



HIGH LINER FOODS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen and thirty-nine weeks ended September 26, 2020
With comparative figures as at and for the thirteen and thirty-nine weeks ended September 28, 2019

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

	Notes	September 26, 2020	December 28, 2019
ASSETS			
Current assets			
Cash		\$ 45,207	\$ 3,144
Accounts receivable		67,386	85,089
Income taxes receivable		2,124	3,494
Other financial assets	12	681	236
Inventories		231,246	294,913
Prepaid expenses		4,723	4,322
Total current assets		351,367	391,198
Non-current assets			
Property, plant and equipment		106,367	108,986
Right-of-use assets		15,418	11,792
Deferred income taxes	9	2,395	2,134
Other receivables and assets	12	93	34
Intangible assets		143,523	148,893
Goodwill		157,218	157,457
Total non-current assets		425,014	429,296
Total assets	4, 5	\$ 776,381	\$ 820,494
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans	4	\$ 29,680	\$ 37,546
Accounts payable and accrued liabilities		97,893	141,238
Contract liability		3,236	3,581
Provisions		2,657	329
Other current financial liabilities	12	1,846	861
Other current liabilities		2,201	4,881
Income taxes payable		332	2,102
Current portion of long-term debt	5	—	14,511
Current portion of lease liabilities		4,207	4,582
Total current liabilities		142,052	209,631
Non-current liabilities			
Long-term debt	5	288,376	289,020
Other long-term financial liabilities	12	375	292
Other long-term liabilities		4,170	3,031
Long-term lease liabilities		11,654	7,198
Deferred income taxes	9	33,432	30,182
Future employee benefits		15,771	12,970
Total non-current liabilities		353,778	342,693
Total liabilities		495,830	552,324
Shareholders' equity			
Common shares	7	112,739	112,887
Contributed surplus		16,408	16,028
Retained earnings		178,386	162,773
Accumulated other comprehensive loss		(26,982)	(23,518)
Total shareholders' equity		280,551	268,170
Total liabilities and shareholders' equity		\$ 776,381	\$ 820,494

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Sales	11	\$ 194,621	\$ 220,141	\$ 629,038	\$ 720,599
Cost of sales		155,718	177,707	494,634	579,241
Gross profit		38,903	42,434	134,404	141,358
Distribution expenses		10,095	10,697	33,711	34,375
Selling, general and administrative expenses		17,734	25,429	53,861	71,442
Impairment of property, plant and equipment		—	930	—	968
Business acquisition, integration and other expense (income)	6	599	3,414	1,836	(987)
Results from operating activities		10,475	1,964	44,996	35,560
Finance costs		4,424	5,027	14,812	16,428
Income (loss) before income taxes		6,051	(3,063)	30,184	19,132
Income tax expense (recovery)	9	2,230	(663)	8,754	5,824
Net income (loss)		\$ 3,821	\$ (2,400)	\$ 21,430	\$ 13,308
Earnings (loss) per common share					
Basic		\$ 0.11	\$ (0.07)	\$ 0.63	\$ 0.39
Diluted		\$ 0.11	\$ (0.07)	\$ 0.63	\$ 0.39
Weighted average number of shares outstanding					
Basic		33,839,857	33,806,527	33,857,438	33,812,287
Diluted		33,839,857	33,806,527	33,857,438	34,257,131

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income (loss)	\$ 3,821	\$ (2,400)	\$ 21,430	\$ 13,308
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	6,397	(3,931)	(7,562)	9,480
(Loss) gain on translation of net investment in foreign operations	(8,090)	5,012	9,883	(11,446)
Translation impact on Canadian dollar denominated non-AOCI items	4,667	(2,799)	(6,021)	6,084
Translation impact on Canadian dollar denominated AOCI items	(421)	268	644	(665)
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	2,553	(1,450)	(3,056)	3,453
Effective portion of changes in fair value of cash flow hedges	(176)	22	(113)	(1,615)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	(235)	114	(464)	(686)
Net change in fair value of cash flow hedges transferred to income	232	(88)	368	(472)
Translation impact on Canadian dollar denominated AOCI items	175	(104)	(199)	280
Total exchange losses on cash flow hedges	(4)	(56)	(408)	(2,493)
Net other comprehensive gain (loss) to be reclassified to net income	2,549	(1,506)	(3,464)	960
Other comprehensive loss to not be reclassified to net income				
Defined benefit plan actuarial losses	(1,976)	(854)	(1,991)	(2,829)
Other comprehensive income (loss), net of income tax	573	(2,360)	(5,455)	(1,869)
Total comprehensive income (loss)	\$ 4,394	\$ (4,760)	\$ 15,975	\$ 11,439

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
(unaudited, 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 December 28, 2019	\$ (23,122)	\$ (396)	\$ (23,518)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	(3,056)	—	(3,056)
Total exchange losses on cash flow hedges	—	(408)	(408)
Balance at September 26, 2020	\$ (26,178)	\$ (804)	\$ (26,982)
Balance at December 29, 2018	\$ (27,977)	\$ 2,215	\$ (25,762)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	3,453	—	3,453
Total exchange losses on cash flow hedges	—	(2,493)	(2,493)
Balance at September 28, 2019	\$ (24,524)	\$ (278)	\$ (24,802)

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	Accumulated other comprehensive loss	Total
Balance at December 28, 2019	\$ 112,887	\$ 16,028	\$ 162,773	\$ (23,518)	\$ 268,170
Other comprehensive loss	—	—	(1,991)	(3,464)	(5,455)
Net income	—	—	21,430	—	21,430
Common share dividends	—	—	(3,685)	—	(3,685)
Share-based compensation	—	380	—	—	380
Common shares repurchased for cancellation <i>(Note 7)</i>	(148)	—	(141)	—	(289)
Balance at September 26, 2020	\$ 112,739	\$ 16,408	\$ 178,386	\$ (26,982)	\$ 280,551
Balance at December 29, 2018	\$ 112,887	\$ 15,357	\$ 161,377	\$ (25,762)	\$ 263,859
Other comprehensive loss	—	—	(2,829)	960	(1,869)
Net income	—	—	13,308	—	13,308
Common share dividends	—	—	(6,154)	—	(6,154)
Share-based compensation	—	568	—	—	568
Balance at September 28, 2019	\$ 112,887	\$ 15,925	\$ 165,702	\$ (24,802)	\$ 269,712

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)

	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash flows provided by (used in):					
Operating activities					
Net income (loss)		\$ 3,821	\$ (2,400)	\$ 21,430	\$ 13,308
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		5,636	5,717	17,184	16,777
Share-based compensation expense	8	2,380	4,375	2,907	8,633
Loss on asset disposals and impairment		54	1,029	75	1,177
Future employee benefits contribution, net of expense		175	87	48	54
Finance costs		4,424	5,027	14,812	16,428
Income tax expense (recovery)	9	2,230	(663)	8,754	5,824
Unrealized foreign exchange loss		634	182	988	925
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes refunded (paid)		19,354	13,354	66,198	63,126
Changes in non-cash working capital balances:					
Accounts receivable		(757)	(3,710)	17,117	6,422
Inventories		26,192	(5,381)	61,504	39,679
Prepaid expenses		186	(235)	(427)	(948)
Accounts payable and accrued liabilities		8,783	16,093	(46,794)	(15,765)
Provisions		1,366	(264)	2,338	(1,341)
Net change in non-cash working capital balances		35,770	6,503	33,738	28,047
Interest paid		(4,408)	(4,379)	(14,365)	(15,075)
Income taxes paid		(4,374)	—	(4,878)	(400)
Net cash flows provided by operating activities		46,342	15,478	80,693	75,698
Financing activities					
Decrease in bank loans		(20,000)	—	(7,745)	(31,443)
Repayment of lease liabilities		(1,430)	(1,093)	(4,192)	(4,059)
Repayment of long-term debt	5	—	—	(14,685)	(13,695)
Deferred finance costs		—	—	(54)	—
Common share dividends paid		(1,264)	(1,262)	(3,685)	(6,154)
Common shares repurchased for cancellation		—	—	(289)	—
Net cash flows used in financing activities		(22,694)	(2,355)	(30,650)	(55,351)
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		(3,396)	(2,189)	(6,476)	(4,757)
Net cash flows used in investing activities		(3,396)	(2,189)	(6,476)	(4,757)
Foreign exchange increase (decrease) on cash		513	513	(1,504)	(458)
Net change in cash during the period		20,765	11,447	42,063	15,132
Cash, beginning of period		24,442	13,253	3,144	9,568
Cash, end of period		\$ 45,207	\$ 24,700	\$ 45,207	\$ 24,700

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED

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 Unaudited Condensed Interim Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the thirteen and thirty-nine weeks ended September 26, 2020, 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 6, 2020.

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 28, 2019, as set out in the 2019 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 28, 2019, except for the adoption of the following standard and new amendments that were effective for annual periods beginning on January 1, 2020 and that the Company has adopted on December 29, 2019:

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 (loss) 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.

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Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

IFRS 3, *Business Combinations*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments apply to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after January 1, 2020, with early adoption permitted. The Company has adopted the amendments to IFRS 3 on a prospective basis, which had no impact on the Consolidated Financial Statements.

IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures, Interest Rate Benchmark Reform*

In September 2019, the IASB issued *Interest Rate Benchmark Reform* which included amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*, and concludes phase one of its work to respond to the effects of the Interbank Offered Rates ("IBOR") reform on financial reporting. The amendments focus on the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free rate ("RFR") and provide temporary reliefs which enable hedge accounting to continue during that period of uncertainty. The amendments are effective for annual periods beginning on or after January 1, 2020 and must be applied retrospectively.

The amendments include a number of reliefs that apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable;
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss; and
- The assessment of the economic relationship between the hedged item and the hedging instrument.

The Company holds interest rate swaps (see Note 12) to hedge the interest rate risk resulting from the term loan facility (see Note 5). The term loan facility has an applicable interest rate for loans under the facility of LIBOR plus 4.25% (1.00% 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 judgement 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 any interest rate swap 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 September 26, 2020, there is one interest rate swap contract with a maturity date subsequent to December 31, 2021. The terms of this contract are disclosed in Note 12.

IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Amendments to the Definition of Material*

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and must be applied prospectively, with early adoption permitted. The Company has adopted the amendments to IAS 1 on a prospective basis, which had no impact on the Consolidated Financial Statements.

(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.

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Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

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 an 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 is currently evaluating the impact of these amendments on the Consolidated Financial Statements and will apply the amendments from the effective date.

3. 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, that have impacted financial results during the thirteen and thirty-nine weeks ended September 26, 2020 and could impact future financial results.

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgements, 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 judgements 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 thirty-nine weeks ended September 26, 2020, 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 thirty-nine weeks ended September 26, 2020, the Company recognized \$2.1 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 (loss). The Company does not have any unfulfilled conditions or material contingencies related to the wage subsidies recognized.

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.

HIGH LINER FOODS INCORPORATED
Notes to the Consolidated Financial Statements
In United States dollars, unless otherwise noted

4. Bank loans

<i>(Amounts in \$000s)</i>	September 26, 2020	December 28, 2019
Bank loans, denominated in CAD (average variable rate of 2.45%; December 28, 2019: 3.95%)	\$ —	\$ 815
Bank loans, denominated in USD (average variable rate of 1.41%; December 28, 2019: 3.65%)	30,000	37,141
	30,000	37,956
Less: deferred finance costs	(320)	(410)
	\$ 29,680	\$ 37,546

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 5). A second charge over the Company's property, plant and equipment is also in place. As at September 26, 2020, the Company had \$103.1 million of undrawn borrowing facility (December 28, 2019: \$99.4 million).

As at September 26, 2020 and December 28, 2019, 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%

5. Long-term debt

<i>(Amounts in \$000s)</i>	September 26, 2020	December 28, 2019
Term loan	\$ 294,649	\$ 310,604
Less: current portion	—	(14,511)
	294,649	296,093
Less: deferred finance costs	(6,273)	(7,073)
	\$ 288,376	\$ 289,020

As at September 26, 2020, the Company had a \$300.0 million term facility with an interest rate of LIBOR plus 4.25% (1.00% LIBOR floor), maturing in October 2026. As a part of the amendments to the term loan facility completed in October 2019, a modification loss of \$11.0 million increased the carrying value of the term loan facility and was recorded in finance costs on the consolidated statements of income (loss) during the fifty-two weeks ended December 28, 2019 due to the net present value of the cash flows of the modified debt exceeding the carrying value of the original facility before amendments. Excluding the impact of the modification loss on the carrying value, the principal balance outstanding of term loan facility was \$285.3 million at September 26, 2020.

Quarterly principal repayments of \$1.9 million are required on the term loan as regularly scheduled repayments. During the thirty-nine weeks ended September 26, 2020, a regularly scheduled repayment of \$1.9 million was made and a mandatory prepayment of \$12.8 million was made due to excess cash flows in 2019. Any mandatory and voluntary repayments are applied to future regularly scheduled repayments, and as such, no additional regularly scheduled principal repayments are required for 2020.

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In United States dollars, unless otherwise noted

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

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 (loss):

<i>(Amounts in \$000s)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Termination benefits				
Distribution expenses	\$ —	\$ —	\$ 55	\$ —
Business acquisition, integration and other expense (income)	—	54	—	164
Selling, general and administrative expenses	309	167	1,221	283
	\$ 309	\$ 221	\$ 1,276	\$ 447
Short-term benefits				
Business acquisition, integration and other expense (income)	\$ 53	\$ —	\$ (19)	\$ 1,378
Selling, general and administrative expenses	—	—	32	—
	\$ 53	\$ —	\$ 13	\$ 1,378

7. Share capital

Purchase of shares for cancellation

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 will terminate no later than March 9, 2021. During the thirty-nine weeks ended September 26, 2020, 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:

	Thirty-nine weeks ended		Thirty-nine weeks ended	
	September 26, 2020		September 28, 2019	
	Shares	(\$000s)	Shares	(\$000s)
Balance, beginning of period	33,383,481	\$ 112,887	33,383,481	\$ 112,887
Shares repurchased for cancellation	(60,000)	(148)	—	—
Balance, end of period	33,323,481	\$ 112,739	33,383,481	\$ 112,887

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Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

During the thirteen and thirty-nine weeks ended September 26, 2020, the Company distributed dividends per share of CAD\$0.050 and CAD\$0.150, respectively (thirteen and thirty-nine weeks ended September 28, 2019: CAD\$0.050 and CAD\$0.245, respectively).

On November 6, 2020, the Company's Board of Directors declared a quarterly dividend of CAD\$0.070 per share, payable on December 15, 2020 to shareholders of record as of December 1, 2020. The quarterly dividend of CAD\$0.070 per share represents a 40.0% increase from the CAD\$0.050 per share quarterly dividend paid during the third quarter of 2020 and reflects the Board's continued confidence in the Company's operations.

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 \$2.2 million and \$4.2 million, respectively, as at September 26, 2020 (December 28, 2019: \$4.9 million and \$3.0 million, respectively).

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

<i>(Amounts in \$000s)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cost of sales resulting from:				
Equity-settled awards ⁽¹⁾	\$ 16	\$ 11	\$ 43	\$ 30
Selling, general and administrative expenses resulting from:				
Cash-settled awards ⁽¹⁾	2,270	4,222	2,531	8,067
Equity-settled awards ⁽¹⁾	94	142	333	536
Share-based compensation expense	\$ 2,380	\$ 4,375	\$ 2,907	\$ 8,633

⁽¹⁾ Cash-settled awards may include options with PSUs, RSUs 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:

	Thirteen weeks ended				Thirty-nine weeks ended			
	September 26, 2020		September 28, 2019		September 26, 2020		September 28, 2019	
	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)
Outstanding, beginning of period	1,806,142	\$ 10.77	1,879,015	\$ 12.63	1,717,416	\$ 12.53	1,624,681	\$ 15.03
Granted	—	—	—	—	271,276	7.51	444,844	7.46
Cancelled or forfeited	—	—	(19,968)	17.63	—	—	(29,968)	16.36
Expired	(11,900)	15.30	(43,729)	18.13	(194,450)	22.04	(224,239)	20.85
Outstanding, end of period	1,794,242	\$ 10.74	1,815,318	\$ 12.44	1,794,242	\$ 10.74	1,815,318	\$ 12.44
Exercisable, end of period	1,199,226	\$ 12.14	961,260	\$ 14.98	1,199,226	\$ 12.14	961,260	\$ 14.98

Set forth below is a summary of the outstanding options to purchase common shares as at September 26, 2020:

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	665,424	\$ 7.48	3.75	131,383	\$ 7.46
\$ 10.01–15.00	808,785	11.38	2.45	747,810	11.35
\$ 15.01–20.00	284,551	15.30	0.52	284,551	15.30
\$ 20.01–25.00	35,482	20.61	1.51	35,482	20.61
	1,794,242			1,199,226	

The fair value of options granted during the thirty-nine weeks ended September 26, 2020 and September 28, 2019 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	September 26, 2020	September 28, 2019
Dividend yield (%)	2.66	7.77
Expected volatility (%)	42.48	40.44
Risk-free interest rate (%)	1.22	1.86
Expected life (years)	5.00	5.00
Weighted average share price (CAD)	\$ 7.51	\$ 7.46
Weighted average fair value (CAD)	\$ 2.26	\$ 1.34

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 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Outstanding, beginning of period	646,681	984,442	953,483	879,757
Granted	1,625	2,020	268,902	242,875
Reinvested dividends	3,240	4,115	11,794	29,886
Released and paid in cash	—	—	(476,079)	—
Forfeited	(1,047)	(35,916)	(107,601)	(197,857)
Outstanding, end of period	650,499	954,661	650,499	954,661

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 26, 2020 was 110% (September 28, 2019: 121%).

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Outstanding, beginning of period	518,323	429,495	383,777	280,562
Granted	1,625	2,020	187,264	162,971
Reinvested dividends	2,205	1,746	9,851	12,725
Released and paid in cash	—	(23,195)	(39,608)	(25,846)
Forfeited	(1,359)	(14,830)	(20,490)	(35,176)
Outstanding, end of period	520,794	395,236	520,794	395,236

The share price at the reporting date was CAD\$8.53 (September 28, 2019: CAD\$10.91). PSUs will vest at the end of a one to 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 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Outstanding, beginning of period	278,719	210,843	199,989	153,425
Granted	1,481	—	76,629	61,059
Reinvested dividends	1,734	907	5,316	5,195
Redeemed	(1,813)	—	(1,813)	(7,929)
Outstanding, end of period	280,121	211,750	280,121	211,750

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9. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 26, 2020 was 28.2% (thirteen and thirty-nine weeks ended September 28, 2019: 29.2%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended September 26, 2020 was an expense of 36.9% and 29.0%, respectively (thirteen and thirty-nine weeks ended September 28, 2019: a recovery of 21.6% and an expense of 30.4%, respectively). The lower effective tax rate for the thirty-nine weeks ended September 26, 2020 was primarily attributable to a decrease in the statutory rates of the Parent and its U.S. subsidiary.

10. Related party transactions

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and thirty-nine weeks ended September 26, 2020. During the thirty-nine weeks ended September 28, 2019, the Company had related party transactions with a company controlled by a strategic advisor of Rubicon Resources, LLC. Effective the beginning of the second quarter of 2019, this company ceased to be a related party in accordance with IFRS. Total sales to related parties for the thirteen and thirty-nine weeks ended September 28, 2019 were \$nil and \$0.3 million, respectively. The Company leased an office building from a related party at an amount which approximated the fair market value that would have been incurred if leased from a third party. Effective beginning of the second quarter of 2019, the lessor ceased to be a related party of the Company in accordance with IFRS. The aggregate payments under the lease, which were measured at the exchange amount, for the thirteen and thirty-nine weeks ended September 28, 2019 were \$nil and \$0.2 million, respectively.

11. Geographic information

Sales earned outside of Canada for the thirteen and thirty-nine weeks ended September 26, 2020 were \$142.3 million and \$476.6 million, respectively (September 28, 2019: \$163.3 million and \$545.7 million, respectively). 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)	September 26, 2020	December 28, 2019
Property, plant and equipment	\$ 83,200	\$ 85,037
Right-of-use assets	12,532	8,577
Intangible assets	129,852	134,214
Goodwill	147,916	147,916
	\$ 373,500	\$ 375,744

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12. 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 26, 2020			December 28, 2019	
	Level 2	Level 3		Level 2	Level 3
Fair value of financial assets					
Interest rate swaps	\$ —	\$ —	\$ 39	\$ —	
Foreign exchange contracts	774	—	231	—	
Fair value of financial liabilities					
Interest rate swaps	1,458	—	536	—	
Foreign exchange contracts	763	—	617	—	
Long-term debt	—	279,963	—	302,831	

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 26, 2020, 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 is \$288.4 million as at September 26, 2020 (December 28, 2019: \$303.5 million).

Hedging activities

Interest rate swaps

During the thirty-nine weeks ended September 26, 2020, 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 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	December 31, 2025	3-month LIBOR (floor 1.0%)	1.4950 %	\$ 20.0

The cash flow hedge of interest expense variability was assessed to be highly effective for the thirteen and thirty-nine weeks ended September 26, 2020 and September 28, 2019, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as nominal after-tax net losses and after-tax net losses of \$0.8 million, respectively, and after-tax net losses of \$0.1 million and \$1.4 million, respectively.

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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 26, 2020 and September 28, 2019.

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 26, 2020, the Company had outstanding notional amounts of \$38.8 million (September 28, 2019: \$24.9 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and \$0.2 million in foreign currency single-rate forward contracts that were formally designated as a hedge (September 28, 2019: \$0.3 million). With the exception of \$2.6 million (September 28, 2019: \$0.8 million) average-rate forward contracts with maturities ranging from September 2021 to March 2022, 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 thirteen and thirty-nine weeks ended September 26, 2020 and September 28, 2019, and therefore the change in fair value was recorded in OCI as an after-tax net loss of \$0.2 million and an after-tax net gain of \$0.7 million, respectively, and an after-tax net gain of \$0.1 million and an after-tax net loss \$0.2 million, respectively. There were nominal amounts recognized in the consolidated statements of income (loss) resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 26, 2020 respectively, and no amounts recognized during the thirteen and thirty-nine weeks ended September 28, 2019.

As at September 26, 2020, the Company had no outstanding notional amounts (September 28, 2019: \$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 for the thirteen and thirty-nine weeks ended September 26, 2020 were net losses of \$0.3 million and \$0.7 million, respectively, and the change for the thirteen and thirty-nine weeks ended September 28, 2019 were net losses of \$0.2 million and \$0.1 million, respectively.

Hedge of net investment in foreign operations

As at September 26, 2020, a total borrowing of \$288.1 million (\$288.1 million included in long-term debt) (December 28, 2019: a total borrowing of \$303.5 million (\$14.5 million included in the current portion of long-term debt and \$289.0 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 thirty-nine weeks ended September 26, 2020 and September 28, 2019.
