Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Third Quarter Ended: September 26, 2021

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	September 26 2021	December 27 2020
Assets			
Current assets:			
Cash and cash equivalents		352,292	495,346
Trade and other receivables	14	162,373	135,406
Income taxes receivable		8,862	10,506
Inventories	8	173,334	135,629
Prepaid expenses		7,039	3,128
Derivative financial instruments		81	1,138
		703,981	781,153
Non-current assets:			
Property, plant and equipment	9	514,265	507,461
Intangible assets and goodwill		34,826	35,887
Employee benefit plan assets		6,978	8,114
		556,069	551,462
Total assets		1,260,050	1,332,615
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		76,286	64,592
Contract liabilities		2,479	1,775
Provisions		-	149
Income taxes payable		552	1,490
Derivative financial instruments		276	-
		79,593	68,006
Non-current liabilities:			
Employee benefit plan liabilities		14,886	13,484
Deferred income		14,860	14,359
Provisions and other long-term liabilities		13,300	13,770
Deferred tax liabilities		59,394	55,953
		102,440	97,566
Total liabilities		182,033	165,572
Equity:			
Share capital		29,195	29,195
Reserves		(143)	834
Retained earnings		1,013,132	1,103,435
Total equity attributable to equity holders of the Company		1,042,184	1,133,464
Non-controlling interests		35,833	33,579
Total equity		1,078,017	1,167,043
Total equity and liabilities		1,260,050	1,332,615

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended		Year-To-Date Ended	
		September 26 2021	September 27 2020	September 26 2021	September 27 2020
Revenue	6	254,166	210,605	722,941	640,402
Cost of sales		(192,138)	(144,603)	(525,388)	(442,186)
Gross profit		62,028	66,002	197,553	198,216
Sales, marketing and distribution expenses		(21,187)	(16,786)	(61,144)	(50,894)
General and administrative expenses		(7,863)	(7,862)	(24,018)	(23,562)
Research and technical expenses		(4,519)	(4,270)	(13,130)	(12,182)
Pre-production expenses		-	-	-	(178)
Other (expenses) income	7	(144)	708	1,804	(2,101)
Income from operations		28,315	37,792	101,065	109,299
Finance income		237	388	726	2,791
Finance expense		(434)	(513)	(1,341)	(1,755)
Income before income taxes		28,118	37,667	100,450	110,335
Income tax expense		(6,768)	(10,295)	(24,419)	(29,497)
Net income for the period		21,350	27,372	76,031	80,838
Attributable to:					
Equity holders of the Company		20,762	26,684	73,777	79,065
Non-controlling interests		588	688	2,254	1,773
		21,350	27,372	76,031	80,838
Basic and diluted earnings per share - cents	12	32	41	114	122

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

	Note	Quarter Ended		Year-To-Date Ended	
		September 26 2021	September 27 2020	September 26 2021	September 27 2020
Net income for the period		21,350	27,372	76,031	80,838
Items that will not be reclassified to the statements of income:					
Cash flow hedge losses recognized		(867)	-	(867)	-
		(867)	-	(867)	-
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge (losses) gains recognized		(933)	459	282	(1,164)
Cash flow hedge (gains) losses transferred to the statements of income	7	(540)	143	(1,615)	534
Income tax effect		394	(160)	356	169
		(1,079)	442	(977)	(461)
Other comprehensive (loss) income for the period - net of income tax		(1,946)	442	(1,844)	(461)
Comprehensive income for the period		19,404	27,814	74,187	80,377
Attributable to:					
Equity holders of the Company		18,816	27,126	71,933	78,604
Non-controlling interests		588	688	2,254	1,773
		19,404	27,814	74,187	80,377

See accompanying notes to condensed consolidated financial statements.

Winpak Ltd.
Condensed Consolidated Statements of Changes in Equity
(thousands of US dollars) (unaudited)

	Note	Attributable to equity holders of the Company					
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 30, 2019		29,195	380	1,005,202	1,034,777	30,985	1,065,762
Comprehensive (loss) income for the period							
Cash flow hedge losses, net of tax		-	(853)	-	(853)	-	(853)
Cash flow hedge losses transferred to the statements of income, net of tax		-	392	-	392	-	392
Other comprehensive loss		-	(461)	-	(461)	-	(461)
Net income for the period		-	-	79,065	79,065	1,773	80,838
Comprehensive (loss) income for the period		-	(461)	79,065	78,604	1,773	80,377
Dividends	11	-	-	(4,276)	(4,276)	-	(4,276)
Balance at September 27, 2020		29,195	(81)	1,079,991	1,109,105	32,758	1,141,863
Balance at December 28, 2020		29,195	834	1,103,435	1,133,464	33,579	1,167,043
Comprehensive (loss) income for the period							
Cash flow hedge gains (losses), net of tax		-	206	(867)	(661)	-	(661)
Cash flow hedge gains transferred to the statements of income, net of tax		-	(1,183)	-	(1,183)	-	(1,183)
Other comprehensive loss		-	(977)	(867)	(1,844)	-	(1,844)
Net income for the period		-	-	73,777	73,777	2,254	76,031
Comprehensive (loss) income for the period		-	(977)	72,910	71,933	2,254	74,187
Dividends	11	-	-	(163,213)	(163,213)	-	(163,213)
Balance at September 26, 2021		29,195	(143)	1,013,132	1,042,184	35,833	1,078,017

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended September 26 2021	Quarter Ended September 27 2020	Year-To-Date Ended September 26 2021	Year-To-Date Ended September 27 2020
Cash provided by (used in):					
Operating activities:					
Net income for the period		21,350	27,372	76,031	80,838
Items not involving cash:					
Depreciation		11,390	11,278	34,006	33,222
Amortization - deferred income		(718)	(384)	(1,509)	(1,154)
Amortization - intangible assets		412	410	1,246	1,241
Employee defined benefit plan expenses		1,135	988	3,492	2,758
Net finance expense (income)		197	125	615	(1,036)
Income tax expense		6,768	10,295	24,419	29,497
Other		(370)	(769)	(3,194)	(1,551)
Cash flow from operating activities before the following		40,164	49,315	135,106	143,815
Change in working capital:					
Trade and other receivables		(7,362)	7,065	(26,967)	11,237
Inventories		(12,662)	1,452	(37,705)	1,013
Prepaid expenses		(995)	(16)	(3,911)	(1,851)
Trade payables and other liabilities		(879)	(3,910)	11,571	(3,344)
Contract liabilities		(1,405)	2,390	704	1,606
Employee defined benefit plan contributions		(31)	(82)	(1,045)	(1,490)
Income tax paid		(5,174)	(9,924)	(16,713)	(27,124)
Interest received		204	311	640	2,595
Interest paid		(331)	(372)	(1,050)	(1,292)
Net cash from operating activities		11,529	46,229	60,630	125,165
Investing activities:					
Acquisition of property, plant and equipment - net		(11,296)	(14,282)	(38,845)	(31,533)
Acquisition of intangible assets		-	(38)	(185)	(126)
		(11,296)	(14,320)	(39,030)	(31,659)
Financing activities:					
Payment of lease liabilities		(205)	(170)	(599)	(368)
Dividends paid	11	(160,987)	(1,426)	(164,055)	(4,311)
		(161,192)	(1,596)	(164,654)	(4,679)
Change in cash and cash equivalents		(160,959)	30,313	(143,054)	88,827
Cash and cash equivalents, beginning of period		513,251	455,673	495,346	397,159
Cash and cash equivalents, end of period		352,292	485,986	352,292	485,986

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 27, 2020, which are included in the Company's 2020 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 2021 and 2020 fiscal years are both comprised of 52 weeks and each quarter of 2021 and 2020 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 October 21, 2021.

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 third quarter of 2021 and the year-to-date period ended September 26, 2021, 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 2021

The following accounting standard came into effect commencing in the Company's 2021 fiscal year:

(a) COVID-19-Related Rent Concessions:
In May 2020, the IASB issued "COVID-19-Related Rent Concessions (Amendment to IFRS 16)", which amends IFRS 16 "Leases" to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment was implemented with retrospective application, effective December 28, 2020. On March 31, 2021, the IASB extended by 12 months the availability of the practical expedient issued in May 2020. The amendment had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(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 are effective for annual reporting periods beginning on or after January 1, 2022 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 2022.

(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 are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied prospectively. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2022.

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

(c) 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. Early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements when they are adopted in 2023.

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 4 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:

	September 26 2021	December 27 2020
United States	259,956	266,533
Canada	269,878	257,304
Mexico	19,257	19,511
	549,091	543,348

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	
	September 26 2021	September 27 2020	September 26 2021	September 27 2020
Operating segment				
Flexible packaging	131,930	111,170	372,716	338,022
Rigid packaging and flexible lidding	113,185	91,655	327,185	281,584
Packaging machinery	9,051	7,780	23,040	20,796
	254,166	210,605	722,941	640,402
Geographic segment				
United States	206,411	167,559	581,230	508,906
Canada	30,747	27,598	90,553	83,888
Mexico and other	17,008	15,448	51,158	47,608
	254,166	210,605	722,941	640,402

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 September 26, 2021 and September 27, 2020. Other markets include medical, pharmaceutical, personal care, industrial, and other consumer goods.

7. Other (Expenses) Income

	Quarter Ended		Year-To-Date Ended	
Amounts shown on a net basis	September 26 2021	September 27 2020	September 26 2021	September 27 2020
Foreign exchange (losses) gains	(684)	851	189	(1,567)
Cash flow hedge gains (losses) transferred from other comprehensive income	540	(143)	1,615	(534)
	(144)	708	1,804	(2,101)

8. Inventories

	September 26 2021	December 27 2020
Raw materials	55,158	36,928
Work-in-process	30,549	29,765
Finished goods	73,238	55,999
Spare parts	14,389	12,937
	173,334	135,629

During the third quarter of 2021, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $2,334 (2020 - $1,345) and reversals of previously written-down items of $570 (2020 - $868). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $4,769 (2020 - $6,147) and reversals of previously written-down items of $2,269 (2020 - $2,783).

9. Property, Plant and Equipment

At September 26, 2021, the Company has commitments to purchase plant and equipment of $21,985 (December 27, 2020 - $26,294). No impairment losses or impairment reversals were recognized during the year-to-date periods ended September 26, 2021 and September 27, 2020.

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 September 26, 2021, potential future lease payments not included in lease liabilities totaled $5,446 on a discounted basis.

11. Dividends

During the third quarter of 2021, dividends in Canadian dollars of 3 cents per common share were declared (2020 - 3 cents) and on a year-to-date basis, 9 cents per common share were declared (2020 - 9 cents). In addition, the Company paid a special dividend in Canadian dollars of $3.00 per common share on July 9, 2021.

12. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	September 26 2021	September 27 2020	September 26 2021	September 27 2020
Net income attributable to equity holders of the Company	20,762	26,684	73,777	79,065
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	32	41	114	122

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 September 26, 2021				
Foreign currency forward contracts - net	-	(195)	-	(195)
At December 27, 2020				
Foreign currency forward contracts - net	-	1,138	-	1,138

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 September 26, 2021, the supplier rebate receivable balance that was offset was $4,384 (December 27, 2020 - $5,390).

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 September 26, 2021, a one-cent change in the period-end foreign exchange rate from 0.7908 to 0.7808 (CDN to US dollars) would have decreased net income by $235 for the third quarter of 2021. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7908 to 0.8008 (CDN to US dollars) would have increased net income by $235 for the third quarter of 2021.

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 third quarter of 2021 and the Company realized pre-tax foreign exchange losses of $327 (year-to-date gains - $748) of which gains of $540 were recorded in other (expenses) income (year-to-date gains - $1,615) and losses of $867 were recorded directly to equity (year-to-date losses - $867). During the third quarter of 2020, the Company realized pre-tax foreign exchange losses of $143 (year-to-date losses - $534) which were recorded in other (expenses) income.

As at September 26, 2021, 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 1.2583 maturing between October 2021 and July 2022. The fair value of these financial instruments was negative $195 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 September 26, 2021 and September 27, 2020.

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 September 26, 2021 cash and cash equivalents balance of $352.3 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,523 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 September 26, 2021, 67 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.

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

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 $352.3 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.

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

	September 26 2021	December 27 2020
Cash and cash equivalents	352,292	495,346
Trade and other receivables	162,373	135,406
Foreign currency forward contracts	81	1,138
	514,746	631,890

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 third quarter of 2021, the Company incurred costs on the sale of trade receivables of $334 (2020 - $429). Of these costs, $230 was recorded in finance expense (2020 - $326) and $104 was recorded in general and administrative expenses (2020 - $103). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $917 (2020 - $1,425). Of these costs, $646 was recorded in finance expense (2020 - $1,149) and $271 was recorded in general and administrative expenses (2020 - $276).

As at September 26, 2021, 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) 97 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) 33 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 35 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 September 26, 2021, 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 downturn caused by this pandemic. During the third quarter of 2021, the Company recorded impairment recoveries on trade and other receivables of $222 (2020 - $550 impairment losses). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $73 (2020 - $988).

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

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:

	September 26 2021	December 27 2020
Current (not past due)	143,493	112,780
1 - 30 days past due	15,429	20,026
31 - 60 days past due	2,812	2,476
More than 60 days past due	2,535	2,167
	164,269	137,449
Less: Allowance for expected credit losses	(1,896)	(2,043)
Total trade and other receivables, net	162,373	135,406

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.