FOURTH QUARTER
REPORT TO SHAREHOLDERS

Fifty-two weeks ended December 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fifty-two weeks ended December 30, 2023

(All amounts are in United States dollars unless otherwise stated)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated February 21, 2024, relates to the financial condition and results of operations of High Liner Foods Incorporated for the fifty-two weeks ended December 30, 2023 ("Fiscal 2023") compared to the fifty-two weeks ended December 31, 2022 ("Fiscal 2022"). Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with our 2023 Audited Consolidated Financial Statements ("Consolidated Financial Statements") as at and for the fifty-two weeks ended December 30, 2023, prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to management as of February 21, 2024, except as otherwise noted.

Comparability of Periods

The Company's fiscal year-end floats, and ends on the Saturday closest to December 31. The Company follows a fifty-two week reporting cycle, which periodically necessitates a fiscal year of fifty-three weeks. Fiscal year 2023 was fifty-two weeks, fiscal year 2022 was fifty-two weeks and 2021 was fifty-two weeks. When a fiscal year contains fifty-three weeks, the reporting cycle is divided into four quarters of thirteen weeks each except for the fourth quarter, which is fourteen weeks in duration. Therefore, amounts presented may not be entirely comparable.

Currency

All amounts in this MD&A are in United States dollars ("USD"), unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation 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 into the presentation currency.

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD).

In certain sections of this document, balance sheet and operating items of the Parent are discussed in the CAD functional currency (the "domestic currency" of the Parent) to eliminate the effect of fluctuating foreign exchange rates used to translate the Parent's operations to the USD presentation currency.

Forward-Looking Statements

This MD&A includes statements that are forward looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment. We discuss the principal risks of our business in the *Risk Factors* section on page 31 of this MD&A. We cannot provide any assurance that forecasted financial or operational performance will actually be achieved, and if it is achieved, we cannot provide assurance that it will result in an increase in the Company's share price. See the *Forward-Looking Information* section on page 44 of this MD&A.

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are a leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées, that are sold to North American food retailers and foodservice distributors. In addition, we are a major supplier of commodity products in the North American market. The retail channel includes grocery and club stores and our products are sold throughout the U.S. and Canada under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***Catch of the Day*** labels. The foodservice channel includes sales of seafood that is usually eaten outside the home and our branded products are sold through distributors to restaurants and institutions under the ***High Liner***, ***Mirabel***, ***Icelandic Seafood***[1] and ***FPI*** labels. The Company is also a major supplier of private-label value-added frozen premium seafood products to North American food retailers and foodservice distributors.

We own and operate three food-processing plants located in Lunenburg, Nova Scotia ("N.S."), Portsmouth, New Hampshire, and Newport News, Virginia.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, N.S., we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR+ at www.sedarplus.ca and in the Investors section of the Company's website at www.highlinerfoods.com.

FINANCIAL OBJECTIVES

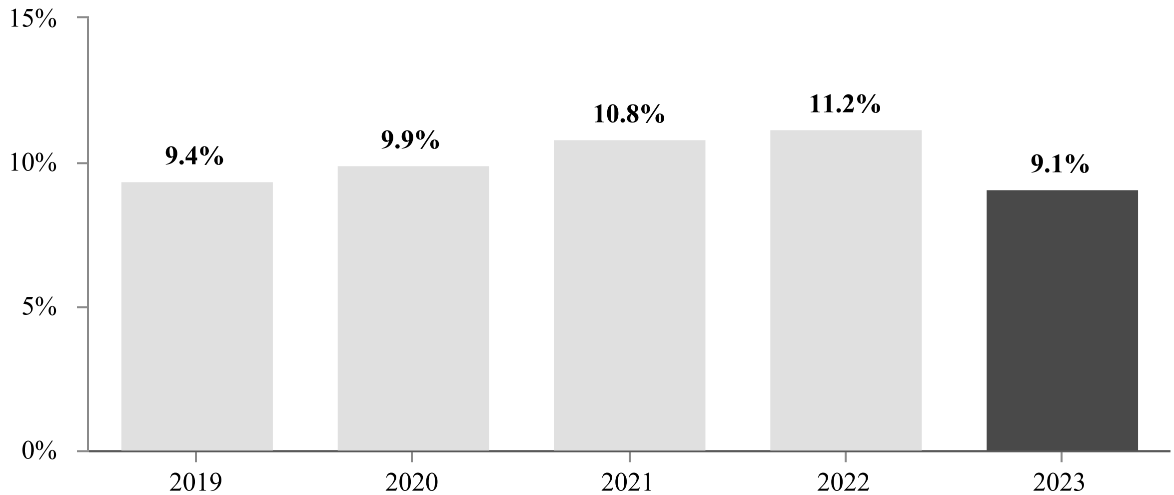
Our strategy is designed with the expectation of increasing shareholder value. To help us focus on meeting investor expectations, we use three key financial measures to gauge our financial performance:

	Fiscal 2023	Fiscal 2022
Return		
On assets managed	**9.1 %**	11.2 %
On equity	**10.6 %**	15.0 %
Profitability		
Adjusted EBITDA as a Percentage of Sales	**8.8 %**	9.7 %
Financial strength		
Net Debt to Rolling Twelve-Month Adjusted EBITDA (times)	**2.6x**	3.7x

Each of these financial measures is further discussed below. See also the *Non-IFRS Financial Measures* section starting on page 22 for further explanation of these measures.

[1] *In December 2011, as part of the acquisition of the U.S. subsidiary of Icelandic Group h.f, the Company acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the Icelandic Seafood brand in the U.S., Canada and Mexico. In April 2018, the Company executed a seven-year brand license agreement for the continued use of the Icelandic Seafood brand in the U.S. and Canada with royalty payments effective January 2019 (1.5% on net sales of products sold under the Icelandic Seafood brand).*

Return on Assets Managed ("ROAM")

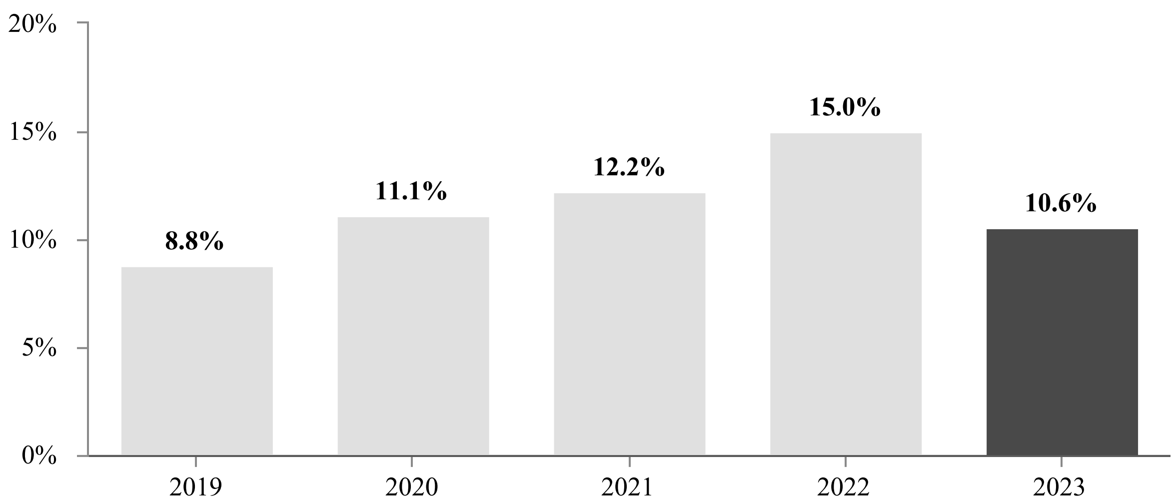


In 2023, Adjusted EBIT (as defined in the *Non-IFRS Financial Measures* section on page 22 of this MD&A) decreased by $11.6 million, or 14.4%, compared to 2022 and the thirteen-month rolling average net assets managed increased by $38.1 million, or 5.3%. The combined impact of these changes was a decrease in ROAM from 11.2% at the end of Fiscal 2022 to 9.1% at the end of Fiscal 2023.

The decrease in Adjusted EBIT in 2023 is a result of the same factors causing the $8.8 million decrease in Adjusted EBITDA in 2023 compared to 2022, as discussed in the *Consolidated Performance* section on page 10 of this MD&A.

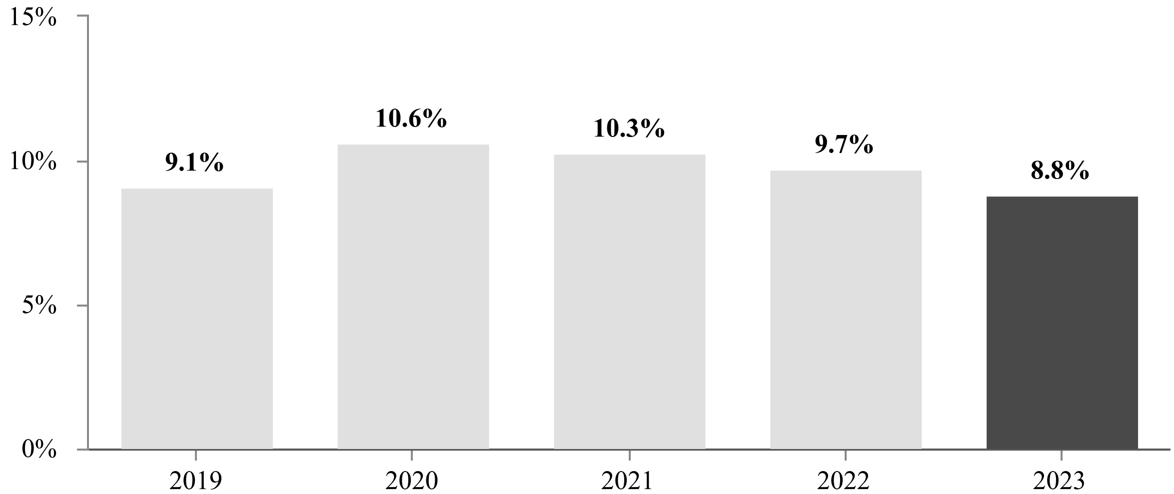
The increase in the average net assets managed in 2023 compared to 2022 is primarily due to an increase in average inventories, notably in the first half of 2023, accounts receivable, property, plant and equipment balances as well as a decrease in accounts payable balance. The increase in average net assets managed was partially offset by a decrease in intangible assets, prepaid expenses, and right of use assets balances.

Return on Equity ("ROE")



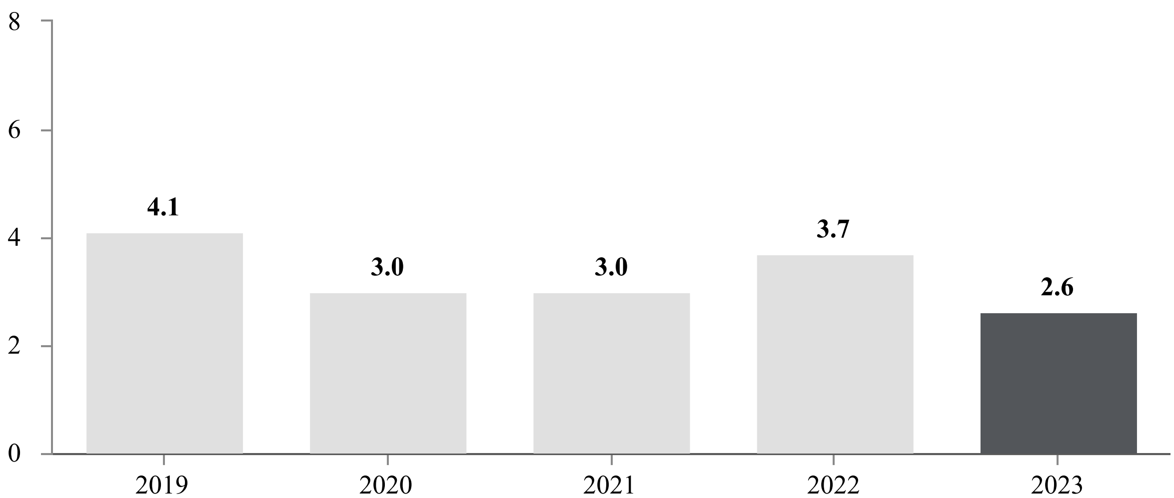
In 2023, Adjusted Net Income (as defined in the *Non-IFRS Financial Measures* section on page 24 of this MD&A) less share-based compensation expense decreased by $10.6 million, or 21.7%, compared to 2022, and the thirteen-month rolling average common equity increased by $35.6 million, or 10.9% due to higher retained earnings. The combined impact of these changes resulted in a decrease in ROE from 15.0% at the end of Fiscal 2022 to 10.6% at the end of Fiscal 2023. The decrease in Adjusted Net Income in 2023 compared to 2022 is discussed in the *Consolidated Performance* section on page 10 of this MD&A.

Adjusted EBITDA as a Percentage of Sales



In 2023, Adjusted EBITDA (as defined in the *Non-IFRS Financial Measures* section on page 22 of this MD&A) decreased by $8.8 million, or 8.5%, compared to 2022 and sales increased by $10.6 million, or 1.0%. The combined impact of these changes resulted in a decrease in Adjusted EBITDA as a Percentage of Sales from 9.7% in 2022 compared to 8.8% in 2023 (see the *Non-IFRS Financial Measures* section on page 22 of this MD&A). The increase in sales and decrease in Adjusted EBITDA are discussed in the *Consolidated Performance* section on pages 9 and 10 of this MD&A, respectively.

Net Debt to Rolling Twelve-Month Adjusted EBITDA



During 2023, Net Debt (as defined in the *Non-IFRS Financial Measures* section on page 25 of this MD&A) decreased by $135.6 million and Adjusted EBITDA decreased by $8.8 million. As a result, Net Debt to Rolling Twelve-Month Adjusted EBITDA improved to 2.6x at the end of 2023 as compared to 3.7x at the end of 2022 (see the *Non-IFRS Financial Measures* section on page 25 of this MD&A). The change in Net Debt is discussed on page 17 of this MD&A and the change in Adjusted EBITDA is discussed in the *Consolidated Performance* section on page 10 of this MD&A. In the absence of any major acquisitions or unplanned capital expenditures in 2024 we expect this ratio to continue to be lower than the Company's long-term target of 3.0x at the end of Fiscal 2024.

OUTLOOK

Overall, the Company is optimistic about the outlook for the business in 2024 and beyond. High Liner Foods has a proven strategy and is building a track record of consistent execution. The Company has the financial strength and discipline needed to withstand the near-term challenges of its operating environment, including category volume declines. The Company's focus on profitable growth positions us well to generate Adjusted EBITDA growth and continued strong free cash flow in 2024.

With a strong balance sheet, High Liner Foods is well equipped to invest in organic growth, explore opportunities for transformative growth through potential M&A activities to build shareholder value, and continue to return capital to shareholders. High Liner will continue to carefully manage capital resources and anticipates $20-$25 million in capital expenditures in fiscal 2024 to continue to maintain, upgrade and modernize its asset base.

While the Company anticipates that operating conditions will improve through the course of the fiscal year, additional challenges in the geopolitical and economic environment may impact the timeline for improvements to its financial performance and its growth agenda.

RECENT DEVELOPMENTS

Global Supply Chain and Impact on Raw Material Costs

During Fiscal 2022, the Company was challenged by global supply chain disruptions and experienced shipping delays and raw material supply challenges, port congestion and shutdowns. These challenges improved during the fourth quarter of Fiscal 2022 and into the first quarter of Fiscal 2023, and were largely normalized to pre-pandemic levels during the second quarter of Fiscal 2023 and onwards. To mitigate the impact on its performance and customers, the Company increased our investment in working capital in the second half of Fiscal 2022 which carried over into Fiscal 2023, supporting the strong service levels we delivered to our customers. These higher inventory levels have led to higher carrying costs, including higher costs related to raw material inventory and storage costs during Fiscal 2023. This has led to unfavorable impact on gross profit and gross profit as a percentage of sales, most notably during the last three quarters of 2023.

As of February 2024, the conflict in the Red Sea region has led to periodic disruptions to shipping routes, resulting in commercial vessels, including ones used by High Liner Foods, to adapt their logistic strategies to mitigate the impact. While these challenges will result in increased shipping costs and delay in receipt of raw material supply, the Company is monitoring the situation closely and has adjusted shipping routes and lead times accordingly.

Economic Conditions

The Company continues to navigate the impact of the prolonged inflationary environment and other macroeconomic factors including rising interest rates which are increasingly impacting consumer confidence and discretionary spending. The Company took inflation-justified pricing actions on select products as needed during the first half of 2023 to manage the inflationary operating environment. The higher inventory levels across the frozen seafood industry experienced during the first half of Fiscal 2023 continued to impact the operating landscape throughout most of 2023 resulting in lower pricing on some of our commodity products through the year. While the Company's foodservice business continued to remain stable, aided by the contract manufacturing business, the inflationary pressures have resulted in the retail business experiencing declines due to softer demand for protein, including seafood product as consumers switch to lower cost meal solutions.

See the risk sections starting on page 31 for further discussion of the impact of the geopolitical environment on the Company's risk assessment.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in various actions impacting the Company related to additional tariffs on goods imported to the U.S. During March 2022, the Company received notice of approval of an exclusion extension request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The extension applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from October 12, 2021 to December 31, 2022. On December 16, 2022 the USTR announced that it will further extend this exclusion which will be applicable from January 1, 2023 to September 30, 2023. On September 6, 2023, this exclusion was further extended from September 30, 2023 to December 31, 2023 which will allow for further consideration under the statutory four-year review. On December 27, 2023, this exclusion was further extended from December 31, 2023 to May 31, 2024.

The estimated annual run-rate exposure of the 25% tariff would have been approximately $5.0 million in 2023 before the extended exclusion based on current volume and raw material costs; however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company and its customers.

The Company will continue to monitor these developments closely in 2024, particularly as further information becomes available regarding potential additional tariffs or exclusions, or how the previously announced tariffs and exclusions will impact the Company.

Change in Senior Management

On August 29, 2023, the Board of Directors accepted the resignation of Rod Hepponstall as President and Chief Executive Officer ("CEO") of the Company, who continued in his role until September 15, 2023. On December 20, 2023, Paul Jewer, who had been serving as the Interim President and CEO since September 15, 2023, was officially appointed as President and CEO, in addition to retaining his role as Chief Financial Officer ("CFO"). On January 16, 2024, Deepak Bhandari was appointed as Interim CFO.

Additionally, Tom Jansen was appointed as Chief Supply Chain Officer on September 5, 2023 and Tim Rorabeck, Executive Vice President and General Counsel left the Company effective January 1, 2024.

Litigation Update

As reported in 2020, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn for making false representations and warranties in connection with the sale of Rubicon Resources, LLC to the Company. Following a two-week arbitration hearing, on September 28, 2023, a Panel of arbitrators found that Mr. Wynn made fraudulent representations associated with the transaction and issued an Interim Award of approximately $15.5 million in damages against Mr. Wynn and in favor of High Liner Foods. The Interim Award provided that the Company is also entitled to its reasonable attorney’s fees and costs, and the Company has made additional submissions in this regard. The arbitration proceedings remain ongoing and the Interim Amounts are subject to change in the final arbitration award. It is not possible at this time to determine the final impact of these proceedings or the timing of that impact.

Russian Sourced Seafood Sanctions

On December 22, 2023, the US Government issued a new executive order prohibiting the import of certain species of seafood into the United States. The new determination states that the current prohibition on Russian seafood imports now applies to salmon, pollock, cod, and crab products harvested in waters under the jurisdiction of the Russian Federation or by Russian flagged vessels outside of Russian waters even if this seafood has been reprocessed and substantially transformed outside of Russia. Any orders of product that include Russian country of harvest raw material must cease and only products ordered and received on or before February 21, 2024, will be permitted into the country.

High Liner Foods immediately implemented these new regulations and has developed a plan to limit the impact of these new regulations on the business.

PERFORMANCE

This discussion and analysis of the Company's financial results focuses on the performance of the consolidated North American operations, the Company's single operating and reporting segment.

Seasonality

Overall, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

A significant percentage of advertising and promotional activity is typically done in the first quarter. Customer-specific promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Sales" and non-customer-specific consumer marketing expenditures are included in selling, general and administrative expenses.

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as 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.

Consolidated Performance

The table below summarizes key consolidated financial information for the relevant periods.

(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	Fifty-two weeks ended December 30, 2023	Fifty-two weeks ended December 31, 2022	Change	Fifty-two weeks ended January 1, 2022
Sales volume (millions of lbs)	**257.0**	250.9	**6.1**	233.7
Average foreign exchange rate (USD/CAD)	**1.3497**	1.3017	**$ 0.0480**	$ 1.2535
Sales	**1,080,338**	$ 1,069,714	**$ 10,624**	875,405
Gross profit	**$ 218,689**	$ 229,928	**$ (11,239)**	$ 198,544
Gross profit as a percentage of sales	**20.2 %**	21.5 %	**(1.3%)**	22.7%
Distribution expenses	**$ 56,875**	$ 59,661	**$ (2,786)**	$ 50,807
Selling, general and administrative expenses	**$ 94,455**	$ 93,023	**$ 1,432**	$ 88,269
Adjusted EBITDA [(1)]	**95,092**	103,867	**$ (8,775)**	90,422
Adjusted EBITDA as a percentage of sales	**8.8%**	9.7%	**(0.9%)**	10.3%
Net income	**$ 31,677**	$ 54,730	**$ (23,053)**	$ 42,249
Basic Earnings per Share ("EPS")	**$ 0.94**	$ 1.62	**$ (0.68)**	$ 1.25
Diluted EPS	**$ 0.93**	$ 1.56	**$ (0.63)**	$ 1.20
Adjusted Net Income [(1)]	**38,680**	51,712	**$ (13,032)**	$ 44,798
Adjusted Basic EPS	**1.15**	1.53	**$ (0.38)**	$ 1.32
Adjusted Diluted EPS [(1)]	**1.14**	1.48	**$ (0.34)**	$ 1.28
Total assets	**834,399**	1,003,486		$ 826,469
Total long-term financial liabilities	**251,073**	249,903		$ 264,857
Dividends paid per common share (in CAD)	**$ 0.54**	$ 0.43	**$ 0.11**	$ 0.31

[(1)] See the *Non-IFRS Financial Measures* section starting on page 22 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

Sales

Sales volume in 2023 increased by 6.1 million pounds, or 2.4%, to 257.0 million pounds compared to 250.9 million pounds in 2022. In our foodservice business, sales volume was higher due to increased contract manufacturing business, increased sales in newer product lines, new business, and improved customer service levels. The Company achieved strong service levels in 2023 compared to 2022 due to the increased investment in working capital in the latter part of Fiscal 2022 to mitigate the impact of the global supply chain challenges. This was partially offset by lower sales volume in our retail business, including during the Lenten period, primarily due to consumers becoming more price-conscious, resulting in softer demand for protein, including seafood products, as consumers switch to lower cost alternatives.

Sales in 2023 increased by $10.6 million, or 1.0%, to $1,080.3 million compared to $1,069.7 million in 2022. The increase in sales reflects the higher sales volumes mentioned previously and pricing actions implemented during the second half of Fiscal 2022 to mitigate inflationary increases on input costs, partially offset by changes in sales mix.

The weaker Canadian dollar in 2023 compared to 2022 however, decreased the value of reported USD sales from our CAD-denominated operations by approximately $9.0 million relative to the conversion impact last year.

Gross Profit

Gross profit decreased in 2023 by $11.2 million, or 4.9%, to $218.7 million compared to $229.9 million in 2022, and gross profit as a percentage of sales decreased by 130 basis points to 20.2%, compared to 21.5%. The decrease in gross profit reflects the lower pricing on our commodity products, higher carrying costs associated with higher average inventory and some inefficiencies at our plants as a result of the Company slowing down production due to higher inventory levels and softer consumer demand, discussed previously. The decrease in gross profit was partially offset by the increase in sales volume and the inflationary-pricing actions both discussed previously.

The weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2023 by approximately $1.9 million relative to the conversion impact last year.

Distribution Expenses

Distribution expenses, consisting of freight and storage of finished goods, decreased in 2023 by $2.8 million to $56.9 million compared to $59.7 million in 2022 reflecting lower freight costs in 2023 as compared to 2022 during which time freight costs peaked as a result of the global supply chain challenges, most notably during the first half of 2022. This was partially offset by higher sales volume and higher storage costs as a result of higher inventory levels when compared to the same period last year. As a percentage of sales, distribution expenses decreased favourably to 5.3% in 2023 compared to 5.6% in the same period in 2022.

Selling, General and Administrative ("SG&A") Expenses

(Amounts in $000s)		Fifty-two weeks ended December 30, 2023		Fifty-two weeks ended December 31, 2022
SG&A expenses, as reported	**$**	**94,455**	$	93,023
Less:				
Share-based compensation expense [(1)]		**1,469**		2,893
Depreciation and amortization expense [(1)]		**12,806**		10,392
SG&A expenses, net	**$**	**80,180**	$	79,738
SG&A expenses, net as a percentage of sales		**7.4%**		7.5%

[(1)] Represents share-based compensation expense and depreciation and amortization expense that is allocated to SG&A only. The remaining expense is allocated to cost of sales and distribution expenses.

SG&A expenses increased by $1.5 million to $94.5 million in 2023 as compared to $93.0 million in 2022. SG&A expenses included share-based compensation expense of $1.5 million in 2023 compared to $2.9 million in 2022, primarily due to fewer units outstanding and the decrease in the share price performance for outstanding units as at December 30, 2023, compared to the same period last year. SG&A expenses also included depreciation and amortization expense of $12.8 million in 2023 compared to $10.4 million in 2022. Depreciation increased by $2.4 million in 2023 due to the investment the Company made in software in 2021 and 2022.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in 2023 by $0.5 million to $80.2 million compared to $79.7 million in 2022, due to higher administrative expenses including higher insurance, information technology expenses, travel costs, and under absorption of overhead costs relating to reduction in raw material purchases, partially offset by lower consumer marketing and variable selling costs, as well as consulting costs as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased favorably to 7.4% in 2023 compared to 7.5% in 2022.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and fifty-two weeks ended December 30, 2023. See the *Non-IFRS Financial Measures* section on page 22 for further explanation of this non-IFRS measure.

Adjusted EBITDA decreased in 2023 by $8.8 million, or 8.5%, to $95.1 million compared to $103.9 million in 2022, and as a percentage of sales, Adjusted EBITDA decreased to 8.8% compared to 9.7%. The decrease in Adjusted EBITDA is a result of the decrease in gross profit and increase in net SG&A expenses, partially offset by the decrease in distribution costs, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2023 by approximately $0.6 million relative to the conversion impact last year.

Net Income

We refer to Adjusted Net Income and Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 22 for further explanation of these non-IFRS measures.

Net income decreased in 2023 by $23.0 million, or 42.0%, to $31.7 million ($0.93 per diluted share) compared to $54.7 million ($1.56 per diluted share) in 2022. The decrease in net income is due to the decrease in Adjusted EBITDA, discussed previously and an increase in finance costs discussed in the *Finance Costs* section in this MD&A, partially offset by lower share-based compensation expense.

In 2023, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 14 of this MD&A) related to certain non-routine expenses. In 2023, net income included $7.0 million of legal costs associated with legal proceedings as discussed in the *Recent Development* section. In 2022, net income included $10.0 million of insurance proceeds classified as "business acquisition, integration and other expense (income)" and other non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, and share-based compensation, Adjusted Net Income in 2023 decreased by $13.0 million, or 25.1%, to $38.7 million compared to $51.7 million in 2022.

Adjusted Diluted EPS decreased $0.34 in 2023 to $1.14 compared to $1.48 in 2022.

RESULTS BY QUARTER

The following table provides summarized financial information for the last eight quarters:

Fiscal 2023

(Amounts in $000s, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	**$ 329,164**	**$ 254,349**	**$ 259,699**	**237,126**	**$ 1,080,338**
Adjusted EBITDA (1)	**$ 31,199**	**$ 22,032**	**$ 19,974**	**21,887**	**$ 95,092**
Net income	**$ 13,888**	**$ 5,887**	**$ 5,486**	**6,416**	**$ 31,677**
Basic EPS	**$ 0.41**	**$ 0.18**	**$ 0.16**	**0.19**	**$ 0.94**
Diluted EPS	**$ 0.40**	**$ 0.17**	**$ 0.16**	**0.20**	**$ 0.93**
Adjusted Net Income (1)	**$ 16,437**	**$ 10,044**	**$ 4,906**	**7,293**	**$ 38,680**
Adjusted Basic EPS	**$ 0.49**	**$ 0.30**	**$ 0.15**	**0.21**	**$ 1.15**
Adjusted Diluted EPS (1)	**$ 0.48**	**$ 0.29**	**$ 0.14**	**0.23**	**$ 1.14**
Dividends paid per common share (in CAD)	**$ 0.13**	**$ 0.13**	**$ 0.13**	**0.15**	**$ 0.54**
Net non-cash working capital (2)	**$ 388,476**	**$ 352,189**	**$ 306,131**	**255,151**	**$ 255,151**

Fiscal 2022

(Amounts in $000s, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	$ 294,735	$ 253,452	$ 271,181	$ 250,346	$ 1,069,714
Adjusted EBITDA (1)	$ 28,340	$ 25,333	$ 24,809	$ 25,385	$ 103,867
Net income	$ 14,645	$ 18,977	$ 9,977	$ 11,131	$ 54,730
Basic EPS	$ 0.43	$ 0.56	$ 0.30	$ 0.33	$ 1.62
Diluted EPS	$ 0.42	0.54	$ 0.28	$ 0.32	$ 1.56
Adjusted Net Income (1)	$ 15,068	$ 10,034	$ 14,292	$ 12,318	$ 51,712
Adjusted Basic EPS	$ 0.44	$ 0.30	$ 0.42	$ 0.37	$ 1.53
Adjusted Diluted EPS (1)	$ 0.43	$ 0.29	$ 0.41	$ 0.35	$ 1.48
Dividends paid per common share (in CAD)	$ 0.10	$ 0.10	$ 0.10	$ 0.13	$ 0.43
Net non-cash working capital (2)	$ 272,482	$ 287,974	$ 309,660	$ 383,988	$ 383,988

(1) See the *Non-IFRS Financial Measures* section starting on page 22 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

(2) Net non-cash working capital comprises accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, contract liability and provisions. Represents the amount as at the end of the period.

As discussed in the *Performance* section on page 7 of this MD&A, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period.

During the second quarter of 2022, the Company received insurance proceeds of $10.0 million in relation to the lawsuit against Mr, Brian Wynn (see *Recent developments* section on page 5 for an update on this litigation). This amount is reflected in net income for the second quarter of 2022. No insurance proceeds relating to this lawsuit were received in 2023.

Net non-cash working capital increased each quarter of fiscal 2022 primarily due to increased investment in inventory to mitigate global supply chain disruptions (as discussed in the *Recent developments* section on page 5 of this MD&A). The Company has worked through the inflated inventory levels throughout fiscal 2023 as the supply chain disruptions have relented which has decreased net non-cash working capital each consecutive quarter of fiscal 2023.

FOURTH QUARTER

Consolidated Performance

(in $000s, except sales volume, per share amounts, percentage amounts and exchange rates)		Thirteen weeks ended December 30, 2023		Thirteen weeks ended December 31, 2022		Change		Thirteen weeks ended January 1, 2022
Sales volume (millions of lbs)		**59.6**		58.4		**1.2**		58.7
Average foreign exchange rate (USD/CAD)	**$**	**1.3620**	$	1.3572	**$**	**0.0048**	$	1.2606
Sales	**$**	**237,126**	$	250,346	**$**	**(13,220)**	$	227,879
Gross profit	**$**	**48,657**	$	54,838	**$**	**(6,181)**	$	48,605
Gross profit as a percentage of sales		**20.5 %**		21.9 %		**(1.4)%**		21.3 %
Distribution expenses	**$**	**11,681**	$	13,740	**$**	**(2,059)**	$	14,119
Selling, general and administrative expenses	**$**	**23,667**	$	22,600	**$**	**1,067**	$	21,746
Adjusted EBITDA (1)	**$**	**21,887**	$	25,385	**$**	**(3,498)**	$	20,600
Adjusted EBITDA as a percentage of sales		**9.2 %**		10.1 %		**(0.9)%**		9.0 %
Net income (loss)	**$**	**6,416**	$	11,131	**$**	**(4,715)**	$	7,223
Basic EPS	**$**	**0.19**	$	0.33	**$**	**(0.14)**	$	0.22
Diluted EPS	**$**	**0.20**	$	0.32	**$**	**(0.12)**	$	0.20
Adjusted Net Income (1)	**$**	**7,293**	$	12,318	**$**	**(5,025)**	$	9,079
Adjusted EPS		**0.21**	$	0.37	**$**	**(0.16)**	$	0.27
Adjusted Diluted EPS (1)		**0.23**	$	0.35	**$**	**(0.12)**	$	0.26

(1) See the *Non-IFRS Financial Measures* section starting on page 22 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

Sales

Sales volume for the thirteen weeks ended December 30, 2023, or the fourth quarter of 2023, increased by 1.2 million pounds, or 2.1%, to 59.6 million pounds compared to 58.4 million pounds in the thirteen weeks ended December 31, 2022, due to higher volume in our foodservice business, partially offset by lower volume in our retail business. In our foodservice business, sales volume was higher due to increased contract manufacturing business and improved customer service levels. This was partially offset by lower sales volume in our retail business due to the continued impact of inflation. This resulted from softer demand for protein, including seafood product as consumers switch to lower cost alternatives.

Sales in the fourth quarter of 2023 decreased by $13.2 million, or 5.3%, to $237.1 million compared to $250.3 million in the same period last year, due to changes in sales mix and lower pricing most notably on some of our commodity products during the fourth quarter of fiscal 2023 compared to the inflationary environment in the same period last year. This decrease was partially offset by higher sales volumes mentioned previously.

The weaker Canadian dollar in the fourth quarter of 2023 compared to the same quarter of 2022 decreased the value of USD sales from our CAD-denominated operations by approximately $0.2 million relative to the conversion impact last year.

Gross Profit

Gross profit decreased in the fourth quarter of 2023 by $6.1 million, or 11.1%, to $48.7 million compared to $54.8 million in the same period in 2022, and gross profit as a percentage of sales decreased to 20.5% compared to 21.9%. The decrease in gross profit reflects changes in product mix, lower pricing on some of our commodity products and some inefficiencies at our plants. The decrease in gross profit was partially offset by the increase in sales volume, discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2023 by nominal amounts relative to the conversion impact last year.

Distribution Expenses

Distribution expenses, consisting of freight and storage decreased in the fourth quarter of 2023 by $2.0 million to $11.7 million compared to $13.7 million in 2022 reflecting lower freight costs in the fourth quarter of 2023 as compared to the fourth quarter of 2022 during which time freight costs were higher due to the impact of the global supply chain challenges. This was partially offset by higher sales volume during the fourth quarter of 2023. As a percentage of sales, distribution expenses decreased favorably to 4.9% in the fourth quarter of 2023 compared to 5.5% in the same period in 2022.

SG&A Expenses

SG&A expenses increased in the fourth quarter of 2023 by $1.1 million to $23.7 million compared to $22.6 million in the same period last year. SG&A expenses included share-based compensation expense of $0.7 million in the fourth quarter of 2023, consistent with an expense of $0.7 million in the fourth quarter of 2022. SG&A expenses also included depreciation and amortization expense of $4.9 million in the fourth quarter of 2023 compared to $2.6 million in the same quarter in 2022. Depreciation increased by $2.3 million in the fourth quarter of 2023 due to the investment the Company made in software in 2021 and 2022.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses decreased in the fourth quarter of 2023 by $1.1 million to $18.1 million compared to $19.2 million in the same period last year, due to lower consumer marketing and variable selling expenses in both our retail and foodservice businesses in both U.S. and Canada, as well as lower administrative expenses, including travel costs. The decrease was partially offset by under absorption of overhead costs relating to reduction in raw material purchases compared to the same period in the prior year, as well as higher information technology expenses. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense was 7.6% in the fourth quarter of 2023 compared to 7.7% in the same period last year.

Adjusted EBITDA

Adjusted EBITDA decreased in the fourth quarter of 2023 by $3.5 million, or 13.8%, to $21.9 million compared to $25.4 million in 2022, and as a percentage of sales, Adjusted EBITDA decreased to 9.2% compared to 10.1%. The decrease in Adjusted EBITDA reflects the decrease in gross profit, partially offset by the decrease in distribution costs and net SG&A expenses, all discussed previously.

The weaker Canadian dollar had a nominal impact on the value of reported Adjusted EBITDA in USD from our Canadian operations in 2023 relative to the conversion impact last year.

Net Income

Net income decreased in the fourth quarter of 2023 by $4.7 million, or 42.3%, to net income of $6.4 million ($0.20 per diluted share) compared to net income of $11.1 million ($0.32 per diluted share) in 2022.

The decrease in net income was due to the decrease in Adjusted EBITDA, discussed previously, an increase in depreciation and amortization costs, and higher income taxes discussed on page 15 of this MD&A, partially offset by lower finance costs discussed in the *Finance Costs* section below on this MD&A.

In the fourth quarter of 2023, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 14 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items or other non-cash expenses and share-based compensation, Adjusted Net Income in the fourth quarter of 2023 decreased by $5.0 million, or 40.7%, to $7.3 million compared to $12.3 million in 2022.

Correspondingly, Adjusted Diluted EPS decreased to $0.23 from $0.35 in 2022.

BUSINESS ACQUISITION, INTEGRATION AND OTHER EXPENSE (INCOME)

The Company reports expenses associated with business acquisition and integration activities, and certain other non-routine costs separately in its consolidated statements of income as follows:

	Thirteen weeks ended		Fifty-two weeks ended	
(Amounts in $000s)	**December 30, 2023**	**December 31, 2022**	**December 30, 2023**	**December 31, 2022**
Business acquisition, integration and other expense (income)	**$ 410**	$ 945	**$ 7,070**	$ (7,173)

Business acquisition, integration and other expense (income) for the fifty-two weeks ended December 30, 2023 and December 31, 2022 also included certain non-routine expenses, legal, and consulting fees, that are not representative of the Company's ongoing operational activities. During the fifty-two weeks ended December 30, 2023, the Company incurred $7.1 million in legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn as described in the *Recent Development* section of the MD&A. During the fifty-two weeks ended December 31, 2022 the Company received insurance proceeds of $10.0 million in relation to the lawsuit.

FINANCE COSTS

The following table shows the various components of the Company's finance costs:

	Thirteen weeks ended		Fifty-two weeks ended	
(Amounts in $000s)	**December 30, 2023**	**December 31, 2022**	**December 30, 2023**	**December 31, 2022**
Interest paid in cash during the period	**$ 5,825**	$ 4,885	**$ 24,902**	$ 14,741
Change in cash interest accrued during the period	**(541)**	626	**(642)**	1,748
Total interest to be paid in cash	**5,284**	5,511	**24,260**	16,489
Interest expense on lease liabilities	**163**	85	**421**	505
Deferred financing cost & net modification loss amortization	**370**	355	**1,497**	1,267
Total finance costs	**$ 5,817**	$ 5,951	**$ 26,178**	$ 18,261

Finance costs were $0.2 million lower in the fourth quarter of 2023 and $7.9 million higher in the fifty-two weeks ended December 30, 2023 compared to the same periods last year. The increase during the fifty-two weeks ended

December 30, 2023 was due to increased interest expense on short-term and long-term borrowings due to higher interest rates and higher average short-term borrowings outstanding during fiscal 2023 compared to the same period last year.

INCOME TAXES

High Liner Foods' effective income tax rate for the year ended December 30, 2023 was 7.1% compared to 16.9% in 2022. In the fourth quarter of 2023, the effective tax rate was an expense of 9.4% compared to an expense of 2.7% in the fourth quarter of 2022. The lower effective tax rate for the year ended December 30, 2023 compared to the same period last year is due to a combination of higher interest rates in the Company's tax-efficient financing structure and lower consolidated earnings. The applicable statutory rates in Canada and the U.S. were 28.1% and 25.5%, respectively.

See Note 18 *"Income tax"* to the Consolidated Financial Statements for full information with respect to income taxes.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the *Foreign Currency* risk section on page 40.

Our capital management practices are described in Note 26 *"Capital management"* in the 2023 annual consolidated financial statements.

Working Capital Credit Facility

The Company has a $200.0 million asset-based working capital credit facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral agent, which was amended on October 6, 2022 to increase the borrowing limit from $150.0 million to $200.0 million. Additionally, on April 28, 2022 the Facility was amended to extend the term expiry from April, 2023 to April, 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans.
The rates provided by the working capital credit facility are noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of December 30, 2023 are also noted in the following table.

Per Credit Agreement		As at December 30, 2023
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%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.25%
SOFR revolving loans at SOFR rates	plus 1.25% to 1.50%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.50%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during 2023 were $85.5 million compared to $55.2 million in 2022. The $30.3 million increase in average short-term borrowings reflects higher working capital requirements during the second half of Fiscal 2022 which has carried over into 2023. This increase is primarily driven by the impact of inflation on raw material and an increased investment in inventory most notably during the second half of Fiscal 2022 to offset the impact of the global supply chain challenges.

As at December 30, 2023, the Company had $181.4 million of unused borrowing availability (December 31, 2022: $61.0 million), taking into account the current borrowing base and letters of credit, which reduce the availability under the working capital facility. On December 30, 2023, letters of credit and standby letters of credit were outstanding in the amount of $9.4 million (December 31, 2022: $10.9 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

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. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 11 *"Bank loans"* to the Consolidated Financial Statements.

We expect average short-term borrowings in Fiscal 2024 to be lower than Fiscal 2023, and we believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

As at December 30, 2023, the Company had a $300.0 million term loan facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), maturing in October, 2026.

Quarterly repayments of $1.9 million are required on the term loan as regularly scheduled repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the fifty-two weeks ended December 30, 2023, regularly scheduled repayments of $7.5 million were made. There are regularly scheduled repayments of $5.6 million to be paid in the next 12 months. There are no mandatory prepayments to be paid in 2024 related to excess cash flows from 2023.

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

During the fifty-two weeks ended December 30, 2023, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility:

Effective date	Maturity date	Receive floating rate	Pay fixed rate		Notional amount (millions)
Designated in a formal hedging relationship:					
July 7, 2023	July 7, 2025	3-month SOFR (floor 0.75%)	4.9076 %	*$*	*40.0*
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 %	*$*	*35.0*
January 6, 2023	July 7, 2023	3-month SOFR (floor 0.75%)	0.4650 %	*$*	*25.0*
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 %	*$*	*25.0*
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 %	*$*	*20.0*

As of December 30, 2023, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on $120.0 million of the $300.0 million face value of the term loan and the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when SOFR is higher than the embedded floor of 0.75%.

Additional details regarding the Company's term loan are provided in Note 14 *"Long-term debt"* to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section on page 25 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash. Net Debt decreased by $135.6 million to $249.9 million at December 30, 2023 compared to $385.5 million at December 31, 2022, reflecting lower bank loans and lower long-term debt, partially offset by higher lease liabilities as at December 30, 2023, as compared to December 31, 2022.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 25 of this MD&A) improved to 2.6x at December 30, 2023 compared to 3.7x at December 31, 2022 and 3.0x at January 1, 2022. Net Debt to Rolling Twelve-Months Adjusted EBITDA increased during the second half of Fiscal 2022 primarily as a result of increased investment in working capital in Fiscal 2022 and inflation in raw materials. In the absence of any major acquisitions or unplanned capital expenditures in 2024, we expect this ratio to continue to be lower than the Company's long-term target of 3.0x at the end of Fiscal 2024.

Capital Structure

At December 30, 2023, Net Debt was 39.5% of total capitalization compared to 51.2% at December 31, 2022.

(Amounts in $000s)		December 30, 2023		December 31, 2022
Net Debt	**$**	**249,916**	$	385,538
Shareholders' equity		**385,856**		373,417
Unrealized gains on derivative financial instruments included in AOCI		**(2,514)**		(6,063)
Total capitalization	**$**	**633,258**	$	752,892
Net Debt as percentage of total capitalization		**39.5%**		51.2%

Using our December 30, 2023 market capitalization of $295.5 million, based on a share price of CAD$11.82 (USD$8.95 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization increased to 45.8% (December 31, 2022: 53.3%).

Normal Course Issuer Bid

In June 2023, 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 June 7, 2023 and will terminate no later than June 6, 2024. In December 2023, the Company announced that the Toronto Stock Exchange approved an amendment to increase the size of the Normal Course Issuer Bid. The amendment increased the number of common shares of the Company by 500,000, of which the Company intends to purchase. During the fifty-two weeks ended December 30, 2023, the Company purchased 413,200 common shares under this plan at an average price of $8.39 (CAD$11.37) per share for total cash consideration of $3.4 million (CAD$4.6 million). The excess of the purchase price over the book value of the shares in the amount of $2.3 millions was charged to retained earnings.

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 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 June 7, 2022 and it subsequently terminated on June 6, 2023. During the fifty-two weeks ended December 31, 2022, the Company purchased 135,568 common shares under this plan at an average price of $9.51 (CAD$12.32) per share for total cash consideration of $1.3 million (CAD$1.7 million). The excess of the purchase price over the book value of the shares in the amount of

$0.9 million was charged to retained earnings. During the fifty-two weeks ended December 30, 2023, the Company did not purchase any common shares under this plan.

The Company established an automatic securities purchase plan for the common shares of the Company for all the bids listed above with a termination date coinciding with the NCIB termination date. The preceding plan also constitutes an "automatic plan" for purposes of applicable Canadian Securities Legislation and has been approved by the TSX.

Dividends

In November 2023, the Company's Board of Directors approved a quarterly dividend of CAD $0.15 per common share, which represents a CAD $0.02 per share increase from the CAD$0.13 per share paid during the first three quarters of 2023, commencing with the Company's Q4, 2023 quarterly dividend. The increase reflects the Board's recognition of the Company's strong performance and continued confidence in the Company's operations. These dividends are considered "eligible dividends" for Canadian income tax purposes.

As shown in the following table, the quarterly dividend on the Company's common shares has changed two times during the last two fiscal years. The quarterly dividends paid in the last two years were as follows:

Dividend record date		Quarterly dividend (CAD)
December 1, 2023	$	0.15
September 1, 2023	$	0.13
June 1, 2023	$	0.13
March 2, 2023	$	0.13
December 1, 2022	$	0.13
September 1, 2022	$	0.10
June 1, 2022	$	0.10
March 2, 2022	$	0.10

Dividends and NCIBs are subject to restrictions as follows:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, must be $25.0 million or higher, and was $168.0 million on December 30, 2023, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and

- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or 32.5% of EBITDA as defined in the loan agreement when the defined total leverage ratio is below 4.0x. The defined total leverage ratio was 2.6x on December 30, 2023. NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum under the term loan facility.

On February 21, 2024, the Directors approved a quarterly dividend of CAD$0.15 per share on the Company's common shares payable on March 15, 2024 to holders of record on March 1, 2023. These dividends are "eligible dividends" for Canadian income tax purposes.

Disclosure of Outstanding Share Data

On February 21, 2024, 32,931,868 common shares and 370,750 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

Cash Flow

	Thirteen weeks ended			Fifty-two weeks ended		
(Amounts in $000s)	December 30, 2023	December 31, 2022	Change	December 30, 2023	December 31, 2022	Change
Net cash flows provided by (used in) operating activities	**$ 66,941**	$ (55,845)	$122,786	**$ 179,314**	$ (76,158)	$255,472
Net cash flows (used in) provided by financing activities	**(54,155)**	61,704	(115,859)	**(153,855)**	100,137	(253,992)
Net cash flows used in investing activities	**(5,939)**	(8,832)	2,893	**(18,801)**	(20,670)	1,869
Foreign exchange increase (decrease) on cash	**270**	(213)	483	**487**	(3,597)	4,084
Net change in cash during the period	**$ 7,117**	$ (3,186)	$ 10,303	**$ 7,145**	$ (288)	$ 7,433

Cash Flows from Operating Activities

Cash flows from operating activities were $255.5 million higher in 2023 compared to 2022. The increase in cash flows in 2023 was due to favourable changes in non-cash working capital balances, partially offset by lower cash flows from operations primarily due to lower net income and higher interest paid. The lower net income is due to lower gross profit, the increase in one-time legal fees and the $10.0 million of insurance proceeds received in fiscal 2022 that did not occur in 2023. The favourable changes in non-cash working capital are due to favourable changes in inventories, partially offset by unfavorable changes in accounts receivable, prepaid expenses, accounts payable and accrued liabilities and provisions.

Cash Flows from Financing Activities

Cash flows from financing activities were $254.0 million lower in 2023 compared to 2022 due to repayments of short-term borrowings in 2023 as compared to increased short-term borrowings during 2022 (see the *Liquidity and Capital Resources* on page 15 of this MD&A), higher repayments of long-term debt, higher common share dividends paid and higher costs relating to common shares repurchased for cancellation in the current year as compared to 2022.

Cash Flows from Investing Activities

Cash outflows from investing activities were $1.9 million lower in 2023 compared to the same period last year due to lower capital expenditures (see the *Capital Expenditures* section beginning on page 20 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 25 for further explanation of Standardized Free Cash Flow) for the twelve months ended December 30, 2023 increased by $257.1 million to an inflow of $160.3 million compared to an outflow of $96.8 million for the twelve months ended December 31, 2022. This increase reflects favorable changes in non-cash working capital, lower income taxes paid and lower capital expenditures during the twelve months ended December 30, 2023 as compared to the twelve months ended December 31, 2022, partially offset by lower cash flows provided by operations, and higher interest paid during the last twelve months.

Net Non-Cash Working Capital

(Amounts in $000s)		December 30, 2023		December 31, 2022		Change
Accounts receivable	**$**	**100,634**	$	96,531	**$**	**4,103**
Inventories		**295,624**		472,311		**(176,687)**
Prepaid expenses		**7,390**		6,254		**1,136**
Accounts payable and accrued liabilities		**(148,343)**		(190,919)		**42,576**
Provisions		**(154)**		(189)		**35**
Net non-cash working capital	**$**	**255,151**	$	383,988	**$**	**(128,837)**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital decreased by $128.8 million to $255.2 million at December 30, 2023 as compared to $384.0 million at December 31, 2022, primarily reflecting lower inventories, partially offset by higher accounts receivable and lower accounts payable and accrued liabilities.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time, as described in the *"Seasonality"* section on page 7 of this MD&A. Due to the global supply chain challenges in Fiscal 2022, the Company was proactive in securing inventory supply, most notably in the second half of Fiscal 2022 which has carried over into 2023 as reflected in the higher inventories balances when compared to fiscal years prior to Fiscal 2022. As global supply chain challenges have changed, there has been a decreased investment in inventory as compared to Fiscal 2022. However, going forward we do expect the trend of inventory peaking between December and March to continue, and we believe we have sufficient availability on our working capital credit facility to finance our working capital requirements throughout 2024.

Capital Expenditures

Gross capital expenditures (including computer software) were $5.9 million and $19.0 million during the thirteen and fifty-two weeks ended December 30, 2023, respectively, as compared to capital expenditures of $8.8 million and $20.7 million during the thirteen and fifty-two weeks ended December 31, 2022, respectively. Capital expenditures in 2023 are lower than the prior year reflecting the timing of capital projects due to labour shortages and procurement of materials. The Company anticipates continued investment in the modernization of our capital assets.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2024 will be between $20.0 million to $24.0 million and funded by cash generated from operations and short-term borrowings.

Other Liquidity Items

Share-Based Compensation Awards

Share-based compensation expense decreased to $1.5 million in 2023 compared to $2.9 million in 2022 and is non-cash until unit holders exercise the awards. The change in share-based compensation is discussed on page 9 of this MD&A. Additional details regarding the Company's share-based compensation are provided in Note 17 *"Share-based compensation"* to the Consolidated Financial Statements.

During 2023, unit holders exercised Performance Share Units ("PSUs") and Restricted Share Units ("RSUs") and received cash in the amount of $5.5 million (2022: $4.8 million). The liability for share-based compensation awards at the end of Fiscal 2023 was $6.6 million compared to $10.7 million at the end of Fiscal 2022.

Any options exercised in shares are cash positive or cash neutral if the holder elects to use the cashless exercise method under the plan. Cash received from options exercised for shares during 2023 was $nil (2022: $nil).

Defined Benefit Pension Plans

The Company's defined benefit pension plans can impact the Company's cash flow requirements and liquidity. In 2023, the defined benefit pension expense for accounting purposes was $1.1 million (2022: $1.2 million) and the annual cash contributions were $0.3 million lower than the 2022 accounting expense (2022: $0.3 million lower). For 2024, we expect cash contributions to be approximately $2.0 million (CAD$2.7 million) and the defined benefit pension expense to be approximately $0.7 million (CAD$0.9 million). We have more than adequate availability under our working capital credit facility to make the required future cash contributions to our defined benefit pension plans. As well, we have a SERP liability for accounting purposes of $4.7 million that is secured by a letter of credit in the amount of $6.2 million.

Contractual Obligations

Contractual obligations relating to our bank loans, long-term debt, lease liabilities, and purchase obligations as at December 30, 2023 were as follows:

(Amounts in $000s)		Total		Less than 1 year		1–5 Years		Thereafter
Bank loans	**$**	**3,000**	$	3,000	$	—	$	—
Long-term debt		**298,925**		30,126		268,799		—
Lease liabilities		**13,088**		5,514		7,574		—
Purchase obligations		**119,904**		101,076		18,828		—
Total contractual obligations	**$**	**434,917**	$	139,716	$	295,201	$	—

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* risk section on page 33 and the *Foreign Currency* section on page 40 of this MD&A for further details.

Financial Instruments and Risk Management

The Company has exposure to the following risks as a result of its use of financial instruments: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts, and insurance contracts to manage these risks that arise from the Company's operations and its sources of financing, in accordance with a written policy that is reviewed and approved by the Audit Committee of the Board of Directors. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

Readers are directed to Note 25 *"Fair value measurement"* of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 *"Financial risk management objectives and policies"* of the 2023 annual consolidated financial statements for further discussion of the Company's financial risks and policies.

RELATED PARTY TRANSACTIONS

The Company's business is carried on through the Parent company, High Liner Foods Incorporated, and wholly owned operating subsidiary, High Liner Foods (USA) Incorporated. High Liner Foods (USA) Incorporated's wholly owned subsidiary is ISF (USA), LLC. These companies purchase and/or sell inventory between them, and do so in the normal course of operations. The companies lend and borrow money between them, and periodically, capital assets are transferred between companies. High Liner Foods Incorporated buys the majority of the seafood for all of the subsidiaries, and also provides management, procurement and information technology services to the subsidiaries. On consolidation, revenue, costs, gains or losses, and all intercompany balances are eliminated.

In addition to transactions between the Parent and subsidiaries, High Liner Foods may enter into certain transactions and agreements in the normal course of business with certain other related parties (see Note 23 *"Related party* *disclosures*" to the Consolidated Financial Statements). Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company had no related party transactions, excluding key management personnel compensation, for the fifty-two weeks ended December 30, 2023 and fifty-two weeks ended December 31, 2022.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures and ratios (together, "measures") in this MD&A: Adjusted Earnings before Interest, and Taxes ("Adjusted EBIT"); Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted EBITDA as a Percentage of Sales; Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); Standardized Free Cash Flow; Net Debt; and Net Debt to Rolling Twelve-Month Adjusted EBITDA. The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted EBITDA and Adjusted EBITDA as Percentage of Sales

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for items that are not considered representative of ongoing operational activities of the business. The related margin, Adjusted EBITDA as a Percentage of Sales, is defined as Adjusted EBITDA divided by net sales, where net sales is defined as "Sales" on the consolidated statements of income.

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses and recoveries associated with certain non-routine items that are not considered representative of the ongoing operational activities, as discussed above, and share-based compensation expense related to the Company's share price. For the fifty-two weeks ended December 31, 2022, Adjusted EBITDA also excludes the $10.0 million in insurance proceeds. We believe investors and analysts also use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) to evaluate the performance of our business. The most directly comparable IFRS measure to Adjusted EBITDA is "Net income" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing to other companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

The following table reconciles Adjusted EBITDA with measures that are found in our Consolidated Financial Statements, and calculates Adjusted EBITDA as a Percentage of Sales.

(Amounts in $000s)		Thirteen weeks ended December 30, 2023		Thirteen weeks ended December 31, 2022
Net income	**$**	**6,416**	$	11,131
Add back (deduct):				
Depreciation and amortization expense		**7,977**		6,170
Finance costs		**5,817**		5,951
Income tax expense		**666**		307
Standardized EBITDA		**20,876**		23,559
Add back (deduct):				
Business acquisition, integration and other expenses (income)		**410**		945
Impairment of property, plant and equipment		**—**		164
(Gain) loss on disposal of assets		**(67)**		30
Share-based compensation expense		**668**		687
Adjusted EBITDA	**$**	**21,887**	$	25,385
Net Sales	**$**	**237,126**	$	250,346
Adjusted EBITDA as Percentage of Sales		**9.2%**		**10.1%**

(Amounts in $000s)		Fifty-two weeks ended December 30, 2023		Fifty-two weeks ended December 31, 2022
Net income	**$**	**31,677**	$	54,730
Add back (deduct):				
Depreciation and amortization expense		**26,373**		23,578
Finance costs		**26,178**		18,261
Income tax expense		**2,434**		11,094
Standardized EBITDA		**86,662**		107,663
Add back (deduct):				
Business acquisition, integration and other expenses (income)[(1)]		**7,070**		(7,173)
Impairment of property, plant and equipment		**—**		332
(Gain) loss on disposal of assets		**(109)**		163
Share-based compensation expense		**1,469**		2,882
Adjusted EBITDA	**$**	**95,092**	$	103,867
Net Sales	**$**	**1,080,338**	$	1,069,714
Adjusted EBITDA as a Percentage of Sales		**8.8%**		**9.7%**

[(1)] The business acquisition, integration and other expenses (income) for the fifty-two weeks ended December 30, 2023, includes $7.1 million in legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn. For the fifty-two weeks ended December 31, 2022, this amount includes insurance proceeds of $10.0 million relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn, which is excluded in Adjusted EBITDA.

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income adjusted for the after-tax impact of items which are not representative of ongoing operational activities of the business and certain non-cash expenses or income. Adjusted Diluted EPS is Adjusted Net Income divided by the average diluted number of shares outstanding.

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the above-mentioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. For the fifty-two weeks ended December 31, 2022, Adjusted Net Income also excludes the $10.0 million in insurance proceeds. The most comparable IFRS financial measures are net income and EPS.

The table below reconciles our Adjusted Net Income with measures that are found in our Consolidated Financial Statements and calculates Adjusted Diluted EPS.

	Thirteen weeks ended December 30, 2023				Thirteen weeks ended December 31, 2022			
		$000s		**Adjusted Diluted EPS**		**$000s**		**Adjusted Diluted EPS**
Net income	**$**	**6,416**	**$**	**0.20**	$	11,131	$	0.32
Add back (deduct):								
Business acquisition, integration and other expenses (income)		**410**		**0.01**		945		0.03
Impairment of property, plant and equipment		**—**		**—**		164		—
Share-based compensation expense		**668**		**0.03**		687		0.02
Tax impact of reconciling items		**(201)**		**(0.01)**		(609)		(0.02)
Adjusted Net Income	**$**	**7,293**	**$**	**0.23**	$	12,318	$	0.35
Average shares for the period (000s)				**33,776**				35,130

	Fifty-two weeks ended December 30, 2023				Fifty-two weeks ended December 31, 2022			
		$000s		**Adjusted Diluted EPS**		**$000s**		**Adjusted Diluted EPS**
Net income	**$**	**31,677**	**$**	**0.93**	$	54,730	$	1.56
Add back (deduct):								
Business acquisition, integration and other expenses (income) [(1)]		**7,070**		**0.21**		(7,173)		(0.20)
Impairment of property, plant and equipment		**—**		**—**		332		0.01
Share-based compensation expense		**1,469**		**0.04**		2,882		0.08
Tax impact of reconciling items		**(1,536)**		**(0.04)**		941		0.03
Adjusted Net Income	**$**	**38,680**	**$**	**1.14**	$	51,712	$	1.48
Average shares for the period (000s)				**33,934**				35,069

[(1)]The business acquisition, integration and other expenses (income) for the fifty-two weeks ended December 30, 2023, includes $7.1 million in legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn. For the fifty-two weeks ended December 31, 2022 this amount includes insurance proceeds of $10.0 million relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn, which is excluded in Adjusted Net Income.

(2) The tax impact of reconciling items includes the tax impact of the insurance proceeds of $10.0 million received during the second quarter of fiscal 2022 which is excluded in Adjusted Net Income.

Standardized Free Cash Flow

Standardized Free Cash Flow is cash flow provided by operating activities less capital expenditures (net of investment tax credits) as reported in the consolidated statements of cash flows. The capital expenditures related to business acquisitions are not deducted from Standardized Free Cash Flow.

We believe Standardized Free Cash Flow is an important indicator of financial strength and performance of our business because it shows how much cash is available to pay dividends, repay debt (including lease liabilities) and reinvest in the Company. We believe investors and analysts use Standardized Free Cash Flow to value our business and its underlying assets. The most comparable IFRS financial measure is "cash flows provided by operating activities" in the consolidated statements of cash flows.

The table below reconciles our Standardized Free Cash Flow calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the consolidated statements of cash flows.

	Twelve months ended		
(Amounts in $000s)	**December 30, 2023**	**December 31, 2022**	**Change**
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	**$ 88,706**	$ 108,631	**$ (19,925)**
Net change in non-cash working capital balances	**124,463**	(161,003)	**285,466**
Interest paid	**(24,902)**	(14,741)	**(10,161)**
Income taxes paid	**(8,953)**	(9,045)	**92**
Cash flows provided by operating activities	**179,314**	(76,158)	**255,472**
Less:			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets	**(19,049)**	(20,670)	**1,621**
Standardized Free Cash Flow	**$ 160,265**	$ (96,828)	**$ 257,093**

Net Debt and Net Debt to Rolling Twelve-Month Adjusted EBITDA

Net Debt is calculated as the sum of bank loans, long-term debt (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash.

We consider Net Debt to be an important indicator of our Company's financial leverage because it represents the amount of debt that is not covered by available cash. We believe investors and analysts use Net Debt to determine the Company's financial leverage. Net Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

Net Debt to Rolling Twelve-Month Adjusted EBITDA is calculated as Net Debt divided by Rolling Twelve-Month Adjusted EBITDA (see page 26). We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate earnings sufficient to service our debt, that enhances understanding of our financial performance and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the calculations of Adjusted EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures.

The following table reconciles Net Debt to IFRS measures reported as at the end of the indicated periods in the consolidated statements of financial position and calculates Net Debt to Rolling Twelve-Month Adjusted EBITDA.

(Amounts in $000s)	December 30, 2023	December 31, 2022
Bank loans	**$ 2,559**	$ 127,554
Add-back: Deferred finance costs included in bank loans [1]	**441**	574
Total bank loans	**3,000**	128,128
Long-term debt	**233,791**	238,200
Current portion of long-term debt	**5,625**	7,500
Add-back: Deferred finance costs included in long-term debt [2]	**3,607**	4,972
Less: Net loss on modification of debt [3]	**(393)**	(542)
Total term loan debt	**242,630**	250,130
Long-term portion of lease liabilities	**6,997**	2,813
Current portion of lease liabilities	**4,589**	4,622
Total lease liabilities	**11,586**	7,435
Less: Cash	**(7,300)**	(155)
Net Debt	**$ 249,916**	$ 385,538
Rolling Twelve-Month Adjusted EBITDA	**$ 95,092**	103,867
Net Debt to Rolling Twelve-Month Adjusted EBITDA	**2.6x**	**3.7x**

[1] Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 11 to the Consolidated Financial Statements.
[2] Represents deferred finance costs that are included in "Long-term debt" in the consolidated statements of financial position. See Note 14 to the Consolidated Financial Statements.
[3] The net gain/loss on modification of debt has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 14 to the Consolidated Financial Statements.

Return on Assets Managed

ROAM is Adjusted EBIT divided by average assets managed (calculated using the average net assets month-end balance for each of the preceding thirteen months, where "net assets managed" includes all assets, except for future employee benefits, deferred income taxes and other certain financial assets, less accounts payable and accrued liabilities, and provisions). Adjusted EBIT is Adjusted EBITDA less depreciation and amortization expense.

We believe investors and analysts use ROAM as an indicator of how efficiently the Company is using its assets to generate earnings.

The table below reconciles Adjusted EBIT to the non-IFRS measure, Adjusted EBITDA (see page 22 of this MD&A), and calculates ROAM using our average net assets, calculated on a rolling thirteen-month basis, and Adjusted EBIT.

(Amounts in $000s)	December 30, 2023	December 31, 2022
Adjusted EBITDA	**$ 95,092**	$ 103,867
Less:		
Depreciation and amortization expense	**26,373**	23,578
Adjusted EBIT	**$ 68,719**	$ 80,289
Thirteen-month rolling average net assets managed	**757,639**	719,508
ROAM	**9.1%**	11.2%

Return on Equity

ROE is calculated as Adjusted Net Income, less share-based compensation expense, divided by average common equity (calculated using the common equity month-end balance for each of the preceding thirteen months, comprised of common shares, contributed surplus, retained earnings, and accumulated other comprehensive income).

We believe investors and analysts use ROE as an indicator of how efficiently the Company is managing the equity provided by shareholders.

The table below calculates ROE using our average common equity calculated on a rolling thirteen-month basis, and Adjusted Net Income (see page 24 of this MD&A).

(Amounts in $000s)	December 30, 2023	December 31, 2022
Adjusted Net Income	**$ 38,680**	$ 51,712
Less:		
Share-based compensation expense	**1,469**	2,882
Tax impact of reconciling items	**(1,005)**	
	38,216	48,830
Thirteen-month rolling average common equity	**361,491**	325,871
ROE	**10.6%**	15.0%

GOVERNANCE

Our 2023 Management Information Circular, to be filed in connection with our Annual General Meeting of Shareholders on May 14, 2024, includes full details of our governance structures and processes.

We maintain a set of disclosure controls and procedures ("DC&P") designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

Our Chief Executive Officer ("CEO") and Interim Chief Financial Officer ("CFO") have evaluated the design and effectiveness of our DC&P as of December 30, 2023. They have concluded that our current DC&P are designed to provide, and do operate to provide, reasonable assurance that: (a) information required to be disclosed by the Company in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods; and (b) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and Interim CFO, to allow timely decisions regarding required disclosure.

In addition, our CEO and Interim CFO have designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Furthermore, our CEO and Interim CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the fiscal year-end and have concluded that our current ICFR was effective at the fiscal year-end based on that evaluation.

There has been no change in the Company's ICFR during 2023 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

The most material estimates made by management include the following:

Impairment of non-financial assets

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

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

Future employee benefits

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

Income taxes

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

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

Fair value of financial instruments

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

Sales and marketing accruals

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

Accounting Standards

High Liner Foods reports its financial results using IFRS. Our detailed accounting policies are included in the Notes to the Consolidated Financial Statements.

As disclosed in Note 3 *"Accounting policies"* to the Consolidated Financial Statements for the period ended December 30, 2023, we adopted the following standards, interpretations and amendments to existing standards that were effective for annual periods beginning on January 1, 2023 and that the Company has adopted on January 1, 2023:

IAS 1, *Disclosure of Accounting Policies*

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted the amendments which had no material impact to its Consolidated Financial Statements.

IAS 12, ***Deferred tax related to Assets and Liabilities arising from a Single Transaction***

In May 2021, the IASB issued amendments to IAS 12, *Income taxes* to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

Accounting pronouncements issued but not yet effective

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

IAS 1, ***Presentation of Financial Statements***

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 7 & IFRS 7, ***Supplier Finance Arrangements***

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which addresses the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 12, ***Income Taxes***

On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). IAS 12 was amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation").

The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/ income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Company has not yet applied the temporary exception during the current interim period because the Company operates in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantially enacted. The Company will disclose known or reasonably estimable information that helps users of financial statements to understand the Company's exposure to Pillar Two income taxes in the Company's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

RISK FACTORS

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. Many of these risk factors are described below, including those the Company considers to be the most material. These risk factors, along with other risks and uncertainties not currently known to the Company or that the Company currently considers immaterial, could materially and adversely affect the Company's performance, operating results and ability to pay dividends or return capital to shareholders.

The Company takes a strategic approach to risk management. To achieve a return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization. While risk management is part of the Company's transactional, operational and strategic decisions, as well as the Company's overall management approach, many of the risks are beyond the Company's control and therefore despite the Company's efforts to manage or mitigate its risk exposure, risk management does not guarantee that events or circumstances will not occur which could have a material adverse impact on the Company's financial condition and performance. Readers should carefully consider the risk factors set out below, along with the other information contained in this document and the Company's other public filings before making an investment decision.

Geopolitical Risk

Although the Company's operations are principally in North America, it sources seafood globally and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: international armed conflict and terrorism, including Russia's invasion of Ukraine and the terrorist attacks on civilian ships in the Red Sea; fluctuations in currency exchange rates; inflation rates; labour unrest; civil commotion and unrest; global pandemics and related regulatory and operating restrictions impacting supply chains; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions and social unrest; changes in trade agreements; economic sanctions, import/export trade restrictions, tariffs and other trade barriers.

The global economy has been negatively impacted by Russia's invasion of Ukraine. In connection with this conflict, governments throughout the world, including Canada and the U.S., have imposed trade restrictions on certain products and financial and economic sanctions on certain industry sectors and parties in Russia, including the most recent Executive Order issued by the U.S. government on seafood harvested in Russian waters. Although the Company has no direct operations in Russia or Ukraine, the global seafood supply chain does include a significant volume of whitefish, such as Pacific cod and pollock, that are sourced from Russian waters. While the Company is in the process of diversifying its supply chain, some of the processed seafood purchased by the Company was made from seafood originally harvested in Russian waters. This has led to shortages in materials and increased costs for transportation, energy, and raw material due, in part, to the negative impact of the Russia-Ukraine conflict on the global economy. Further escalation of geopolitical tensions related to the conflict, including additional new sanction policies, increased trade barriers or restrictions on global trade, could result in, among other things, supply disruptions, higher input costs, cyberattacks, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business and supply chain, and these impacts could be material. In addition, the effects of the ongoing conflict could heighten many of our known risks described in the *Risk Factors* section of this report.

Changes, if any, in trade agreements and/or policies, the imposition of sectoral and economic sanctions, or shifts in political and/or consumer attitude, could adversely and materially affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations including, but not limited to, trade restrictions, income taxes, foreign investment, and environmental legislation.

In 2018, the USTR commenced certain trade actions, including imposing tariffs on certain goods imported from China, including some of the species the Company imports from China. The Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company's operations. However, the Company cannot control the duration or depth of such actions, which may increase product costs and reduce profitability, and potentially decrease the competitiveness of its products.

Food Safety

At High Liner Foods, food safety is our top priority. Our brand equity and reputation are inextricably linked to the quality and safety of our food products, and we must be vigilant in ensuring our products are safe and comply with all applicable laws and regulations. Customers expect consistently safe, quality products and their expectations are unwavering regardless of the commodity or complexity of the supply chain. Consumers are increasingly better informed about conscientious food choices.

The Company's processing plants have all the required State, Provincial and/or Federal licenses to operate and are certified to the Global Food Safety Initiatives ("GFSI") and Safe Quality Foods ("SQF") standards, meaning our processing plants have passed a rigorous quality and food safety system audit that is internationally recognized and globally benchmarked. The GSFI certification enables the Company to supply our wide range of products to some of the industry's most discerning customers. This annual certification process helps drive improvement across the organization, critical for maintaining customer and consumer confidence.

In Canada, certain food businesses, including seafood-processing plants, are required to adopt a Preventive Control Plan ("PCP") under the Safe Food for Canadians Act and Regulations. These requirements cover the regulatory and safety aspects of food processing and importation in Canada and have been developed by the Canadian Food Inspection Agency ("CFIA") based on global best practices. This plan must also include a hazard analysis that describes how hazards will be controlled and/or eliminated. High Liner Foods' PCP and processing facilities are regularly inspected and audited by the CFIA and remain in good standing.

In the United States, the Company's plants produce product in accordance with standards set forth by the U.S. Food and Drug Administration's ("FDA") and the U.S. Department of Agriculture ("USDA"). The regulatory requirements for seafood processing (and importation) in the United States are very specific for fish and fishery products and all plants are required to operate with current seafood Hazard Analysis Critical Control Point ("HACCP") programs. Our plants are regularly inspected and audited by our regulatory partners in the U.S. and remain in good standing.

While High Liner Foods emphasizes adherence to various regulations and standards such as GFSI, SQF, PCP, HACCP, and FDA/USDA requirements, there is a risk of non-compliance with evolving regulations. Changes in regulations or failure to meet existing ones could lead to legal issues, fines, or market repercussions.

In addition, our suppliers' plants outside of North America must demonstrate compliance for imported products in accordance with the guidelines set forth in the FDA seafood HACCP regulation. All the Company's non-North American suppliers operate with HACCP approved plans and are required to adhere to newly strengthened FDA and Canadian CFIA importation requirements focusing on food safety and traceability. In addition, all purchases are subject to risk-based quality review and verification by the Company's food safety and quality professionals. We have strict specifications for suppliers of both raw material and finished goods to ensure that procured goods are of the same quality and consistency as products processed in our own plants. High Liner Foods has offices in Qingdao, China; Bangkok, Thailand; and Reykjavik, Iceland and employs full-time procurement and food safety and quality experts to oversee procurement activities around the world. This oversight includes production monitoring and finished product inspection at the source before shipment to North America. High Liner Foods acknowledges the complexity of its global supply chain, including suppliers outside North America. This complexity introduces risks related to maintaining consistent food safety standards across various regions, potential disruptions in the supply chain, or issues with supplier compliance.

In order to maintain compliance with the various and ever changing regulatory, industry and customer requirements and expectations, we employ a Food Safety and Quality Assurance team comprised of highly qualified, trained and experienced personnel including food scientists, quality technicians, quality and food safety auditors, and labelling and nutritional professionals. Despite having a dedicated Food Safety and Quality Assurance team and independent auditors, there is always a risk of operational failures or human error leading to food safety incidents. These incidents could harm consumer health, trigger product recalls, and incur significant costs for the Company. High Liner Foods has retained independent auditors to add an additional level of scrutiny to our food safety programs and has robust audit policies and processes that are consistently applied throughout the Company. We are continuously evaluating and updating our internal operating standards to keep pace with the industry expectations and to support improved performance and greater success. However, the Company cannot assure that these operating standards, even when working effectively, will completely eliminate the risks related to food safety, which could have a material adverse impact on the Company's financial condition and results of operations.The Company recognizes the increasing consumer demand for safe and high-quality food products. Failing to meet these expectations could result in damage to the brand reputation, loss of consumer trust, and decreased sales.

Product Liability and Recall

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such controls and processes, even when working effectively, will completely eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as precautionary measures. There is also a risk that not all the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Procurement and Availability of Seafood

Our business depends upon the procurement of frozen raw seafood materials and finished goods on world markets. In 2023, the Company purchased approximately 154.5 million pounds of seafood, with an approximate value of $511.4 million. Seafood markets are global with values expressed in USD. In 2023, we bought approximately 24 species of seafood from 20 countries around the world. There are no formal hedging mechanisms in the seafood market. Prices can fluctuate due to changes in the balance between supply and demand over which the Company has little or no control. Weather, quota changes, disease, geopolitical issues, including economic sanctions, tariffs and trade barriers, and other environmental impacts in key fisheries can affect supply.

Historically, North American markets have consumed less seafood per capita than certain Asian and European markets. If increased global seafood demand results in materially higher prices, North American consumers may be less likely to consume amounts historically consistent with their share of the global seafood market, which may adversely affect the financial results of High Liner Foods due to its North American focus.

The Company expects demand for seafood to grow from current levels as the global economy, and particularly the emerging market countries including Brazil, Russia, India, and China ("BRIC") and Southeast Asian economies, improve. In general, we expect the supply of wild-caught seafood in our core species to be stable over the long term. We anticipate new seafood demand will be supplied primarily from aquaculture. Currently, four of the top seven species consumed in North America (shrimp, salmon, tilapia and pangasius) are partly or totally supplied by aquaculture and approximately 32% of the Company's procurement, by value, is related to aquaculture products. To the extent there are unexpected declines in our core products of wild-caught seafood, or aquaculture is unable to supply future demand, prices may increase materially, which may have a negative impact on the Company's results. Changes in the relative values of currency can change the demand from a particular country whose currency has risen or fallen as compared to the U.S. dollar. The increasing middle class and government policies in emerging economies, as well as demand from health-conscious consumers, can affect demand as well.

Our broad product line and customer base, along with geographically diverse procurement operations, help us mitigate changes in the cost of our raw materials. We purchase frozen raw material and finished goods originating from many different areas of the world and ensure, to the extent possible, that our supplier base is diverse to ensure no over-reliance on any source. Our strategy is to always have at least two suppliers of seafood products, where possible. In addition, product formulation changes, long-term relationships with suppliers, and price changes to customers are all important factors in our ability to manage supply of necessary products.

The Company is currently not vertically integrated. In the event supply shortages of certain seafood, or trade barriers to acquiring seafood as a result of economic sanctions or otherwise, results in difficulty procuring species, the financial results of High Liner Foods may be adversely affected.

There can be no assurance that disruptions in supply will not occur, nor can there be any assurance that all or part of any increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner.

Seafood Production from Asia

Many seafood companies, including High Liner Foods, divert production of certain primary produced products to Asia, and China, in particular. Asian processing plants are able to produce many high-quality seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on raw material due to the use of more manual processes. We work closely with selected Asian suppliers and have made it possible for these suppliers to meet our exacting quality and manufacturing standards. By diversifying our supply chain, we have access to the variety and volume of seafood products, including a significant amount of wild-caught product from the Atlantic and Pacific Oceans, that we need to fulfil our brand strategy, while continuing to require seafood suppliers to adhere to the Company's Supplier Code of Conduct ("SCOC"). These suppliers are central to our supply chain operating efficiently, and thus, any adverse changes in the operations of such suppliers, including the effects of a pandemic or any other serious health concern, the effects of the Russian/Ukraine war or any other geopolitical risks (see geopolitical risk for further details), or our commercial relationships with such suppliers, may adversely affect the Company's results. To mitigate the risk of supply disruptions to the business resulting from trade challenges, the impact of global pandemics, freight delays or other issues, the Company has been shifting a portion of its seafood production in China to other countries, primarily in South East Asia (Vietnam, Indonesia and Thailand). However, the Company may not be able to develop alternate sourcing quickly enough to offset any supply disruptions that may occur elsewhere, which may adversely affect the Company's results.

Competition Risk

High Liner Foods competes with a number of food manufacturers and distributors and its competition varies by distribution method, product category and geographic market. Competition is based on factors such as product availability, product quality and taste, price, brand recognition, product variety, product packaging and design, shelf space, reputation, nutritional and other claims, effective promotions, and the ability to target changing consumer preferences. The Company may experience price pressure as a result of, among other things, competitors' promotional effort and strategies to increase market share. Competitive pressures from new and existing competitors could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's ability to increase revenue and execute its business strategy depends in part on its ability to cost-effectively attract new customers and consumers and retain existing customers and consumers. If the Company is unable to do this, its business, financial condition and operating results may be materially adversely affected. Further, if customers or consumers do not perceive the Company's product offerings to be of sufficient value and quality, or if it fails to offer new and relevant product offerings, it may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. There is no guarantee that the investment that the Company is making in marketing, advertising, and innovation will be successful in attracting or retaining market share or that it will deliver the anticipated long-term financial benefits underpinning growth targets.

Some of High Liner Foods' competitors have greater financial and other resources and/or may have access to labour or products that are not available to High Liner Foods. High Liner Foods' competitors may be able to better withstand market volatility. In some instances, this could force the Company to lower prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices. In addition, some competitors may be more innovative, have more resources and / or be able to bring new products to market faster. This could put the Company at a disadvantage in keeping up with the pace of innovation and ability to introduce new products that appeal to evolving consumer trends. There can be no assurance that High Liner Foods' principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base and/or market share.

In addition, High Liner Foods and its financial results may be significantly adversely affected if High Liner Foods' suppliers become competitors, if its customers decide to source their own food products, or if one or more of High Liner Foods' competitors were to merge with another of its competitors. Competitors may also establish or strengthen relationships with parties with whom High Liner Foods has relationships, thereby limiting its ability to sell certain products. Disruptions in High Liner Foods' business caused by such events could have a material adverse effect on its results of operations and financial condition.

Information Technology and Cybersecurity Risk

High Liner Foods relies on information technology systems and network infrastructure operated by it or under the control of third parties in all areas of operations and is therefore exposed to an increasing number of sophisticated cybersecurity threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A cybersecurity attack directly on the Company or on one of the Company's service providers that results in a breach of sensitive information could disrupt systems and services and compromise the Company's financial position or brands, and/or otherwise adversely affect the Company's ability to achieve its strategic objectives.

The Company maintains policies, processes and procedures, as well as regular training and testing to address capabilities, performance, security and availability including resiliency and disaster recovery for systems, infrastructure and data. Security protocols, along with corporate information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers, suppliers and employees. The Company actively monitors, manages and continues to enhance its ability to mitigate cyber risk through its enterprise-wide programs, however, there is no assurance that any of these measures will be successful.

The implementation of major information technology projects carries with it various risks, including the risk of realization of benefits, that must be mitigated by disciplined change management and governance processes. The Company has a business process optimization team staffed with knowledgeable internal resources (supplemented by external resources as needed) that is responsible for implementing the various initiatives. This team reports to the Audit Committee on the Company's information technology and cybersecurity risks on a quarterly basis.

The Company also regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. There cannot be any guarantee that any such changes will improve current processes or operating results or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Consumer Trends

The success of the Company depends in part on the Company's ability to respond to market trends and macro-economic factors and develop innovative products that anticipate and respond to the changing tastes, dietary habits and purchasing power of consumers. From time to time, certain products are deemed more or less healthy and/or costly and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Sustainability and Corporate Social Responsibility

The success and growth of our business relies heavily upon our ability to use our position in the marketplace to protect, preserve and manage the natural resources essential for our business in a sustainable manner. Sustainability is a core value that supports all sectors of our business and has positioned the Company for organic growth into the future, and is reflected in the Company's purpose statement, "Reimagining Seafood to Nourish Life".

High Liner Foods made a public sustainability commitment in late 2010 to source its seafood from "certified sustainable or responsible" fisheries and aquaculture by the end of 2013. The Company was substantially successful in fulfilling this commitment and is now recognized as a global leader in driving best practice improvements in wild fisheries and aquaculture. Customers will continue to demand product solutions that are innovative, high quality and responsibly sourced. To the extent we fail to meet these customer expectations, or customer expectations in this regard change, operational results and brand equity may be adversely affected. Credible sustainability certifications - such as Marine Stewardship Council (MSC) certified, Aquaculture Certification Council (ASC), Global Seafood Alliance (GSA) and others that have been successfully benchmarked by the Global Sustainable Initiative (GSSI) - have become a required tool to validate industry-driven wild fishery and aquaculture improvements. Environmental advocacy groups will continue to expect use of credible certification schemes to define sustainable wild fisheries and aquaculture. The reliance on credible sustainability certifications, such as MSC, ASC, and GSA, introduces risks related to maintaining compliance with evolving certification standards. Changes in certification requirements or failure to uphold certification standards could impact the company's reputation and market position.

In 2015, the Company implemented a social compliance program with seafood suppliers which outlines acceptable standards for the treatment of all suppliers' employees, and their suppliers' employees, involved in the production of seafood product for our Company. High Liner Foods takes adherence to the Supplier Code of Conduct extremely seriously and has a zero tolerance policy for any violations of its Code of Conduct. Implementation of social compliance programs with seafood suppliers mitigates risks associated with labor practices and worker treatment. However, failure to ensure compliance with these standards could result in reputational damage and potential legal or ethical issues.

Corporate Social Responsibility ("CSR") is a term used to refer to the set of voluntary actions companies take to mitigate the social and environmental impacts of their operations on society. CSR is significant in the seafood industry as seen through the multiplication of private initiatives such as certification programs, sourcing commitments and improvement projects. Many of the issues addressed through CSR in seafood occur in the upstream end of seafood supply chains and include sustainable fish stocks, social aspects such as working conditions and fair wages, and transparency. High Liner Foods has continued its leadership position with the preparation of CSR reports since 2016 that disclose many of the improvement efforts underway.

In the short term, enhanced policies related to sustainability, environmental and social compliance both within High Liner Foods and its supply chain may add to the Company's operating costs. While investment in sustainability and social compliance initiatives may lead to long-term benefits, such as stabilized fishery stocks and increased efficiency, there are short-term risks associated with higher operating costs. These increased costs could impact profitability, particularly if not managed effectively. The long-term benefit of this investment is now being realized through the stabilization of most global wild fishery stocks and continued increase in aquaculture growth that now supplies more than 50% of the global seafood demand. Operating costs are beginning to decrease through more efficient use of energy, water, reduction of waste, and through a rigorous continuous improvement process.

The Board of Directors and management believe that high environmental, social and governance ("ESG") standards support the Company's profitability and valuation and aligns with the values of our stakeholders. Given the importance and pervasiveness of ESG to the Company's risk management and business strategies, the oversight function has been assigned across various committees of the Board, where deemed most appropriate. The Governance Committee oversees the Company's ESG framework as well as management's integration of ESG into the overall governance structure, business strategy and risk management practices of High Liner Foods. The Audit Committee oversees environmental compliance matters and the Human Resources Committee reviews the health and safety performance of the Company. The Human Resources Committee also oversees the performance metrics and weightings regarding safety and ESG in executive compensation.

High ESG standards are integral to the Company's profitability, valuation, and stakeholder alignment. However, there are risks associated with effectively integrating ESG considerations into governance structures, business strategies, and risk management practices. Failure to address these risks could undermine the company's financial performance and stakeholder relationships. Meeting the expectations of stakeholders regarding ESG performance and disclosure is crucial for maintaining trust and credibility. Failure to address stakeholder concerns or effectively communicate ESG efforts could lead to reputational damage and decreased investor confidence.

Environmental Risk and Regulation

High Liner Foods' business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gases and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with environmental laws and regulations, however, failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. Compliance with these environmental laws and regulations requires that the Company continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the Company's financial position and could require additional expenditures to achieve or maintain compliance.

The Company has publicly committed to reducing GHG emissions and food waste. While the Company has taken steps to assess the commercial feasibility of these initiatives, there is no assurance that the ongoing costs of these initiatives will continue to be economically sustainable. There are several potential risks that could undermine or delay meeting these goals, including that the energy savings and carbon reduction initiatives in Scope 1 and 2 and food waste reduction initiatives may not be implemented, due to capital or technical constraints, or such projects fail to achieve the intended benefits. In addition, to the extent of the applicable laws, regulations and industry standards related to emission reductions change, it is possible that the Company's practices, processes and facilities will require significant modifications in order to comply. Additionally, it is possible that the changes necessary to reduce emissions will not be feasible or that the costs will be material, either of which could have a material adverse effect on the Company's operations and financial position. Should these risks materialize, contingencies such as installation of onsite renewable power generation and purchasing renewable energy credits could be utilized to mitigate these risks. The Company has developed and implemented process and controls to ensure data integrity.

Climate Change

The potential effects of climate change could have a material impact on the Company and its operations, due to associated physical, financial, compliance and reputational risks. Physical risks resulting from climate change can be event-driven (acute) or long-term (chronic) shifts in climate patterns that may have financial implications for the Company, including direct damage to the Company's assets and indirect impact to the Company's supply chain.

Various seafood species and non-seafood products are vulnerable to adverse climatic and weather conditions and natural disasters, including warming oceans, windstorms, hurricanes, floods, droughts, fires, temperature extremes and earthquakes, some of which are common but difficult to predict. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to climate change. Such adverse weather conditions could impact both the availability and the quality of seafood and non-seafood products procured by the Company and prevent or impair the Company's ability to procure and sell products as planned. These factors can increase cost, decrease our sales, and lead to additional expenditures, which may have a material adverse effect on the Company's business, financial condition and results from operations.

Business Continuity Risk

The Company faces inherent risks to our business continuity, including but not limited to disruptions caused by natural disasters including rising sea levels, cyberattacks, geopolitical instability, and regulatory changes. These disruptions could result in operational downtime, supply chain interruptions, loss of data, and damage to our reputation. While management has implemented comprehensive business continuity plans and regularly test the response procedures, there remains a possibility of unforeseen events impacting our operations and financial performance. The Company's ability to effectively manage and mitigate these risks is critical to maintaining operational resilience and ensuring long-term shareholder value.

Growth (Other than by Acquisition)

A key component of High Liner Foods' growth strategy is organic or internal growth by delivering profitable and sustainable revenue growth through the sale of existing higher margin products; eliminating under-performing products to maximize our portfolio; expanding into new channels and attracting new customers introducing higher margin products; building strategic partnerships through consumer and customer insights; and investing in continuous improvement in our plants and our organization to improve efficiencies and simplify the business.

There can be no assurance that the Company will be successful in growing its business or in managing its growth in a manner consistent with this strategy. Furthermore, successful expansion may place a significant strain on key personnel of High Liner Foods, from a retention perspective, as well as on its operations, financial resources and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to grow and enhance its information systems in a timely fashion and manage succession planning for personnel across the organization to support such growth. Any inability to properly manage growth could result in cancellation of customer orders, as well as increased operating costs, and correspondingly, could have an adverse effect on High Liner Foods' financial results.

Acquisition and Integration Risk

A component of the Company's strategy is to pursue acquisition opportunities to support sales and earnings growth and further species diversification. While management intends to be careful in selecting businesses to acquire, acquisitions inherently involve a number of risks, including, but not limited to, the possibility that the Company pays more than the acquired assets are worth; the additional expense associated with completing an acquisition; the potential loss of customers of the particular business; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption to the Company's ongoing business and the distraction of management from the Company's day-to-day operations; the inability to incorporate acquired businesses successfully into the Company's existing operations; inaccurate estimates of the rate of return on acquisitions or investments; inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; indemnities and potential disputes with the buyers or sellers; and the potential impairment of relationships with the Company's employees, suppliers and customers. If any one or more of such risks materialize, they could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

In addition, the Company may not be able to maintain the levels of operating efficiency that the acquired company had achieved or might have achieved had it not been acquired by the Company. Successful integration of the acquired company's operations would depend upon the Company's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it expected to achieve with the acquisition. Any difficulties in this process could disrupt the Company's ongoing business, distract its management, result in the loss of key personnel or customers, increase its expenses and otherwise materially adversely affect the Company's business, financial condition, liquidity and operating results. Further, inherent in any acquisition, there is risk of liabilities and contingencies that the Company may not discover in its due diligence prior to the consummation of a particular acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies in any acquisition could also have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Employment Matters

The Company and its subsidiaries have approximately 1,200 full-time and part-time employees, which include salaried and union employees, some of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations. The Company's operations are also subject to health and safety risks, as well as laws and regulations in this regard. The Board takes the safety of employees very seriously and the Human Resources Committee reviews the Company's health and safety performance on a quarterly basis. Notwithstanding the Company's existing health and safety systems, serious injury or death of an employee could have a serious impact on High Liner Foods' reputation, and result in litigation and incurring additional costs, which may be significant.

Credit Risk

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for expected credit losses. Despite regular credit valuations and the allowance for expected credit losses, there is still inherent risk associated with extending credit to customers. Economic downturns, industry-specific challenges, or individual customer financial instability could lead to higher-than-expected credit losses. Although the Company insures its accounts receivable risk, impairment losses related to receivables have historically been insignificant. Although impairment losses related to receivables have been historically insignificant, past performance may not be indicative of future outcomes. Changes in market conditions or customer financial health could lead to unexpected impairment losses in the future. As of the date of filing this report, we are not aware of any customer that is in financial trouble that would result in a material loss to the Company and our receivables are substantially current at year-end. While the Company is not currently aware of any customers in financial trouble, there is always a risk of unforeseen events impacting customer financial stability. Changes in industry dynamics, regulatory changes, interest rates, inflation, currency fluctuations or unforeseen events could impact customer payment behavior and lead to customer defaults and material losses for the Company.

Customer Consolidation

We sell the majority of our products to food distributors and large food retailers, including supercenters and club stores, in North America. As the retail grocery and foodservice trades continue to consolidate and grow more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements to remain competitive. Failure to do so could result in losing sales volumes and market share. The Company's net sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidation of customers is expected to result in some consolidation of suppliers in the U.S. seafood industry. The supply of seafood, especially in the U.S. foodservice market, is highly fragmented. Consolidation is needed to reduce costs and increase service levels to keep pace with the expectation of customers.

Reputation and Public Opinion

The potential for deterioration of the Company's reputation may arise in many contexts and for many different reasons. As a result, reputational risk cannot be managed in isolation from other forms of risk. For example, any real or perceived quality or safety concerns, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors, or the way in which products are handled by customers, consumers or others in the distribution chain after they leave the control of the Company), could cause negative publicity and reduced confidence in the Company, its brand or its products, which could in turn harm its reputation and operating results. Any loss of confidence on the part of consumers in the Company's products, brands, the ingredients it uses or in the safety and quality of its products would be difficult and costly to overcome.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage its reputation. If the Company does not maintain the favorable perception of its brands, the Company's sales and profits could be negatively impacted.

Overall, negative public opinions or shifts in opinion whether about the Company, its brands, its industry or the overall environment in which it operates could materially adversely affect its reputation, business, strategy and operations, as well its financial condition and results of operations.

Foreign Currency

High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Parent has a CAD functional currency, meaning that all transactions are recorded in CAD. However, as we report in USD, the results of the Parent are converted into USD for external reporting purposes. As such, fluctuations in exchange rates impact the translated value of the Parent's sales, costs and expenses when translated to USD. Reporting results in USD introduces volatility due to changes in exchange rates, affecting the translated value of sales, costs, and expenses. Fluctuations in currency values can impact the comparability and interpretation of financial statements.

The Company's results of operations and financial condition are both also affected by foreign currency fluctuations in a number of ways. The table below summarizes the effects of foreign exchange on our operations:

Currency	Strength	Impact on High Liner Foods
CAD	Strong	Results in a reduction in the cost of inputs for the Canadian operations in CAD. Competitive activity may result in some selling price declines on unprocessed product.
CAD	Weak	Results in an increase in the cost of inputs for the Canadian operations in CAD. Justified cost increases are usually accepted by customers. If prices rise too sharply there may be a volume decline until consumers become accustomed to the new level of pricing.
Euro	Strong	Results in increased demand from Europe for seafood supplies and may increase prices in USD.
Euro	Weak	Results in decreased demand from Europe for seafood supplies and may decrease prices in USD.
Asian currencies	Strong	Results in higher cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, increased demand may result from domestic Asian markets and increase USD prices. Justified cost increases are usually accepted by customers. If prices rise too sharply, there may be a volume decline until consumers become accustomed to the new level of pricing.
Asian currencies	Weak	Results in lower cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, decreased demand may result from domestic Asian markets and decrease USD prices. Competitive activity may result in some selling price declines on unprocessed product.
USD	Strong	As in most commodities, a strong USD usually decreases input costs in USD, as suppliers in countries not using the USD need less USD to receive the same amount in domestic currency. In Canadian operations, it increases input costs in CAD.
USD	Weak	As in most commodities, a weak USD usually increases input costs in USD, as suppliers in countries not using the USD need more USD to receive the same amount in domestic currency. In Canadian operations, it decreases input costs in CAD.

The value of the USD compared to other world currencies has an impact on many commodities, including seafood, packaging, flour-based products, cooking oil and transportation costs that are either sold in USD or have USD-input costs. This is because many producing countries do not use the USD as their functional currency and, therefore, changes in the value of the USD means that producers in other countries need less or more USD to obtain the same amount in their domestic currency. Changes in the value of the CAD by itself against the USD simply result in an increase or decrease in the CAD cost of inputs.

For products sold in Canada, most raw material is purchased in USD and flour-based ingredients, cooking oils and transportation costs all have significant commodity components that are traded in USD. A weakening CAD increases the cost of these inputs in the Canadian operation's domestic currency and usually results in higher selling prices to Canadian customers.

Although High Liner Foods reports in USD, our Canadian operations continue to be managed in CAD. Therefore, we enter into annual supply contracts, where possible, and engage in hedging activities in accordance with the Company's *"Price Risk Management Policy"* (the "Policy"), buying USD forward and using various derivative products. To reduce our exposure to the USD on the more price inelastic items, the Policy allows us to hedge forward a maximum of 15 months of purchases; at 70-90% of exposure for the first three months, 55-85% for the next three months, 30-75% for the next three months, 10-60% for the next three months, and 0-60% for the last three months. The lower end of these ranges is required to be hedged by the Policy, with the upper ranges allowed if management believes the situation warrants a higher level of purchases to be hedged. Variations from the Policy require the approval of the Audit Committee, and failure to adhere to the policy guidelines could expose the company to increased currency risk

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The Policy excludes certain products where the price in the marketplace moves up or down with changes in the CAD cost of the product. Approximately $50-80 million of the USD purchases of the Parent are part of the hedging program annually and are usually hedged between 40-75% of the next twelve months of forecasted purchases. We are currently forecasting purchases of $60.3 million to be hedged in 2024 and of this amount, 48.3% was hedged as of December 30, 2023. Details on the hedges in place as at December 30, 2023 are included in Note 25 *"Fair value measurement"* to the Consolidated Financial Statements.

The effectiveness of hedging activities depends on the accuracy of forecasting future purchases and market conditions. Inaccurate forecasts or unforeseen market changes could lead to ineffectiveness in hedging strategies. The Company cannot assure that these hedging activities will eliminate the risks related to foreign currency, which could have a material adverse impact on the Company's financial condition and results of operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which relates to the Company's debt obligations with floating interest rates. Fluctuations in market interest rates can impact the fair value and future cash flows of the Company's financial instruments, particularly its debt obligations with floating interest rates. Changes in interest rates may affect the company's borrowing costs and overall financial performance. The Company's policy is to manage interest rate risk by having a mix of fixed and variable rate debt. The Company's objective is to keep between 35% and 55% of its borrowings at fixed rates of interest. To manage this, the Company enters into fixed rate debt facilities or interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps are designated to hedge the underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Company will pay may also be used to manage this exposure. Despite the Company's efforts to manage interest rate risk, there is no guarantee that it will be completely eliminated. Unexpected changes in interest rates could still have a material adverse impact on the company's financial condition and results of operations. At December 30, 2023, 51.2% of the Company's borrowings, including the long-term debt and the working capital facility, were either hedged or at a fixed rate of interest (December 31, 2022: 34.3%).

Interest rate sensitivity

The Company's income before income taxes is sensitive to the impact of a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. An increase or decrease in interest rates can impact the Company's profitability, with all other variables held constant. As at December 30, 2023, the Company's current bank loans were $3.0 million (December 31, 2022: $128.1 million) and long-term debt was $243.0 million (December 31, 2022: $250.7 million). An increase of 25 basis points on the bank loans would have reduced income before income taxes by $nil (December 31, 2022: $0.3 million). An increase of 25 basis points above the SOFR floor on the long-term debt would have reduced income before income taxes by $0.3 million (December 31, 2022: $0.4 million). A corresponding decrease in respective interest rates would have an approximately equal and opposite effect. There is no impact on the Company's equity except through changes in income.

Liquidity Risk

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to fund business growth and manage its liquidity.

Our primary sources of working capital are cash flows from operations and borrowings under our credit facilities. We actively manage our relationships with our lenders and have adequate credit facilities in place until April 2027, when the working capital credit facility expires. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant adverse impact on the Company's financial position and opportunities for growth. Even if the Company does successfully raise additional capital when needed, if it issues equity securities, investors will be diluted, and if it raises additional debt, it will be further leveraged and could be subject to restrictive covenants, such as restrictions on paying dividends or being required to pledge assets.

The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable and lease liabilities. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period.

At December 30, 2023, approximately 4% of our debt will mature in the next twelve-month period based on the carrying value of borrowings reflected in the Consolidated Financial Statements. Our long-term debt is described in Note 14 *"Long-term debt"* to the Consolidated Financial Statements. At December 30, 2023 and at the date of this document, we are in compliance with all covenants and terms of our banking facilities.

Non-Seafood Commodity Prices

The Company's operating costs are affected by price changes in commodities such as crude oil, wheat, corn, paper products and frying oils. To minimize our risk, the Company's *"Price Risk Management Policy"* dictates the use of fixed pricing with suppliers whenever possible but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2023 and 2022, the Company has managed this risk through contracts with suppliers.

Crude oil prices, which influence fuel surcharges from freight suppliers, had a year-end price in 2023 that was slightly lower than 2022, but averaged a price much lower than the prior year. World commodity prices for flour, soy and canola oils, imported ingredients in many of the Company's products, decreased throughout 2023, when compared to 2022. The price of corrugated and folded carton, which is used in packaging increased in 2023 compared to 2022. It is the practice of High Liner Foods to contract with suppliers to fix prices related to commodity purchase requirements for the items mentioned above. The Company has contracts fixing prices for a portion of these items in 2024 and is in negotiations to fix the remaining amounts expected to be purchased.

Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate through fixed pricing could have a material adverse effect on the Company's financial condition and results of operations.

Availability of Non-Seafood Goods

The Company purchases non-seafood goods and ingredients from a variety of suppliers operating in North America and other major markets. Furthermore, issues with suppliers regarding pricing or performance of the goods they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could impact the Company's financial condition and performance. Any such impact will depend on the effectiveness of the Company's contingency plan.

Uncertainty of Return of Capital

The payment of dividends may be impacted by factors that can have a material adverse effect on High Liner Foods' business, results of operations, cash flows, financial position or prospects and which could impact its liquidity and ability to declare and pay dividends (whether at current levels, revised levels or at all). Payment of dividends is also dependent on, among other things, the ability of the Company to generate sufficient cash flows, the financial requirements of High Liner Foods, and applicable solvency tests and contractual restrictions (whether under credit agreements or other contracts). As the payment of dividends is subject to the discretion of the Company's Board of Directors, the Company's dividend policy could change at any time if the Board determines that a change is in the best interests of the Company. There can be no assurance that the Company will maintain or increase its dividends in the future, which may have a material adverse effect on the Company's share price.

The Company also has a history of maintaining a normal course issuer bid in place that it may use to repurchase its shares for cancellation. Refer to Note 16 "*Share capital*" to the Consolidated Financial Statements for more information related to the Company's current NCIB share repurchase plan. There can be no assurance that the Company will continue with share repurchases.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

The asset mix of our defined benefit pension plans was established with the objective of reducing the volatility of the plan's anticipated funded position. This has resulted in investing part of the portfolio in fixed income assets with a duration similar to that of the pension obligations. The latest actuarial valuations of these two plans were performed as at Fiscal 2021 for the Nova Scotia Union Plan and as at Fiscal 2022 for the Management Plan, and showed: a going concern excess of CAD$0.2 million and an unfunded liability of CAD$7.0 million, respectively, and a solvency deficiency of CAD$0.2 million and CAD$2.5 million, respectively.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of the business in general are based on a number of factors and assumptions including, but not limited to: availability, demand and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the CAD to the USD; the ability to attract and retain customers; operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's products whether due to the recognition of the health benefits of seafood or otherwise; inflation, changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of plant production and U.S. tariffs on certain seafood products imported from China; economic and geopolitical conditions such as Russia’s invasion of Ukraine and the implementation and/or expansion of related sanctions; impact of the inflationary environment, expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; the amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of a global pandemic on the Company's operations and performance, customer and consumer behavior and economic patterns.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the *Risk Factors* section of this MD&A and the *Risk Factors* section of our most recent Annual Information Form. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: compliance with food safety laws and regulations; timely identification of and response to events that could lead to a product recall; volatility in the CAD/USD exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; ability to import seafood into North America while adhering to updated government sanctions; ability to adapt to regulatory changes and increase flexibility on seafood substitutions in certain products with customers; availability and price of seafood raw materials and finished goods and the impact of geopolitical events (and related economic sanctions) on the same; the impact of the U.S Trade Representative's tariffs on certain seafood products; costs of commodity products, freight, storage and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; adverse impacts of cybersecurity attacks or breach of sensitive information; supplier fulfillment of contractual agreements and obligations; competitor reactions; completion and/or advancement of sustainability initiatives, including, without limitation, initiatives relating to the carbon workplan, waste reduction and/or seafood sustainability and traceability initiatives; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; credit risk associated with receivables from customers; volatility associated with the funding status of the Company's post-retirement pension benefits; adverse weather conditions and natural disasters; the availability of adequate levels of insurance; management retention and development; economic and geopolitical conditions such as Russia’s invasion of Ukraine and the implementation and/or expansion of related sanctions; and the potential impact of a pandemic outbreak of a contagious illness, on general economic and business conditions and therefore the Company's operations and financial performance.

Forward-looking information is based on management's current estimates, expectations and assumptions, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities laws, we do not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the fifty-two weeks ended December 30, 2023
With comparative figures as at and for the fifty-two weeks ended December 31, 2022

To the Shareholders of High Liner Foods Incorporated

Management's Responsibility

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

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

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

Dated February 21, 2024

Signed

P. A. Jewer, FCPA, FCA
President & Chief Executive Officer

Signed

D. Bhandari
Interim Chief Financial Officer

Independent auditor’s report

To the Shareholders of
High Liner Foods Incorporated

Opinion

We have audited the consolidated financial statements of **High Liner Foods Incorporated** [the “Company”], which comprise the consolidated statements of financial position as at December 30, 2023 and December 31, 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of accumulated other comprehensive loss, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the fifty-two weeks then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 30, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the fifty-two weeks then ended in accordance with International Financial Reporting Standards [“IFRSs”].

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and indefinite useful life intangible assets	
As at December 30, 2023, the Company has $171 million of goodwill and indefinite useful life intangible assets. Goodwill and indefinite useful life intangible assets are subject to an annual assessment for impairment at the cash generating unit ["CGU"] level. The recoverable amount of the CGU has been determined based on the fair value less costs of disposal ["FVLCD"], determined using an income approach, by applying a discounted cash flow methodology. The Company discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in note 10 to the consolidated financial statements. Auditing management's annual goodwill and indefinite useful life intangible assets impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the CGU. The recoverable amount estimate is sensitive to significant assumptions, including the cash flow projections, the after-tax discount rate, the growth rate and costs to sell, which are affected by expectations about future market and economic conditions.	To test the estimated recoverable amount of the CGU, our audit procedures included, among others, assessing methodologies and the significant assumptions and underlying data used by the Company in its analysis. With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodology, and certain significant assumptions, including the after-tax discount rate, and the terminal growth rate. In addition, we assessed the historical accuracy of management's estimates on cash flow projections by comparing management's past projections to actual and historical performance. We also compared the costs to sell, sales growth rate and operating margins to current industry, market and economic trends in addition to comparing forecasts to approved business plans. We performed sensitivity analyses on significant assumptions, including the after-tax discount rate and the growth rate, to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions. We also assessed the adequacy of the Company's disclosures included in note 10 to the accompanying consolidated financial statements in relation to this matter.

Other information

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

- Management's Discussion and Analysis

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Halifax, Canada
February 21, 2024

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

	Notes		December 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		**$**	**7,300**	$	155
Accounts receivable	**5**		**100,634**		96,531
Income taxes receivable			**3,164**		5,146
Other financial assets	**25**		**3,196**		5,662
Inventories	**6**		**295,624**		472,311
Prepaid expenses	**7**		**7,390**		6,254
Total current assets			**417,308**		586,059
Non-current assets					
Property, plant and equipment	**8**		**124,878**		120,036
Right-of-use assets	**9**		**11,181**		7,190
Other receivables and assets	**25**		**1,770**		3,993
Intangible assets	**10**		**121,899**		129,074
Goodwill	**10**		**157,363**		157,134
Total non-current assets			**417,091**		417,427
Total assets	**11, 14**	**$**	**834,399**	$	1,003,486
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**11**	**$**	**2,559**	$	127,554
Accounts payable and accrued liabilities	**12**		**145,530**		187,967
Contract liability	**19**		**2,813**		2,952
Provisions	**13**		**154**		189
Other current financial liabilities	**25**		**997**		447
Other current liabilities	**17**		**998**		4,957
Income taxes payable			**100**		163
Current portion of long-term debt	**14**		**5,625**		7,500
Current portion of lease liabilities	**9**		**4,589**		4,622
Total current liabilities			**163,365**		336,351
Non-current liabilities					
Long-term debt	**14**		**233,791**		238,200
Other long-term financial liabilities	**25**		**362**		38
Other long-term liabilities	**17**		**5,629**		5,703
Long-term lease liabilities	**9**		**6,997**		2,813
Deferred income taxes	**18**		**28,476**		38,112
Future employee benefits	**15**		**9,923**		8,852
Total non-current liabilities			**285,178**		293,718
Total liabilities			**448,543**		630,069
Shareholders' equity					
Common shares	**16**		**113,203**		113,096
Contributed surplus			**15,414**		17,491
Retained earnings			**280,615**		265,294
Accumulated other comprehensive loss			**(23,376)**		(22,464)
Total shareholders' equity			**385,856**		373,417
Total liabilities and shareholders' equity		**$**	**834,399**	$	1,003,486

See accompanying notes to the Consolidated Financial Statements

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

	Notes		Fifty-two weeks ended December 30, 2023		Fifty-two weeks ended December 31, 2022
Sales	**24**	**$**	**1,080,338**	$	1,069,714
Cost of sales			**861,649**		839,786
Gross profit			**218,689**		229,928
Distribution expenses			**56,875**		59,661
Selling, general and administrative expenses			**94,455**		93,023
Impairment of property, plant and equipment	**8**		**—**		332
Business acquisition, integration and other expense (income)	**29**		**7,070**		(7,173)
Results from operating activities			**60,289**		84,085
Finance costs	**28**		**26,178**		18,261
Income before income taxes			**34,111**		65,824
Income taxes					
Current	**18**		**10,680**		10,148
Deferred	**18**		**(8,246)**		946
Income tax expense	**18**		**2,434**		11,094
Net income		**$**	**31,677**	$	54,730
Earnings per common share					
Basic	**20**	**$**	**0.94**	$	1.62
Diluted	**20**	**$**	**0.93**	$	1.56
Weighted average number of shares outstanding					
Basic	**20**		**33,704,378**		33,737,340
Diluted	**20**		**33,933,852**		35,069,173

See accompanying notes to the Consolidated Financial Statements

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

	Fifty-two weeks ended December 30, 2023	Fifty-two weeks ended December 31, 2022
Net income	**$ 31,677**	$ 54,730
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	**6,573**	(18,104)
(Loss) gain on translation of net investment in foreign operations	**(11,341)**	29,625
Translation impact on Canadian dollar denominated non-AOCI items	**7,855**	(21,948)
Translation impact on Canadian dollar denominated AOCI items	**(450)**	1,424
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	**2,637**	(9,003)
Effective portion of changes in fair value of cash flow hedges	**(169)**	7,683
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**(820)**	(1,278)
Net change in fair value of cash flow hedges transferred to income	**(2,863)**	(626)
Translation impact on Canadian dollar denominated AOCI items	**303**	(864)
Total exchange (losses) gains on cash flow hedges	**(3,549)**	4,915
Net other comprehensive loss to be reclassified to net income	**(912)**	(4,088)
Other comprehensive (loss) income not to be reclassified to net income		
Defined benefit plan actuarial (losses) gains	**(950)**	2,576
Other comprehensive loss, net of tax	**(1,862)**	(1,512)
Total comprehensive income	**$ 29,815**	$ 53,218

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
(in thousands of United States dollars)

	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total accumulated other comprehensive (loss) income
Balance at December 31, 2022	**$ (28,527)**	**$ 6,063**	**$ (22,464)**
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	**2,637**	**—**	**2,637**
Total exchange losses on cash flow hedges	**—**	**(3,549)**	**(3,549)**
Balance at December 30, 2023	**$ (25,890)**	**$ 2,514**	**$ (23,376)**
Balance at January 1, 2022	$ (19,524)	$ 1,148	$ (18,376)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(9,003)	—	(9,003)
Total exchange gains on cash flow hedges	—	4,915	4,915
Balance at December 31, 2022	$ (28,527)	$ 6,063	$ (22,464)

See accompanying notes to the Consolidated Financial Statements

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

	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 31, 2022	**$ 113,096**	**$ 17,491**	**$ 265,294**	**$ (22,464)**	**$373,417**
Other comprehensive income (loss)	**—**	**—**	**(950)**	**(912)**	**(1,862)**
Net income	**—**	**—**	**31,677**	**—**	**31,677**
Common share dividends	**—**	**—**	**(13,066)**	**—**	**(13,066)**
Share-based compensation (Note 16, 17)	**1,165**	**(2,077)**	**—**	**—**	**(912)**
Common shares repurchased for cancellation (Note 16)	**(1,058)**	**—**	**(2,340)**	**—**	**(3,398)**
Balance at December 30, 2023	**$ 113,203**	**$ 15,414**	**$ 280,615**	**$ (23,376)**	**$385,856**
Balance at January 1, 2022	$ 113,458	$ 17,477	$ 219,965	$ (18,376)	$332,524
Other comprehensive loss	—	—	2,576	(4,088)	(1,512)
Net income	—	—	54,730	—	54,730
Common share dividends	—	—	(10,842)	—	(10,842)
Share-based compensation (Note 16, 17)	80	14	—	—	94
Common shares repurchased for cancellation (Note 16)	(442)	—	(1,135)	—	(1,577)
Balance at December 31, 2022	$ 113,096	$ 17,491	$ 265,294	$ (22,464)	$373,417

See accompanying notes to the Consolidated Financial Statements

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

	Notes	Fifty-two weeks ended December 30, 2023	Fifty-two weeks ended December 31, 2022
Cash flows provided by (used in):			
Operating activities			
Net income		**$ 31,677**	$ 54,730
Adjustments to net income not involving cash from operations:			
Depreciation and amortization	**28**	**26,373**	23,578
Share-based compensation expense	**17**	**1,469**	2,882
Loss on asset disposals and impairment		**193**	804
Future employee benefits contribution, net of expense		**(298)**	(324)
Finance costs	**28**	**26,178**	18,261
Income tax expense	**18**	**2,434**	11,094
Unrealized foreign exchange loss (gain)		**680**	(2,394)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**88,706**	108,631
Changes in non-cash working capital balances:			
Accounts receivable		**(3,475)**	(11,439)
Inventories		**179,449**	(173,500)
Prepaid expenses		**(1,120)**	(3,682)
Accounts payable and accrued liabilities		**(50,353)**	27,589
Provisions		**(38)**	29
Net change in non-cash working capital balances		**124,463**	(161,003)
Interest paid		**(24,902)**	(14,741)
Income taxes paid		**(8,953)**	(9,045)
Net cash flows provided by (used in) operating activities		**179,314**	(76,158)
Financing activities			
(Decrease) increase in bank loans	**21**	**(124,941)**	124,057
Repayment of lease liabilities	**21**	**(4,963)**	(5,029)
Repayment of long-term debt	**14**	**(7,500)**	(5,625)
Deferred finance costs	**21**	**—**	(847)
Common share dividends paid		**(13,066)**	(10,842)
Common shares repurchased for cancellation	**16**	**(3,385)**	(1,577)
Net cash flows (used in) provided by financing activities		**(153,855)**	100,137
Investing activities			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(19,049)**	(20,670)
Net proceeds on disposal of assets		**248**	—
Net cash flows (used in) provided by investing activities		**(18,801)**	(20,670)
Foreign exchange increase (decrease) on cash		**487**	(3,597)
Net change in cash during the period		**7,145**	(288)
Cash, beginning of period		**155**	443
Cash, end of period		**$ 7,300**	$ 155

See accompanying notes to the Consolidated Financial Statements

1. Corporate information

High Liner Foods Incorporated (the "Company" or "High Liner Foods") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the fifty-two weeks ended December 30, 2023, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on February 21, 2024.

2. Statement of compliance and basis for presentation

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

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

3. Accounting policies

(a) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2023. Control is achieved when the Company is exposed, or has rights, to direct the activities that significantly affect the returns from its involvement with the investee. The Company reassesses whether or not it controls an investee on an ongoing basis.

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

(b) Foreign currency

Functional and presentation currency

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

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

Translation of transactions and balances into the functional currency

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

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

(c) Business combinations and goodwill

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

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

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

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

(d) Cash

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

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the first-in, first-out method. The cost of procured finished goods and unprocessed raw material inventory is based on weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories and semi-finished materials, cost includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from OCI of any gain or loss on qualifying cash flow hedges of foreign currency related to purchases of inventories.

(f) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets

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

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

(j) Provisions, contingent liabilities and contingent assets

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of income net of any reimbursement, when the reimbursement is realized in the same reporting period as the related expense.

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

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

(k) Future employee benefits

Defined benefit pension plans ("DBPP")

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

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

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

Defined contribution pension plans ("DCPP")

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

Short-term employee benefits

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

Termination benefits

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

(l) Revenue recognition

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

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

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

(m) Share-based compensation

Equity-settled transactions

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

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

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

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

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

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

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

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

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

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

(p) Financial instruments
Financial instruments are measured at fair value on initial recognition of the instrument. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component and financial assets at fair value through profit or loss, the Company initially measures a financial asset at its fair value including related transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers* (see Note 3 (l)). In order for a financial asset to be

classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, which is the Company's business model. This assessment is referred to as the SPPI test and is performed at an instrument level. All financial liabilities are recognized initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

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

Financial liabilities at amortized cost
Financial liabilities at amortized cost generally include interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are modified or derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Transaction costs are combined with the fair value of the financial liability on initial recognition and amortized using the EIR method.

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

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

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

(q) Fair value measurement

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

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

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

For assets and liabilities that are recognized in the Consolidated Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

(r) Derivative instruments and hedging

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

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

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

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

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

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

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

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

(v) Derivatives that do not qualify for hedge accounting

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

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

The Company adopted the following standards, interpretations and amendments to existing standards that were effective for annual periods beginning on January 1, 2023 and that the Company adopted on January 1, 2023:

IAS 1, *Disclosure of Accounting Policies*

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted the amendments which are not material to its Consolidated Financial Statements.

IAS 12, *Deferred tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12, *Income taxes* to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

(t) Accounting pronouncements issued but not yet effective

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

IAS 1, *Presentation of Financial Statements*

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 7 & IFRS 7, *Supplier Finance Arrangements*

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which addresses the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 12, *Income Taxes*

On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). IAS 12 was amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation").

The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/ income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1, January 2023.

The Company has not yet applied the temporary exception during the current interim period because the Company operates in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantially enacted. The Company will disclose known or reasonably estimable information that helps users of financial statements to understand the Company's exposure to Pillar Two income taxes in the Company's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

4. Critical accounting estimates and judgments

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

The most significant estimates made by management include the following:

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

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

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

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

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

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

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

5. Accounts receivable

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Trade accounts receivable	**$**	**99,354**	$	95,016
Other accounts receivable		**1,280**		1,515
	$	**100,634**	$	96,531

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

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

(Amounts in $000s)		
At January 1, 2022	$	230
New provision for expected credit losses [(1)]		—
Provision utilized		(224)
Unused provision for expected credit losses reversed		—
At December 31, 2022	$	6
New provision for expected credit losses [(1)]		57
Provision utilized		(15)
Unused provision for expected credit losses reversed		(8)
At December 30, 2023	**$**	**40**

[(1)] For the fifty-two weeks ended December 30, 2023, the Company recognized nominal impairment losses (fifty-two weeks ended December 31, 2022: nominal) related to receivables arising from contracts with customers.

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

	0–30 days	**31–60 days**	**Over 60 days**
At December 31, 2022	77%	18%	5%
At December 30, 2023	**75%**	**19%**	**6%**

6. Inventories

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

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Finished goods	**$**	**178,238**	$	300,574
Raw and semi-finished material		**117,386**		171,737
	$	**295,624**	$	472,311

During the fifty-two weeks ended December 30, 2023, $861.6 million (December 31, 2022: $839.8 million) was recognized as an expense for inventories in cost of sales on the consolidated statements of income. Of this, $11.1 million (December 31, 2022: $6.6 million) was written-down during the year and a reversal for unused impairment reserves of $0.5 million (December 31, 2022: $0.3 million) was recorded. As of December 30, 2023 the value of inventory pledged as collateral for the Company's working capital facility (see Note 11) was $240.9 million (December 31, 2022: $346.4 million).

7. Prepaid expenses

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Inventory prepayments	**$**	**—**	$	1,834
Other prepaid expenses		**7,390**		4,420
	$	**7,390**	$	6,254

As at December 30, 2023, prepaid expenses included $nil (December 31, 2022: $1.8 million) of inventory prepayments the Company made for finished goods inventory.

8. Property, plant and equipment

(Amounts in $000s)		Land and buildings		Furniture, fixtures, and production equipment		Computer equipment and vehicles		Total
Cost								
At January 1, 2022	$	86,477	$	114,131	$	12,466	$	213,074
Additions		2,913		14,617		356		17,886
Transfers		—		—		—		—
Disposals		(396)		(2,585)		(1,616)		(4,597)
Effect of exchange rates		(1,340)		(2,279)		(434)		(4,053)
At December 31, 2022	$	87,654	$	123,884	$	10,772	$	222,310
Additions		3,121		11,853		712		15,686
Transfers		(297)		297		—		—
Disposals		(798)		(2,539)		(67)		(3,404)
Effect of exchange rates		472		724		132		1,328
At December 30, 2023	**$**	**90,152**	**$**	**134,219**	**$**	**11,549**	**$**	**235,920**
Accumulated depreciation and impairment								
At January 1, 2022	$	(33,719)	$	(54,580)	$	(8,923)	$	(97,222)
Depreciation and impairment		(3,022)		(7,572)		(727)		(11,321)
Transfers		—		—		—		—
Disposals		374		2,344		1,516		4,234
Effect of exchange rates		702		1,007		326		2,035
At December 31, 2022	$	(35,665)	$	(58,801)	$	(7,808)	$	(102,274)
Depreciation and impairment		(3,220)		(7,377)		(538)		(11,135)
Transfers		4		(4)		—		—
Disposals		769		2,148		44		2,961
Effect of exchange rates		(217)		(282)		(95)		(594)
At December 30, 2023	**$**	**(38,329)**	**$**	**(64,316)**	**$**	**(8,397)**	**$**	**(111,042)**
Net carrying value								
At December 31, 2022	$	51,989	$	65,083	$	2,964	$	120,036
At December 30, 2023	**$**	**51,823**	**$**	**69,903**	**$**	**3,152**	**$**	**124,878**

An impairment loss of nil (December 31, 2022: $0.3 million) was recorded during the fifty-two weeks ended December 30, 2023 reflecting a write-down of certain property, plant and equipment as a result of equipment obsolescence.

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

9. Right-of-use assets and lease liabilities

Right-of-use assets

(Amounts in $000s)		Land and buildings		Furniture, fixtures, and production equipment		Computer equipment and vehicles		Total
Cost								
At January 1, 2022	$	17,336	$	416	$	3,163	$	20,915
Additions		—		411		520		931
Disposals		—		(380)		(644)		(1,024)
Effect of exchange rates		(157)		—		(158)		(315)
At December 31, 2022	$	17,179	$	447	$	2,881	$	20,507
Additions		7,894		136		594		8,624
Disposals		—		—		(331)		(331)
Effect of exchange rates		57		—		54		111
At December 30, 2023	**$**	**25,130**	**$**	**583**	**$**	**3,198**	**$**	**28,911**
Accumulated depreciation								
At January 1, 2022	$	(7,908)	$	(403)	$	(1,563)	$	(9,874)
Depreciation		(3,728)		(170)		(618)		(4,516)
Disposals		—		380		535		915
Effect of exchange rates		90		—		68		158
At December 31, 2022	$	(11,546)	$	(193)	$	(1,578)	$	(13,317)
Depreciation		(3,808)		(166)		(592)		(4,566)
Disposals		—		—		242		242
Effect of exchange rates		(61)		—		(28)		(89)
At December 30, 2023	**$**	**(15,415)**	**$**	**(359)**	**$**	**(1,956)**	**$**	**(17,730)**
Net carrying value								
At December 31, 2022	$	5,633	$	254	$	1,303	$	7,190
At December 30, 2023	**$**	**9,715**	**$**	**224**	**$**	**1,242**	**$**	**11,181**

Amounts recognized in the consolidated statements of income

(Amounts in $000s)		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Variable lease payments not included in the measurement of the lease liabilities	**$**	**673**	$	552
Depreciation expense on right-of-use assets		**4,566**		4,516
Interest expense on lease liabilities		**569**		637
Total amounts recognized in the consolidated statements of income	**$**	**5,808**	$	5,705

Lease liabilities

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

			Maturity analysis	
(Amounts in $000s)	Total	Less than 1 year	1–5 Years	Thereafter
Lease liabilities	$ 13,088	$ 5,514	$ 7,574	$ —

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

10. Goodwill and intangible assets

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

	Intangible assets						
(Amounts in $000s)	Brands	Indefinite lived brands	Customer and supplier relationships	Computer software	Total intangible assets	Goodwill	Total goodwill and intangible assets
Cost							
At January 1, 2022	$ 6,933	$ 14,063	$ 164,884	$ 17,197	$ 203,077	$ 157,772	$ 360,849
Additions	—	—	—	2,784	2,784	—	2,784
Effect of exchange rates	(30)	(30)	(73)	(1,087)	(1,220)	(638)	(1,858)
At December 31, 2022	$ 6,903	$ 14,033	$ 164,811	$ 18,894	$ 204,641	$ 157,134	$ 361,775
Additions	—	—	—	3,363	3,363	—	3,363
Disposals	—	—	—	(2,599)	(2,599)	—	(2,599)
Effect of exchange rates	11	11	26	460	508	229	737
At December 30, 2023	**$ 6,914**	**$ 14,044**	**$ 164,837**	**$ 20,118**	**$ 205,913**	**$ 157,363**	**$ 363,276**
Accumulated amortization							
At January 1, 2022	$ (6,933)	$ —	$ (56,786)	$ (4,163)	$ (67,882)	$ —	$ (67,882)
Amortization	—	—	(6,483)	(1,590)	(8,073)	—	(8,073)
Effect of exchange rates	30	—	102	256	388	—	388
At December 31, 2022	$ (6,903)	$ —	$ (63,167)	$ (5,497)	$ (75,567)	$ —	$ (75,567)
Amortization	—	—	(6,317)	(4,356)	(10,673)	—	(10,673)
Disposals	—	—	—	2,599	2,599	—	2,599
Effect of exchange rates	(11)	—	(134)	(228)	(373)	—	(373)
At December 30, 2023	**$ (6,914)**	**$ —**	**$ (69,618)**	**$ (7,482)**	**$ (84,014)**	**$ —**	**$ (84,014)**
Net carrying value							
At December 31, 2022	$ —	$ 14,033	$ 101,644	$ 13,397	$ 129,074	$ 157,134	$ 286,208
At December 30, 2023	**$ —**	**$ 14,044**	**$ 95,219**	**$ 12,636**	**$ 121,899**	**$ 157,363**	**$ 279,262**

Impairment of goodwill and identifiable intangible assets

As described in Note 3, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually (as at the first day of the Company's fourth quarter). The Company's impairment test for goodwill and intangible assets with indefinite useful lives was based on FVLCS at October 1, 2023, resulting in $nil impairment in the North American CGU (October 2, 2022: $nil). The key assumptions used to determine the recoverable amount for the CGU for the most recently completed impairment calculation for Fiscal 2023 are discussed below.

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

Income approach

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

Market approach

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

Key assumptions used in determining the FVLCS

Cash flow projections

The cash flow projections, covering a five-year period ("projection period"), were based on financial projections approved by management using assumptions that reflect the Company's most likely planned course of action, given management's judgment of the most probable set of economic conditions, adjusted to reflect the perspective of the expectations of a market participant. For the purpose of the Company's annual impairment test as at October 1, 2023, gross margins are based on actual and estimated values in the first year of the projection period, budgeted values in the second year of the projection period, and these are increased over the projection period for anticipated efficiency improvements and growth. The projected gross margins are updated to reflect anticipated future changes, such as currency fluctuations, in the cost of inputs (primarily raw materials and commodity products used in processing), which are obtained from forward-looking data. Forecast figures are used where data is publicly available; otherwise, past actual raw material cost movements have been used combined with management's industry experience and analysis of the seafood and commodity markets.

Discount rate

The discount rate, derived from the WACC, represents the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow projections. The discount rate was based on the weighted average cost of equity and cost of debt for comparable companies within the industry. The cost of equity was calculated using the capital asset pricing model. The debt component of the WACC was determined by using an after-tax cost of debt. The after-tax WACC applied to the North American CGU cash flow projections was 11.2% at October 1, 2023.

Growth rate

Growth rates used to extrapolate the Company's projection were determined using published industry growth rates in combination with inflation assumptions and management input based on historical trend analysis and future expectations of growth. The long-term growth rate applied to the cash flow projections of the North American CGU was assessed about 2.0% at October 1, 2023. This is a conservative growth rate assumption for the Company and used for the purpose of this analysis that was solely based on future inflation assumptions, which assumed inflation normalizes over the projection period.

Costs to sell

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

Sensitivity to changes in assumptions

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

11. Bank loans

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Bank loans, denominated in CAD (average variable rate of 7.2%; December 31, 2022: 6.45%)	**$**	**—**	$	157
Bank loans, denominated in USD (average variable rate of 6.71%; December 31, 2022: 5.80%)		**3,000**		127,971
		3,000		128,128
Less: deferred finance costs		**(441)**		(574)
	$	**2,559**	$	127,554

The Company has a $200.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which expires in April 2027. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 14). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit as at December 30, 2023, the Company had $181.4 million of borrowing availability (December 31, 2022: $61.0 million).

As at December 30, 2023 and December 31, 2022, 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 1.50%
SOFR revolving loans at SOFR rates	plus 1.25% to 1.50%
Letters of credit, with fees of	1.25% to 1.50%
Standby fees, required to be paid on the unutilized facility, of	0.25%

12. Accounts payable and accrued liabilities

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Trade accounts payable and accrued liabilities	**$**	**133,087**	$	172,777
Employee accruals, including incentives and vacation pay		**12,443**		15,190
	$	**145,530**	$	187,967

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

13. Provisions

(Amounts in $000s)		
At December 31, 2022	$	**189**
New provisions added		**150**
Provisions utilized		**(189)**
Foreign exchange translation		**4**
At December 30, 2023	**$**	**154**

The Company's provision amounts are usually settled within eleven months from initiation and are immaterial to the Company on an individual basis. Management does not expect the outcome of any of the recorded amounts will give rise to any significant expense beyond the amounts recognized at December 30, 2023. The Company is not eligible for any reimbursement by third parties for these amounts.

14. Long-term debt

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Term loan	**$**	**243,023**	$	250,672
Less: current portion		**(5,625)**		(7,500)
		237,398		243,172
Less: deferred finance costs		**(3,607)**		(4,972)
	$	**233,791**	$	238,200

As at December 30, 2023, the Company had a $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), (as at December 31, 2022: $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor)) maturing in October 2026.

Quarterly principal repayments of $1.9 million are required on the term loan as regularly scheduled repayments. During the fifty-two weeks ended December 30, 2023, regularly scheduled repayments of $7.5 million were made. There are regularly scheduled repayments of $5.6 million to be paid in the next 12 months. There are no mandatory prepayments related to excess cash flows from 2023 to be paid in 2024.

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

15. Future employee benefits

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

Defined contribution pension plans ("DCPP")
In Canada, the Company maintains a DCPP for all salaried employees.

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

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

Total expense and cash contributions for the Company's DCPPs was $1.8 million for the year ended December 30, 2023 (December 31, 2022: $2.0 million).

Defined benefit pension plans ("DBPP")
In Canada, the Company also sponsors two actively funded DBPPs. None of the Company's pension plans provide indexation in retirement.

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

Canadian management plan
The Company sponsors a DBPP specifically for certain Canadian management employees (the "Management Plan"). On December 30, 2023, one person was enrolled as an active member in the Management Plan, who is a Canadian resident and was employed prior to January 1, 2000. The objective of the Management Plan is to provide an annual pension (including Canada Pension Plan) of 2% of the average of a member's highest five years' regular earnings while a member of the Management Plan, multiplied by the number of years of credited service. Incentive payments are not eligible earnings for pension purposes. The Management Plan was grandfathered and no new entrants are permitted. All members contribute 3.25% of their earnings up to the Years Maximum Pensionable Earnings ("YMPE") and 5% in excess of the YMPE to the maximum that a member can contribute based on income tax rules.

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

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

The annual pension amounts derived from the aggregate of the Management Plan and SERP benefits represent 1.3% of the member’s final five year average earnings plus 0.7% of the member’s final five year average earnings over the five year average YMPE. This amount is multiplied by the years of service to determine the full annual pension entitlement from the two plans.

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

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

Funded status *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
Total present value of obligations[(1)(2)]	**$**	**33,143**	$	30,752
Fair value of plan assets		**23,220**		21,900
Net accrued defined benefit obligation	**$**	**9,923**	$	8,852

(1) The Company has a letter of credit outstanding as at December 30, 2023 relating to the securitization of the Company's unfunded benefits under the defined benefit SERP in the amount of $6.2 million (December 31, 2022: $6.6 million).
(2) As at December 30, 2023, $0.7 million (December 31, 2022: $0.7 million) of the total obligation is related to non-pension benefit plans.

Movement in the present value of the defined benefit obligations *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
DBO at the beginning of the year	**$**	**30,752**	$	41,987
Benefits paid by the plans		**(2,671)**		(2,581)
Effect of movements in exchange rates		**732**		(2,276)
Current service costs		**541**		734
Past service costs		**—**		—
Interest on obligations		**1,554**		1,271
Employee contributions		**8**		12
Effect of changes in financial assumptions related to non-pension benefit plans		**—**		—
Effect of changes in financial assumptions		**2,227**		(8,872)
Effect of changes in experience adjustments				477
DBO at the end of the year	**$**	**33,143**	$	30,752

Movement in the fair value of plan assets *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
Fair value of plan assets at the beginning of the year	**$**	**21,900**	$	28,999
Employee contributions paid into the plans		**8**		12
Employer contributions paid into the plans		**1,149**		1,363
Benefits paid by the plans		**(2,532)**		(2,423)
Effect of movements in exchange rates		**562**		(1,672)
	$	**21,087**	$	26,279
Actual return on plan assets:				
Return on plan assets	**$**	**1,122**	$	886
Actuarial (losses) gains in OCI		**1,087**		(5,186)
Fees and expenses		**(76)**		(79)
		2,133		(4,379)
Fair value of plan assets at the end of the year	**$**	**23,220**	$	21,900

Expense recognized in the consolidated statements of income *(Amounts in $000s)*		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Current service costs	**$**	**541**	$	734
Past service costs		**—**		—
Interest on obligation		**1,554**		1,271
Return on plan assets		**(1,122)**		(886)
Effect of changes in financial assumptions related to non-pension benefit plans		**24**		—
Fees and expenses		**76**		79
	$	**1,073**	$	1,198

Expense recognized in the following line items in the consolidated statements of income *(Amounts in $000s)*		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Cost of sales	**$**	**563**	$	756
Selling, general and administrative expenses		**510**		442
	$	**1,073**	$	1,198

Plan assets comprise: *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
Equity securities(1)	**$**	**8,173**	$	8,453
Debt securities		**14,977**		13,403
Cash and cash equivalents		**70**		44
	$	**23,220**	$	21,900

(1) The plan assets include CAD$2.2 million of the Company's own common shares at market value at December 30, 2023 (December 31, 2022: CAD$2.5 million).

Actuarial losses recognized in OCI *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
Cumulative amount at the beginning of the year	**$**	**4,970**	$	8,557
Recognized during the period		**1,140**		(3,209)
Effect of exchange rates		**155**		(378)
Cumulative amount at the end of the year	**$**	**6,265**	$	4,970

Principal actuarial assumptions *(Expressed as weighted averages)*	**December 30, 2023 %**	December 31, 2022 %
Discount rate for the benefit cost for the year ended	**5.30**	3.17
Discount rate for the accrued benefit obligation as at year-end	**4.60**	5.30
Expected long-term rate on plan assets as at year-end	**4.60**	5.30
Future compensation increases for the benefit cost for the year ended	**3.00**	3.00
Future compensation increases for the accrued benefit obligation as at year-end	**3.00**	3.00

A quantitative sensitivity analysis for significant assumptions as at December 30, 2023 is shown below:

(Amounts in $000s)	Discount rate		Mortality rate	
Sensitivity level	0.5% increase	0.5% decrease	One-year increase	One-year decrease
(Decrease) increase on DBO	**$ (1,813)**	**$ 2,002**	**$ 618**	**$ (634)**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period. An analysis on salary increases and decreases is not material. The Company expects CAD$2.7 million in contributions to be paid to its DBPPs and CAD$2.8 million to its DCPPs in Fiscal 2024.

Termination benefits

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

(Amounts in $000s)	**Fifty-two weeks ended December 30, 2023**	Fifty-two weeks ended December 31, 2022
Selling, general and administrative expenses	**1,036**	664
	$ 1,036	$ 664

16. Share capital

The share capital of the Company is as follows:

	December 30, 2023	December 31, 2022
Authorized:		
Preference shares, par value of CAD$25 each, issuable in series	**5,999,994**	5,999,994
Subordinated redeemable preference shares, par value of CAD$1 each, redeemable at par	**1,025,542**	1,025,542
Non-voting equity shares	**Unlimited**	Unlimited
Common shares, without par value	**Unlimited**	Unlimited

Purchase of shares for cancellation

In June 2023, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases could commence on June 7, 2023 and will terminate no later than June 6, 2024. In December 2023, the Company announced that the Toronto Stock Exchange approved an amendment to increase the size of the Normal Course Issuer Bid. The amendment increased the number of common shares of the Company by 500,000. During the fifty-two weeks ended December 30, 2023, the Company purchased 413,200 common shares under this plan at an average price of $8.39 (CAD$11.37) per share for total cash consideration of $3.4 million (CAD$4.6 million). The excess of the purchase price over the book value of the shares in the amount of $2.3 million was charged to retained earnings.

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases could commence on June 7, 2022 until it subsequently terminated on June 6, 2023. During the fifty-two weeks ended December 31, 2022, the Company purchased 135,568 common shares under this plan at an average price of $9.51 (CAD$12.32) per share for total cash consideration of $1.3 million (CAD$1.7 million). The excess of the purchase price over the book value of the shares in the amount of $0.9 million was charged to retained earnings. During the fifty-two weeks ended December 30, 2023, the Company did not purchase any common shares under this plan.

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

	Fifty-two weeks ended December 30, 2023		Fifty-two weeks ended December 31, 2022	
	Shares	**($000s)**	Shares	($000s)
Common shares:				
Balance, beginning of period	**33,179,282**	**113,096**	33,329,710	113,458
Options exercised for shares	**—**	**—**	—	—
Options exercised for shares via cashless exercise method (Note 17)	**253,236**	**1,165**	13,040	80
Fair value of share-based compensation on options exercised	**—**	**—**	—	—
Shares repurchased for cancellation	**(413,200)**	**(1,058)**	(163,468)	(442)
Balance, end of period	**33,019,318**	**113,203**	33,179,282	113,096

During the fifty-two weeks ended December 30, 2023, the Company distributed dividends per share of CAD$0.54 (fifty-two weeks ended December 31, 2022: CAD$0.43).

In November 2023, the Company's Board of Directors increased the quarterly dividend to CAD$0.15 per share, which represents a CAD$0.02 per share increase from the CAD$0.13 per share dividend paid in the first three quarters of 2023, reflecting the Board's recognition of the Company's strong performance and continued confidence in the Company's operations. On February 21, 2024, the Company's Board of Directors declared a quarterly dividend of CAD$0.15 per share, payable on March 15, 2024 to shareholders of record as of March 1, 2023.

17. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $1.0 million and $5.6 million, respectively, as at December 30, 2023 (December 31, 2022: $5.0 million and $5.7 million, respectively).

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

(Amounts in $000s)	**Fifty-two weeks ended December 30, 2023**	Fifty-two weeks ended December 31, 2022
Cost of sales resulting from:		
Equity-settled awards [1]	**$ —**	$ (11)
Selling, general and administrative expenses resulting from:		
Cash-settled awards [1]	**1,346**	2,544
Equity-settled awards [1]	**123**	349
Share-based compensation expense	**$ 1,469**	$ 2,882

[1] Cash-settled awards may include PSUs, RSUs and DSUs. Equity-settled awards include options.

Share Option Plan

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

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

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

	Fifty-two weeks ended **December 30, 2023**		Fifty-two weeks ended December 31, 2022	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**1,479,833**	**$ 10.19**	1,447,096	$ 10.18
Granted	**119,860**	**15.14**	151,325	12.70
Exercised for shares via cashless method [1]	**(1,026,173)**	**9.84**	(45,967)	9.63
Cancelled or forfeited	**(202,770)**	**13.73**	(37,138)	9.06
Expired	**—**	**—**	(35,483)	16.00
Outstanding, end of period	**370,750**	**$ 10.84**	1,479,833	$ 10.19
Exercisable, end of period	**229,176**	**$ 9.06**	1,177,872	$ 9.78

[1] For the fifty-two weeks ended December 30, 2023, 253,236 shares were issued related to options exercised via the cashless method (fifty-two weeks ended December 31, 2022: 13,040). The weighted average share price at the date of exercise for these options was CAD$13.81 for the fifty-two weeks ended December 30, 2023 (fifty-two weeks ended December 31, 2022: CAD$13.29).

Set forth below is a summary of the outstanding options to purchase common shares as at December 30, 2023:

		Options outstanding		Options exercisable	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 7.25–10.00	168,943	$ 7.48	0.67	168,943	$ 7.48
$ 10.01–15.00	150,880	13.16	4.75	60,233	13.47
$ 15.01–20.00	50,927	15.14	6.25	—	—
	370,750			**229,176**	

The fair value of options granted during the fifty-two weeks ended December 30, 2023 and fifty-two weeks ended December 31, 2022 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	December 30, 2023	December 31, 2022
Dividend yield (%)	**3.43**	3.15
Expected volatility (%)	**40.23**	41.58
Risk-free interest rate (%)	**3.44**	1.43
Expected life (years)	**7.00**	7.00
Weighted average share price (CAD)	**$ 15.14**	$ 12.70
Weighted average fair value (CAD)	**$ 4.80**	$ 3.93

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

Performance Share Unit Plan

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

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

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

	Fifty-two weeks ended **December 30, 2023**	Fifty-two weeks ended December 31, 2022
Outstanding, beginning of period	**566,363**	628,844
Granted	**204,225**	185,224
Reinvested dividends	**20,489**	18,634
Released and paid in cash	**(242,011)**	(217,015)
Forfeited	**(186,362)**	(49,324)
Outstanding, end of period	**362,704**	566,363

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the fifty-two weeks ended December 30, 2023 was 64% (fifty-two weeks ended December 31, 2022: 65%).

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

	Fifty-two weeks ended **December 30, 2023**	Fifty-two weeks ended December 31, 2022
Outstanding, beginning of period	**452,978**	479,880
Granted	**166,224**	138,400
Reinvested dividends	**16,942**	14,738
Released and paid in cash	**(170,026)**	(148,533)
Forfeited	**(116,787)**	(31,507)
Outstanding, end of period	**349,331**	452,978

The share price at the reporting date was CAD$11.82 (December 31, 2022: CAD$13.76). PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met, and the RSUs will vest in accordance with the terms of the agreement.

Deferred Share Unit Plan

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

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

	Fifty-two weeks ended **December 30, 2023**	Fifty-two weeks ended December 31, 2022
Outstanding, beginning of period	**400,444**	317,103
Granted	**66,241**	71,219
Reinvested dividends	**19,470**	12,122
Outstanding, end of period	**486,155**	400,444

18. Income tax

The Company's statutory tax rate for the year ended December 30, 2023 is 28.1% (December 31, 2022: 27.8%). The Company's effective income tax rate was 7.1% for the year ended December 30, 2023 (December 31, 2022: 16.9%). The lower effective income tax rate in Fiscal 2023 compared to the same period last year is due to a combination of higher interest rates in the Company's tax-efficient financing structure and lower consolidated earnings.

The major components of income tax expense are as follows:

Consolidated statements of income *(Amounts in $000s)*		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Current income tax expense	**$**	**10,680**	$	10,148
Deferred income tax expense				
Origination and reversal of temporary differences	**$**	**(8,246)**	$	967
Change in substantively enacted tax rates (U.S.)				(21)
	$	**(8,246)**	$	946
Income tax expense reported in the consolidated statements of income	**$**	**2,434**	$	11,094

Consolidated statements of comprehensive income *(Amounts in $000s)*		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Income tax expense related to items charged or credited directly to OCI during the period:				
Gain (loss) on hedge of net investment in foreign operations	**$**	**(73)**	$	(147)
Effective portion of changes in fair value of cash flow hedges		**(72)**		3,180
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item		**(340)**		(528)
Net change in fair value of cash flow hedges transferred to income		**(1,185)**		(259)
Defined benefit plan actuarial (losses) gains		**(334)**		930
Income tax (recovery) expense directly to other comprehensive income (loss)	**$**	**(2,004)**	$	3,176

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

(Amounts in $000s)	**Fifty-two weeks ended December 30, 2023**	Fifty-two weeks ended December 31, 2022
Accounting profit before tax at statutory income tax rate of 28.1% (2022: 27.8%)	**$ 9,585**	$ 18,299
Non-deductible expenses for tax purposes:		
Non-deductible share-based compensation	**55**	50
Other non-deductible items:	**128**	96
Effect of lower income tax rates of U.S. subsidiary	**(37)**	(2,067)
Acquisition financing structures deduction	**(8,356)**	(5,837)
Change in substantively enacted tax rates (U.S.)	**—**	(21)
Adjustments in respect of prior years	**1,187**	460
Other	**(128)**	114
Income tax expense	**$ 2,434**	$ 11,094

Deferred income tax	**Consolidated statements of financial position as at:**		**Consolidated statements of income for the years ended:**	
(Amounts in $000s)	**December 30, 2023**	December 31, 2022	**December 30, 2023**	December 31, 2022
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (15,473)**	$ (15,684)	**$ (313)**	$ 1,728
Inventory	**(4,884)**	(7,984)	**(3,099)**	1,143
Intangible assets	**(25,147)**	(23,334)	**1,712**	(491)
Pension	**1,721**	1,332	**(49)**	(411)
Revaluation of cash flow hedges	**163**	(424)	**—**	—
Losses available for offset against future taxable income	**3,457**	310	**(3,078)**	38
Deferred charges and other	**11,687**	7,672	**(3,419)**	(1,061)
Deferred income tax (expense) recovery			**$ (8,246)**	$ 946
Net deferred income tax liability	**$ (28,476)**	$ (38,112)		

Reflected in the consolidated statements of financial position as follows:		
Deferred income tax assets	**$ —**	$ —
Deferred income tax liabilities	**(28,476)**	(38,112)
Net deferred income tax liability	**$ (28,476)**	$ (38,112)

Reconciliation of net deferred income tax liabilities *(Amounts in $000s)*		**December 30, 2023**		December 31, 2022
Opening balance, beginning of year	**$**	**(38,112)**	$	(34,155)
Deferred income tax recovery (expense) during the period recognized in income		**8,246**		(946)
Deferred income tax expense during the period recognized in contributed surplus		**(638)**		(318)
Deferred income tax recovery (expense) during the period recognized in retained earnings		**334**		(929)
Deferred income tax recovery (expense) during the period recognized in OCI		**1,570**		(1,934)
Other		**124**		170
Closing balance, end of year	**$**	**(28,476)**	$	(38,112)

The Company had unused capital losses of CAD$49.1 million at December 30, 2023 (December 31, 2022: CAD$48.9 million), which have an indefinite carryforward period. A deferred tax asset has only been recognized to the extent of the benefit that is probable to be realized.

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

The temporary difference associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, is $nil at December 30, 2023 and $nil at December 31, 2022.

There were no income tax consequences attached to the payment of dividends in 2023 by the Company to its shareholders.

19. Revenue from contracts with customers

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

Contract liability
The Company's contract liability consists of donated product received from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. The donated inventory is non-cash consideration that is recorded at the fair value of the product received. The Company has an obligation to sell the product to the eligible agencies at the reduced price, with the donated product being included in the transaction price recognized on the sale of the finished products. The contract liability is classified as current because the Company expects to settle the obligation within twelve months from the reporting date. During the fifty-two weeks ended December 30, 2023, the Company recognized $3.0 million (fifty-two weeks ended December 31, 2022: $1.6 million) in revenue that was included in the contract liability balance at the beginning of the period.

20. Earnings per share

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

	Fifty-two weeks ended December 30, 2023			Fifty-two weeks ended December 31, 2022		
	Net income ($000s)	**Weighted average shares (000s)**	**Per share ($)**	Net income ($000s)	Weighted average shares (000s)	Per share ($)
Net income	**$ 31,677**	**33,704**	**$ 0.94**	$ 54,730	33,737	$ 1.62
Dilutive options and units	**—**	**230**	**(0.01)**	—	1,332	(0.06)
Diluted earnings	**$ 31,677**	**33,934**	**$ 0.93**	$ 54,730	35,069	$ 1.56

Excluded from the diluted earnings per common share calculation for the fifty-two weeks ended December 30, 2023 were 141,276 options and units, as their effect would have been anti-dilutive (fifty-two weeks ended December 31, 2022: 158,234 options).

21. Changes in liabilities arising from financing activities

(Amounts in $000s)	December 31, 2022	Cash flows	Reclassified between current and non-current	Change in fair values	New leases, modifications and interest	Deferred finance costs	Other[1]	**December 30, 2023**
Bank loans	$ 127,554	$(124,941)	$ —	$ —	$ —	$ 132	$ (186)	**$ 2,559**
Current portion of long-term debt	7,500	(7,500)	5,625	—	—	—	—	**5,625**
Other current financial liabilities	447	—	—	550	—	—	—	**997**
Current portion of lease liabilities	4,622	(4,963)	2,728	—	2,185	—	17	**4,589**
Long-term debt	238,200	—	(5,625)	—	—	1,365	(149)	**233,791**
Other long-term financial liabilities	38	—	—	324	—	—	—	**362**
Long-term lease liabilities	2,813	—	(2,728)	—	6,871	—	41	**6,997**
Total liabilities from financing activities	$ 381,174	$(137,404)	$ —	$ 874	$ 9,056	$ 1,497	$ (277)	**$ 254,920**

(Amounts in $000s)	January 1, 2022	Cash flows	Reclassified between current and non-current	Change in fair values	New leases, modifications and interest	Other[1]	December 31, 2022
Bank loans	$ 4,388	$ 124,057	$ —	$ —	$ —	$ (891)	$ 127,554
Current portion of long-term debt	5,625	(5,625)	7,500	—	—	—	7,500
Other current financial liabilities	1,269	—	—	(795)	—	(27)	447
Current portion of lease liabilities	4,327	(5,029)	4,532	—	838	(46)	4,622
Long-term debt	244,994	—	(7,500)	—	—	706	238,200
Other long-term financial liabilities	23	—	—	18	—	(3)	38
Long-term lease liabilities	6,851	—	(4,532)	—	585	(91)	2,813
Total liabilities from financing activities	$ 267,477	$ 113,403	$ —	$ (777)	$ 1,423	$ (352)	$ 381,174

[1] 'Other' includes the effect of amortization of deferred financing charges and the impact of the foreign exchange movements.

22. Guarantees and commitments

The Company had letters of credit outstanding as at December 30, 2023 relating to the procurement of inventories and the security of certain contractual obligations of $3.2 million (December 31, 2022: $4.3 million). The Company also had a letter of credit outstanding as at December 30, 2023 relating to the securitization of the Company's defined benefit SERP (see Note 15) in the amount of $6.2 million (December 31, 2022: $6.6 million).

23. Related party disclosures

Entity with significant influence over the Company
As at December 30, 2023, Thornridge Holdings Limited owns 34.9% of the Company's outstanding common shares (December 31, 2022: 34.8%).

Other related parties
The Company had no related party transactions, excluding key management personnel compensation, for the fifty-two weeks ended December 30, 2023 and the fifty-two weeks ended December 31, 2022.

The Company did not have any transactions during 2023 or 2022 with entities who had significant influence over the Company or with members of the Board of Directors and their related interests.

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

(c) continue to participate in certain benefit programs for two years for the CEO and during the salary continuance period for the senior executive officers.

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

(Amounts in $000s)		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Salaries and short-term incentive plans [(1)]	**$**	**3,110**	$	4,025
Post-employment benefits [(2)]		**51**		49
Termination benefits [(2)]		**346**		—
Share-based compensation [(3)]		**2,219**		1,888
	$	**5,726**	$	5,962

(1) Short-term incentive amounts were for those earned in 2023 and 2022.

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

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

24. Geographic information

Sales earned outside of Canada for the fifty-two weeks ended December 30, 2023 were $833.7 million (fifty-two weeks ended December 31, 2022: $809.4 million). Sales by geographic area are determined based on the shipping location. The Company disaggregates revenue from contracts with customers based on its single operating segment, North America.

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

(Amounts in $000s)		**December 30, 2023**		December 31, 2022
Property, plant and equipment	**$**	**94,291**	$	90,976
Right-of-use assets		**8,948**		4,948
Intangible assets		**108,522**		115,057
Goodwill		**147,916**		147,916
	$	**359,677**	$	358,897

For the fifty-two weeks ended December 30, 2023 and fifty-two weeks ended December 31, 2022 the Company recognized $170.4 million and $174.8 million of sales from one customer, respectively, that represents more than 10% of the Company's total consolidated sales.

25. Fair value measurement

Fair value of financial instruments

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

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

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

	December 30, 2023		December 31, 2022	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	**$ 4,744**	**$ —**	$ 7,553	$ —
Foreign exchange contracts	**222**	**—**	2,102	—
Fair value of financial liabilities				
Interest rate swaps	**324**	**—**	—	—
Foreign exchange contracts	**1,035**	**—**	485	—
Long-term debt	**—**	**246,422**	—	245,379

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

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

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the fifty-two weeks ended December 30, 2023, 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 of these instruments was $239.4 million as at December 30, 2023 (December 31, 2022: $245.7 million).
The fair values of other financial assets and liabilities at December 30, 2023 and December 31, 2022 are shown below:

	Other financial assets		Other financial liabilities	
(Amounts in $000s)	**December 30, 2023**	December 31, 2022	**December 30, 2023**	December 31, 2022
Financial instruments at fair value through OCI:				
Foreign exchange forward contracts	**$ 222**	$ 2,102	**$ 1,035**	$ 485
Interest rate swap	**4,744**	7,553	**324**	—
	$ 4,966	$ 9,655	**$ 1,359**	$ 485

Amortized cost impact on interest expense

During the fifty-two weeks ended December 30, 2023, the Company expensed $0.1 million and $1.4 million (fifty-two weeks ended December 31, 2022: expensed $0.1 million and $1.2 million) of short-term and long-term interest, respectively, relating to interest that was calculated using the EIR method associated with transaction fees and borrowings.

Hedging activities

Interest rate swaps

During the fifty-two weeks ended December 30, 2023, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 14):

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
July 7, 2023	July 7, 2025	3-month SOFR (floor 0.75%)	4.9076 %	$ 40.0
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 %	$ 35.0
January 6, 2023	July 7, 2023	3-month SOFR (floor 0.75%)	0.4650 %	$ 25.0
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 %	$ 25.0
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 %	$ 20.0

The cash flow hedge of interest expense variability was assessed to be effective for the fifty-two weeks ended December 30, 2023, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of $0.4 million, (fifty-two weeks ended December 31, 2022: after-tax net gains of $5.4 million).

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the fifty-two weeks ended December 30, 2023 and December 31, 2022. There were $nil amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the fifty-two weeks ended December 30, 2023 (fifty-two weeks ended December 31, 2022: nominal amounts).

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 December 30, 2023, the Company had outstanding notional amounts of $30.3 million (December 31, 2022: $43.1 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and $1.9 million in foreign currency single-rate forward contracts that were formally designated as a hedge (December 31, 2022: $1.9 million). With the exception of $1.2 million (December 31, 2022: $1.0 million) average-rate forward contracts with maturities ranging from December 2024 to October 2025, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be effective for the fifty-two weeks ended December 30, 2023 and December 31, 2022, and therefore the change in fair value was recorded in OCI as after-tax net losses of 0.6 million and after-tax net gains of $2.3 million, respectively. There were after-tax net gains of $0.2 million and $0.1 million, recognized in the consolidated statements of income resulting from hedge ineffectiveness during the fifty-two weeks ended December 30, 2023 and December 31, 2022, respectively.

As at December 30, 2023, the Company had $21.0 million (December 31, 2022: $27.0 million) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the fifty-two weeks ended December 30, 2023 was a net loss of $0.4 million (fifty-two weeks ended December 31, 2022: net gains of $3.6 million).

Hedge of net investment in foreign operations

As at December 30, 2023, a total borrowing of $242.0 million ($2.6 million included in bank loans, $5.6 million included in the current portion of long-term debt and $233.8 million included in long-term debt (December 31, 2022: a total borrowing of $295.1 million ($20.0 million included in accounts payable, $29.4 million included in bank loans, $7.5 million included in the current portion of long-term debt and $238.2 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the fifty-two weeks ended December 30, 2023 and December 31, 2022.

26. Capital management

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

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

Capital distributions, including purchases of capital stock, are subject to availability under the Company's working capital debt facility. The consolidated Average Adjusted Aggregate Availability under the working capital debt facility must be greater than $25.0 million. As at December 30, 2023, the Company had Average Adjusted Aggregate Availability of $168.0 million. The Company also has restrictions under the term loan facility on capital distributions, where the aggregate amount for dividends are subject to an annual limit of $17.5 million with a provision to increase this amount subject to leverage and excess cash flow tests. NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts, subject to a maximum of $20.0 million per annum. For the fifty-two weeks ended December 30, 2023 and fifty-two weeks ended December 31, 2022, the Company paid $13.1 million and $10.8 million in dividends, respectively, and purchased shares for $3.4 million and $1.6 million, respectively, under the NCIB.

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

(Amounts in $000s)	**December 30, 2023**	December 31, 2022
Total bank loans, principal outstanding (Note 11)	**$ 3,000**	$ 128,128
Total long-term debt, principal outstanding (Note 14)	**242,630**	250,130
Total lease liabilities	**11,586**	7,435
Total debt	**257,216**	385,693
Less: cash	**(7,300)**	(155)
Net debt	**249,916**	385,538
Shareholders' equity	**385,856**	373,417
Unrealized gains on derivative financial instruments included in AOCI	**(2,514)**	(6,063)
Total capitalization	**$ 633,258**	$ 752,892
Net debt as percentage of total capitalization	**39%**	51%

No changes were made in the objectives, policies or processes for managing capital for the fiscal year ended December 30, 2023 and December 31, 2022.

27. Financial risk management objectives and policies

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which relates to the Company's debt obligations with floating interest rates. The Company's policy is to manage interest rate risk by having a mix of fixed and variable rate debt. The Company's objective is to keep between 35% and 55% of its borrowings at fixed rates of interest. To manage this, the Company enters into fixed rate debt facilities or interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps are designated to hedge the underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Company will pay may also be used to manage this exposure. At December 30, 2023, 51.2% of the Company's borrowings, including the long-term debt and the working capital facility, were either hedged or at a fixed rate of interest (December 31, 2022: 34.3%).

Interest rate sensitivity

The Company's income before income taxes is sensitive to the impact of a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. As at December 30, 2023, the Company's current bank loans were $3.0 million (December 31, 2022: $128.1 million) and long-term debt was $243.0 million (December 31, 2022: $250.7 million). An increase of 25 basis points on the bank loans with floating interest rates would have reduced income before income taxes by nominal amounts (December 31, 2022: $0.3 million). An increase of 25 basis points above the SOFR floor, as applicable, on the long-term debt with floating interest rates would have reduced income before income taxes by $0.3 million (December 31, 2022: $0.4 million). A corresponding decrease in respective interest rates would have an approximately equal and opposite effect. There is no impact on the Company's equity except through changes in income.

Foreign currency risk

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

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

The Parent hedges forecasted cash flows for purchases of USD-denominated products for the Canadian operations where the purchase price is substantially known in advance. At December 30, 2023, the Parent hedged 39% (December 31, 2022: 39%) of these purchases identified for hedging, extending to October 2025. The Company's *Price Risk Management Policy* dictates that cash flows out fifteen months are hedged between a minimum and maximum percent that declines by quarter the further into the future the cash flows are. The Company does not hedge cash flows on certain USD-denominated seafood purchases in which the ultimate selling price charged to the Company's Canadian customers move with changes in the USD/CAD exchange rates. It is the Company's policy to set the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. The Company also has foreign exchange risk related to the USD-denominated input costs of commodities used in its Canadian operations related to freight surcharges on transportation costs, paper products in packaging, grain and corn products in its breading and batters, and soy and canola bean-based cooking oils. The Company hedges these USD-denominated input costs on a small scale, but relies where possible on fixed price contracts with suppliers.

For the fifty-two weeks ended December 30, 2023, approximately 61.4% of the Parent's costs were denominated in USD, while approximately 99% of the Parent's sales were denominated in its CAD functional currency.

The Parent has some assets and liabilities that are denominated in CAD, and therefore, the assets and liabilities reported in the Consolidated Financial Statements change as USD/CAD exchange rates fluctuate. A stronger CAD has the effect of increasing the carrying value of assets and liabilities such as accounts receivable, inventory, property, plant and equipment, and accounts payable of the Parent when translated to USD. The net offset of those changes flow through OCI. Based on the equity of the Parent as of December 30, 2023, a one-cent increase/decrease in the USD/CAD exchange rate will decrease/increase equity by approximately $1.7 million (December 31, 2022: $0.9 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company holds credit insurance on its trade accounts receivable and all receivable balances are managed and monitored at the corporate level on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company's top ten customers account for 74% of the trade receivables at December 30, 2023 (December 31, 2022: 64%), with the largest customer accounting for 31% (December 31, 2022: 27%).

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

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as models that look out three years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process on commitments projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable, and lease liabilities. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period. At December 30, 2023, approximately 4% of the Company's debt (December 31, 2022: 3%) will mature in less than one year based on the carrying value of borrowings reflected in the Consolidated Financial Statements. At December 30, 2023, the Company was in compliance with all covenants and terms of its debt facilities.

The table below shows the maturities of the Company's non-derivative financial liabilities, including accounts payable and accrued liabilities and undiscounted cash flows and interest payments related to long-term debt:

(Amounts in $000s)	Due within 1 year	Due in 1–5 years	Due after 5 years	Total
Accounts payable and accrued liabilities	**145,530**	**—**	**—**	**145,530**
Long-term debt	**25,629**	**268,799**	**—**	**294,428**
As at December 30, 2023	**$ 171,159**	**$ 268,799**	**$ —**	**$ 439,958**
Accounts payable and accrued liabilities	187,967	—	—	187,967
Long-term debt	32,798	290,500	—	323,298
As at December 31, 2022	$ 220,765	$ 290,500	$ —	$ 511,265

Commodity price risk

The Company is affected by price volatility of certain commodities such as crude oil, wheat, corn, paper products, and frying oils. The Company's *Price Risk Management Policy* dictates the use of fixed pricing with suppliers whenever possible, but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2023 and 2022, the Company managed this risk through contracts with suppliers. Where possible, the Company enters into fixed price contracts with suppliers on an annual basis and, therefore, a significant portion of the Company's 2024 commodity purchase requirements are covered. Should an increase in the price of commodities materialize, there could be a negative impact on earnings performance and alternatively, a decrease in the price of commodities could result in a benefit to earnings performance.

Average crude oil prices, which influence fuel surcharges from freight suppliers, decreased during 2023 compared to 2022. World commodity prices for flour, soy and canola oils, imported ingredients in many of the Company's products, decreased throughout 2023. The price of corrugated and folded carton, which is used in packaging, increased in 2023 compared to 2022.

Seafood price risk

The Company is dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. The Company bought $511.4 million of this product in the current year. A 1.0% change in the price of frozen raw seafood materials would increase/decrease the Company's procurement costs by $5.1 million. Prices can fluctuate and there is limited formal commercial mechanism for hedging either sales or purchases. Purchases of seafood on global markets are principally in USD. The Company hedges exposures to a portion of its currency exposures and enters into longer-term supply contracts when possible.

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

28. Supplemental information

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

(Amounts in $000s)		**Fifty-two weeks ended December 30, 2023**		Fifty-two weeks ended December 31, 2022
Included in finance costs:				
Interest expense on bank loans	**$**	**5,639**	$	2,941
Interest expense on long-term debt		**18,403**		13,352
Interest expense on lease liabilities		**569**		637
Deferred financing charges		**1,497**		1,267
Interest on letter of credit for SERP		**77**		82
Modification gain related to debt refinancing activities (Note 14)		**—**		—
Foreign exchange gain		**(7)**		(18)
Total finance costs	**$**	**26,178**	$	18,261
Foreign exchange (gain) loss included in:				
Cost of sales	**$**	**(1,403)**	$	(1,660)
Finance costs		**(7)**		(18)
Total foreign exchange gain	**$**	**(1,410)**	$	(1,678)
(Gain) loss on disposal of assets included in:				
Cost of sales	**$**	**123**	$	219
Distribution expenses		**—**		51
Selling, general and administrative expenses		**(232)**		(107)
Total (gain) loss on disposal of assets	**$**	**(109)**	$	163
Depreciation and amortization expense included in:				
Cost of sales	**$**	**9,011**	$	8,749
Distribution expenses		**4,556**		4,437
Selling, general and administrative expenses		**12,806**		10,392
Total depreciation and amortization expense	**$**	**26,373**	$	23,578
Employee compensation and benefit expense:				
Wages and salaries (including payroll benefits)	**$**	**107,845**	$	106,787
Future employee benefit costs		**3,225**		3,243
Share-based compensation expense		**1,469**		2,882
Termination benefits		**1,036**		664
Short-term employee benefits		**—**		—
Total employee compensation and benefit expense	**$**	**113,575**	$	113,576

29. Litigation Update

As reported in 2020, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn in connection with the sale of Rubicon Resources, LLC to the Company. The Company is claiming a number of remedies, including rescission, disgorgement and damages. After filing the claim against Mr. Wynn, High Liner Foods also filed a claim under the Representations and Warranty insurance policy (the "Insurance Policy") that was procured by High Liner Foods to provide coverage for breaches of the representations made by Rubicon and Mr. Wynn when it acquired Rubicon. During the fifty-two weeks ended December 31, 2022, the Company received the total available amount under the Insurance Policy of $10.0 million. Following a two-week arbitration hearing ending September 28, 2023, an Interim Award of approximately $15.5 million, plus attorney fees and costs, was awarded in favor of High Liner Foods. The arbitration proceedings remain ongoing and the Interim Amounts are subject to change in the final arbitration award. It is not possible at this time to determine the final impact of these proceedings or the timing of that impact, as such the amount is considered a contingent asset and is not recorded.

From time to time, the Company is involved in and potentially subject to litigation, investigations, disputes, proceedings or other similar matters related to claims arising out of its operations in the ordinary course of business, performance under its contracts, and the completion of acquisitions or divestitures. The Company believes that all claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, to the extent that the Company's assessment of its exposure in respect of such matters is either incorrect or changes, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company’s reputation, operations, financial condition or performance in future periods. The Company regularly assesses the adequacy of accruals or provisions related to such matters and makes adjustments as necessary.