Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Second Quarter Ended: June 26, 2022

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

Winpak Ltd.
Condensed Consolidated Balance Sheets
(thousands of US dollars) (unaudited)

	Note	June 26 2022	December 26 2021
Assets			
Current assets:			
Cash and cash equivalents		369,028	377,461
Trade and other receivables	14	211,417	177,382
Income taxes receivable		9,797	9,825
Inventories	8	260,306	187,058
Prepaid expenses		9,419	6,702
		859,967	758,428
Non-current assets:			
Property, plant and equipment	9	516,067	515,247
Intangible assets and goodwill		33,857	34,472
Employee benefit plan assets		13,791	13,547
		563,715	563,266
Total assets		1,423,682	1,321,694
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		125,848	91,717
Contract liabilities		1,807	3,503
Income taxes payable		7,054	1,102
Derivative financial instruments		541	715
		135,250	97,037
Non-current liabilities:			
Employee benefit plan liabilities		10,587	9,837
Deferred income		18,055	17,685
Provisions and other long-term liabilities		12,576	13,029
Deferred tax liabilities		66,386	68,367
		107,604	108,918
Total liabilities		242,854	205,955
Equity:			
Share capital		29,195	29,195
Reserves		(396)	(524)
Retained earnings		1,115,414	1,050,949
Total equity attributable to equity holders of the Company		1,144,213	1,079,620
Non-controlling interests		36,615	36,119
Total equity		1,180,828	1,115,739
Total equity and liabilities		1,423,682	1,321,694

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Income
(thousands of US dollars, except per share amounts) (unaudited)

		Quarter Ended		Year-To-Date Ended	
	Note	June 26 2022	June 27 2021	June 26 2022	June 27 2021
Revenue	6	310,254	243,969	586,236	468,775
Cost of sales		(221,000)	(174,279)	(415,452)	(333,250)
Gross profit		89,254	69,690	170,784	135,525
Sales, marketing and distribution expenses		(25,497)	(20,366)	(48,287)	(39,957)
General and administrative expenses		(10,498)	(7,670)	(19,249)	(16,155)
Research and technical expenses		(4,485)	(4,581)	(8,750)	(8,611)
Pre-production expenses		(518)	-	(920)	-
Other (expenses) income	7	(1,480)	1,395	(889)	1,948
Income from operations		46,776	38,468	92,689	72,750
Finance income		682	212	955	489
Finance expense		(855)	(464)	(1,411)	(907)
Income before income taxes		46,603	38,216	92,233	72,332
Income tax expense		(12,495)	(8,777)	(24,196)	(17,651)
Net income for the period		34,108	29,439	68,037	54,681
Attributable to:					
Equity holders of the Company		33,671	28,520	67,541	53,015
Non-controlling interests		437	919	496	1,666
		34,108	29,439	68,037	54,681
Basic and diluted earnings per share - cents	12	52	44	104	82

Condensed Consolidated Statements of Comprehensive Income
(thousands of US dollars) (unaudited)

		Quarter Ended		Year-To-Date Ended	
	Note	June 26 2022	June 27 2021	June 26 2022	June 27 2021
Net income for the period		34,108	29,439	68,037	54,681
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge (losses) gains recognized		(948)	727	(104)	1,215
Cash flow hedge losses (gains) transferred to the statements of income	7	178	(623)	278	(1,075)
Income tax effect		206	(28)	(46)	(38)
		(564)	76	128	102
Other comprehensive (loss) income for the period - net of income tax		(564)	76	128	102
Comprehensive income for the period		33,544	29,515	68,165	54,783
Attributable to:					
Equity holders of the Company		33,107	28,596	67,669	53,117
Non-controlling interests		437	919	496	1,666
		33,544	29,515	68,165	54,783

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.

Condensed Consolidated Statements of Changes in Equity

(thousands of US dollars) (unaudited)

	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
Balance at December 28, 2020		29,195	834	1,103,435	1,133,464	33,579	1,167,043
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	889	-	889	-	889
Cash flow hedge gains transferred to the statements of income, net of tax		-	(787)	-	(787)	-	(787)
Other comprehensive income		-	102	-	102	-	102
Net income for the period		-	-	53,015	53,015	1,666	54,681
Comprehensive income for the period		-	102	53,015	53,117	1,666	54,783
Dividends	11	-	-	(162,739)	(162,739)	-	(162,739)
Balance at June 27, 2021		29,195	936	993,711	1,023,842	35,245	1,059,087
Balance at December 27, 2021		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
Comprehensive income for the period							
Cash flow hedge losses, net of tax		-	(76)	-	(76)	-	(76)
Cash flow hedge losses transferred to the statements of income, net of tax		-	204	-	204	-	204
Other comprehensive income		-	128	-	128	-	128
Net income for the period		-	-	67,541	67,541	496	68,037
Comprehensive income for the period		-	128	67,541	67,669	496	68,165
Dividends	11	-	-	(3,076)	(3,076)	-	(3,076)
Balance at June 26, 2022		29,195	(396)	1,115,414	1,144,213	36,615	1,180,828

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Cash Flows
(thousands of US dollars) (unaudited)

	Note	Quarter Ended June 26 2022	Quarter Ended June 27 2021	Year-To-Date Ended June 26 2022	Year-To-Date Ended June 27 2021
Cash provided by (used in):					
Operating activities:					
Net income for the period		34,108	29,439	68,037	54,681
Items not involving cash:					
Depreciation		11,962	11,365	23,879	22,616
Amortization - deferred income		(428)	(407)	(854)	(791)
Amortization - intangible assets		427	419	845	834
Employee defined benefit plan expenses		1,092	1,234	2,176	2,357
Net finance expense		173	252	456	418
Income tax expense		12,495	8,777	24,196	17,651
Other		(8)	(1,502)	(2,859)	(2,824)
Cash flow from operating activities before the following		59,821	49,577	115,876	94,942
Change in working capital:					
Trade and other receivables		(21,217)	(3,949)	(34,035)	(19,605)
Inventories		(49,242)	(13,419)	(73,248)	(25,043)
Prepaid expenses		341	257	(2,717)	(2,916)
Trade payables and other liabilities		17,555	10,158	34,111	12,450
Contract liabilities		(816)	(30)	(1,696)	2,109
Employee defined benefit plan contributions		(146)	(883)	(1,640)	(1,014)
Income tax paid		(10,774)	(4,183)	(17,303)	(11,539)
Interest received		568	184	735	436
Interest paid		(785)	(365)	(1,281)	(719)
Net cash from operating activities		(4,695)	37,347	18,802	49,101
Investing activities:					
Acquisition of property, plant and equipment - net		(11,555)	(18,483)	(23,491)	(27,549)
Acquisition of intangible assets		(56)	(82)	(231)	(185)
		(11,611)	(18,565)	(23,722)	(27,734)
Financing activities:					
Payment of lease liabilities		(220)	(205)	(428)	(394)
Dividends paid	11	(1,563)	(1,550)	(3,085)	(3,068)
		(1,783)	(1,755)	(3,513)	(3,462)
Change in cash and cash equivalents		(18,089)	17,027	(8,433)	17,905
Cash and cash equivalents, beginning of period		387,117	496,224	377,461	495,346
Cash and cash equivalents, end of period		369,028	513,251	369,028	513,251

See accompanying notes to condensed consolidated financial statements.

1. General

Winpak Ltd. (the "Company" or "Winpak") is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in healthcare applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3.

2. Basis of Presentation

Statement of compliance
The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 26, 2021, which are included in the Company's 2021 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2022 and 2021 fiscal years are both comprised of 52 weeks and each quarter of 2022 and 2021 are comprised of 13 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on July 21, 2022.

Coronavirus (COVID-19)
As a result of the ongoing effects of the COVID-19 pandemic, in particular the economic uncertainty, the Company continues to review the assumptions regarding the valuation of trade and other receivables and also monitor whether there is any indication that its cash-generating units (CGUs) might be impaired. For both the second quarter of 2022 and the year-to-date period ended June 26, 2022, the impact on expected credit losses in relation to trade and other receivables was immaterial (see note 14) and no CGU impairment losses were recorded.

3. Accounting Standards Implemented in 2022

The following accounting standards came into effect commencing in the Company's 2022 fiscal year:

(a) Property, Plant and Equipment: Proceeds Before Intended Use:
In May 2020, the IASB issued "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized within the statement of income. The amendments were implemented with retrospective application, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

(b) Onerous Contracts - Cost of Fulfilling a Contract:
In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)", which specifies which costs a company includes when assessing whether a contract will be loss-making. The amendments were implemented, effective December 27, 2021. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2023.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

5. Segment Reporting

Operating segments and product groups
The Company provides three distinct types of packaging technologies: a) flexible packaging, b) rigid packaging and flexible lidding and c) packaging machinery. Each is deemed to be a separate operating segment.

The flexible packaging segment includes the modified atmosphere packaging, specialty films and biaxially oriented nylon product groups. Modified atmosphere packaging extends the shelf life of perishable foods, while at the same time maintains or improves the quality of the product. The packaging is used for a wide range of markets and applications, including fresh and processed meats, poultry, cheese, medical device packaging, high performance pouch applications and high-barrier films for converting applications. Specialty films include a full line of barrier and non-barrier films which are ideal for converting applications such as printing, laminating and bag making, including shrink bags. Biaxially oriented nylon film is stretched by length and width to add stability for further conversion using printing, metalizing or laminating processes and is ideal for food packaging applications such as cheese, fluid and viscous liquids, and industrial applications such as book covers and balloons.

The rigid packaging and flexible lidding segment includes the rigid containers, lidding and specialized printed packaging product groups. Rigid containers include portion control and single-serve containers, as well as plastic sheet, custom and retort trays, which are used for applications such as food, pet food, beverage, dairy, industrial and healthcare. Lidding products are available in die-cut, daisy chain and rollstock formats and are used for applications such as food, dairy, beverage, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

Packaging machinery includes a full line of horizontal fill/seal machines for preformed containers and vertical form/fill/seal pouch machines for pumpable liquid and semi-liquid products and certain dry products.

Due to similar economic characteristics, including long-term sales volume growth and long-term average gross profit margins, and having similar products, production processes, types of customers and distribution methods, the flexible packaging and rigid packaging and flexible lidding operating segments have been aggregated as one reportable segment. In addition, the packaging machinery operating segment has been aggregated with these two segments as the segment's revenue and assets represents less than 3 percent of total Company revenue and assets.

The Company operates principally in Canada and the United States. See note 6 for a breakdown of revenue by operating and geographic segment. The following summary presents property, plant and equipment, intangible assets and goodwill information by geographic segment:

	June 26 2022	December 26 2021
United States	250,914	258,001
Canada	280,171	272,552
Mexico	18,839	19,166
	549,924	549,719

6. Revenue

Most of the Company's contracts have a single performance obligation as the promise to transfer the individual goods. Revenue for each of the three operating segments is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon shipment, however, in some instances, upon delivery. Invoices are generated when control has transferred and are usually payable within 30 to 60 days.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

Disaggregation of Revenue

	Quarter Ended		Year-To-Date Ended	
	June 26 2022	June 27 2021	June 26 2022	June 27 2021
Operating segment				
Flexible packaging	166,726	124,910	313,586	240,786
Rigid packaging and flexible lidding	135,267	111,134	255,274	214,000
Packaging machinery	8,261	7,925	17,376	13,989
	310,254	243,969	586,236	468,775
Geographic segment				
United States	247,824	193,992	471,748	374,819
Canada	41,853	32,101	76,337	59,806
Mexico and other	20,577	17,876	38,151	34,150
	310,254	243,969	586,236	468,775

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during the year-to-date periods ended June 26, 2022 and June 27, 2021. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

7. Other (Expenses) Income

	Quarter Ended		Year-To-Date Ended	
Amounts shown on a net basis	June 26 2022	June 27 2021	June 26 2022	June 27 2021
Foreign exchange (losses) gains	(1,302)	772	(611)	873
Cash flow hedge (losses) gains transferred from other comprehensive income	(178)	623	(278)	1,075
	(1,480)	1,395	(889)	1,948

8. Inventories

	June 26 2022	December 26 2021
Raw materials	114,693	65,065
Work-in-process	38,869	32,435
Finished goods	91,143	74,834
Spare parts	15,601	14,724
	260,306	187,058

During the second quarter of 2022, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $1,914 (2021 - $833) and reversals of previously written-down items of $310 (2021 - $630). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $3,864 (2021 - $2,435) and reversals of previously written-down items of $1,365 (2021 - $1,699).

9. Property, Plant and Equipment

At June 26, 2022, the Company has commitments to purchase plant and equipment of $27,998 (December 26, 2021 - $15,769). No impairment losses or impairment reversals were recognized during the year-to-date periods ended June 26, 2022 and June 27, 2021.

10. Leases

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At June 26, 2022, potential future lease payments not included in lease liabilities totaled $4,538 on a discounted basis.

11. Dividends

During the second quarter of 2022, dividends in Canadian dollars of 3 cents per common share were declared (2021 - 3 cents) and on a year-to-date basis, 6 cents per common share were declared (2021 - 6 cents). In addition, on June 23, 2021, the Company declared a special dividend in Canadian dollars of $3.00 per common share, payable on July 9, 2021.

12. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	June 26 2022	June 27 2021	June 26 2022	June 27 2021
Net income attributable to equity holders of the Company	33,671	28,520	67,541	53,015
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	52	44	104	82

13. Financial Instruments

The Company measures assets and liabilities under the following fair value hierarchy in accordance with IFRS. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

The fair value of cash and cash equivalents, trade and other receivables, including trade and other receivables subject to factoring arrangements and classified as measured at fair value through other comprehensive income (FVOCI), trade payables and other liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, has been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the reporting date.

The following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At June 26, 2022				
Foreign currency forward contracts - net	-	(541)	-	(541)
At December 26, 2021				
Foreign currency forward contracts - net	-	(715)	-	(715)

When the Company has a legally enforceable right to set off supplier rebates accounts receivable against supplier trade payables and intends to settle the amount on a net basis or simultaneously, the balance is presented as an offset within 'Trade payables and other liabilities' on the consolidated balance sheet. At June 26, 2022, the supplier rebate receivable balance that was offset was $6,942 (December 26, 2021 - $6,972).

14. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. 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.

Financial 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
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 other (expenses) income. As a result of the Company's CDN dollar net asset monetary position as at June 26, 2022, a one-cent change in the period-end foreign exchange rate from 0.7756 to 0.7656 (CDN to US dollars) would have decreased net income by $256 for the second quarter of 2022. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7756 to 0.7856 (CDN to US dollars) would have increased net income by $256 for the second quarter of 2022.

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 and cash equivalents and forward or zero-cost option foreign currency contracts. The Company may also enter into foreign currency forward contracts when equipment purchases and special dividend payments will be settled in foreign currencies. Transactions are only conducted with certain approved 'AA' rated or higher Schedule 1 CDN financial institutions. All foreign currency contracts are designated as cash flow hedges of the highly probable CDN dollar expenditures. These derivatives meet the hedge effectiveness criteria as a result of the following factors:

a) An economic relationship exists between the hedged item and the hedging instrument as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk - foreign exchange rates. There are no significant reasons or causes for the designated hedged item and hedging instrument to be mismatched since the hedging instrument matures during the same month as the expected hedged expenditures are incurred. The correlation between the foreign exchange rate of the hedged item and the hedging instrument should be highly correlated and closely aligned as the maturity and the notional amount are the same.

b) The hedge ratio is one to one for this hedging relationship as the hedged item is foreign currency risk that is hedged with a foreign currency hedging instrument.

c) Credit risk is not material in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness: a) the timing of cash flow differences between the expenditure and the related derivative and b) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and incurred expenditures are closely aligned as they are expected to occur within 30 days of each other. Credit risk is not a material component of the fair value of the Company's hedging instruments as all counterparties are 'AA' rated or higher Schedule 1 CDN financial institutions.

Certain foreign currency contracts matured during the second quarter of 2022 and the Company realized pre-tax foreign exchange losses of $178 (year-to-date losses - $278) which were recorded in other (expenses) income. During the second quarter of 2021, the Company realized pre-tax foreign exchange gains of $623 (year-to-date gains - $1,075) which were recorded in other (expenses) income.

As at June 26, 2022, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $30.0 million at an average exchange rate of 1.2682 maturing between July 2022 and March 2023. The fair value of these financial instruments was negative $541 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended June 26, 2022 and June 27, 2021.

Interest Rate Risk
The Company's interest rate risk arises from interest rate fluctuations on the finance income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the June 26, 2022 cash and cash equivalents balance of $369.0 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,690 annually.

Commodity Price Risk
The Company's manufacturing costs 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 reflected in selling price adjustments but there is a slight time lag. For the year-to-date period ended June 26, 2022, 71 percent of revenue was generated from customers with selling price-indexing programs. 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.

Liquidity Risk
Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $369.0 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Credit Risk
The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers, including outstanding trade and other receivable balances.

(thousands of US dollars, unless otherwise indicated) (Unaudited)

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	June 26 2022	December 26 2021
Cash and cash equivalents	369,028	377,461
Trade and other receivables	211,417	177,382
	580,445	554,843

Credit risk on cash and cash equivalents and other financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be rated 'AA' or higher for CDN financial institutions and 'A-1' or higher for US financial institutions by recognized international credit rating agencies or insured 100 percent by the US government or a 'AAA' rated CDN federal or provincial government. The Company manages its counterparty risk on its financial instruments by only dealing with 'AA' rated or higher Schedule 1 CDN financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures trade and other receivables against credit losses.

During the second quarter of 2022, the Company incurred costs on the sale of trade receivables of $762 (2021 - $346). Of these costs, $604 was recorded in finance expense (2021 - $243) and $158 was recorded in general and administrative expenses (2021 - $103). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $1,226 (2021 - $582). Of these costs, $978 was recorded in finance expense (2021 - $416) and $248 was recorded in general and administrative expenses (2021 - $166).

As at June 26, 2022, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 96 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 28 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 40 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. In its assessment of the allowance for expected credit losses as at June 26, 2022, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic uncertainty caused by this pandemic. During the second quarter of 2022, the Company recorded impairment recoveries on trade and other receivables of $22 (2021 - $171 impairment recoveries). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $8 (2021 - $295 impairment losses).

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on when the receivable was due and payable and related allowance for expected credit losses:

	June 26 2022	December 26 2021
Current (not past due)	180,377	149,824
1 - 30 days past due	24,094	22,504
31 - 60 days past due	4,740	3,351
More than 60 days past due	3,177	2,710
	212,388	178,389
Less: Allowance for expected credit losses	(971)	(1,007)
Total trade and other receivables, net	211,417	177,382

15. Seasonality

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