



HIGH LINER FOODS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the thirteen and thirty-nine weeks ended September 29, 2018
With comparative figures as at and for the thirteen and thirty-nine weeks ended September 30, 2017**

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

	Notes	September 29, 2018	December 30, 2017
ASSETS			
Current assets			
Cash		\$ 2,387	\$ 4,738
Accounts receivable	10	88,981	92,395
Income taxes receivable		11,481	13,533
Other financial assets	14	1,839	570
Inventories		283,951	353,433
Prepaid expenses		3,909	3,462
Total current assets		392,548	468,131
Non-current assets			
Property, plant and equipment		115,291	120,289
Deferred income taxes	9	13	2,787
Other receivables and miscellaneous assets	14	2,449	837
Intangible assets		158,273	158,044
Goodwill		157,568	157,881
Total non-current assets		433,594	439,838
Total assets	4,5	\$ 826,142	\$ 907,969
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans	4	\$ 25,676	\$ 53,352
Accounts payable and accrued liabilities		138,514	205,855
Contract liability	10	4,265	4,055
Provisions		146	278
Other current financial liabilities	14	367	1,965
Other current liabilities		80	166
Current portion of finance lease obligations		442	714
Total current liabilities		169,490	266,385
Non-current liabilities			
Long-term debt	5	336,062	335,441
Other long-term financial liabilities	14	33	62
Other long-term liabilities		1,655	1,641
Long-term finance lease obligations		566	407
Deferred income taxes	9	32,134	23,943
Future employee benefits		10,651	11,223
Total non-current liabilities		381,101	372,717
Total liabilities		550,591	639,102
Shareholders' equity			
Common shares	7	112,887	112,835
Contributed surplus		15,230	14,354
Retained earnings		166,062	159,157
Accumulated other comprehensive loss		(18,628)	(17,479)
Total shareholders' equity		275,551	268,867
Total liabilities and shareholders' equity		\$ 826,142	\$ 907,969

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Revenues	10	\$ 241,157	\$ 282,704	\$ 805,653	\$ 790,824
Cost of sales		197,158	234,444	657,783	649,249
Gross profit		43,999	48,260	147,870	141,575
Distribution expenses		12,692	13,240	40,524	36,499
Selling, general and administrative expenses		21,650	25,035	71,249	74,840
Impairment of property, plant and equipment		1,003	—	1,003	—
Business acquisition, integration and other (income) expense	3,6	(6,813)	747	(6,102)	1,648
Results from operating activities		15,467	9,238	41,196	28,588
Finance costs		5,109	4,576	15,815	11,785
Income before income taxes		10,358	4,662	25,381	16,803
Income taxes					
Current	9	(64)	(793)	(24)	1,436
Deferred	9	5,891	(585)	7,819	(2,059)
Total income tax expense (recovery)		5,827	(1,378)	7,795	(623)
Net income		\$ 4,531	\$ 6,040	\$ 17,586	\$ 17,426
Earnings per common share					
Basic		\$ 0.13	\$ 0.18	\$ 0.52	\$ 0.54
Diluted		\$ 0.13	\$ 0.18	\$ 0.52	\$ 0.54
Weighted average number of shares outstanding					
Basic		33,673,507	33,381,801	33,598,945	32,069,306
Diluted		33,673,796	33,439,153	33,601,433	32,221,554

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	\$ 4,531	\$ 6,040	\$ 17,586	\$ 17,426
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss) to be reclassified to net income:				
Gain (loss) on hedge of net investment in foreign operations	4,917	11,217	(9,301)	21,773
(Loss) gain on translation of net investment in foreign operations	(7,101)	(16,232)	13,410	(31,137)
Translation impact on Canadian dollar denominated non-AOCI items	4,534	9,588	(8,665)	17,636
Translation impact on Canadian dollar denominated AOCI items	(309)	(707)	645	(1,283)
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	2,041	3,866	(3,911)	6,989
Effective portion of changes in fair value of cash flow hedges	577	(938)	3,385	(2,335)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	(877)	149	(291)	(63)
Net change in fair value of cash flow hedges transferred to income	(87)	118	(106)	445
Translation impact on Canadian dollar denominated AOCI items	175	308	(226)	573
Total exchange (losses) gains on cash flow hedges	(212)	(363)	2,762	(1,380)
Net other comprehensive gains (losses) to be reclassified to net income	1,829	3,503	(1,149)	5,609
Other comprehensive income (loss) not to be reclassified to net income				
Defined benefit plan actuarial gains (losses)	239	(945)	379	(2,182)
Other comprehensive income (loss), net of income tax	2,068	2,558	(770)	3,427
Total comprehensive income	\$ 6,599	\$ 8,598	\$ 16,816	\$ 20,853

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

	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total AOCI
Balance at December 30, 2017	\$ (17,699)	\$ 220	\$ (17,479)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(3,911)	—	(3,911)
Total exchange gains on cash flow hedges	—	2,762	2,762
Balance at September 29, 2018	\$ (21,610)	\$ 2,982	\$ (18,628)
Balance at December 31, 2016	\$ (24,887)	\$ 561	\$ (24,326)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	6,989	—	6,989
Total exchange losses on cash flow hedges	—	(1,380)	(1,380)
Balance at September 30, 2017	\$ (17,898)	\$ (819)	\$ (18,717)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Common shares	Contributed surplus	Retained earnings	AOCI	Total
Balance at December 30, 2017	\$ 112,835	\$ 14,354	\$ 159,157	\$ (17,479)	\$ 268,867
Other comprehensive loss	—	—	379	(1,149)	(770)
Net income	—	—	17,586	—	17,586
Common share dividends	—	—	(11,060)	—	(11,060)
Share-based compensation	52	876	—	—	928
Balance at September 29, 2018	\$ 112,887	\$ 15,230	\$ 166,062	\$ (18,628)	\$ 275,551
Balance at December 31, 2016	\$ 86,094	\$ 14,654	\$ 143,782	\$ (24,326)	\$ 220,204
Other comprehensive income	—	—	(2,182)	5,609	3,427
Net income	—	—	17,426	—	17,426
Common share dividends	—	—	(10,586)	—	(10,586)
Share-based compensation	185	457	—	—	642
Share issuance	25,758	—	(46)	—	25,712
Balance at September 30, 2017	\$ 112,037	\$ 15,111	\$ 148,394	\$ (18,717)	\$ 256,825

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

		Thirteen weeks ended		Thirty-nine weeks ended	
	Notes	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Cash flows provided by (used in):					
Operating activities					
Net income		\$ 4,531	\$ 6,040	\$ 17,586	\$ 17,426
Adjustments to net income not involving cash from operations:					
Depreciation and amortization	13	4,522	4,370	13,305	11,893
Share-based compensation expense (recovery)	8	30	(380)	1,048	797
Loss on asset disposals and impairment		1,030	74	1,144	239
Future employee benefits contribution, net of expense		99	25	6	171
Finance costs		5,109	4,576	15,815	11,785
Income tax expense (recovery)	9	5,827	(1,378)	7,795	(623)
Unrealized foreign exchange (gain) loss		(276)	(727)	27	(1,134)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes refunded (paid)		20,872	12,600	56,726	40,554
Changes in non-cash working capital balances:					
Accounts receivable		(652)	(9,832)	2,592	(7,327)
Inventories		(5,381)	(17,017)	66,416	3,035
Prepaid expenses		586	444	(512)	221
Accounts payable and accrued liabilities		1,441	21,699	(67,476)	(20,030)
Provisions		(461)	436	(114)	4,531
Net change in non-cash working capital balances		(4,467)	(4,270)	906	(19,570)
Interest paid		(5,019)	(2,808)	(14,688)	(10,196)
Income taxes refunded (paid)		3,965	(1,120)	4,025	(8,965)
Net cash flows provided by operating activities		15,351	4,402	46,969	1,823
Financing activities					
(Decrease) increase in bank loans		(10,554)	4,527	(26,911)	15,833
Repayment of finance lease obligations		(150)	(175)	(508)	(592)
Proceeds of long-term debt		—	—	—	70,000
Deferred finance costs		(4)	(3)	(313)	(1,247)
Common share dividends paid		(3,719)	(3,839)	(11,060)	(10,586)
Options exercised for shares		—	—	24	—
Share issuance		—	—	—	(73)
Net cash flows (used in) provided by financing activities		(14,427)	510	(38,768)	73,335
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		(2,602)	(8,157)	(10,424)	(20,390)
Net proceeds on disposal of assets		—	96	119	254
Acquisition of business, net of cash acquired		—	—	—	(74,911)
Net cash flows used in investing activities		(2,602)	(8,061)	(10,305)	(95,047)
Foreign exchange increase (decrease) on cash		319	3,846	(247)	3,964
Net change in cash during the period		(1,359)	697	(2,351)	(15,925)
Cash, beginning of period		3,746	1,630	4,738	18,252
Cash, end of period		\$ 2,387	\$ 2,327	\$ 2,387	\$ 2,327

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
Notes to the Unaudited Condensed Interim 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 Unaudited Condensed Interim Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the thirteen and thirty-nine weeks ended September 29, 2018, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 8, 2018.

2. Basis of preparation

(a) Statement of compliance

These Consolidated Financial Statements are in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 30, 2017, as set out in the 2017 Annual Report, available at www.highlinerfoods.com.

(b) 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 is the CAD and the United States dollar ("U.S. dollar" or "USD"). The Company has chosen a USD presentation currency for its 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.

(c) Seasonality of operations

The Company's operating results are affected by the timing of holidays. Inventory levels fluctuate throughout the year, and are at their highest in the first quarter to support strong sales during the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

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

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 30, 2017, except for the adoption of the following new standards and amendments that were effective for annual periods beginning on January 1, 2018 and that the Company has adopted on December 31, 2017:

IFRS 2, Share-based Payment

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

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IFRS 9, *Financial Instruments: Classification and Measurement*

In 2015, the IASB issued the final version of the amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), issued in 2010, which replaced IAS 39. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements:

- The Company did not identify any changes to the classification and measurement of the existing financial instruments upon applying IFRS 9, other than a change in the classification of cash and accounts receivable from loans and receivables to assets at amortized cost, which had no impact on measurement of these financial instruments.
- IFRS 9 requires the Company to record expected credit losses ("ECL") on the entire accounts receivable balance. The Company has applied the simplified approach and has calculated the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The adoption of the ECL requirements of IFRS 9 had an immaterial impact on the Consolidated Financial Statements (see Note 10).
- The Company has concluded that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not have an impact on the Company's Consolidated Financial Statements.

IFRS 15, *Revenue from Contracts with Customers*

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

The Company has completed the assessment of the impact of the application of the new standard and reached conclusions on key accounting policies upon transitioning to IFRS 15. The Company has not identified any material impacts on the consolidated statements of financial position or income upon initial application. Specifically, the Company has concluded that the adoption of IFRS 15 will not result in any material refinements to the current estimation methodologies or the timing of the recognition of estimates in relation to the Company's trade marketing programs. However, the following two presentation differences on the consolidated statements of income have been identified:

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

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

- The Company would have recognized \$0.6 million, \$3.0 million, and \$4.7 million of incremental revenue and cost of sales on the sale of donated finished products for the thirteen and thirty-nine weeks ended September 30, 2017 and fifty-two weeks ended December 30, 2017, respectively.

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In United States dollars, unless otherwise noted

- The Company would have decreased revenue and cost of sales recorded by \$0.2 million, \$0.3 million and \$0.6 million for the thirteen and thirty-nine weeks ended September 30, 2017 and fifty-two weeks ended December 30, 2017, respectively for identified payments made to a customer that would be accounted for as a reduction of revenue under IFRS 15.

Accounting policy

Revenue from the sale of products is recognized when the terms of a contract with a customer has been satisfied, which occurs when control has been transferred to customers, either upon delivery to or pick-up by the customer. Revenue is measured as the amount of consideration the Company expects to receive, and varies with changes in marketing programs provided to customers, including volume rebates, cooperative advertising and other trade marketing programs which 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.

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

The Company has elected to apply the practical expedient and will recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period of the asset that the Company otherwise would have recognized is less than one year. See Note 10 for further details on the transition to IFRS 15.

(e) Accounting pronouncements issued but not yet effective

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

IFRS 16, Leases

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

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

IAS 19, Employee Benefits

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

HIGH LINER FOODS INCORPORATED
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In United States dollars, unless otherwise noted

3. Product recall

In April 2017, the Company announced a voluntary recall of certain brands of breaded fish and seafood products sold in Canada that may contain a milk allergen that was not declared on the ingredient label and allergen statement. The Company identified that the allergen had originated from ingredients supplied by one of the Company's U.S.-based ingredient suppliers. As a result, during the thirteen weeks ended April 1, 2017 the Company recognized \$0.7 million in estimated net losses associated with the product recall related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs.

Subsequently, during the second quarter of fiscal 2017, the Company was notified by the ingredient supplier that several additional ingredients were being recalled due to the potential presence of undeclared milk allergens, which necessitated the expansion of the Company's initial recall to include additional value-added seafood products sold in the U.S. and Canada. As a result, the Company recognized further net losses associated with the product recall of \$2.7 million and \$11.3 million during the thirteen and thirty-nine weeks ended September 30, 2017 (fifty-two weeks ended December 30, 2017: \$13.5 million). These losses did not include any reduction in earnings as a result of lost sales opportunities due to limited product availability and customer shortages, or increased production costs related to the interruption of production at the Company's facilities. Additional information relating to the product recall is available in the Company's consolidated financial statements for the year ended December 30, 2017.

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

4. Bank loans

<i>(Amounts in \$000s)</i>	September 29, 2018	December 30, 2017
Bank loans, denominated in CAD (average variable rate of 3.27%; December 30, 2017: 3.04%)	\$ 3,338	\$ 9,435
Bank loans, denominated in USD (average variable rate of 4.71%; December 30, 2017: 3.64%)	22,735	44,125
	26,073	53,560
Less: deferred finance costs	(397)	(208)
	\$ 25,676	\$ 53,352

In April 2018, the Company amended the \$180.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral Agent, to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25% (previously 0.25% to 0.375%). The amendment to the Facility was not assessed as a substantial modification, and as a result, the deferred finance costs related to the original Facility continue to be amortized over the remaining term. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 5), and excluding the assets acquired as part of the Rubicon Resources, LLC ("Rubicon") acquisition which was closed on May 30, 2017. Additional information relating to the Rubicon acquisition is available in the Company's consolidated financial statements for the year ended December 30, 2017. A second charge over the Company's property, plant and equipment is also in place. As at September 29, 2018, the Company had \$124.9 million of undrawn borrowing facility (December 30, 2017: \$111.8 million).

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As at September 29, 2018, the Facility allowed the Company to borrow:

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

5. Long-term debt

<i>(Amounts in \$000s)</i>	September 29, 2018	December 30, 2017
Term loan	\$ 337,926	\$ 337,926
Less: deferred finance costs	(1,864)	(2,485)
	\$ 336,062	\$ 335,441

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

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

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

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6. Employee benefits

Employee benefits relating to the termination of employees ("termination benefits") are expensed during the period and are recorded as of the date a committed plan is in place and communication to employees has occurred. Termination benefits relate to severance which is not based on a future service requirement. Severance and retention benefits that are dependent upon the continuing provision of services through to certain predefined dates, are recognized as short-term employee benefits. Termination and short-term employee benefits are included on the following line items in the consolidated statements of income:

<i>(Amounts in \$000s)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Termination benefits				
Cost of sales	\$ —	\$ 64	\$ 18	\$ 108
Distribution expenses	—	11	—	11
Business acquisition, integration and other (income) expense	1,599	—	2,255	—
Selling, general and administrative expenses	32	1,205	186	1,803
	\$ 1,631	\$ 1,280	\$ 2,459	\$ 1,922
Short-term benefits				
Selling, general and administrative expenses	34	—	55	27
	\$ 34	\$ —	\$ 55	\$ 27

7. Share capital

Purchase of shares for cancellation

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

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

	Thirty-nine weeks ended		Thirty-nine weeks ended	
	September 29, 2018		September 30, 2017	
	Shares	(\$000s)	Shares	(\$000s)
Balance, beginning of period	33,379,815	\$ 112,835	30,889,078	\$ 86,094
Shares issued on acquisition of Rubicon	—	—	2,429,014	25,758
Options exercised for shares	3,666	24	—	—
Options exercised for shares via cashless exercise method (Note 8)	—	—	14,295	—
Fair value of share-based compensation on options exercised	—	28	—	185
Balance, end of period	33,383,481	\$ 112,887	33,332,387	\$ 112,037

During the thirteen and thirty-nine weeks ended September 29, 2018, the Company distributed dividends per share of CAD\$0.145 and CAD\$0.435, respectively (thirteen and thirty-nine weeks ended September 30, 2017: CAD\$0.140 and CAD\$0.420, respectively).

On November 8, 2018, the Company's Board of Directors declared a quarterly dividend of CAD\$0.145 per share, payable on December 15, 2018 to shareholders of record as of December 1, 2018.

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8. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was \$0.1 million and \$1.7 million, respectively, as at September 29, 2018 (December 30, 2017: \$0.2 million and \$1.6 million, respectively).

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

<i>(Amounts in \$000s)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Cost of sales resulting from:				
Equity-settled awards ⁽¹⁾	\$ 12	\$ 15	\$ 37	\$ 44
Selling, general and administrative expenses resulting from:				
Cash-settled awards ⁽¹⁾	(250)	(597)	140	159
Equity-settled awards ⁽¹⁾	268	202	871	594
Share-based compensation expense (recovery)	\$ 30	\$ (380)	\$ 1,048	\$ 797

⁽¹⁾ Cash-settled awards may include options with share appreciation rights ("SAR"), RSUs, PSUs, and DSUs. Equity-settled awards include options.

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

	September 29, 2018		Thirteen weeks ended September 30, 2017		September 29, 2018		Thirty-nine weeks ended September 30, 2017	
	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)
Outstanding, beginning of period	1,790,858	\$ 15.19	1,692,014	\$ 18.55	1,340,449	\$ 18.21	1,607,350	\$ 18.21
Granted	—	—	82,985	13.84	804,312	11.27	206,599	17.89
Exercised for shares via cashless method ^{(1),(2)}	—	—	—	—	—	—	(29,750)	9.56
Exercised for shares ⁽²⁾	—	—	—	—	(3,666)	8.25	—	—
Exercised for cash ⁽²⁾	—	—	—	—	(2,000)	8.25	(3,000)	9.39
Cancelled or forfeited	—	—	—	—	(12,000)	19.26	(3,200)	15.30
Expired	(9,000)	20.51	(17,380)	22.07	(345,237)	20.92	(20,380)	21.30
Outstanding, end of period	1,781,858	\$ 15.16	1,757,619	\$ 18.29	1,781,858	\$ 15.16	1,757,619	\$ 18.29
Exercisable, end of period	823,941	\$ 18.08	1,076,732	\$ 19.11	823,941	\$ 18.08	1,076,732	\$ 19.11

⁽¹⁾ For the thirteen and thirty-nine weeks ended September 29, 2018, nil shares were issued via the cashless exercise method (thirteen and thirty-nine weeks ended September 30, 2017: nil and 14,295 shares, respectively).

⁽²⁾ The weighted average share price at the date of exercise for these options was CAD\$nil and CAD\$10.79 for the thirteen and thirty-nine weeks ended September 29, 2018, respectively (thirteen and thirty-nine weeks ended September 30, 2017: CAD\$nil and CAD\$18.40, respectively).

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

Option price (CAD)	Options outstanding			Options exercisable	
	Number outstanding	Weighted average exercise price	Average life (years)	Number exercisable	Weighted average exercise price
\$ 8.25-10.00	8,666	\$ 8.25	0.50	8,666	\$ 8.25
\$ 10.01-15.00	892,162	11.51	4.98	146,300	11.18
\$ 15.01-20.00	448,935	15.30	2.50	281,912	15.3
\$ 20.01-25.00	432,095	22.70	1.49	387,063	22.94
	1,781,858			823,941	

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

	September 29, 2018	September 30, 2017
Dividend yield (%)	5.16	3.11
Expected volatility (%)	35.45	34.70
Risk-free interest rate (%)	2.10	1.61
Expected life (years)	5.00	6.81
Weighted average share price (CAD)	\$ 11.34	\$ 17.89
Weighted average fair value (CAD)	\$ 2.32	\$ 4.34

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.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Outstanding, beginning of period	343,629	251,360	263,556	216,070
Granted	—	7,625	156,590	95,096
Reinvested dividends	5,001	2,660	13,657	6,517
Released and paid in cash	—	—	(14,096)	(25,873)
Forfeited and expired	(7,237)	—	(78,314)	(30,165)
Outstanding, end of period	341,393	261,645	341,393	261,645

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the thirteen and thirty-nine weeks ended September 29, 2018 was 19% (September 30, 2017: 82%).

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Outstanding, beginning of period	290,407	61,697	72,529	—
Granted	—	5,773	213,133	66,557
Reinvested dividends	5,005	693	10,934	1,606
Forfeited	(6,757)	—	(7,941)	—
Outstanding, end of period	288,655	68,163	288,655	68,163

The share price at the reporting date was CAD\$8.05 (September 30, 2017: CAD\$14.01). The PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met (if applicable) and the RSUs will vest in accordance with the terms of the agreement.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Outstanding, beginning of period	144,324	74,126	77,934	34,337
Granted	—	2,265	63,444	41,239
Reinvested dividends	2,642	761	5,588	1,576
Outstanding, end of period	146,966	77,152	146,966	77,152

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9. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 29, 2018 was 29.3% (thirteen and thirty-nine weeks ended September 30, 2017: 29.2%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended September 29, 2018 was an expense of 56.3% and an expense of 30.7%, respectively (thirteen and thirty-nine weeks ended September 30, 2017: a recovery of 29.6% and a recovery of 3.7%, respectively). The higher effective tax rate for the thirteen weeks ended September 29, 2018 compared to the prior year was attributable to reduced interest expense deductibility associated with the Company's tax efficient financing structure due to a valuation allowance, partially offset by a reduction in the U.S. federal corporate income tax rate from 35% to 21%, which are both attributable to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017 ("U.S. Tax Reform"). Future regulations and interpretations to be issued by U.S. authorities may also impact the estimates and assumptions used in calculating the Company's income tax provisions.

10. Revenue from contracts with customers

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers using existing operating segments, which are based on geographical locations, the U.S. and Canada (see Note 13). The Company has determined that a disaggregation of revenue using existing segments best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Accounts receivable

<i>(Amounts in \$000s)</i>	September 29, 2018	December 30, 2017
Trade accounts receivable	\$ 88,083	\$ 90,148
Other accounts receivable	898	2,247
	\$ 88,981	\$ 92,395

Trade accounts receivable includes revenues from contracts with customers that bear normal commercial credit terms and are non-interest bearing. For the thirteen and thirty-nine weeks ended September 29, 2018 and September 30, 2017, the Company recognized \$0.2 million of impairment losses (thirteen and thirty-nine weeks ended September 30, 2017: nominal) related to receivables arising from contracts with customers.

Contract liability

The Company's contract liability consists of donated product received from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. The donated inventory is non-cash consideration that is recorded at the fair value of the product received. The Company has an obligation to sell the product to the eligible agencies at the reduced price, with the donated product being included in the transaction price recognized on the sale of the finished products. The Company has changed the presentation of this obligation on the consolidated statements of financial position and has reclassified \$4.1 million as at December 30, 2017 from accounts payable and accrued liabilities to contract liability to reflect the terminology and the presentation requirements of IFRS 15. The contract liability continues to be classified as current because the Company expects to settle the obligation within twelve months from the reporting date. During the thirteen and thirty-nine weeks ended September 29, 2018, the Company recognized \$1.2 million and \$4.4 million, respectively (thirteen and thirty-nine weeks ended September 30, 2017: \$1.1 million and \$4.4 million, respectively) in revenue that was included in the contract liability balance at the beginning of the period.

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11. Commitments

Guarantee of Supplier Financing Arrangement

As part of the Rubicon acquisition, the Company assumed financing arrangement guarantees for certain suppliers that finance their exports of seafood products to Rubicon. As part of this financing arrangement, the Company has granted a security interest in substantially all of the inventory and proceeds thereon arising from purchases from these suppliers and has guaranteed the suppliers' borrowings, to the extent that such borrowings were used in connection with the exportation of seafood products to Rubicon. The Company has deemed the amount of the guarantee to be the open accounts payable to these suppliers. As of September 29, 2018, the Company's open accounts payable to these suppliers was \$32.3 million.

12. Related party transactions

The Company has related party transactions with a company controlled by certain key management of Rubicon. Total sales to related parties for the thirteen and thirty-nine weeks ended September 29, 2018 were \$0.3 million and \$0.5 million, respectively (thirteen and thirty-nine weeks ended September 30, 2017: \$nil) and as at September 29, 2018 there was \$0.4 million due from the related parties (September 30, 2017: \$nil). Total purchases from related parties for the thirteen and thirty-nine weeks ended September 29, 2018 were \$nil (thirteen and thirty-nine weeks ended September 30, 2017: \$0.6 million and \$1.7 million, respectively), and as at September 29, 2018, there was \$nil due to the related parties (September 30, 2017: \$0.6 million).

13. Operating segment information

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

<i>(Amounts in \$000s)</i>	Thirteen weeks ended September 29, 2018				Thirteen weeks ended September 30, 2017			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Revenues (excluding intercompany sales)	\$ 63,382	\$ 177,775	\$ —	\$ 241,157	\$ 68,129	\$ 214,575	\$ —	\$ 282,704
Cost of sales (excluding intercompany sales)	53,102	144,345	(289)	197,158	56,906	177,322	216	234,444
Gross profit	\$ 10,280	\$ 33,430	\$ 289	\$ 43,999	\$ 11,223	\$ 37,253	\$ (216)	\$ 48,260
Income (loss) before income taxes	\$ 2,381	\$ 7,468	\$ 509	\$ 10,358	\$ 2,006	\$ 9,207	\$ (6,551)	\$ 4,662
Add back:								
Depreciation and amortization included in:								
Cost of sales	339	1,302	55	1,696	335	1,270	44	1,649
Distribution expenses	37	332	—	369	38	325	—	363
Selling, general and administrative expenses	119	1,786	552	2,457	154	1,936	268	2,358
Total depreciation and amortization	495	3,420	607	4,522	527	3,531	312	4,370
Finance costs	—	—	5,109	5,109	—	—	4,576	4,576
Income (loss) before depreciation, amortization, finance costs and income taxes	\$ 2,876	\$ 10,888	\$ 6,225	\$ 19,989	\$ 2,533	\$ 12,738	\$ (1,663)	\$ 13,608

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<i>(Amounts in \$000s)</i>	Thirty-nine weeks ended September 29, 2018				Thirty-nine weeks ended September 30, 2017			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Revenues (excluding intercompany sales)	\$ 195,821	\$ 609,832	\$ —	\$ 805,653	\$ 196,136	\$ 594,688	\$ —	\$ 790,824
Cost of sales (excluding intercompany sales)	160,029	498,093	(339)	657,783	162,031	487,433	(215)	649,249
Gross profit	\$ 35,792	\$ 111,739	\$ 339	\$ 147,870	\$ 34,105	\$ 107,255	\$ 215	\$ 141,575
Income (loss) before income taxes	\$ 9,774	\$ 30,462	\$ (14,855)	\$ 25,381	\$ 5,971	\$ 28,822	\$ (17,990)	\$ 16,803
Add back:								
Depreciation and amortization included in:								
Cost of sales	1,053	3,920	165	5,138	965	3,778	98	4,841
Distribution expenses	112	999	—	1,111	113	985	—	1,098
Selling, general and administrative expenses	417	5,342	1,297	7,056	371	4,796	787	5,954
Total depreciation and amortization	1,582	10,261	1,462	13,305	1,449	9,559	885	11,893
Finance costs	—	—	15,815	15,815	—	—	11,785	11,785
Income (loss) before depreciation, amortization, finance costs and income taxes	\$ 11,356	\$ 40,723	\$ 2,422	\$ 54,501	\$ 7,420	\$ 38,381	\$ (5,320)	\$ 40,481

<i>(Amounts in \$000s)</i>	As at September 29, 2018				As at December 30, 2017			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Total assets	\$168,815	\$640,902	\$ 16,425	\$826,142	\$ 172,180	\$ 713,729	\$ 22,060	\$ 907,969
Total liabilities	\$ 36,725	\$102,608	\$ 411,258	\$550,591	\$ 51,894	\$ 156,821	\$ 430,387	\$ 639,102

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14. Fair value measurement

Fair value of financial instruments

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:

<i>(Amounts in \$000s)</i>	September 29, 2018		December 30, 2017	
	Level 2	Level 3	Level 2	Level 3
Fair value of financial assets				
Foreign exchange contracts	\$ 867	\$ —	\$ 500	\$ —
Interest rate swaps	3,421	—	906	—
Fair value of financial liabilities				
Interest rate swaps	—	—	367	—
Foreign exchange contracts	400	—	1,660	—
Long-term debt	—	332,712	—	335,711
Finance lease obligations	—	1,001	—	1,129

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

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

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

The financial liabilities that are not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion) and finance lease obligations. The carrying amounts for these instruments are \$336.1 million and \$1.0 million, respectively, as at September 29, 2018 (December 30, 2017: \$335.4 million and \$1.1 million, respectively).

Hedging activities

Interest rate swaps

During the thirty-nine weeks ended September 29, 2018, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 5):

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

The cash flow hedge of interest expense variability was assessed to be highly effective for the thirteen and thirty-nine weeks ended September 29, 2018 and September 30, 2017, and therefore, the change in fair value for those interest rate swaps designated in a

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hedging relationship was included in OCI as after-tax net gains of \$0.3 million and \$2.0 million, respectively and after-tax net losses of nominal and \$0.4 million, respectively.

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

Foreign currency contracts

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

As at September 29, 2018, the Company had outstanding notional amounts of \$29.3 million (September 30, 2017: \$49.4 million) in foreign currency average-rate forward contracts and \$5.2 million (September 30, 2017: \$9.0 million) in foreign currency single-rate forward contracts that were formally designated as a hedge. With the exception of \$1.0 million (September 30, 2017: \$4.6 million) average-rate forward contracts with maturities ranging from October 2019 to December 2019, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be highly effective for the thirteen and thirty-nine weeks ended September 29, 2018 and September 30, 2017, and therefore, the change in fair value was recorded in OCI as after-tax net gains of \$0.3 million and \$1.3 million, respectively and after-tax net losses of \$0.9 million and \$1.9 million, respectively. The amount recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 29, 2018 was nominal net losses, respectively (thirteen and thirty-nine weeks ended September 30, 2017: nominal net losses, respectively).

As at September 29, 2018, the Company had outstanding notional amounts of \$5.0 million (September 30, 2017: \$5.0 million) of foreign currency single-rate forward contracts outstanding to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value for the thirteen and thirty-nine weeks ended September 29, 2018 and September 30, 2017 was a net loss of nominal and a net gain of \$0.2 million, and a nominal net gain and a net loss of \$0.1 million, respectively, which was recorded in the consolidated statements of income.

Hedge of net investment in foreign operations

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

15. Events after the reporting period

Organizational realignment

On November 7, 2018, the Company announced an organizational realignment that is expected to result in the recognition of termination benefits of approximately \$4.5 million, of which \$3.3 million is expected to be recognized in the fourth quarter of 2018.
