



## Winpak Reports First Quarter Earnings

Winnipeg, Manitoba, April 21, 2008 - Winpak Ltd. (WPK) today reports consolidated results in US dollars for the first quarter of 2008, which ended on March 30, 2008.

<u>For The Period Ended</u>	March 30 2008	April 1 2007
<i>(thousands of US dollars, except per share amounts)</i>		
Sales	123,346	108,760
Net earnings	5,951	7,504
Minority interest	(104)	(91)
Provision for income taxes	3,130	3,967
Interest	463	475
Depreciation and amortization	6,356	5,535
EBITDA (1)	15,796	17,390
Basic and fully diluted net earnings per share (cents)	9	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 first quarter of 2008 were 9 cents per share compared to 12 cents per share in the corresponding period of 2007. The decrease in earnings occurred in spite of a healthy increase in sales of 13.4 percent and arose primarily as a result of higher raw material costs and the unfavorable impact of foreign exchange, offset in part by the effect of higher sales volumes. The unfavorable foreign exchange impact alone reduced net earnings by 2.5 cents per share.

### Sales

Sales in the first quarter were strong, increasing by \$14.6 million over the first quarter of 2007. Higher sales volumes accounted for an increase in sales of 9.7 percent while the favorable impact of the stronger Canadian dollar increased sales by a further 3.5 percent. Pricing and product mix changes had only a net negligible effect on sales. Rigid and lidding products exhibited the greatest growth in sales, both from existing customers as well as new business. Biaxially oriented nylon film sales were also robust in the quarter, albeit at very competitive margins, while more moderate growth was evident in modified atmosphere packaging. Specialty films and packaging machines experienced sales declines due to the timing of orders and the general weakness in the US economy. Overall, sales growth should continue into the second quarter.

### Gross profit margins

Compared to the first quarter of 2007, gross profit margins decreased by 3.2 percentage points due primarily to the unfavorable impact of foreign exchange and higher raw material costs. Petroleum-based raw materials exhibited the largest advance, some increasing in cost by over 30 percent in the past year. Unfortunately, selling prices have not kept pace with the heightened raw material costs. With just over one-third of Winpak's sales indexed to the price of certain raw materials, albeit with a time lag, the remaining sales are subject to price negotiations with customers. Market competition is ongoing and has made it difficult to match raw material cost escalations with selling price increases.

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. The index was rebalanced as of December 31, 2007 to reflect the mix of the eight primary raw materials purchased in 2007.

Quarter and Year	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07	1/08
Purchase Price Index	149.5	146.8	155.4	148.8	146.0	152.5	158.3	161.8	167.9

The index is now at the highest point in the Company's history and unfortunately, there does not appear to be any immediate raw material cost relief on the horizon. The increase in the index from the first quarter of 2007 to the first quarter of 2008 amounted to 15.0 percent, with escalations evident in all eight materials included in the index.

### Capital Resources, Cash Flow and Liquidity

The Company used cash resources of \$2.6 million in the first quarter. This included \$4.1 million on the current year's plant and equipment expenditure program, \$5.0 million used to extinguish long-term debt and \$2.0 million for dividends. Cash flows of \$13.7 million were generated from operating activities before changes in working capital with an additional \$5.9 million utilized for working capital requirements and \$2.5 million for defined benefit plan payments. The increased working capital requirements were primarily in accounts receivable due to the significant increase in sales volume during the quarter. Additional cash of \$2.9 million was generated by the minority shareholder investment in a subsidiary and there was a foreign exchange adjustment on cash of \$0.3 million.

Winpak is confident that sufficient financial resources are in place to fund cash requirements 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 3031, 3862, 3863 and 1535. The changes were adopted prospectively from December 31, 2007. These new standards had no significant impact on the Company's Consolidated Financial Statements.

### Summary of Quarterly Results

Thousands of U.S. dollars, except per share amounts (U.S. cents)

	Quarter ended							
	March 30	December 30	September 30	July 1	April 1	December 31	October 1	July 2
	2008	2007	2007	2007	2007	2006	2006	2006
Sales	123,346	126,638	116,745	114,479	108,760	113,088	111,638	109,325
Net earnings	5,951	6,157	5,073	5,224	7,504	6,579	7,841	11,711
EPS	9	10	7	8	12	10	12	18



Winpak Ltd.  
Interim Consolidated Financial Statements  
First Quarter Ended: March 30, 2008

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)*  
 (March 30, 2008 Unaudited)

	March 30 2008	December 30 2007
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<b>Current Assets:</b>		
Accounts receivable	\$ 62,538	\$ 57,308
Income taxes receivable	5,323	6,292
Inventory (note 4)	71,270	74,742
Prepaid expenses	2,280	1,945
Future income taxes	3,642	2,702
	<u>145,053</u>	<u>142,989</u>
Property, plant and equipment (net)	255,314	263,328
Other assets	11,995	10,739
Intangible assets (net)	6,276	6,690
Goodwill	17,478	17,854
	<u>\$ 436,116</u>	<u>\$ 441,600</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Bank indebtedness (unsecured)	\$ 7,607	\$ 5,037
Accounts payable and accrued liabilities	36,943	38,061
	<u>44,550</u>	<u>43,098</u>
Long-term debt	17,000	22,000
Deferred credits	11,953	12,603
Future income taxes	28,624	28,640
Postretirement benefits	1,587	1,596
	<u>103,714</u>	<u>107,937</u>
Minority interest	13,901	11,065
<b>Shareholders' Equity:</b>		
Share capital	29,195	29,195
Retained earnings	232,020	228,470
Accumulated other comprehensive income (note 5)	57,286	64,933
	<u>289,306</u>	<u>293,403</u>
	<u>318,501</u>	<u>322,598</u>
	<u>\$ 436,116</u>	<u>\$ 441,600</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)

	For The Period Ended	
	March 30	April 1
	2008	2007
Sales	\$ 123,346	\$ 108,760
Cost of sales	93,344	78,837
Gross profit	30,002	29,923
Expenses		
Selling, general & administrative (note 6)	17,704	15,659
Research and technical	2,299	2,306
Pre-production	559	103
<b>Earnings from operations</b>	<b>9,440</b>	<b>11,855</b>
Interest	463	475
Earnings before income taxes and minority interest	8,977	11,380
Provision for income taxes	3,130	3,967
Minority interest	(104)	(91)
<b>Net earnings</b>	<b>\$ 5,951</b>	<b>\$ 7,504</b>
<b>Retained earnings, beginning of period</b>		
As previously reported	\$ 228,470	\$ 211,139
Change in accounting policy - (note 2 (c))	(492)	-
Restated	227,978	211,139
Net earnings	5,951	7,504
Dividends declared	(1,909)	(848)
<b>Retained earnings, end of period</b>	<b>\$ 232,020</b>	<b>\$ 217,795</b>
<b>Earnings per share</b>		
Basic and fully diluted earnings per share (cents)	9	12
Average number of shares outstanding (000's)	65,000	65,000

Consolidated Statements of Comprehensive Income

(thousands of US dollars) (unaudited)

	For The Period Ended	
	March 30	April 1
	2008	2007
<b>Net earnings</b>	\$ 5,951	\$ 7,504
Unrealized (losses) gains on translation of financial statements of operations with Canadian dollar functional currency to US dollar reporting currency	(7,396)	2,638
Unrealized (losses) gains on derivatives designated as cash flow hedges, net of income tax (\$114 and \$16)	(211)	30
Realized gains on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net of income tax \$22	(40)	-
<b>Other comprehensive (loss) income - net of income tax (note 5)</b>	<b>(7,647)</b>	<b>2,668</b>
<b>Comprehensive income</b>	<b>\$ (1,696)</b>	<b>\$ 10,172</b>

See accompanying notes to consolidated financial statements.



Winpak Ltd.

**Consolidated Statements of Cash Flows**

*(thousands of US dollars) (unaudited)*

	For The Period Ended	
	March 30 2008	April 1 2007
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net earnings for the period	\$ 5,951	\$ 7,504
Items not involving cash:		
Depreciation	5,942	4,985
Amortization - intangible assets	414	550
Defined benefit plan costs	830	842
Future income taxes	187	631
Foreign exchange loss on long-term debt	703	-
Minority interest	(104)	(91)
Other	(184)	117
Cash flow from operating activities before the following	13,739	14,538
Change in working capital:		
Accounts receivable	(6,343)	1,461
Income taxes receivable	771	(71)
Inventory	1,160	(6,488)
Prepaid expenses	(385)	(1,401)
Accounts payable and accrued liabilities	(1,131)	(6,434)
Defined benefit plan payments	(2,513)	(3,760)
	5,298	(2,155)
<b>Investing activities:</b>		
Acquisition of property, plant and equipment	(4,120)	(11,010)
	(4,120)	(11,010)
<b>Financing activities:</b>		
Repayments of long-term debt	(5,000)	-
Dividends paid	(1,989)	(833)
Investment by minority shareholder in subsidiary	2,940	-
	(4,049)	(833)
Foreign exchange translation adjustment on cash	301	(516)
<b>Change in cash position</b>	<b>(2,570)</b>	<b>(14,514)</b>
<b>(Bank indebtedness) cash, beginning of period</b>	<b>(5,037)</b>	<b>2,994</b>
<b>Bank indebtedness, end of period</b>	<b>\$ (7,607)</b>	<b>\$ (11,520)</b>
<i><u>Supplemental disclosure of cash flow information:</u></i>		
Cash paid during the period for:		
Interest expense	\$ 726	\$ 679
Income tax expense	1,510	3,083

See accompanying notes to consolidated financial statements.

## 1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been prepared on a basis consistent with the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended December 30, 2007 except as described in Note 2.

These unaudited interim consolidated 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 30, 2007.

The preparation of the interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenue and expenses in the reporting period. Management believes that the estimates and assumptions used in preparing its interim consolidated financial statements are reasonable and prudent, however, actual results could differ from these estimates.

## 2. Accounting Policy Changes

Effective December 31, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards.

### *(a) Financial Instruments - Disclosures and Presentation:*

Section 3862 Financial Instruments – Disclosure, 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 from financial instruments to which the Company is exposed and how the Company manages those risks and Section 3863 Financial Instruments – Presentation, describes the standards for presentation of financial instruments and non-financial derivatives and carries forward, unchanged, the presentation requirements of Section 3861 Financial Instruments – Disclosure and Presentation (notes 7 and 8).

### *(b) Capital Management:*

Section 1535 Capital Disclosures, 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 processes for managing capital, quantitative data about what the Company regards as capital and whether the Company has complied with any externally imposed capital requirements (note 9).

The above noted new standards have no impact on the classification and valuation of the Company's interim consolidated financial instruments.

### *(c) Inventory:*

Section 3031 Inventories, which replaced Section 3030 Inventories, establishes standards on the definition of 'cost' to include all costs of purchase (net of supplier payment discounts), costs of conversion and other costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate variable and fixed production overhead costs that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw material inventories do not require write downs if the finished goods in which they will be utilized are expected to be sold at or above cost. The standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs (note 4).

The Company has adopted Section 3031 effective December 31, 2007 and restated 2008 opening retained earnings. As a result of this change, inventory was reduced by \$746, current future income tax assets were increased by \$254 and retained earnings were reduced by \$492. The comparative interim consolidated financial statements have not been restated.

## 3. Future Accounting Standards

The CICA has issued the following handbook section, which applies commencing with the Company's 2009 fiscal year.

### *(a) Goodwill, Intangible Assets and Financial Statement Concepts:*

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements.

While the Company is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Company's consolidated financial results.



3. Future Accounting Standards – continued

*(b) International Financial Reporting Standards:*

In January 2006, the CICA Accounting Standards Board (ASB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed the effective date of the initial adoption of IFRS. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

4. Inventory

Inventory is comprised of the following:

	March 30 2008
Raw materials	23,740
Work-in-process	13,053
Finished goods	32,198
Spare parts	2,279
	71,270

During the first quarter of 2008, the Company recorded inventory write-downs of \$1,204 and reversals of previously written-down amounts of \$21.

5. Accumulated Other Comprehensive Income

	March 30 2008	April 1 2007
Balance, beginning of period	64,933	33,415
Other comprehensive (loss) income	(7,647)	2,668
Balance, end of period	57,286	36,083

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

	March 30 2008	April 1 2007
Unrealized gains on translation of financial statements of operations with Canadian dollar functional currency to US dollar reporting currency	57,461	36,053
Unrealized (losses) gains on derivatives designated as cash flow hedges	(175)	30
Balance, end of period	57,286	36,083

6. Selling, General & Administrative Expenses

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

	For The Period Ended	
	March 30 2008	April 1 2007
Foreign exchange translation loss (gain)	332	(271)
Defined benefit plan costs	830	842

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. The amounts include realized foreign exchange gains (losses) on cash flow hedges arising from transfers of these amounts from other comprehensive income to net earnings.



**Notes to Consolidated Financial Statements**  
For the periods ended March 30, 2008 and April 1, 2007  
*(thousands of US dollars) (Unaudited)*

**7. Financial Instruments**

The following table presents the carrying value and fair value of financial instruments and non-financial derivatives as at March 30, 2008:

Assets (Liabilities)	(Carried at Cost/Amortized Cost)		(Carried at Fair Value)
	Carrying Value	Fair Value	Carrying Value
Accounts receivable	62,538	62,538	-
Bank indebtedness	(7,607)	(7,607)	-
Accounts payable and accrued liabilities	(36,673)	(36,673)	-
Cash flow hedging derivative			(270)
Long-term debt	(17,000)	(17,000)	-

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:

- a) 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.
- b) 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.
- c) Foreign exchange forward contracts, designated as a cash flow hedge, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

**8. Financial Risk Management**

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

***Foreign Exchange Risk***

The Company operates primarily in Canada and the United States. The functional currency of the parent company is CDN dollars and the reporting currency is U.S. dollars. All operations in the United States and American Bixis Inc. operate with the U.S. dollar as the functional currency, while all Canadian operations, excluding American Bixis Inc., operate with the CDN dollar as the functional currency. Most of the Company's business is conducted in U.S. dollars. However, approximately 20 percent of sales are invoiced in CDN dollars and approximately 31 percent of costs are incurred in the same currency, resulting in a net outflow of costs in CDN dollars. Consequently, the Company records foreign currency differences on transactions.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in selling, general & administrative expenses. A one-cent strengthening / weakening in the March 30, 2008 period end foreign exchange rate from CDN dollars to U.S. dollars would have increased / decreased net earnings by \$112 for the first quarter of 2008.

The Company's Foreign Exchange Policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash on hand and forward or zero-cost option foreign exchange contracts. Transactions are only conducted with certain approved Schedule 1 Canadian financial institutions. All foreign exchange contracts are designated as cash flow hedges. During the first three months of 2008, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange gains of \$62. These foreign exchange gains were recorded in selling, general & administrative expenses. As at March 30, 2008, the Company had foreign currency forward contracts outstanding of \$10.0 million US at an average exchange rate of 1.0008 (US to CDN dollars), maturing between April and December 2008 and the fair value of these contracts was \$9.730 million US as of March 30, 2008. An unrealized foreign exchange loss during the quarter of \$0.325 million (pre-tax) was recorded in other comprehensive income.



8. Financial Risk Management – continued

**Interest Rate Risk**

The Company's interest rate risk arises from its floating rate bank indebtedness and long-term debt. The Company's policy regarding interest expense is to fix interest rates on between one-and two-thirds of long-term debt outstanding. 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. For the current period, the Company elected to have all long-term debt at a floating interest rate due to the relatively low level of debt outstanding. As such, no interest rate swap instruments were entered into during the first quarter of 2008, and none were outstanding as at March 30, 2008.

Regarding the March 30, 2008 long-term debt balance of \$17.0 million, a 1% increase / decrease in floating interest rates would decrease / increase earnings before tax by \$170 annually.

**Commodity Price Risk**

Manufacturing costs for the Company's products are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are not immediately reflected in selling price adjustments, there is a slight time lag. For the three months ended March 30, 2008, 36% of sales were to customers with formal selling price-indexing agreements. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

**Credit Risk**

Credit risk arises from cash held with banks, derivative financial instruments (foreign exchange forward and option contracts and interest rate swaps with positive fair values), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counter-party credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews, and in certain cases insures accounts receivable balances against credit losses. As at March 30, 2008, 21% of the Company's total accounts receivable balance was insured against credit losses.

The Company's exposure to individual customers is limited and the ten largest customers as at March 30, 2008, on aggregate, accounted for 23% of the Company's total accounts receivable balance.

The carrying amount of accounts receivable are reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within selling, general, & administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general, & administrative expenses in the earnings statement.

The following table outlines the details of the aging of the Company's receivables and related allowance for doubtful accounts:

	March 30 2008
Current	46,552
<u>Past due amounts:</u>	
1 - 60 days	16,151
Greater than 60 days	1,417
Less: Allowance for doubtful accounts	(1,582)
Total accounts receivable, net	<u>62,538</u>

**Liquidity Risk**

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Company including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. The moderate level of outstanding debt and an informal investment grade credit rating allow the Company to enjoy relatively low interest rates. Under the terms of the Company's bank credit facilities currently in place, the \$17 million of long-term debt outstanding is revolving, although the Company retains the right to repay, without penalty, amounts as deemed appropriate. The Company has determined that total current credit facilities of \$83 million (unsecured), including operating lines of \$48 million and term-debt lines of \$35 million, are adequate. Of the total credit facilities, \$52.2 million was unused as at March 30, 2008. The Company has remained within all bank debt covenants and foresees no change in its ability to meet these covenants in 2008.



**Notes to Consolidated Financial Statements**  
For the periods ended March 30, 2008 and April 1, 2007  
*(thousands of US dollars) (Unaudited)*

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**8. Financial Risk Management – continued**

The 2008 requirements for capital expenditures, working capital and debt repayments can be financed from cash flow provided by operating activities and unused credit facilities. Unless unexpected circumstances occur in 2008, the Company expects to repay a portion of the \$17 million of long-term debt outstanding by the end of the 2008 fiscal year.

The Company enters into contractual obligations in the normal course of business operations. As at March 30, 2008, these obligations have not changed significantly from the amounts reported in the Company's 2007 Annual Report.

**9. Capital Management**

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. The Company also strives to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, the Company includes bank indebtedness, long-term debt and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (earnings before, interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of long-term debt and bank indebtedness less cash. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the twelve month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at March 30, 2008 the ratio was 0.44:1 (December 30, 2007 – 0.47:1). Debt service coverage is calculated as a twelve month rolling earnings from operations over debt service. Debt service is calculated as the sum of one-sixth long-term debt outstanding plus annualized interest expense and dividends. This ratio is to be maintained over 1.50:1. As at March 30, 2008 the ratio was 2.76:1 (December 30, 2007 – 3.25:1).

There were no changes in the Company's approach to capital management during the current period.

**10. Seasonality**

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

**11. Comparative Interim Amounts**

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