



## Winpak Reports Third Quarter Earnings

Winnipeg, Manitoba, October 25, 2007 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the third quarter of 2007, which ended on September 30, 2007.

<u>Year-To-Date Ended</u>	<u>September 30 2007</u>	<u>October 1 2006</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	339,984	334,032
Net earnings	17,801	25,997
Minority interest	(79)	239
Provision for income taxes	8,831	10,186
Interest	1,492	1,700
Depreciation and amortization	17,629	15,470
EBITDA (1)	45,674	53,592
Basic and fully diluted net earnings per share (cents)	27	40
<u>Third Quarter Ended</u>	<u>September 30 2007</u>	<u>October 1 2006</u>
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	116,745	111,638
Net earnings	5,073	7,841
Minority interest	2	35
Provision for income taxes	2,221	1,956
Interest	450	514
Depreciation and amortization	6,218	5,326
EBITDA (1)	13,964	15,672
Basic and fully diluted net earnings per share (cents)	7	12

Winpak Ltd. manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the protection of perishable foods, beverages and in health care applications.

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<sup>1</sup> EBITDA is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, this measure provides useful supplemental information to investors including an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net earnings, determined in accordance with GAAP, as an indicator of the Company's performance. The Company's method of calculating this measure may differ from other companies, and, accordingly, the results may not be comparable.



## **Management's Discussion and Analysis**

(presented in US dollars)

**Forward-looking statements:** Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent our current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

### **Results of operations**

Net earnings in the third quarter of 2007 were 7 cents per share, or 5 cents lower than in 2006. Excluding the gain of 2.5 cents per share recorded in the third quarter of 2006 due to the enactment of lower future rates of income tax, net earnings in the current period fell 20 percent, or 2.5 cents per share. Lower gross profit margins drove the decline, with the benefit of organic growth offset by the impact of the strengthened Canadian dollar.

Excluding certain gains from comparative net earnings in 2006, year-to-date net earnings in 2007 retreated 4 cents per share, or 13 percent, due to lower gross profit margins and higher expenses. Comparative net earnings in 2006 amounted to 31 cents per share, after deducting 9 cents from reported earnings for reduced future income tax expense and a gain on sale of property.

### **Sales**

Third quarter sales increased 4.6 percent compared to the same period last year, substantially due to greater volume of product sold. Shipments of filling machines and modified atmosphere packaging products were particularly strong. Modest increases of specialty films and rigid container shipments were offset by lower sales of lidding products. Together, pricing and foreign exchange had little bearing on Winpak's sales. Positive foreign exchange was offset by lower average pricing.

Year-to-date sales were 1.8 percent higher than in the comparative period of 2006, reflecting the 2007 third quarter increase. Modified atmosphere packaging and specialty film products led sales growth. Lidding and biaxially oriented nylon products lost ground this year consequent to aggressive competitor pricing and alternate products offered by other suppliers. Winpak's average pricing has not changed. Raw material related selling price increases for lidding products were countered by a greater proportion of sales of lower-priced modified atmosphere packaging products.

### **Margins and net earnings**

Compared to 2006, gross profit margins in the third quarter of 2007 narrowed by 2.7 percentage points and year-to-date, by 1.1 percentage points. The stronger Canadian dollar triggered 1.3 and 0.3 percentage points, respectively, of those gross profit margin declines. The remaining margin contraction originated in higher manufacturing costs largely associated with the start-up of certain major capital projects. The startup phase of each project was either recently completed or will be finalized in the near future and accordingly, manufacturing performance should improve. Incremental sales facilitated by these projects are expected to contribute to future earnings.

Higher expenses in the nine months ended September 30, 2007 include higher freight costs and temporarily elevated expense levels associated with the startup of certain major capital projects. These were research and technical as well as selling, general and administrative expenses such as new product development and costs associated with additional employees.

### **Capital resources, cash flow and liquidity**

The Company's cash position decreased by \$1.6 million in the third quarter and by \$11.8 million, year-to-date. Nine-month expenditures include the current year's investments in plant and equipment, certain related payments deferred from the fourth quarter of 2006, higher dividends, and an additional \$4.4 million funding of defined benefit pension plans.

Capital investments in 2007 should approximate those in 2006. Winpak announced on April 24, 2007, that the quarterly dividend rate was doubled from 1.5 Canadian cents per share to 3.0 cents per share. The first dividend at the new rate was paid on July 12, 2007. During 2007, the Company voluntarily addressed a significant portion of the total underfunded benefit obligations within its defined benefit pension plans. No further such contributions are expected this year.

Winpak is confident that sufficient financial resources are in place to fund cash needs for the foreseeable future.



Accounting policy changes

As more fully described in Note 2 to the Consolidated Financial Statements, the Company adopted the Canadian Institute of Chartered Accountants' Handbook Sections 3855, 3861, 3865, 1530 and 3251. The changes were adopted prospectively from January 1, 2007, except for the retroactive change to the cumulative currency translation adjustments account, which is now included in accumulated other comprehensive income. These new standards had no significant impact on the Company's financial statements and none on the Consolidated Statement of Earnings.

Raw materials index

For reference, the following presents the weighted indexed purchased cost of Winpak's eight primary raw materials in the reported quarter and each of the preceding eight quarters, where base year 2001 = 100. Typically, the purchased index cost in one quarter impacts cost of sales in the subsequent quarter.

Quarter and Year	3/05	4/05	1/06	2/06	3/06	4/06	1/07	2/07	3/07
Purchase Price Index	135.4	153.0	149.5	146.8	155.4	148.8	146.0	152.5	158.3

The 3.8 percent uplift in the index for the third quarter 2007 when compared to the immediately preceding quarter included increases primarily in the average prices of polyethylene.

Summary of quarterly results

Thousands of U.S. dollars, except earnings per share ("EPS") in U.S. cents

	Quarter Ended							
	September 30 2007	July 1 2007	April 1 2007	December 31 2006	October 1 2006	July 2 2006	April 2 2006	January 1 2006
Sales	116,745	114,479	108,760	113,088	111,638	109,325	113,069	109,666
Net earnings	5,073	5,224	7,504	6,579	7,841	11,711	6,445	6,192
EPS	7	8	12	10	12	18	10	10

General comment

At least two market and industry-wide trends have impaired Winpak's financial performance in recent years. Winpak does not make forecasts of changes in these trends and therefore does not assume performance will improve or worsen consequent to any such changes. Nevertheless, the Company continually implements strategies designed to mitigate these conditions.

Since 2002, the U.S. dollar has steadily depreciated against the Canadian currency from an average of 63.6 US cents to approximate parity at the current date. Winpak has estimated the impact on earnings per share should the two currencies remain at parity through the end of 2008, at today's business level. With that extent of U.S. dollar depreciation, by 2008, annual net earnings would be nearly 10 cents per share less when compared to 2002. This includes 1.1 cents per share in 2007 and 2.3 cents in 2008, with the Canadian dollar at an average of 92 US cents in 2007 and parity in 2008. Winpak's strategies to reduce foreign currency exposure continue to include the maximization of natural hedging.

Secondly, intense price competition continues to compress margins earned from certain less sophisticated product lines. For the most part, the steady rise of raw material prices over the same period of time has been passed through to customers, but competitive pressures have prevented that in certain cases. To the extent possible, Winpak continues to follow industry-wide trends involving the pass-through of raw material costs.

The Company continually implements initiatives involving new technology geared to reducing costs and increasing efficiencies while adding sophisticated new products to the Company's portfolio. Recent such major capital investments, despite minor delays in implementation, represent significant new capacity and technology. Temporary start-up expenditures incurred within the current financial year for these capital projects are expected to abate during the remainder of 2007. Related contributions to future sales and earnings should reach full potential over the next few years.



**Winpak Ltd.**  
**Interim Consolidated Financial Statements**  
**Third Quarter Ended: September 30, 2007**

These interim consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, PricewaterhouseCoopers LLP.



**Winpak Ltd.**  
**Consolidated Balance Sheets**

*(thousands of US dollars)*

(September 30, 2007 Unaudited)

	September 30 <u>2007</u>	December 31 <u>2006</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ -	\$ 2,994
Accounts receivable	56,942	53,656
Inventories	79,229	69,469
Prepaid expenses	2,912	1,747
Future income taxes	2,842	2,869
	<u>141,925</u>	<u>130,735</u>
Property, plant and equipment (net)	258,873	225,113
Other assets	11,204	5,105
Intangible assets (net)	7,108	8,707
Goodwill	17,719	16,336
	<u>\$ 436,829</u>	<u>\$ 385,996</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Bank indebtedness (unsecured)	\$ 8,790	\$ -
Accounts payable and accrued liabilities	35,507	40,950
	<u>44,297</u>	<u>40,950</u>
Long-term debt	22,000	22,000
Deferred credits	12,353	10,896
Future income taxes	30,118	25,781
Postretirement benefits	1,507	1,481
	<u>110,275</u>	<u>101,108</u>
Minority interest	11,060	11,139
<b>Shareholders' Equity:</b>		
Share capital	29,195	29,195
Retained earnings	224,302	211,139
Accumulated other comprehensive income (note 6)	61,997	33,415
	<u>286,299</u>	<u>244,554</u>
	<u>315,494</u>	<u>273,749</u>
	<u>\$ 436,829</u>	<u>\$ 385,996</u>

See accompanying notes to consolidated financial statements.



**Winpak Ltd.**

**Consolidated Statements of Earnings and Retained Earnings**

(thousands of US dollars, except per share amounts)

(Unaudited)

	Third Quarter Ended		Year-To-Date Ended	
	September 30 2007	October 1 2006	September 30 2007	October 1 2006
Sales	\$ 116,745	\$ 111,638	\$ 339,984	\$ 334,032
Cost of sales	90,197	83,331	256,040	247,803
Gross profit	26,548	28,307	83,944	86,229
Expenses				
Selling, general & administrative (note 3)	16,240	15,622	47,480	46,171
Research and technical	2,337	2,241	7,670	6,627
Pre-production	225	98	749	656
Gain on sale of assets (note 4)	-	-	-	(5,347)
<b>Earnings from operations</b>	<b>7,746</b>	<b>10,346</b>	<b>28,045</b>	<b>38,122</b>
Interest	450	514	1,492	1,700
Earnings before income taxes and minority interest	7,296	9,832	26,553	36,422
Provision for income taxes (note 5)	2,221	1,956	8,831	10,186
Minority interest	2	35	(79)	239
<b>Net earnings</b>	<b>\$ 5,073</b>	<b>\$ 7,841</b>	<b>\$ 17,801</b>	<b>\$ 25,997</b>
<b>Retained earnings, beginning of period</b>	<b>\$ 221,189</b>	<b>\$ 198,110</b>	<b>\$ 211,139</b>	<b>\$ 181,319</b>
Net earnings	5,073	7,841	17,801	25,997
Dividends declared	(1,960)	(693)	(4,638)	(2,058)
<b>Retained earnings, end of period</b>	<b>\$ 224,302</b>	<b>\$ 205,258</b>	<b>\$ 224,302</b>	<b>\$ 205,258</b>
<b>Earnings per share</b>				
<b>Basic and fully diluted earnings per share (cents)</b>	<b>7</b>	<b>12</b>	<b>27</b>	<b>40</b>
Average number of shares outstanding (000's)	65,000	65,000	65,000	65,000

**Consolidated Statements of Comprehensive Income**

(thousands of US dollars)

(Unaudited)

	Third Quarter Ended		Year-To-Date Ended	
	September 30 2007	October 1 2006	September 30 2007	October 1 2006
<b>Net earnings</b>	<b>\$ 5,073</b>	<b>\$ 7,841</b>	<b>\$ 17,801</b>	<b>\$ 25,997</b>
Unrealized gains (losses) on translation of financial statements of subsidiaries with CDN dollar functional currency to US dollar reporting currency	12,817	13	28,370	5,282
Unrealized gains (losses) on derivatives designated as cash flow hedges, net of income tax (\$200 and \$339)	372	-	631	-
Realized (gains) losses on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net of income tax (\$225 and \$225)	(419)	-	(419)	-
<b>Other comprehensive income - net of income tax</b>	<b>12,770</b>	<b>13</b>	<b>28,582</b>	<b>5,282</b>
<b>Comprehensive income</b>	<b>\$ 17,843</b>	<b>\$ 7,854</b>	<b>\$ 46,383</b>	<b>\$ 31,279</b>

See accompanying notes to consolidated financial statements.



**Winpak Ltd.**

**Consolidated Statements of Cash Flows**

(thousands of US dollars)

(Unaudited)

	Third Quarter Ended		Year-To-Date Ended	
	September 30	October 1	September 30	October 1
	2007	2006	2007	2006
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net earnings for the period	\$ 5,073	\$ 7,841	\$ 17,801	\$ 25,997
Items not involving cash:				
Depreciation	5,715	4,773	16,030	13,803
Amortization - intangible assets	503	553	1,599	1,667
Defined benefit plan costs	884	964	2,594	2,844
Future income taxes	815	(1,552)	1,286	(1,387)
Foreign exchange loss (gain) on long-term debt	-	130	-	(395)
Minority interest	2	35	(79)	239
Gain on sale of assets (note 4)	-	-	-	(5,347)
Other	94	625	289	986
Cash flow from operating activities before the following	13,086	13,369	39,520	38,407
Change in working capital:				
Accounts receivable	234	(2,171)	793	(6,107)
Inventories	(279)	(2,198)	(2,679)	(723)
Prepaid expenses	546	(303)	(872)	(1,108)
Accounts payable and accrued liabilities	(2,813)	1,425	(7,772)	(649)
Defined benefit plan payments	(3,249)	(2,296)	(7,205)	(4,425)
	7,525	7,826	21,785	25,395
<b>Investing activities:</b>				
Acquisition of property, plant and equipment	(6,646)	(10,505)	(27,755)	(27,054)
Proceeds from sale of assets (note 4)	-	-	-	8,632
	(6,646)	(10,505)	(27,755)	(18,422)
<b>Financing activities:</b>				
Repayments of long-term debt	-	(15,000)	-	(15,000)
Dividends paid	(1,830)	(871)	(3,511)	(2,545)
	(1,830)	(15,871)	(3,511)	(17,545)
Foreign exchange translation adjustment on cash	(683)	(116)	(2,303)	(130)
<b>Change in cash position</b>	<b>(1,634)</b>	<b>(18,666)</b>	<b>(11,784)</b>	<b>(10,702)</b>
<b>(Bank indebtedness) cash, beginning of period</b>	<b>(7,156)</b>	<b>12,906</b>	<b>2,994</b>	<b>4,942</b>
<b>Bank indebtedness, end of period</b>	<b>\$ (8,790)</b>	<b>\$ (5,760)</b>	<b>\$ (8,790)</b>	<b>\$ (5,760)</b>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest expense	\$ 834	\$ 1,060	\$ 2,300	\$ 2,638
Income tax expense	3,447	2,005	7,925	9,824

See accompanying notes to consolidated financial statements.



**Notes to Consolidated Financial Statements**  
For the periods ended September 30, 2007 and October 1, 2006  
*(thousands of US dollars) (Unaudited)*

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**1. Basis of presentation:**

The unaudited consolidated interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles "GAAP". They have been prepared using the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2006 except as described in Note 2.

These unaudited consolidated interim financial statements do not include all of the information and notes to the financial statements required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2006.

**2. Accounting policy changes:**

***Financial instruments, comprehensive income and hedges:***

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) handbook section 3855, Financial instruments – recognition and measurement; section 3861, Financial instruments – disclosure and presentation; section 3865, Hedges; section 1530, Comprehensive income and section 3251, Equity. The adoption of these new standards resulted in changes in the accounting policies for financial instruments and hedges. The comparative interim consolidated financial statements have not been restated, except for the retroactive restatement of the unrealized foreign exchange gains or losses on the translation of the financial statements of subsidiaries with the Canadian dollar as the functional currency to US dollar reporting (note 6).

The principal changes in accounting policies, financial statement reporting and disclosure recommendations for comprehensive income and its components and the presentation of equity are described below.

***Financial instruments – recognition and measurement:***

The Company initially recognizes all financial assets and liabilities and non-financial derivatives at fair value unless exempted from derivative treatment. Subsequently, financial assets are measured at either amortized cost or fair value depending on the type of instrument and any optional designations by the Company. Financial liabilities are subsequently measured at amortized cost, or at fair value if they are classified as held for trading purposes. Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company has selected January 1, 2003 as its transition date to apply fair value accounting for all embedded derivatives. An embedded derivative is a component of a financial instrument or another contract of which the characteristics are similar to a derivative. The Company has determined that all of its embedded derivatives are exempt from fair value accounting.

***Comprehensive income:***

Comprehensive income is comprised of net earnings and other comprehensive income and is now disclosed by the Company in the consolidated statements of comprehensive income. Comprehensive income is the change in a Company's net assets resulting from transactions or events from sources other than the Company's shareholders. Other comprehensive income includes unrealized foreign exchange gains or losses on translation of the financial statements of subsidiaries with the Canadian dollar as the functional currency to US dollar reporting and gains or losses on the effective portion of derivatives designated as cash flow hedges, net of income taxes.

***Hedge accounting:***

Newly adopted section 3865 replaces and expands upon Accounting Guideline 13 – Hedging Relationships. At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, which includes linking all derivatives to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company operates principally in Canada and the United States, which gives rise to risks that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to hedge certain foreign exchange exposures on anticipated sales.

Hedges must be designated as either fair value or cash flow hedges or as a hedge of a net investment in a subsidiary with the Canadian dollar as the functional currency. For a fair value hedge, the gain or loss on the hedging item is recognized in earnings in the period of change together with the offsetting change attributable to the hedged risk. For a cash flow hedge, as well as a hedge of a net investment in a subsidiary with the Canadian dollar as the functional currency, the effective portion of the gain or loss on the hedging item is initially accumulated in other comprehensive income and subsequently recognized in earnings (recorded within selling, general & administrative expenses) when the hedged item affects earnings.

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 existing in other comprehensive income at that time remains in other comprehensive income as long as the forecasted transaction may occur and would be recognized in the consolidated statement of earnings in the period the hedged transaction impacts earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of earnings.



**Notes to Consolidated Financial Statements**  
For the periods ended September 30, 2007 and October 1, 2006  
(thousands of US dollars) (Unaudited)

**Financial instruments – valuation:**

The following table presents the carrying value and fair value of financial instruments and non-financial derivatives as at September 30, 2007:

Assets (Liabilities)	(Carried at Cost/Amortized Cost)		(Carried at Fair Value)
	Carrying Value	Fair Value	Carrying Value
Accounts receivable	56,616	56,616	
Cash flow hedging derivative			326
Bank indebtedness	(8,790)	(8,790)	
Accounts payable and accrued liabilities	(40,125)	(40,125)	
Long-term debt	(22,000)	(22,000)	

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgment.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments:

- Short-term financial instruments approximate their carrying amount due to the relatively short period to maturity. These include cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities.
- Long-term debt with a variable interest rate is carried at cost, which reflects fair value as the interest rate is the current market rate available to the Company.
- Derivatives are valued based on closing market quotations.

**Risk management policies:**

The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, a system of internal and disclosure controls and sound business practices. The Company may use certain derivative financial instruments to manage risks of fluctuation in interest rates and foreign exchange rates. The Company may enter into interest rate swap agreements in order to limit exposure to increases in interest rates and fix interest rates on certain portions of long-term debt. The Company may enter into foreign currency forward and option (floor and cap) contracts to limit exposure on certain anticipated future U.S. dollar cash flows in Canadian dollar functional currency companies. The Company is exposed to credit risk from its customers primarily in relation to accounts receivable. This risk is minimized by the Company's diverse customer base. The Company regularly performs credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

**3. Selling, general & administrative expenses:**

Included within selling, general & administrative expenses are the following amounts:

	Third Quarter Ended		Year-To-Date Ended	
	September 30	October 1	September 30	October 1
	2007	2006	2007	2006
Foreign exchange translation (gain) loss	(519)	44	(1,447)	(307)
Defined benefit plan costs	884	964	2,594	2,844

Foreign exchange translation gains and losses represent the realized and unrealized foreign exchange differences recognized upon translation of monetary assets and liabilities, including long-term debt.

**4. Sale of property, business, related assets and associated costs:**

In June 2006, Wipak sold the premises formerly occupied by the converting operating unit at Laird Drive, Toronto, Ontario. Net cash proceeds for the premises of \$8,303 generated a pre-tax gain of \$5,463 and net earnings of \$4,266. In 2005, the Company ceased normal operations at the aforementioned premises. Consequently, in 2005 the Company incurred employee termination and pension plan curtailment and settlement costs. The Company made employee termination payments totaling \$243 during the third quarter of 2007 (Year-to-date 2007- \$718), leaving a liability of \$266, a majority of which is to be paid by the end of fiscal 2007. The pension plan curtailment and settlement cost liability of \$1,061 should also be paid by the end of fiscal 2007, assuming that final approval is obtained from the Financial Services Commission of Ontario.



**Notes to Consolidated Financial Statements**  
For the periods ended September 30, 2007 and October 1, 2006  
(thousands of US dollars) (Unaudited)

**5. Provision for income taxes:**

In the last two years the Canadian Federal government substantively enacted legislation that cover a period of several years progressively reducing the future federal corporate income tax rate. As a result, the Company was required to re-measure its future income tax assets and liabilities using the newly enacted income tax rates, taking into account the tax rates anticipated to be in effect when the related future income tax assets are realized and liabilities are settled. This resulted in a non-cash reduction in future income taxes and an income tax recovery in the third quarter of \$298 (2006 - \$1,483).

**6. Accumulated other comprehensive income:**

	Third Quarter Ended		Year-To-Date Ended	
	September 30 2007	October 1 2006	September 30 2007	October 1 2006
Balance, beginning of period, as previously reported	49,227	40,595	-	-
Unrealized gains on translation of financial statements of subsidiaries with Canadian dollar functional currency to US dollar reporting currency	-	-	33,415	35,326
Unrealized gains (losses) on derivatives designated as cash flow hedges	-	-	-	-
Restated balance, beginning of period	49,227	40,595	33,415	35,326
Other comprehensive income	12,770	13	28,582	5,282
Balance, end of period	<u>61,997</u>	<u>40,608</u>	<u>61,997</u>	<u>40,608</u>

The accumulated balances for each component of other comprehensive income, net of income taxes, are comprised of the following:

Unrealized gains on translation of financial statements of subsidiaries with Canadian dollar functional currency to US dollar reporting currency	61,785	40,608
Unrealized gains (losses) on derivatives designated as cash flow hedges	212	-
Balance, end of period	<u>61,997</u>	<u>40,608</u>

**7. Future accounting standards:**

The CICA has issued four handbook sections, which apply commencing with the Company's 2008 fiscal year. The Company is currently evaluating the impact of these standards on the consolidated financial statements.

**Financial instruments – disclosures:**

Section 3862 describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements existing handbook section 3855, Financial instruments – recognition and measurement, section 3863, Financial instruments – presentation and 3865, Hedges.

**Financial instruments – presentation:**

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing handbook section 3861, Financial instruments – disclosure and presentation.

**Capital disclosures:**

Section 1535 establishes standards for disclosing information about a Company's capital and how it is managed to enable users of financial statements to evaluate the Company's objectives, policies and procedures for managing capital.

**Inventories:**

Section 3031 establishes standards on the determination of the cost components of inventory including all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The section requires inventory to be measured at the lower of cost and net realizable value including a possible reversal of an original write-down to net realizable value. The section also establishes expanded financial statement disclosure and presentation standards for the carrying amounts of inventories and classifications appropriate to the Company.

**8. Seasonality:**

The Company experiences seasonal variation in sales, typically being the highest in the second and fourth quarters, and lowest in the first quarter.

**9. Comparative interim amounts:**

Certain comparative interim amounts have been reclassified to conform with the presentation in the current period.