)	(147)
Income tax expense	\$ 6,833	\$ 7,870

Deferred income tax (Amounts in \$000s)	Consolidated statements of financial position as at		Consolidated statements of income for the years ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
Accelerated depreciation for tax purposes on property, plant and equipment	\$ (14,285)	\$ (13,127)	\$ 1,158	\$ 2,014
Inventory	(6,840)	(3,904)	2,915	785
Intangible assets	(24,057)	(24,175)	(118)	547
Pension	1,924	2,675	(559)	(31)
Revaluation of cash flow hedges	(55)	487	—	—
Losses available for offset against future taxable income	367	218	(150)	180
Deferred charges and other	8,791	9,156	634	(2,160)
Deferred income tax expense			\$ 3,880	\$ 1,335
Net deferred income tax liability	\$ (34,155)	\$ (28,670)		

Reflected in the consolidated statements of financial position as follows:

Deferred income tax assets	\$ 24	\$ 2,401
Deferred income tax liabilities	(34,179)	(31,071)
Net deferred income tax liability	\$ (34,155)	\$ (28,670)

Reconciliation of net deferred income tax liabilities (Amounts in \$000s)	January 1, 2022	January 2, 2021
Opening balance, beginning of year	\$ (28,670)	\$ (28,048)
Deferred income tax (expense) during the period recognized in income	(3,880)	(1,335)
Deferred income tax recovery during the period recognized in contributed surplus	650	—
Deferred income tax (expense) recovery during the period recognized in retained earnings	(1,309)	572
Deferred income tax (expense) recovery during the period recognized in OCI	(945)	364
Other	(1)	(223)
Closing balance, end of year	\$ (34,155)	\$ (28,670)

The Company had unused capital losses of CAD\$48.8 million at January 1, 2022 (January 2, 2021: CAD\$50.9 million), which have an indefinite carryforward period. A deferred tax asset has only been recognized to the extent of the benefit that is probable to be realized.

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

The temporary difference associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, is \$nil at January 1, 2022 and \$nil at January 2, 2021.

There were no income tax consequences attached to the payment of dividends in 2021 by the Company to its shareholders.

19. Revenue from contracts with customers

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers based on the single operating segment, North America. The Company discloses sales earned outside of Canada in accordance with IFRS in Note 24.

Contract liability

The Company's contract liability consists of donated product received from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. The donated inventory is non-cash consideration that is recorded at the fair value of the product received. The Company has an obligation to sell the product to the eligible agencies at the reduced price, with the donated product being included in the transaction price recognized on the sale of the finished products. The contract liability is classified as current because the Company expects to settle the obligation within twelve months from the reporting date. During the fifty-two weeks ended January 1, 2022, the Company recognized \$2.4 million (fifty-three weeks ended January 2, 2021: \$3.6 million) in revenue that was included in the contract liability balance at the beginning of the period.

20. Earnings per share

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

	Fifty-two weeks ended January 1, 2022			Fifty-three weeks ended January 2, 2021		
	Net income (\$000s)	Weighted average shares (000s)	Per share (\$)	Net income (\$000s)	Weighted average shares (000s)	Per share (\$)
Net income	\$ 42,249	33,865	\$ 1.25	\$ 28,802	33,854	\$ 0.86
Dilutive options and units	—	1,256	(0.05)	—	665	(0.03)
Diluted earnings	\$ 42,249	35,121	\$ 1.20	\$ 28,802	34,519	\$ 0.83

Excluded from the diluted earnings per common share calculation for the fifty-two weeks ended January 1, 2022 were 201,020 options and units, as their effect would have been anti-dilutive (fifty-three weeks ended January 2, 2021: 1,083,419 options).

21. Changes in liabilities arising from financing activities

(Amounts in \$000s)	January 2, 2021	Cash flows	Reclassified between current and non-current	Change in fair values	New leases, modifications and interest	Other ⁽¹⁾	January 1, 2022
Bank loans	\$ —	\$ 4,529	\$ —	\$ —	\$ —	\$ (141)	\$ 4,388
Current portion of long-term debt	20,185	(20,185)	5,625	—	—	—	5,625
Other current financial liabilities	2,735	—	—	(1,490)	—	24	1,269
Current portion of lease liabilities	4,866	(5,848)	4,306	—	93	34	4,327
Long-term debt	268,048	(9,375)	(5,625)	—	—	(8,054)	244,994
Other long-term financial liabilities	329	—	—	(307)	—	1	23
Long-term lease liabilities	10,722	—	(4,306)	—	348	87	6,851
Total liabilities from financing activities	\$ 306,885	\$ (30,003)	\$ —	\$ (1,797)	\$ 441	\$ (8,049)	\$267,477

(Amounts in \$000s)	December 28, 2019	Cash flows	Reclassified between current and non-current	Change in fair values	New leases, modifications and interest	Other	January 2, 2021
Bank loans	\$ 37,546	\$ (37,745)	\$ —	\$ —	\$ —	\$ 199	\$ —
Current portion of long-term debt	14,511	(14,511)	20,185	—	—	—	20,185
Other current financial liabilities	861	—	—	1,859	—	15	2,735
Current portion of lease liabilities	4,582	(5,568)	3,479	—	1,213	1,160	4,866
Long-term debt	289,020	(174)	(20,185)	—	—	(613)	268,048
Other long-term financial liabilities	292	—	—	35	—	2	329
Long-term lease liabilities	7,198	—	(3,479)	—	7,017	(14)	10,722
Total liabilities from financing activities	\$ 354,010	\$ (57,998)	\$ —	\$ 1,894	\$ 8,230	\$ 749	\$306,885

⁽¹⁾ "Other" includes the effect of amortization of deferred financing charges and the impact of the foreign exchange movements. During the fifty-two weeks ended January 1, 2022, "Other" also includes a modification gain of \$7.8 million related to the amendment of the Company's term loan facility (see Note 14 for further detail). The Company classifies interest paid and income taxes paid as cash flows from operating activities.

22. Guarantees and commitments

The Company had letters of credit outstanding as at January 1, 2022 relating to the procurement of inventories and the security of certain contractual obligations of \$18.5 million (January 2, 2021: \$3.2 million). The Company also had a letter of credit outstanding as at January 1, 2022 relating to the securitization of the Company's defined benefit SERP (see Note 15) in the amount of \$8.5 million (January 2, 2021: \$9.7 million).

23. Related party disclosures

Entity with significant influence over the Company

As at January 1, 2022, Thornridge Holdings Limited owns 34.6% of the Company's outstanding common shares (January 2, 2021: 34.6%).

Other related parties

The Company had no related party transactions, excluding key management personnel compensation, for the fifty-two weeks ended January 1, 2022 and the fifty-three weeks ended January 2, 2021.

The Company did not have any transactions during 2020 or 2021 with entities who had significant influence over the Company or with members of the Board of Directors and their related interests.

Key management personnel compensation

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

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

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Salaries and short-term incentive plans ⁽¹⁾	\$ 4,042	\$ 4,669
Post-employment benefits ⁽²⁾	60	93
Termination benefits ⁽²⁾	97	—
Share-based compensation ⁽³⁾	3,340	976
	\$ 7,539	\$ 5,738

⁽¹⁾ Short-term incentive amounts were for those earned in 2021 and 2020.

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

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

24. Geographic information

Sales earned outside of Canada for the fifty-two weeks ended January 1, 2022 were \$653.9 million (fifty-three weeks ended January 2, 2021: \$626.2 million). Sales by geographic area are determined based on the shipping location. The Company disaggregates revenue from contracts with customers based on its single operating segment, North America.

The non-current assets outside of Canada are as follows:

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Property, plant and equipment	\$ 86,104	\$ 82,609
Right-of-use assets	8,126	11,494
Intangible assets	121,584	128,108
Goodwill	147,916	147,916
	\$ 363,730	\$ 370,127

For the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021 the Company recognized \$188.5 million and \$183.7 million of sales from two customers, respectively, that represent more than 10% of the Company's total consolidated sales.

25. Fair value measurement

Fair value of financial instruments

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

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

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

(Amounts in \$000s)	January 1, 2022		January 2, 2021	
	Level 2	Level 3	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	\$ 988	\$ —	\$ —	\$ —
Foreign exchange contracts	560	—	258	—
Fair value of financial liabilities				
Interest rate swaps	\$ 443	\$ —	\$ 1,077	\$ —
Foreign exchange contracts	849	—	1,987	—
Long-term debt	—	249,533	—	289,744

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 1, 2022, no such transfers occurred.

The financial liabilities not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion). The carrying amount for these instruments was \$250.6 million as at January 1, 2022 (January 2, 2021: \$288.2 million).

The fair values of other financial assets and liabilities at January 1, 2022 and January 2, 2021 are shown below:

(Amounts in \$000s)	Other financial assets		Other financial liabilities	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
Financial instruments at fair value through OCI:				
Foreign exchange forward contracts	\$ 560	\$ 258	\$ 849	\$ 1,987
Interest rate swap	988	—	443	1,077
	\$ 1,548	\$ 258	\$ 1,292	\$ 3,064

Amortized cost impact on interest expense

During the fifty-two weeks ended January 1, 2022, the Company expensed \$0.1 million and \$0.6 million (fifty-three weeks ended January 2, 2021: expensed \$0.1 million and \$1.1 million) of short-term and long-term interest, respectively, relating to interest that was calculated using the EIR method associated with transaction fees and borrowings.

Hedging activities

INTEREST RATE SWAPS

During the fifty-two weeks ended January 1, 2022, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 14):

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700%	\$ 40.0
January 4, 2018	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200%	\$ 80.0
March 4, 2020	June 30, 2021	3-month LIBOR (floor 1.0%)	1.4950%	\$ 20.0
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250%	\$ 25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700%	\$ 25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385%	\$ 35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610%	\$ 20.0

The cash flow hedge of interest expense variability was assessed to be effective for the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of \$1.8 million and after-tax net losses of \$0.8 million, respectively.

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021. There was \$0.1 million recognized in the consolidated statements of income resulting from hedge ineffectiveness during the fifty-two weeks ended January 1, 2022 and \$nil during the fifty-three weeks ended January 2, 2021.

FOREIGN CURRENCY CONTRACTS

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

As at January 1, 2022, the Company had outstanding notional amounts of \$27.7 million (January 2, 2021: \$40.6 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and \$3.1 million in foreign currency single-rate forward contracts that were formally designated as a hedge (January 2, 2021: \$2.1 million). With the exception of \$0.7 million (January 2, 2021: \$2.3 million) average-rate forward contracts with maturities ranging from January 2023 to June 2023, 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 effective for the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021, and therefore the change in fair value was recorded in OCI as after-tax net losses of \$0.2 million and after-tax net losses of \$0.5 million, respectively. There were nominal amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the fifty-two weeks ended January 1, 2022 and nominal amounts recognized during the fifty-three weeks ended January 2, 2021.

As at January 1, 2022, the Company had \$33.0 million (January 2, 2021: \$nil) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the fifty-two weeks ended, were net gains of \$0.7 million and the change for the fifty-three weeks ended January 2, 2021 were net losses of \$0.7 million.

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

As at January 1, 2022, a total borrowing of \$255.6 million (\$5.0 million included in accounts payable, \$5.6 million included in the current portion of long-term debt and \$245.0 million included in long-term debt (January 2, 2021: a total borrowing of \$288.2 million (\$20.2 million included in the current portion of long-term debt and \$268.0 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021.

26. Capital management

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

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

Capital distributions, including purchases of capital stock, are subject to availability under the Company's working capital debt facility. The consolidated Average Adjusted Aggregate Availability under the working capital debt facility must be greater than \$18.8 million. As at January 1, 2022, the Company had Average Adjusted Aggregate Availability of \$121.3 million. The Company also has restrictions under the term loan facility 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 1, 2022 and fifty-three weeks ended January 2, 2021, the Company paid \$8.2 million and \$5.5 million in dividends, respectively, and purchased shares for \$1.0 million and \$0.1 million, respectively, under the NCIB.

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

(Amounts in \$000s)	January 1, 2022	January 2, 2021
Total bank loans, principal outstanding (Note 11)	\$ 4,551	\$ —
Total long-term debt, principal outstanding (Note 14)	255,755	285,315
Total lease liabilities (Note 9)	11,178	15,588
Total debt	271,484	300,903
Less: cash	(443)	(32,935)
Net debt	271,041	267,968
Shareholders' equity	332,524	291,002
Unrealized (gains) losses on derivative financial instruments included in AOCI	(1,148)	1,289
Total capitalization	\$ 602,417	\$ 560,259
Net debt as percentage of total capitalization	45%	48%

No changes were made in the objectives, policies or processes for managing capital for the fiscal year ended January 1, 2022 and January 2, 2021.

27. Financial risk management objectives and policies

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which relates to the Company's debt obligations with floating interest rates. The Company's policy is to manage interest rate risk by having a mix of fixed and variable rate debt. The Company's objective is to keep between 35% and 55% of its borrowings at fixed rates of interest. To manage this, the Company enters into fixed rate debt facilities or interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps are designated to hedge the underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Company will pay may also be used to manage this exposure. At January 1, 2022, 42.8% of the Company's borrowings, including the long-term debt and the working capital facility, were either hedged or at a fixed rate of interest (January 2, 2021: 51.7%).

INTEREST RATE SENSITIVITY

The Company's income before income taxes is sensitive to the impact of a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. As at January 1, 2022, the Company's current bank loans were \$4.6 million (January 2, 2021: \$nil) and long-term debt was \$256.4 million (January 2, 2021: \$294.2 million). An increase of 25 basis points on the bank loans would have reduced income before income taxes by a nominal amount (January 2, 2021: \$nil). An increase of 25 basis points above the LIBOR floor on the long-term debt would have reduced income before income taxes by \$0.4 million (January 2, 2021: \$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

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

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

The Parent hedges forecasted cash flows for purchases of USD-denominated products for the Canadian operations where the purchase price is substantially known in advance. At January 1, 2022, the Parent hedged 44% (January 2, 2021: 51%) of these purchases identified for hedging, extending to June 2023. The Company's *Price Risk Management Policy* dictates that cash flows out fifteen months are hedged between a minimum and maximum percent that declines by quarter the further into the future the cash flows are. The Company does not hedge cash flows on certain USD-denominated seafood purchases in which the ultimate selling price charged to the Company's Canadian customers move with changes in the USD/CAD exchange rates. It is the Company's policy to set the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. The Company also has foreign exchange risk related to the USD-denominated input costs of commodities used in its Canadian operations related to freight surcharges on transportation costs, paper products in packaging, grain and corn products in its breadings and batters, and soy and canola bean-based cooking oils. The Company hedges these USD-denominated input costs on a small scale, but relies where possible on fixed price contracts with suppliers.

For the fifty-two weeks ended January 1, 2022, approximately 61.5% of the Parent's costs were denominated in USD, while approximately 99.9% of the Parent's sales were denominated in its CAD functional currency.

The Parent has some assets and liabilities that are denominated in CAD, and therefore, the assets and liabilities reported in the Consolidated Financial Statements change as USD/CAD exchange rates fluctuate. A stronger CAD has the effect of increasing the carrying value of assets and liabilities such as accounts receivable, inventory, property, plant and equipment, and accounts payable of the Parent when translated to USD. The net offset of those changes flow through OCI. Based on the equity of the Parent as of January 1, 2022, a one-cent increase/decrease in the USD/CAD exchange rate will decrease/increase equity by approximately \$0.9 million (January 2, 2021: \$0.9 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company holds credit insurance on its trade accounts receivable and all receivable balances are managed and monitored at the corporate level on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company's top ten customers account for 70% of the trade receivables at January 1, 2022 (January 2, 2021: 58%), with the largest customer accounting for 25% (January 2, 2021: 11%).

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

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as the models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process on commitments 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 lease liabilities. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period. At January 1, 2022, less than 6% of the Company's debt (January 2, 2021: less than 9%) will mature in less than one year based on the carrying value of borrowings reflected in the Consolidated Financial Statements. At January 1, 2022, 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, including accounts payable and accrued liabilities and undiscounted cash flows and interest payments related to long-term debt:

(Amounts in \$000s)	Due within 1 year	Due in 1-5 years	Due after 5 years	Total
Accounts payable and accrued liabilities	\$ 164,135	\$ —	\$ —	\$ 164,135
Long-term debt	19,596	298,528	—	318,124
As at January 1, 2022	\$ 188,282	\$ 298,528	\$ —	\$ 486,810
Accounts payable and accrued liabilities	\$ 114,326	\$ —	\$ —	\$ 114,326
Long-term debt	37,537	68,058	263,910	369,505
As at January 2, 2021	\$ 151,863	\$ 68,058	\$ 263,910	\$ 483,831

Commodity price risk

The Company is affected by price volatility of certain commodities such as crude oil, wheat, corn, paper products, and frying oils. The Company's *Price Risk Management Policy* dictates the use of fixed pricing with suppliers whenever possible, but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2021 and 2020, the Company managed this risk through contracts with suppliers. Where possible, the Company enters into fixed price contracts with suppliers on an annual basis and, therefore, a significant portion of the Company's 2022 commodity purchase requirements are covered. Should an increase in the price of commodities materialize, there could be a negative impact on earnings performance and alternatively, a decrease in the price of commodities could result in a benefit to earnings performance.

Crude oil prices, which influence fuel surcharges from freight suppliers, increased during 2021 compared to 2020. World commodity prices for flour, soy and canola oils, imported ingredients in many of the Company's products, increased throughout 2021 compared to 2020, as well as the price of corrugated and folded carton, which is used in packaging.

Seafood price risk

The Company is dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. The Company bought \$449.6 million of this product in the current year. A 1.0% change in the price of frozen raw seafood materials would increase/decrease the Company's procurement costs by \$4.5 million. Prices can fluctuate and there is limited formal commercial mechanism for hedging either sales or purchases. Purchases of seafood on global markets are principally in USD. The Company hedges exposures to a portion of its currency exposures and enters into longer-term supply contracts when possible.

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

28. Supplemental information

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

(Amounts in \$000s)	Fifty-two weeks ended January 1, 2022	Fifty-three weeks ended January 2, 2021
Included in finance costs:		
Interest expense on bank loans	\$ 328	\$ 998
Interest expense on long-term debt	12,707	15,869
Interest expense on lease liabilities	964	1,192
Deferred financing charges	1,310	1,271
Interest on letter of credit for SERP	106	129
Modification gain related to debt refinancing activities (Note 14)	(7,901)	—
Foreign exchange (gain) loss	(20)	24
Total finance costs	\$ 7,494	\$ 19,483
Foreign exchange loss (gain) included in:		
Cost of sales	\$ 800	\$ 667
Finance costs	(20)	24
Total foreign exchange loss	\$ 780	\$ 691
Loss (gain) on disposal of assets included in:		
Cost of sales	\$ 223	\$ 105
Distribution expenses	6	9
Selling, general and administrative expenses	(106)	(80)
Total loss on disposal of assets	\$ 123	\$ 34
Depreciation and amortization expense included in:		
Cost of sales	\$ 8,125	\$ 7,592
Distribution expenses	4,639	4,935
Selling, general and administrative expenses	10,317	10,701
Total depreciation and amortization expense	\$ 23,081	\$ 23,228
Employee compensation and benefit expense:		
Wages and salaries (including payroll benefits)	\$ 98,824	\$ 91,186
Future employee benefit costs	4,370	3,123
Share-based compensation expense	7,751	5,861
Termination benefits	888	1,583
Short-term employee benefits	28	(10)
Total employee compensation and benefit expense	\$ 111,861	\$ 101,743

29. Comparative figures

Comparative figures on the consolidated statements of income have been reclassified to reflect a \$0.2 million increase to selling, general and administrative expenses from business, acquisition, integration and other expenses to conform to the current period's presentation.