ANNUAL REPORT

2021

WINPAK

The first half of 2021 was similarly impacted by the Coronavirus (COVID-19) global pandemic as was most of 2020 and refinements of the many measures taken to ascertain and maintain the safety of all our stakeholders were introduced over time. By mid-year, while the more aggressive Delta variant of the virus was at its peak, the level of early adoption of the COVID-19 vaccines in our jurisdictions of business helped maintain a minimal overall impact on our operations.

In parallel to the pandemic related difficulties experienced by each and every one of us, the consequences of the devastating Texas winter storm, Uri, in February 2021 crippled a significant portion of the petrochemical activities concentrated in the southern United States, resulting in significant supply shortages of key raw materials for Winpak. Besides the continuously rising prices, some more than doubling, many key components simply became unavailable or were in very short supply. Sourcing difficulties and allocations are still ongoing today more than a year after the storm.

As 2021 proceeded, pandemic related supply chain issues continued to escalate and continue to influence daily adjustments to our production schedules to keep our customers reliably supplied and able to run their operations amid raw material allocations and transportation shortages. Winpak's supply chain, operations, technical services and customer service teams in all business units have risen to the challenge. They have shown incredible creativity and resilience and have spared no effort to keep our clients supplied, at times at tremendous costs to our operations. As an essential service provider to food, beverage and healthcare producers, we could simply not fail.

Despite resource limitations at our customers, we have been able to successfully introduce a significant number of new rigid container and flexible packaging products into the market and pursue the development of our growing pipeline of new sustainable and innovative products. This too is a testimony to our team's capabilities, knowledge, and dedication, to be able to grow sales volumes by nearly 10 percent in 2021 under the prevailing worldwide constraints. Going forward, our pipeline of new and highly technologically advanced products has never been as abundant.

Keeping up with continuously rising prices of just about everything throughout the year has been another stress on our teams and customers. The time lag for selling price increases to indexed customers and negotiations with non-indexed clients alike, as well as dealing with the rise of non-indexed costs, has resulted in relatively flat earnings per share despite a successful year of volume growth. As the waves of selling price increases were implemented, the recovery realized by the end of the year bodes well for 2022, despite ongoing risks in the global supply chain.

The net income attributable to equity holders of the Company reached $103.8 million, receding from $106.3 million or 2.4 percent from 2020, while revenue passed the billion dollar mark for the first time in the history of Winpak at $1,002.0 million, a jump of 17.5 percent compared to 2020. This new milestone is the consequence of a blend of strong volume growth in the rigid container and modified atmosphere packaging product groups and from company-wide selling price increases driven by the aforementioned dramatic raw material price escalation. Despite unprecedented volume growth, the cost escalations outpaced our contractual ability to pass selling price increases onto the customer, resulting in a 3.5 percentage point reduction to the gross profit margin for 2021 compared to 2020. However, by December 2021, the gross profit margin contraction had lessened, yet still somewhat behind the prior year.

Despite the ongoing global pandemic, which is still affecting our customers' ability to qualify new forms of packaging and/or materials, the trend towards environmentally friendlier packaging continues to be the main driver in all markets and remains a high priority at most accounts. Personnel and capacity restrictions continue to be a hindrance on new product qualifications. We have been able to grow market share with new rigid container and flexible packaging solutions across the board, expand our pipeline of next-generation recycle-ready rigid and flexible packaging options and incorporate materials that include post-consumer recycled (PCR) content, are biodegradable or compostable.

In 2021, we also saw the onboarding of new capacity, such as a new co-extrusion coating line and a redesigned large volume cast line for recycle-ready applications, high-barrier films containing PCR, new automated die-cutters, spouted pouch capabilities, as well as a laser-etching line for reclosable packaging. Within the rigid container operations, our in-mold label manufacturing cell has been inaugurated and the first approved commercial application will launch in 2022. In parallel, our manufacturing sites are relentlessly searching for ways to reduce their environmental footprint, incorporate new processes with the latest technologies to reduce emissions and energy consumption while striving towards zero waste to landfill.

The modified atmosphere packaging business at the Winnipeg, Manitoba facility grew sizeably across North America, setting a new record for revenue. New extrusion capacity came on board in the latter part of 2021 and additional capacity will likely be required to keep up with market demands. The new generation high-barrier mono-material thermoformable structures appear to be outpacing expectations in terms of performance with costs comparable to existing non-recyclable, higher carbon footprint solutions.

The learning curve at the new facility in Querétaro, Mexico is progressing rapidly, establishing Winpak in the market with its new print technology, perfectly tailored for the dynamic Mexican market, for highly sophisticated, high-resolution print designs. This will help to expand our market presence with a complete portfolio of thermoformable high-barrier films with locally produced printed top films for demanding modified atmosphere and pasteurized applications.

The specialty films business in Senoia, Georgia rebounded from the negative impact of COVID-19 in 2020 with the resurgence of the medical healthcare market and the recovery of some of the foodservice businesses impacted by pandemic closures and restrictions.

American Biaxis Inc., the sole producer of biaxially oriented polyamide (nylon) films in North America, had a strong year, rebounding from some COVID-19 slowdowns in foodservice and entertainment markets in 2020 with modest volume growth. The business continued to operate at peak productivity and quality levels. The construction of the building expansion is complete and initial start-up testing of the new line commenced in the early part of 2022.

The trends for the healthcare market remain favorable, fueled by an aging population, sophisticated therapies, medical devices, and growth in generic drugs to contain healthcare costs. In 2020, the pandemic had a negative impact on this business and despite many hospital treatments still being delayed and doctor visits remaining virtual, the 2021 level of activity led to impressive growth compared to 2020.

The further vertical integration of base material manufacturing at historic Winpak sites, along with exceptional customer service from Winpak Control Group, has been well received and is getting traction with highly responsive lead times and zero-defect print quality. The additional slitting capacity installed at Winpak Control Group was inaugurated in mid-2021. In addition, Winpak and Wipak (European sister company), continue to expand and improve their common global healthcare commercial and technical organization, Wiicare, to better respond to healthcare industry leaders, managing their packaging strategies on a worldwide scale.

The 2021 rebound of the rigid container business, which consists of the production of plastic sheets and thermoformed barrier containers, was spectacular. The introduction of new business was slowed by the pandemic, however, new pet food and dessert applications were successfully launched. Some categories are still benefiting from an uplift related to the pandemic, while many foodservice applications are still depressed or have not regained their pre-COVID-19 levels. On an overall basis, the rigid container business grew substantially. As with flexible packaging, the trend towards recycle-ready containers, the introduction of PCR content or materials from renewable sources is an area of prime focus with our clients, keen to reduce their environmental footprint. Our brand new injection molding center for containers with in-mold label capabilities has been commissioned and the first approved commercial application will launch in early 2022.

The Company's product offering as a system of highly technical flexible lidding solutions, combined with rigid containers, whether in die-cut or roll-fed form, foil-based or high-barrier plastics, sets Winpak apart in the industry. The range of roll-fed flexible lidding and pouch products at our Vaudreuil-Dorion, Quebec facility that complements our large die-cut lid presence has continued to grow, both for food and healthcare applications, despite the increasing difficulties in sourcing foil and other limitations with many key resins. While the dynamic in some market segments such as pet food is significant, some product categories, negatively affected by the pandemic, notably in the dairy market segment, have yet to fully rebound to pre-COVID-19 levels.

The record established in 2020 by the packaging machinery business was not repeated in 2021, not because of a lack of demand, but because of component delays related to worldwide supply chain shortages. This is a timing issue and the backlog remains very strong and bodes well for 2022. The business has successfully moved into its new location in Rialto, California, which will be instrumental for the future growth of the business and the successful development and assembly of several new machine types currently under development. The focus remains on system sales, combining the sale of packaging consumables with machinery.

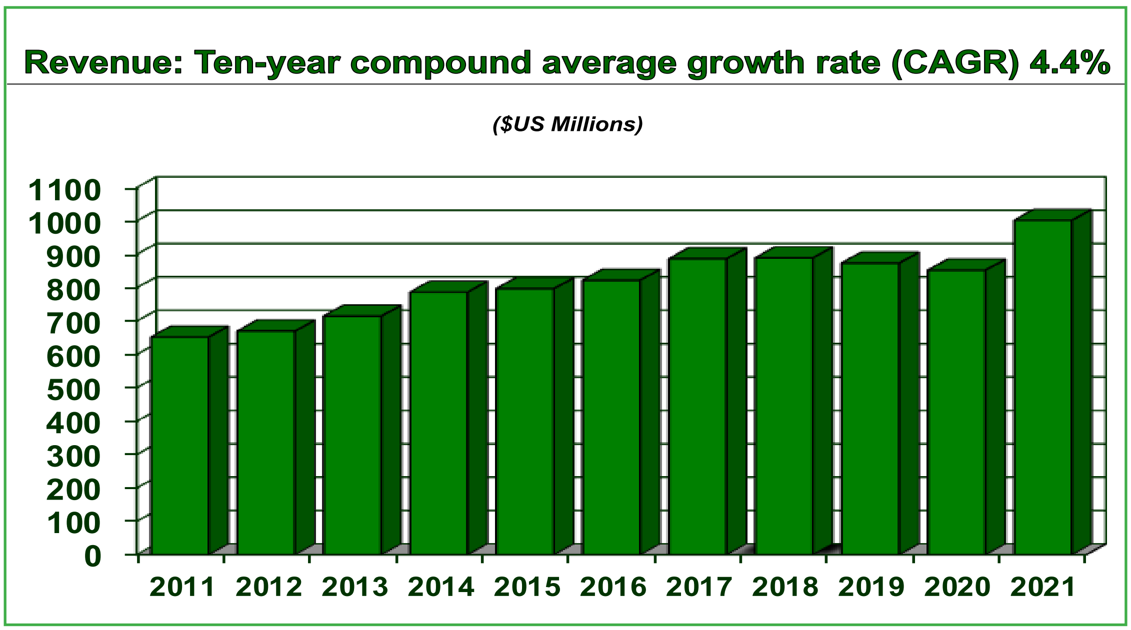
The supply chain crisis, the unprecedented rising cost of all consumables on top of the COVID-19 pandemic have demanded the utmost from every Winpak employee in order to maintain our customers' supply at all times. Despite these challenges for which no organization was fully prepared, not only did Winpak safeguard clients from shortages, we were also able to persevere and maintain focus on our strategic expansions in all market segments of the Company and grow volumes at a remarkable rate. Winpak also launched an initiative around diversity, equality, and inclusion to make everyone, regardless of who they are or what they do for the Company, feel equally involved in and supported in all areas of the workplace and to foster and create more innovative approaches in terms of how business is conducted throughout the organization. Our portfolio of new sustainable products and roadmap of new technologies are exciting and ever-expanding. Investments in research and development initiatives and capital for new technologies and increased capacity are placing the Company in a strong position for growth as our customers increasingly regain their ability to qualify Winpak packaging materials and deem us a key supplier.

O.Y. Muggli

O.Y. Muggli
President and Chief Executive Officer
Winnipeg, Canada
March 2, 2022

(Values expressed in US dollars)

	2021	2020	2019	2018	2017
Operating results ($ million except earnings per share)					
Revenue	**1,002.0**	852.5	873.8	889.6	886.8
Income from operations	**142.4**	146.8	155.0	150.1	162.7
EBITDA (1)	**187.8**	191.5	198.5	190.2	200.2
Net income attributable to equity holders of the Company	**103.8**	106.3	114.8	108.9	119.3
Earnings per share (cents) (2)	**160**	164	177	168	184
Investments and assets ($ million)					
Investments in property, plant and equipment	**48.3**	51.3	58.1	71.2	51.1
Business acquisition	**-**	-	42.7	-	-
Total assets	**1,321.7**	1,332.6	1,212.4	1,088.9	976.0
Financial position					
Net return on opening equity attributable to equity holders of the Company	**9.2%**	10.3%	12.5%	13.3%	16.9%
Return on opening invested capital (3)	**19.1%**	20.1%	23.4%	24.7%	28.3%



Basis of Presentation

- The Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. All years presented on pages 3 and 4 were 52 weeks in duration, with the exception of 2012 and 2017, which were 53 weeks in duration.
- All years presented on pages 3 and 4 are in accordance with International Financial Reporting Standards (IFRS).

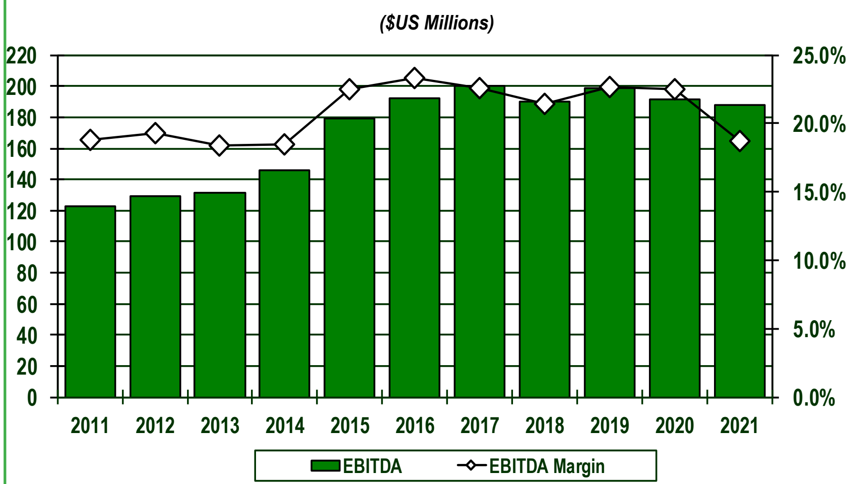
Definitions

(1) EBITDA (income before interest, tax, depreciation and amortization) is not a recognized measure under IFRS. Management believes that in addition to net income attributable to equity holders of the Company, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures, payment of lease liabilities and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income attributable to equity holders of the Company determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies. Refer to the section entitled Selected Financial Information on page 5 of this document for the calculation of EBITDA from 2019 to 2021.

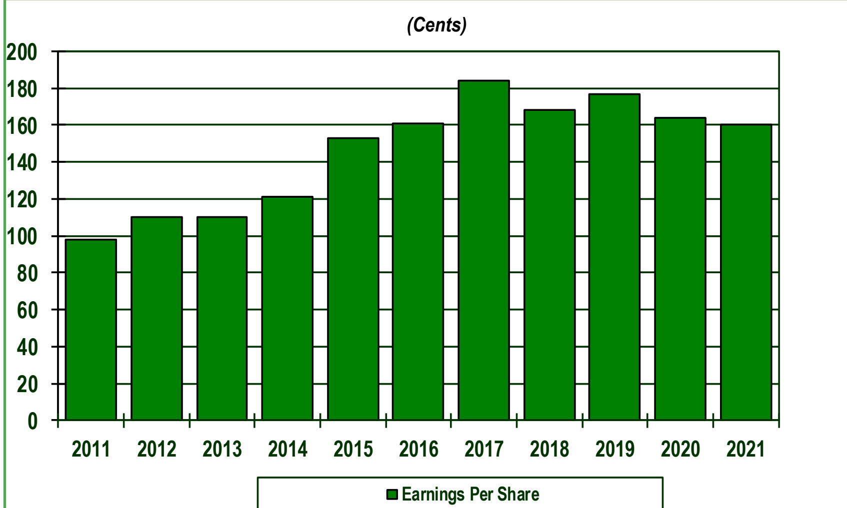
(2) In 2017, a one-time income tax recovery of 17 cents per share was recorded due to the revaluation of deferred tax asset and liability balances within the US operations as a result of US tax reform enacted in December 2017.

(3) Return on opening invested capital is defined as income from operations divided by invested capital, which is defined as the sum of total debt, equity, net deferred tax liability, and accumulated goodwill amortization.

EBITDA and EBITDA Margins: Ten-year CAGR 4.4%



Earnings Per Share



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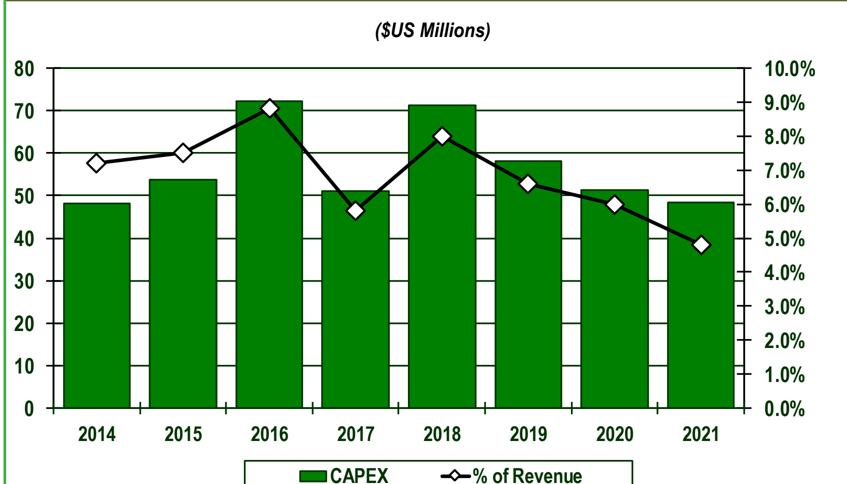

Forward-looking statements: Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's 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. Factors that could cause results to differ from those expected include, but are not limited to: the terms, availability and costs of acquiring raw materials and the ability to pass on price increases to customers; ability to negotiate contracts with new customers or renew existing customer contracts with less favorable terms; timely response to changes in customer product needs and market acceptance of our products; the potential loss of business or increased costs due to customer or vendor consolidation; competitive pressures, including new product development; industry capacity, and changes in competitors' pricing; ability to maintain or increase productivity levels; ability to contain or reduce costs; foreign currency exchange rate fluctuations; changes in governmental regulations, including environmental, health and safety; changes in Canadian and foreign income tax rates, income tax laws and regulations. In addition, factors arising as a result of the Coronavirus (COVID-19) global pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. Unless otherwise required by applicable securities law, Winpak disclaims 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.

General Information

The following discussion and analysis dated March 2, 2022 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. The Company's functional and reporting currency is the US dollar. The Company has filed a separate Management's Discussion and Analysis for its fourth quarter of 2021, which is available on the Company's website at www.winpak.com or on SEDAR at www.sedar.com.

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.

Company Overview

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.

Selected Financial Information

Millions of US dollars, except per share and margin amounts	**2021**	2020	2019
Revenue	**1,002.0**	852.5	873.8
Income from operations	**142.4**	146.8	155.0
Net income attributable to equity holders of the Company	**103.8**	106.3	114.8
Gross profit margin	**27.4%**	30.9%	31.3%
Earnings per share (cents)	**160**	164	177
Reconciliation of EBITDA			
Net income	**106.3**	108.9	118.1
Income tax expense	**35.3**	38.8	41.7
Net finance expense (income)	**0.8**	(1.0)	(4.8)
Depreciation and amortization	**45.4**	44.8	43.5
EBITDA	**187.8**	191.5	198.5

Overall Performance

- ∆ Revenue grew by $149.5 million or 17.5 percent from 2020 to an all-time high of $1,002.0 million. Revenue expansion reflected the significant impact of both volume growth of $82.3 million and the positive influence of selling price and mix changes of $60.4 million.

- ∆ Gross profit margins declined to 27.4 percent from the prior year's result of 30.9 percent. The substantial contraction in the spread between selling prices and raw material costs was only somewhat offset by the gains attributable to the rate at which sales volumes increased in relation to the rise in manufacturing costs. Gross profit increased by 4.1 percent from $263.6 million in 2020 to $274.4 million in 2021.

- ∆ Net income attributable to equity holders of the Company of $103.8 million decreased from the prior year's net income of $106.3 million by 2.4 percent. The effect of the robust growth in sales volumes was slightly eclipsed by the lower gross profit margins.

- ∆ Cash and cash equivalents ended the year at $377.5 million, despite the declaration of a special dividend of $159.4 million ($195 million Canadian or $3.00 per share). The Company has no short-term borrowing or long-term debt outstanding.

Highlights

- ∆ Raw materials: The annual average cost of raw materials purchased by the Company escalated to unprecedented levels in 2021 to the extent of 43.8 percent, after receding in 2020 by 7.9 percent and declining by 12.2 percent in 2019. The pronounced change in the index over the past 12 months was caused by the sustained, heightened global demand for the Company's key resins and adverse weather events which led to constrained producer supply.

- ∆ Operating expenses: Higher personnel costs, along with heightened freight and distribution costs, contributed to the elevation of operating expenses. Expected credit loss recoveries on trade and other receivables had the opposite effect and were in contrast to the expected credit loss expenses recorded in 2020. On a net basis, these items reduced earnings per share by 2.5 cents.

- ∆ Foreign exchange: In 2021, when compared to the prior year, the average exchange rate of the Canadian dollar appreciated against the US dollar by 7.1 percent, creating a loss as Canadian dollar denominated expenses exceeded Canadian dollar denominated revenues. This was largely nullified by the gains realized on the maturation of foreign exchange contracts that form part of the Company's foreign exchange hedging policy.

- ∆ Net finance expense (income): Declines in interest rates and lower average cash and cash equivalent amounts in 2021 combined to reduce EPS by 2.0 cents.

- ∆ Capital expenditures: Capital expenditures in 2021 totaled $48.3 million, highlighted by spending relating to the biaxially oriented nylon facility expansion and the new extrusion line it is housing, the new cast co-extrusion line at the modified atmosphere packaging plant and the building infrastructure and initial production equipment for injection molded containers and in-mold labels at the Sauk Village, Illinois rigid container operation.

- ∆ Financing and investing: During 2021, Winpak generated $97.0 million in cash flow from operating activities, which when combined with cash on hand, was more than sufficient to fund a special dividend of $159.4 million, $48.3 million in capital projects, $6.2 million in regular dividends and $1.0 million of other items, resulting in a year-end net cash position of $377.5 million. The Company will utilize its cash resources on hand and generate additional cash flow from operations to fund its investing and operating activities in 2022. In addition, management will continue to evaluate strategic acquisition opportunities in concert with implementing the organic capital investment program, all focused on enhancing long-term shareholder value.

Results of Operations

Components of total (decrease) increase in earnings per share (EPS)

	2021	2020	2019
Organic growth	**15.0**	(4.0)	(2.5)
Gross profit margins	**(16.0)**	(7.5)	6.0
Operating expenses, net finance expense (income) and non-controlling interests	**(4.5)**	(1.5)	0.0
Income taxes	**3.5**	(0.5)	1.0
Foreign exchange	**(2.0)**	0.5	4.5
Total (decrease) increase in EPS (cents)	**(4.0)**	(13.0)	9.0

Ongoing operations

Organic growth is the impact on net income due entirely to increased sales volumes and excludes the influence of acquisitions, divestitures and foreign exchange. Overall, higher sales volumes raised EPS by 15.0 cents. Of this amount, it is estimated that COVID-19 accounted for an advancement of 3.0 cents while non-COVID-19 related sales growth positively affected EPS by 12.0 cents.

Gross profit margins contracted in 2021 as the significant narrowing in the spread between selling prices and raw material costs was only partially offset by the expansion caused by the pace at which sales volumes grew in relation to the rise in manufacturing costs.

Due to the lower average cash and cash equivalents balance and the modest decline in the rate of interest earned thereon, net finance expense (income) lowered EPS by 2.0 cents. Meanwhile, the elevation in operating expenses subtracted 2.5 cents from EPS.

The effective income tax rate dropped by 1.4 percentage points, adding 3.5 cents to EPS.

Foreign exchange had a negative impact of 2.0 cents on EPS versus the previous year. The Company's Canadian dollar transactions were translated at a less beneficial average exchange rate in 2021 and this occurrence was only partially mitigated by the gains realized on foreign exchange forward contracts. Additionally, negative translation differences were recorded on the revaluation of Canadian dollar monetary assets and liabilities in the current year in contrast to the positive differences that were realized in 2020.

Revenue

Revenue Change

	Millions of US dollars		
	2021	2020	2019
Volume increase (decrease)	**82.3**	(21.4)	(11.9)
Business acquisition	**-**	17.4	5.2
Price and mix gains (losses)	**60.4**	(16.3)	(6.4)
Foreign exchange gains (losses)	**6.8**	(1.1)	(2.7)
Total increase (decrease) in revenue	**149.5**	(21.4)	(15.8)

COVID-19 has influenced the Company's product groups to varying degrees. Throughout 2021, sales order levels have improved notably with respect to customers that are aligned with the foodservice and hospitality industries. Simultaneously, for customers that serve the retail food market, volumes remained elevated. Relative to 2020, it is estimated that COVID-19 enhanced 2021 sales volumes between 1.5 to 2.5 percent.

For 2021, revenue reached an all-time high of $1,002.0 million, eclipsing the $1 billion threshold, growing by 17.5 percent from the 2020 level of $852.5 million. Volumes strengthened by 9.7 percent. Within the rigid packaging and flexible lidding operating segment, volumes climbed by 12 percent. The substantial increase in rigid container volumes was a combination of customers' new product offerings, notably pet food trays and dessert containers, and elevated condiment and snack food container shipments. Lidding product group volumes were modestly higher, highlighted by new retort pet food lidding business along with buoyant snack food lidding activity. Sizeable volume growth was realized by the specialized printed packaging product group as new nutraceutical packaging business was secured. The flexible packaging operating segment attained volume growth of 9 percent. In particular, modified atmosphere packaging volumes expanded due to the enhanced demand for meat and cheese packaging. Major customers in both retail and foodservice markets raised their order levels considerably. Additionally, new frozen food packaging business was commercialized mid-year. Biaxially oriented nylon volumes benefitted from the heightened demand of non-food retail customers which was constrained in 2020 with the more restrictive public health orders. Similarly, specialty film volumes accelerated in the current year due to the rebound experienced by medical customers whose business was severely hampered by the pandemic in 2020. Packaging machinery volumes receded by 5 percent as several machines that were scheduled to be shipped towards the end of the year were deferred until early 2022 on account of supply chain delays for components. Compared to 2020, selling price and mix changes had a large favorable effect on revenue of 7.0 percent as the substantial increase in raw material costs throughout 2021 resulted in higher selling prices to customers. Foreign exchange had a minor positive influence of 0.8 percent on revenue.

Gross profit margins

For the current year, gross profit margins decreased to 27.4 percent of revenue versus the 2020 level of 30.9 percent. This resulted in an overall contraction in EPS of 16 cents. Raw material costs reached unprecedented levels, escalating to a much a greater extent than the corresponding selling price adjustments, lowering EPS by 27 cents. In accordance with the contractual timing of passing along these raw material cost increases to customers on formal price indexing programs, the average delay is approximately four months and was responsible for this inequity. With the robust expansion in sales volumes, the Company was able to achieve substantial manufacturing cost efficiencies which elevated EPS by 11 cents.

Winpak's average raw material index, which represents the weighted cost of the Company's eight primary raw materials, increased by 43.8 percent from the 2020 average. The magnitude of the rise in raw material pricing fluctuated amongst the different raw materials. The most prominent increase was experienced by polypropylene resin at 134 percent. In addition, polyethylene resin, nylon resin and foil advanced by 53 percent, 42 percent and 24 percent, respectively.

Raw Material Index

	2021	2020	2019
Increase (decrease) in index compared to prior year	**43.8%**	(7.9%)	(12.2%)

Expenses

For the 2021 fiscal year, operating expenses, adjusted for foreign exchange, advanced at a rate of 11.4 percent in comparison to the 9.7 percent acceleration in sales volumes, subtracting 2.5 cents from EPS. Heightened freight and distribution costs, in combination with personnel additions to Winpak's salesforce to support strategic market growth initiatives, including the Wiicare healthcare platform with Wipak, Winpak's European sister company, were the key factors leading to the rise in operating expenses. This was somewhat muted by the expected credit loss recoveries realized on trade and other receivables in the current year, a turnaround from the expected credit loss expenses recorded in the prior year.

Foreign Exchange

	2021	2020	2019
Year-end exchange rate of CDN dollar to US dollar	**0.781**	0.778	0.765
Year-end exchange rate of US dollar to CDN dollar	**1.281**	1.285	1.308
Appreciation of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	**0.4%**	1.7%	4.4%
Average exchange rate of CDN dollar to US dollar	**0.796**	0.743	0.752
Average exchange rate of US dollar to CDN dollar	**1.256**	1.345	1.329
Appreciation (depreciation) of CDN dollar vs. US dollar average exchange rate compared to the prior year	**7.1%**	(1.2%)	(3.1%)

Winpak utilizes the US currency as both its reporting and functional currency. However, with approximately 58 percent of its production capacity located in Canada, it is exposed to foreign exchange risks and records foreign currency differences on transactions and translations denominated in Canadian dollars as well as other foreign currencies. With a production facility located in Mexico, the Company is also exposed to foreign exchange risks on costs denominated in Mexican pesos but these are less significant.

On a net basis, foreign exchange had an unfavorable impact on EPS of 2.0 cents in 2021 compared to the prior year. Approximately 11 percent of revenues and 19 percent of costs in the current year were denominated in Canadian dollars. The net outflow of Canadian dollars exposes Winpak to transaction differences arising from exchange rate fluctuations. The appreciation in the average exchange rate of the Canadian dollar in relation to the US dollar in 2021 of 7.1 percent decreased EPS by 3.5 cents compared to 2020. As part of the Company's hedging program to manage this risk, the foreign exchange contracts that matured during 2021 were at a more advantageous average exchange rate, generating foreign exchange gains. In the prior year, foreign exchange losses were incurred on these financial instruments and the relative change increased EPS by 2.5 cents. In contrast, translation differences, which arise when Canadian dollar monetary assets and liabilities are translated at exchange rates that change over time, lowered EPS by 1.0 cent in the current year in comparison to 2020.

Summary of quarterly results

Thousands of US dollars, except earnings per share (EPS) amounts (cents)

	2021				2020		
Quarter ended	**Revenue**	**Net income***	**EPS**	Quarter ended	Revenue	Net income*	EPS
March 28	**224,806**	**24,495**	**38**	March 29	213,596	23,155	36
June 27	**243,969**	**28,520**	**44**	June 28	216,201	29,226	45
September 26	**254,166**	**20,762**	**32**	September 27	210,605	26,684	41
December 26	**279,053**	**30,031**	**46**	December 27	212,091	27,256	42
	1,001,994	**103,808**	**160**		852,493	106,321	164

*attributable to equity holders of the Company

Various factors affect timing of the Company's earnings during the course of a year. Typically, seasonal factors contribute to stronger revenue and net income in the second and fourth quarters compared to the first and third quarters. Factors influencing seasonal trends are the higher demand for certain food products in advance of the summer season and the greater number of holidays in the fourth quarter. During the third quarter, revenue and net income are typically lower due to reduced order levels and plant maintenance shutdowns scheduled to coincide with the summer. Sudden and substantial changes in the rate of exchange between the Canadian and US dollars from one quarter to another may cause revenue and net income to vary from the historic trend. Similarly, sudden and significant changes in the cost of raw materials consumed from one quarter to another can be expected to increase or decrease net income in a manner that does not conform to the normal pattern. Furthermore, unexpected adverse weather conditions could influence the supply and price of raw materials or customer order levels, and the timing of commercializing new manufacturing equipment can cause revenue and net income to depart from established trends.

The following items influenced the timing of the Company's reported results beyond historic trends. In 2021, COVID-19 had a favourable impact on revenue with the most significant effect being realized in the third and fourth quarters. In 2020, the pandemic tempered revenue from the second quarter onwards and was most pronounced in the third quarter. The magnitude of selling price increases to customers on formal contractual price indexing arrangements accelerated throughout 2021 due to the persistent advancement in the external benchmark indices. In 2020, the opposite effect was experienced on account of indices declining during each quarter of the year. Due to the governmental restrictions imposed and Company policies implemented with respect to limiting travel related activities, spending in this area declined notably in the final three quarters of 2020 and then returned to pre-pandemic amounts in the last two quarters of 2021.

Cash Flow, Liquidity and Capital Resources

At December 26, 2021, Winpak's cash and cash equivalents balance amounted to $377.5 million, a reduction of $117.9 million from a year earlier. This decrease resulted from cash provided by operating activities of $97.0 million less disbursements for investing activities of $48.5 million and financing activities of $166.4 million.

Operating activities

Cash from operating activities reached $97.0 million. Cash generated from operating activities before changes in working capital was $186.0 million, a decrease of $5.7 million from 2020. The net investment in working capital amounted to $68.2 million. The increases in inventories, trade and other receivables and trade payables and other liabilities each related to the unprecedented rise in raw material costs as well as the healthy growth in sales volumes. Income tax payments were $19.1 million, down $14.9 million from the previous year as the lower taxable income amounts reduced the required income tax installments.

Investing activities

Investing activities in the current year totaled $48.5 million, of which plant and equipment additions represented $48.3 million. The plant and equipment expenditures included the completion of the Company's biaxially oriented nylon facility expansion and the installation of the related additional extrusion capacity. Furthermore, the new cast co-extrusion line at the modified atmosphere packaging plant was installed and successfully commercialized. The rigid container operation in Sauk Village, Illinois completed the building infrastructure and installation of the initial production equipment for injection molded containers and in-mold labels. Over the long term, Winpak's expenditures for equipment enhancements in maintaining existing capacity have averaged approximately 2 percent of revenue.

Financing activities

Financing activities in 2021 included dividends to common shareholders of $165.6 million and payments with respect to lease liabilities of $0.8 million. Dividends consisted of a special dividend issued in July of the current year of $159.4 million ($195.0 million Canadian) and regular dividends of $6.2 million. The Company's objectives in managing capital are to have sufficient liquidity to pursue organic growth along with strategic acquisitions so that an appropriate rate of return on investments is provided to shareholders.

Resources

Investments to drive organic and acquisitive growth can be significant, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt facilities, issuance of equity or a combination thereof. An informal investment grade credit rating allows the Company access to relatively low interest rates on debt. The Company currently has unused operating lines of $38 million, which are believed adequate for liquidity purposes. Based on discussions with various financial institutions, Winpak believes that additional credit can be arranged from banks and other major lenders as required. The Company is confident that all 2022 requirements for capital expenditures, payment of lease liabilities, working capital, and dividend payments can be financed from cash resources, cash provided by operating activities and unused credit facilities.

Risks and Financial Instruments

The Company recognizes that net income is exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers and financial counterparties. These market conditions are regularly monitored and actions are taken, when appropriate, according to Winpak's policies established for the purpose. Despite the methods employed to manage these risks, future fluctuations in interest rates, foreign exchange rates, raw material costs and counterparty financial condition can be expected to impact net income.

With respect to foreign exchange risk, Winpak employs hedging programs to minimize risks associated with changes in the value of the Canadian dollar relative to the US dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from revenue in a currency with outflows of costs and expenses denominated in the same currency. For the remaining exposure, the Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of Canadian dollars for the ensuing 9 to 15 months will be hedged at all times with forward or zero-cost option contracts. The Company may also enter into foreign currency forward contracts when equipment purchases will be settled in other foreign currencies. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved Schedule 1 Canadian financial institutions.

Significant fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. However, the Company's financial results over the long term will inevitably be affected by sizeable changes in the value of the Canadian dollar relative to the US dollar. Winpak estimates that each time the exchange rate strengthens or weakens by one Canadian cent against the US dollar, net income with respect to transaction differences will decrease or increase by approximately 0.8 of a US cent per share, respectively.

During 2021, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange gains of $0.9 million. As at December 26, 2021, the Company had US to CDN dollar foreign currency forward contracts outstanding with notional amounts of $33.0 million. The pre-tax unrealized foreign exchange loss on these contracts of $0.7 million was recorded in other comprehensive income.

Winpak has not participated in any derivatives market for raw materials. Winpak is not aware of any instrument that fully mitigates fluctuations in raw material costs over the long term. To manage this risk, Winpak has entered into formal selling price-indexing agreements with certain customers whereby changes in raw material prices are reflected in selling price adjustments, albeit with a three to six-month time lag. For 2021, 69 percent of Winpak's revenue was governed by selling price-indexing agreements. For all other customers, the Company responds to changes in raw material costs by adjusting selling prices on a customer-by-customer basis. However, market conditions can have an impact on these price adjustments such that the combined impact of selling price adjustments and changes in raw material costs can be significant to Winpak's net income.

Credit risk arises from cash and cash equivalents held with banks, derivative financial instruments (foreign currency forward and option contracts), as well as credit exposure to customers, including outstanding accounts receivable. 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. The Company also sells certain extended term trade receivables without recourse to financial institutions in exchange for cash. The Company invests its excess cash on a short-term basis, to a maximum of six months, with 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 Canadian federal or provincial government. Nonetheless, unexpected deterioration in the financial condition of a counterparty can have a negative impact on the Company's net income in the case of default.

The Company enters into contractual obligations in the normal course of business operations. These obligations, as at December 26, 2021, are summarized below.

Contractual Obligations	Payment due, by period (thousands of US dollars)				
	Total	1 year	2 - 3 years	4 - 5 Years	After 5 years
Leases*	8,132	1,335	2,811	1,597	2,389
Purchase obligations	15,769	15,769	-	-	-
Total contractual obligations	23,901	17,104	2,811	1,597	2,389

*leases reflect non-cancellable contract periods and do not include amounts relating to extension options that are exercisable by the Company

Accounting Policy Changes

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

In May 2020, the International Accounting Standards Board (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 consolidated financial statements.

Future Accounting Changes

The IASB issued the following amended standards that have not been applied in preparing the consolidated financial statements and notes thereto, for the year ended December 26, 2021 as their effective dates fall within annual periods beginning subsequent to the current reporting period: "Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)", "Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)" and "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)".

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.

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.

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.

Looking Forward

Winpak enters 2022 with a foundation built for solid sales volume growth and enhanced profitability. In 2021, the Company, along with all of its devoted employees, navigated one of the most challenging years in its history. Winpak successfully managed the effect of the COVID-19 pandemic, dealt with an extremely difficult supply chain environment and faced limited availability of human resources. These matters will be prevalent again in 2022 and could influence the Company's results. However, to the extent possible, Winpak has implemented counter measures to minimize the financial impact and disruptive nature of these issues, ensuring our customers' packaging needs are fully met in an efficient and timely manner. In 2021, raw material procurement relationships with long-term suppliers were leveraged. Additionally, securing alternate sources of raw material supply, expediting incoming shipments and implementing material substitutions where possible were key elements undertaken by Winpak. Furthermore, investments in plant infrastructure and warehousing have been initiated to support the maintenance of higher inventory levels of key raw materials. During the current wave of the pandemic, the health and safety of our employees continues to be the primary focus and additional standard operating procedures have been instituted to minimize the risk of workplace transmission. Even with high levels of community transmission, the Company has been able to maintain the continuity of operations in all of our facilities. Once the current phase of the pandemic subsides, the economy should continue to return to pre-COVID-19 levels. Although the consensus view is that this transition should take hold in the second half of 2022, the precise timing and extent of the economic rebound is difficult to predict. In the coming year, attracting sufficient human resources, in a challenging labor market, will be a top priority. To be recognized as an employer of choice, flexible work arrangements and employee training and development programs will be relied upon and modified as required.

The Company is committed to a transformation towards a carbon-neutral footprint, while providing an unmatched offering of products and services that help protect and extend the shelf life of food and other products. This transition is also vital for our business partners as they move towards the achievement of their sustainable packaging targets. The roadmap to sustainable product offerings is constantly expanding for both rigid and flexible packaging. New technology has been commercialized within the modified atmosphere packaging operations that opens many opportunities for reusable/recycle-ready high-barrier thermoforming films and spouted pouches. Going forward, additional capital resources will be allocated to enhancing and broadening Winpak's technical expertise and capabilities to expand its growing product portfolio of sustainable packaging.

In 2021, sales volumes accelerated by 9.7 percent, the highest annual growth rate achieved by the Company since 2014. Based on current business opportunities and the vibrant North American economy, this momentum should carry forward into 2022. The flexible packaging segment will reap the benefit of new extrusion capacity. The new cast co-extrusion line commercialized in the fourth quarter of 2021 at the modified atmosphere packaging plant will provide the needed capacity for protein and cheese business gains. Additionally, frozen food and spouted pouch packaging will contribute favorably. The new extrusion line at the biaxially oriented nylon facility is slated to be a catalyst for incremental volumes by the second half of 2022. Similarly, robust sales volume growth is expected for the rigid packaging and flexible lidding segment. Both the rigid container and flexible lidding product groups have been awarded further retort pet food and snack food business. With the manufacturing capabilities now in place for injection molded containers and in-mold labels at the Sauk Village, Illinois rigid container site, this endeavor will be a core component of the Company's growth aspirations over the foreseeable future. Due to new pharmaceutical and nutraceutical business, the specialized printed packaging product group will see an uptick in activity in 2022. Subsequent to implementing the Wiicare global healthcare initiative in 2021, new medical packaging opportunities have been secured and the scale of current prospects is promising. Fueled by the substantial order backlog and the greater productive capability of their new facility, the packaging machinery segment should contribute healthy volume growth in the upcoming year.

After rising by 54 percent over the first nine months of 2021, overall resin prices stabilized and started to retreat by the end of 2021 and the majority of the 2021 raw material cost increases have been passed along to customers. Accordingly, gross profit margins began returning to the levels achieved in recent years and are indicative of the Company's optimistic profitability expectations heading into 2022. Current market views are that raw material prices will temporarily rise in the first quarter of 2022 and should then gradually recede over the balance of the year. However, adverse weather conditions and unforeseen supply chain events could put additional upwards pressure on raw material prices and constrain gross profit margins. In addition, resin producers have enacted measures to restrict supply in order to sustain the exceptionally high prices. For all other key cost categories, significant inflationary pressures persisted in 2021, most notably for consumables, freight and distribution, employee compensation and energy expenses. Inflation remains a prime challenge and is not expected to materially subside in 2022. The Company will assess the requirement to pass on these cost increases to its customers in the ensuing year.

Capital expenditures of approximately $60 to $70 million are forecast for 2022. The installation of the new biaxially oriented polyamide (BOPA) line in Winnipeg, Manitoba is nearly complete. Extensive pre-production activities will be undertaken in the first half of 2022 and the line is expected to be fully operational by mid-2022. In the upcoming year, printing and laminating converting capacity will be added to the modified atmosphere packaging facility. As new business is awarded, Winpak is poised to undertake the required building expansions and acquire additional extrusion and converting capacities. The Company remains steadfast with its prime focus being organic growth opportunities, new technologies and expanded product offerings, especially those that promote the core sustainability objectives. Complementary acquisition candidates that align strategically with Winpak's strengths in sophisticated packaging for food, beverage and healthcare applications, providing a satisfactory economic return for shareholders, will be seriously considered and evaluated. During the latter half of 2021, potential acquisition opportunities started to resurface with greater frequency and should accelerate in 2022.

Critical Accounting Estimates and Judgments

The Company believes the following accounting estimates and judgments are critical to determining and understanding the operating results and the financial position of the Company.

Aggregation of operating segments – Judgment is applied in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers and distribution methods.

Business combinations – The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Company calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with intangible assets following a business combination, which would impact the amortization expense.

Employee benefit plans – Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

Impairment of property, plant and equipment, intangible assets and goodwill – An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and the appropriate discount rate. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit (CGU) being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the average projected sales volume growth, the average projected gross profit percentage and the terminal growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The company has nine CGUs, of which the carrying values for three include goodwill and must be tested for impairment annually.

Timing of revenue recognition – Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return.

Leases – Management assesses at lease commencement date whether it is reasonably certain to exercise lease extension options. In addition, assumptions are made as to the discount rate applied to the lease liability. If there is a significant event or significant change in circumstances within the Company's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and lease liabilities.

Disclosure Controls and Internal Controls

Disclosure controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 26, 2021 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 26, 2021 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 26, 2021, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Other

Additional information relating to the Company is available on the Company's website at www.winpak.com or SEDAR at www.sedar.com, including the Annual Information Form dated March 2, 2022.

Management's Report to the Shareholders

The accompanying consolidated financial statements, Management's Discussion and Analysis (MD&A) and other information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with International Financial Reporting Standards. The MD&A and financial information contained in this Annual Report are consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Business reviews and internal audits are performed by corporate management and an internal audit team to evaluate internal controls, systems and procedures.

The Board, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and MD&A, and in the financial control of operations. The Board recommends the appointment of the independent auditors to the shareholders. The Audit Committee meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues and presents its findings to the Board. The Audit Committee reviews the consolidated financial statements, MD&A and material financial announcements with management and the external auditors prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditors, KPMG LLP, whose report follows.

O.Y. Muggli
President and Chief Executive Officer
March 2, 2022

L.A. Warelis
Vice President and Chief Financial Officer
March 2, 2022

Auditors’ Report to the Shareholders

Independent Auditors’ Report

To the Shareholders of Winpak Ltd.

Opinion

We have audited the consolidated financial statements of Winpak Ltd. (the Entity), which comprise the consolidated balance sheets as at December 26, 2021 and December 27, 2020, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 26, 2021 and December 27, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 26, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors’ report.

Evaluation of the intangible assets and goodwill impairment analysis for the specialized printed packaging cash generating unit

<u>Description of the matter</u>

We draw attention to Notes 3(p), 4(d) and 18 to the financial statements. The intangible assets and goodwill balance is $34,472,000, of which $20,770,000 relates to the specialized printed packaging cash generating unit (CGU). The Entity reviews the carrying amount of intangible assets at each reporting date to determine whether there is any indication of impairment. The Entity performs goodwill impairment testing annually or at any time if an indicator of impairment exists. In determining the recoverable amount of its CGUs, the Entity uses the value in use, which is determined using a discounted cash flow model, or the fair value less costs to sell, if greater. The determination of each of these amounts is subject to estimation uncertainty. The Entity’s significant assumptions include projected sales volume and gross profit, terminal growth rate, and discount rate.

<u>Why the matter is a key audit matter</u>

We identified the evaluation of the intangible assets and goodwill impairment analysis for the specialized printed packaging cash generating unit as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of intangible assets and goodwill and the high degree of estimation uncertainty in assessing the Entity’s significant assumptions. Significant auditor judgment and the involvement of professionals with specialized skill and knowledge was required to evaluate the evidence supporting the Entity’s significant assumptions due to the sensitivity of the recoverable amounts to minor changes in significant assumptions.

<u>How the matter was addressed in the audit</u>

The primary procedures we performed to address this key audit matter included the following:

We took into account changes, conditions and events affecting the Entity and assessed the adjustments or lack of adjustments made by the Entity at arriving at the projected sales volume and gross profit.

We compared the Entity’s historical sales volume forecasts to actual results to assess the Entity’s ability to accurately project future sales volume.

We evaluated the terminal growth rate by comparing to overall market and industry conditions and overall macro-economic conditions.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rate assumption used in the estimated recoverable amount. The valuation professionals compared the discount rate against a range that was independently developed using publicly available external data for comparable entities.

Other Information
Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions, and information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

REPORTING

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Scott Sissons.

Winnipeg, Canada

March 2, 2022

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 26, 2021 and December 27, 2020

(thousands of US dollars, except per share amounts)	Note	**2021**	2020
Revenue	8	**1,001,994**	852,493
Cost of sales		**(727,546)**	(588,864)
Gross profit		**274,448**	263,629
Sales, marketing and distribution expenses		**(83,848)**	(67,918)
General and administrative expenses		**(31,556)**	(32,204)
Research and technical expenses		**(17,831)**	(16,511)
Pre-production expenses		**(43)**	(178)
Other income (expenses)	11	**1,268**	(58)
Income from operations		**142,438**	146,760
Finance income	12	**913**	3,151
Finance expense	12	**(1,738)**	(2,196)
Income before income taxes		**141,613**	147,715
Income tax expense	13	**(35,265)**	(38,800)
Net income for the year		**106,348**	108,915
Attributable to:			
Equity holders of the Company		**103,808**	106,321
Non-controlling interests		**2,540**	2,594
		106,348	108,915
Basic and diluted earnings per share - cents	25	**160**	164

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 26, 2021 and December 27, 2020

(thousands of US dollars)		**2021**	2020
Net income for the year		**106,348**	108,915
Items that will not be reclassified to the statements of income:			
Cash flow hedge losses recognized		**(867)**	-
Employee benefit plan remeasurements	19	**12,727**	(3,160)
Income tax effect	13	**(3,419)**	866
		8,441	(2,294)
Items that are or may be reclassified subsequently to the statements of income:			
Cash flow hedge (losses) gains recognized		**(102)**	115
Cash flow hedge (gains) losses transferred to the statements of income	11	**(1,751)**	504
Income tax effect	13	**495**	(165)
		(1,358)	454
Other comprehensive income (loss) for the year - net of income tax		**7,083**	(1,840)
Comprehensive income for the year		**113,431**	107,075
Attributable to:			
Equity holders of the Company		**110,891**	104,481
Non-controlling interests		**2,540**	2,594
		113,431	107,075

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(thousands of US dollars)	Note	**December 26 2021**	December 27 2020
Assets			
Current assets:			
Cash and cash equivalents	14	**377,461**	495,346
Trade and other receivables	15	**177,382**	135,406
Income taxes receivable		**9,825**	10,506
Inventories	16	**187,058**	135,629
Prepaid expenses		**6,702**	3,128
Derivative financial instruments		**-**	1,138
		758,428	781,153
Non-current assets:			
Property, plant and equipment	17	**515,247**	507,461
Intangible assets and goodwill	18	**34,472**	35,887
Employee benefit plan assets	19	**13,547**	8,114
		563,266	551,462
Total assets		**1,321,694**	1,332,615
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities	21	**91,717**	64,592
Contract liabilities	8	**3,503**	1,775
Provisions		**-**	149
Income taxes payable		**1,102**	1,490
Derivative financial instruments		**715**	-
		97,037	68,006
Non-current liabilities:			
Employee benefit plan liabilities	19	**9,837**	13,484
Deferred income		**17,685**	14,359
Provisions and other long-term liabilities	22	**13,029**	13,770
Deferred tax liabilities	20	**68,367**	55,953
		108,918	97,566
Total liabilities		**205,955**	165,572
Equity:			
Share capital	24	**29,195**	29,195
Reserves	24	**(524)**	834
Retained earnings		**1,050,949**	1,103,435
Total equity attributable to equity holders of the Company		**1,079,620**	1,133,464
Non-controlling interests		**36,119**	33,579
Total equity		**1,115,739**	1,167,043
Total equity and liabilities		**1,321,694**	1,332,615

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of US dollars)	Note	Attributable to Equity Holders of the Company: 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 income for the year							
Cash flow hedge gains, net of tax		-	84	-	84	-	84
Cash flow hedge losses transferred to the statements of income, net of tax		-	370	-	370	-	370
Employee benefit plan remeasurements, net of tax		-	-	(2,294)	(2,294)	-	(2,294)
Other comprehensive income (loss)		-	454	(2,294)	(1,840)	-	(1,840)
Net income for the year		-	-	106,321	106,321	2,594	108,915
Comprehensive income for the year		-	454	104,027	104,481	2,594	107,075
Dividends	24	-	-	(5,794)	(5,794)	-	(5,794)
Balance at December 27, 2020		29,195	834	1,103,435	1,133,464	33,579	1,167,043

(thousands of US dollars)	Note	Share Capital	Reserves	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at December 28, 2020		**29,195**	**834**	**1,103,435**	**1,133,464**	**33,579**	**1,167,043**
Comprehensive (loss) income for the year							
Cash flow hedge losses, net of tax		**-**	**(75)**	**(867)**	**(942)**	**-**	**(942)**
Cash flow hedge gains transferred to the statements of income, net of tax		**-**	**(1,283)**	**-**	**(1,283)**	**-**	**(1,283)**
Employee benefit plan remeasurements, net of tax		**-**	**-**	**9,308**	**9,308**	**-**	**9,308**
Other comprehensive (loss) income		**-**	**(1,358)**	**8,441**	**7,083**	**-**	**7,083**
Net income for the year		**-**	**-**	**103,808**	**103,808**	**2,540**	**106,348**
Comprehensive (loss) income for the year		**-**	**(1,358)**	**112,249**	**110,891**	**2,540**	**113,431**
Dividends	24	**-**	**-**	**(164,735)**	**(164,735)**	**-**	**(164,735)**
Balance at December 26, 2021		**29,195**	**(524)**	**1,050,949**	**1,079,620**	**36,119**	**1,115,739**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 26, 2021 and December 27, 2020 *(thousands of US dollars)*	Note	**2021**	2020
Cash provided by (used in):			
Operating activities:			
Net income for the year		**106,348**	108,915
Items not involving cash:			
Depreciation	17	**45,604**	44,636
Amortization - deferred income		**(1,881)**	(1,522)
Amortization - intangible assets	18	**1,660**	1,653
Employee defined benefit plan expenses	19	**4,533**	3,517
Net finance expense (income)	12	**825**	(955)
Income tax expense	13	**35,265**	38,800
Other		**(6,352)**	(3,389)
Cash flow from operating activities before the following		**186,002**	191,655
Change in working capital:			
Trade and other receivables		**(41,976)**	6,449
Inventories		**(51,429)**	(5,162)
Prepaid expenses		**(3,574)**	(413)
Trade payables and other liabilities		**27,056**	(234)
Contract liabilities	8	**1,728**	(1,940)
Employee defined benefit plan contributions	19	**(1,074)**	(1,500)
Income tax paid		**(19,069)**	(33,936)
Interest received		**791**	2,855
Interest paid		**(1,400)**	(1,769)
Net cash from operating activities		**97,055**	156,005
Investing activities:			
Acquisition of property, plant and equipment - net		**(48,291)**	(51,282)
Acquisition of intangible assets	18	**(245)**	(215)
		(48,536)	(51,497)
Financing activities:			
Payment of lease liabilities		**(807)**	(554)
Dividends paid	24	**(165,597)**	(5,767)
		(166,404)	(6,321)
Change in cash and cash equivalents		**(117,885)**	98,187
Cash and cash equivalents, beginning of year		**495,346**	397,159
Cash and cash equivalents, end of year	14	**377,461**	495,346

See accompanying notes to consolidated financial statements.

(thousands of US dollars, unless otherwise indicated)

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. The ultimate controlling party of Winpak Ltd. is Wihuri International Oy of Helsinki, Finland, a privately held company.

2. Basis of presentation

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). 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.

The Company's functional and reporting currency is the US dollar. The US dollar is the reporting currency as more than 85 percent of the Company's business is conducted in US dollars and therefore management believes this increases transparency by significantly reducing volatility of reported results due to fluctuations in the rate of exchange between the Canadian and US currencies.

The consolidated financial statements have been prepared under the historical-cost convention, except that certain financial instruments and employee benefit plans are stated at their fair value.

The consolidated financial statements were approved by the Board of Directors on March 2, 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 the year ended December 26, 2021, the impact on expected credit losses in relation to trade and other receivables was immaterial (see note 28) and no CGU impairment losses (see note 18) were recorded.

3. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Winpak Portion Packaging Ltd.; Winpak Heat Seal Packaging Inc.; Winpak Holdings Ltd.; Winpak Inc.; Winpak Films Inc.; Winpak Portion Packaging, Inc.; Winpak Lane, Inc.; Winpak Heat Seal Corporation; Winpak Control Group Inc.; Grupo Winpak de Mexico, S.A. de C.V.; Embalajes Winpak de Mexico, S.A. de C.V.; and Administracion Winpak de Mexico, S.A. de C.V.; and its majority-owned subsidiary American Biaxis Inc. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All inter-company balances and transactions, including any unrealized income arising from inter-company transactions have been eliminated.

(b) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are expensed and included in general and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9 "Financial Instruments" in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

(c) Non-controlling interests

Winpak Ltd. owns 51 percent of the equity interest in American Biaxis Inc., a subsidiary located in Winnipeg, Manitoba, Canada. Non-controlling interests represent the remaining 49 percent equity interest owned by third parties. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income is recognized directly in equity.

(d) Foreign currency translation

The financial statements for the Company and its subsidiaries are prepared using their functional currency, that being the US dollar. The functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized directly to the statement of income. Non-monetary assets and liabilities arising from transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of the transaction.

(e) Revenue

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer, b) identification of the performance obligations in the contract, c) determination of the transaction price, d) allocation of the transaction price to the performance obligations in the contract and e) recognition of revenue when the Company satisfies a performance obligation. Revenue is recognized when control of a product is transferred to a customer. Revenue is measured based on the consideration specified in the contract with a customer, net of variable consideration, including rebates, returns and discounts. Rebates are accrued using sales data and rebate percentages specific to each customer contract. Accruals for sales returns are calculated based on the best estimate of the amount of product that will ultimately be returned by customers, reflecting historical experience and the magnitude of non-conforming inventory claims made by customers that have either been approved or are pending review. For customer contracts where the Company expects to be paid within one year, the consideration is not adjusted for the effects of a financing component. Packaging machinery contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

(f) Research and technical expenses

Research and technical expenses are expensed in the period in which the costs are incurred.

(g) Government grants/tax credits

Grants/tax credits from government are recognized at their fair value when there is a reasonable assurance that the grant/tax credit will be received and/or earned and any specified conditions will be met.

Grants/tax credits received in relation to the purchase and construction of plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of income on a straight-line basis over the estimated useful life of the related asset. Grants/tax credits received in relation to research and development activities and labor subsidy programs are recorded to reduce these costs when it is determined there is reasonable assurance the grants/tax credits will be realized.

(h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, c) amounts expected to be payable under a residual value guarantee and d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Rental income received from packaging machine operating leases is recognized on a straight-line basis over the term of the corresponding lease.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Any excess, unallocated, fixed overhead costs are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash invested in interest-bearing money market accounts and short-term deposits with maturities of less than three months. Cash equivalents are all highly liquid investments. Bank overdrafts are shown within current liabilities. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Trade and other receivables

The Company applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

The Company has ongoing agreements in place with financial institutions whereby certain extended term trade receivables are sold without recourse in exchange for cash. When the trade receivable is sold, the Company removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records the corresponding costs within finance expense and general and administrative expenses. The Company assumes the risk on trade receivables not sold, and accordingly, the amounts are included within trade and other receivables.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included in the carrying value of the asset. When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site are included in the carrying value of the asset with a corresponding increase to provisions. Borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment that takes an extended period of time to be placed into service are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. See note 3(p) on impairment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacing a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits of the item will occur and its cost can be measured reliably. The costs of day-to-day maintenance of plant and equipment are recognized directly in the statement of income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are ready for use as follows:

Buildings 20 - 40 years	Equipment 4 - 20 years	Packaging machines 3 - 7 years

Depreciation methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed.

The gain or loss on the retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the asset and is recognized in the statement of income.

(m) Pre-production expenses

Pre-production costs relating to installations of major new production equipment are expensed in the period in which incurred.

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. See note 3(p) on impairment. Computer software that is integral to a related item of hardware is included with plant and equipment. All other computer software is treated as an intangible asset. The cost of intangible assets acquired in an acquisition is the fair value at the acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase price and any directly attributable costs of preparing the asset for use. Amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer software 3 - 12 years	Patents 8 - 17 years	Customer-related 5 - 15 years

(o) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses (see note 3(p)).

(p) Impairment

The carrying amount of the Company's property, plant and equipment and intangible assets (other than goodwill) are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually or at any time if an indicator of impairment exists. If any such indication exists, the applicable asset's recoverable amount is estimated.

The recoverable amount of the Company's assets are calculated as the value-in-use, being the present value of future cash flows, using a pre-tax discount rate that reflects the current assessment of the time value of money, or the fair value less costs to sell, if greater. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which it belongs. The Company bases its impairment calculation on detailed financial forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These financial forecasts are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized whenever the carrying amount of an asset or its respective CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. In respect of property, plant and equipment and intangible assets, an impairment loss is reversed if there has been an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(q) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent that it relates to items recorded directly to other comprehensive income or equity, in which case it is recognized directly in other comprehensive income or equity, respectively.

Current income tax comprises the expected income tax payable or receivable on the taxable income or loss for the period, using income tax rates enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date, and any adjustments to income taxes payable or receivable in respect of previous periods. Current income tax is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused income tax losses.

Deferred tax is recognized using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities for income taxation purposes. Deferred tax is not recognized for the following temporary timing differences: the initial recognition for both goodwill and assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the income tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realized or the liability is settled, based on the income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to offset the amounts and intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

The Company regularly evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to income tax authorities, reflecting any uncertainty over tax treatments.

(r) Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans in Canada and the US and one funded non-contributory supplementary income postretirement plan for certain CDN-based executives. A market discount rate is used to measure the benefit obligations based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligations. The cost of providing the benefits is actuarially determined using the projected unit credit method. Actuarial valuations are conducted, at a minimum, on a triennial basis with interim valuations performed as deemed necessary. Consideration is given to any event that could impact the benefit plan assets or obligation up to the balance sheet date where interim valuations are performed. For financial reporting purposes, the Company measures the benefit obligations and fair value of assets for the defined benefit plans as of the year-end date. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, reduced by the fair value of benefit plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. Current service costs are charged to the statement of income and included in the same line items as the related compensation cost. The net finance cost is computed based on the application of the discount rate to the net defined benefit pension plan asset or liability at the start of the annual period, taking into account any anticipated changes during the upcoming year as a result of contributions and benefit payments and also reflects the impact of any pension plan asset ceiling adjustments. The net finance cost is shown within either finance income or finance expense within the statement of income depending on whether the defined benefit pension plan was in an asset or liability position at the start of the year. Remeasurements, which comprise actuarial gains and losses, the return on benefit plan assets and the effect of the pension plan asset ceiling adjustment, are recognized directly in equity within other comprehensive income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs in the statement of income. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

One of the Company's subsidiaries maintains one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals. A market discount rate is used to measure the benefit obligation based on the yield of high quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the benefit obligation. The cost of providing the benefits is actuarially determined using the projected unit credit method. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation. Current service costs are charged to the statement of income as they accrue and are included in general and administrative expenses. Interest costs on the benefit obligation are charged to the statement of income as finance expense. Remeasurements are recognized directly in equity within other comprehensive income. When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of income.

The Company maintains seven defined contribution pension plans in Canada and the US. The pension expense charged to the statement of income for these plans is the annual funding contribution by the Company.

Termination benefits are recognized as an expense in the statement of income at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

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

(s) Provisions

A provision is recognized when there is a legal or constructive obligation as a result of a past event and it is probable that a future outlay of cash will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-income tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When some or all of the monies required to settle a provision are expected to be recovered from a third party, the recovery is recognized as an asset when it is virtually certain that the recovery will be received.

When the Company has a legal or constructive obligation to restore a site on which an asset is located either through make-good provisions in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognized as a provision with a corresponding increase to the related item of property, plant and equipment. At each reporting date, the obligation is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the obligation are added or deducted from the related asset. The change in the present value of the obligation due to the passage of time is recognized as a finance expense or finance income in the statement of income.

At each reporting date, other provisions are remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the provision are recognized in the statement of income. The change in the present value of the provision due to the passage of time is recognized as a finance expense or finance income in the statement of income.

(t) Financial assets and liabilities

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets. Financial liabilities are classified at amortized cost.

A financial asset is classified as measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified as measured at FVOCI if it meets both of the following conditions: a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except cash and cash equivalents, trade and other receivables and trade payables and other liabilities, which are measured at amortized cost. All changes in fair value are recorded to the consolidated statement of income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income to the extent the derivatives are deemed to be effective hedges.

(u) Hedge accounting

The Company operates principally in Canada and the United States, which gives rise to risks that its income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to manage foreign exchange exposures on anticipated labor, operating costs, property, plant and equipment expenditures and dividend payments to be incurred in Canadian dollars and equipment expenditures to be incurred in other foreign currencies. The Company has elected to designate these instruments in their entirety as hedging instruments for hedge accounting purposes, including both the spot and forward elements of the contract in the valuation of the instrument.

With respect to hedges of foreign currency exposure, the Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An assessment is made whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The fair value of each contract is included on the consolidated balance sheet within derivative financial instrument assets or liabilities, depending on whether the fair value was in an asset or liability position. In the case of labor and operating costs, changes in the fair value of these contracts are initially recorded in other comprehensive income and subsequently recorded in the consolidated statement of income when the hedged item affects income or loss. In the case of property, plant and equipment expenditures, changes in the fair value of these contracts are initially recorded in other comprehensive income and upon settlement of the contract, the gain or loss is included in the cost of the corresponding asset. For dividend payments, changes in the fair value of these contracts are recorded directly in equity.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated statement of income in the same period or periods as the hedged expected future cash flows affects income or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the consolidated statement of income.

(v) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Company for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated on the same basis as there are no potentially dilutive common shares.

4. Critical accounting estimates and judgments

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The following areas require management's most critical estimates and judgments:

(a) Aggregation of operating segments

Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers and distribution methods.

(b) Business combinations

The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Company calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with intangible assets following a business combination, which would impact the amortization expense.

(c) Employee benefit plans

Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, rate of compensation increase, mortality rate and healthcare costs. These assumptions depend on underlying factors such as economic conditions, government regulations and employee demographics. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or liabilities.

(d) Impairment of property, plant and equipment, intangible assets and goodwill

An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and the appropriate discount rate. The cash flows are derived from the financial forecast for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to projected revenue and gross profit and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the average projected sales volume growth, the average projected gross profit percentage and the terminal growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount. The Company has nine CGUs, of which the carrying values for three include goodwill and must be tested for impairment annually.

(e) Timing of revenue recognition

Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return.

(f) Leases

Management assesses at lease commencement date whether it is reasonably certain to exercise lease extension options. In addition, assumptions are made as to the discount rate applied to the lease liability. If there is a significant event or change in circumstances within the Company's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and lease liabilities.

5. 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 International Accounting Standards Board (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 consolidated financial statements.

6. 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.

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

7. 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 8 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:

	December 26 2021	December 27 2020
United States	**258,001**	266,533
Canada	**272,552**	257,304
Mexico	**19,166**	19,511
	549,719	543,348

8. Revenue

Significant judgments in applying revenue accounting policy

Significant judgment is required to determine whether revenue should be recognized over time or at a point in time. To assess whether any revenue should be recognized over time, the Company analyzes customer-specific products without alternative use to determine whether a legally enforceable right to payment exists as performance is completed, including a reasonable return. During 2021, no material arrangements satisfied these criteria, and as a result, the Company did not recognize any revenue over time. Accordingly, all revenue was recognized at a point in time giving consideration to whether the customer has: a) assumed the risks and rewards of ownership, b) a present obligation to pay and c) obtained legal title and physical possession. These conditions are usually fulfilled upon shipment of products.

For customer contracts that include a volume rebate program, judgment is required to estimate the eventual amount that will be paid to the customer. Most volume rebate programs entitle a customer to an increasing rebate percentage based upon the attainment of purchase level thresholds. At each reporting date, the Company updates its estimates regarding variable consideration.

Disaggregation of revenue

	2021	2020
Operating segment		
Flexible packaging	**519,798**	451,076
Rigid packaging and flexible lidding	**451,729**	369,278
Packaging machinery	**30,467**	32,139
	1,001,994	852,493
Geographic segment		
United States	**806,232**	676,638
Canada	**126,765**	111,955
Mexico and other	**68,997**	63,900
	1,001,994	852,493

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

Contract balances
The following table provides information about trade receivables and contract liabilities with customers:

	December 26 2021	December 27 2020
Trade receivables, which are included in 'Trade and other receivables' (note 15)	**166,467**	125,850
Contract liabilities	**(3,503)**	(1,775)

Changes in contract liabilities during the period

Opening balance, December 28, 2020	(1,775)
Revenue recognized during the year that was included in the opening balance	1,775
Increases due to cash received, excluding amounts recognized as revenue during the year	(3,503)
Closing balance, December 26, 2021	(3,503)

Performance obligations
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.

No revenue was recognized in 2021 or 2020 relating to performance obligations that were satisfied or partially satisfied in previous years. Similarly, no revenue will be recognized in subsequent years relating to unsatisfied performance obligations as at December 26, 2021.

	2021	2020

9. Expenses by nature

Raw materials and consumables used	**(522,652)**	(400,524)
Depreciation and amortization	**(45,383)**	(44,767)
Personnel expenses (note 10)	**(214,073)**	(190,473)
Freight	**(30,518)**	(23,824)
Other expenses	**(48,198)**	(46,087)
Foreign exchange and cash flow hedge gains (losses) transferred from other comprehensive income (note 11)	**1,268**	(58)
	(859,556)	(705,733)

10. Personnel expenses

Wages and salaries	**(185,865)**	(165,517)
Social security	**(16,350)**	(14,593)
Employee defined benefit plan expenses (note 19)	**(4,533)**	(3,517)
Employee defined contribution plan expenses (note 19)	**(7,325)**	(6,846)
	(214,073)	(190,473)

During 2021, the Company received $1,177 with respect to the Canada Emergency Wage Subsidy (CEWS) program (2020 - $1,696) which has been netted against wages and salaries.

11. Other income (expenses)

Foreign exchange (losses) gains	**(483)**	446
Cash flow hedge gains (losses) transferred from other comprehensive income	**1,751**	(504)
	1,268	(58)

12. Finance income and expense

Finance income on cash and cash equivalents	**804**	2,873
Net finance income on defined benefit plans (note 19)	**109**	278
Finance income	**913**	3,151
Finance expense on bank overdrafts	**(18)**	(7)
Finance expense on lease liabilities	**(499)**	(413)
Finance expense on sale of extended term trade receivables (note 28)	**(919)**	(1,413)
Net finance expense on defined benefit plans (note 19)	**(302)**	(363)
Finance expense	**(1,738)**	(2,196)
Net finance (expense) income	**(825)**	955

	2021	2020

13. Income tax expense

	2021	2020
Current tax expense		
Current year	**(25,775)**	(26,062)
Deferred tax expense		
Origination and reversal of temporary differences	**(9,490)**	(12,738)
Income tax expense	**(35,265)**	(38,800)
Income tax (expense) recovery recognized in other comprehensive income		
Cash flow hedges	**495**	(165)
Employee benefit plan remeasurements	**(3,419)**	866
	(2,924)	701
Reconciliation of effective income tax rate		
Combined Canadian federal and provincial income tax rate	**26.7%**	26.8%
United States income taxed at rates (lower than) equivalent to Canadian tax rates	**(0.2)**	-
Permanent differences and other	**(1.6)**	(0.5)
Effective income tax rate	**24.9%**	26.3%

	December 26 2021	December 27 2020

14. Cash and cash equivalents

	December 26 2021	December 27 2020
Bank balances	**18,755**	14,628
Money market and short-term deposits	**358,706**	480,718
	377,461	495,346

15. Trade and other receivables

	December 26 2021	December 27 2020
Trade receivables	**166,467**	125,850
Less: Allowance for expected credit losses	**(1,007)**	(2,043)
Net trade receivables	**165,460**	123,807
Other receivables	**11,922**	11,599
	177,382	135,406

16. Inventories

	December 26 2021	December 27 2020
Raw materials	**65,065**	36,928
Work-in-process	**32,435**	29,765
Finished goods	**74,834**	55,999
Spare parts	**14,724**	12,937
	187,058	135,629

During 2021, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $6,392 (2020 - $8,023) and reversals of previously written-down items of $2,666 (2020 - $3,267).

17. Property, plant and equipment

	Land	Buildings	Equipment	Packaging Machines	Capital In Progress	Total
Net book value						
At December 30, 2019						
Cost	24,486	199,281	647,031	23,025	64,292	958,115
Accumulated depreciation	-	(63,765)	(382,542)	(22,541)	-	(468,848)
	24,486	135,516	264,489	484	64,292	489,267
2020 Activity						
Additions	-	12,476	20,887	9	34,207	67,579
Disposals	-	(3)	(4,746)	-	-	(4,749)
Transfers	-	-	31,606	-	(31,606)	-
Depreciation	-	(7,486)	(36,998)	(152)	-	(44,636)
At December 27, 2020	24,486	140,503	275,238	341	66,893	507,461
At December 27, 2020						
Cost	24,486	211,736	682,042	20,348	66,893	1,005,505
Accumulated depreciation	-	(71,233)	(406,804)	(20,007)	-	(498,044)
	24,486	140,503	275,238	341	66,893	507,461

	Land	Buildings	Equipment	Packaging Machines	Capital In Progress	Total
Net book value						
At December 28, 2020						
Cost	**24,486**	**211,736**	**682,042**	**20,348**	**66,893**	**1,005,505**
Accumulated depreciation	**-**	**(71,233)**	**(406,804)**	**(20,007)**	**-**	**(498,044)**
	24,486	**140,503**	**275,238**	**341**	**66,893**	**507,461**
2021 Activity						
Additions	**-**	**3,315**	**31,041**	**837**	**18,452**	**53,645**
Disposals	**-**	**-**	**(145)**	**(110)**	**-**	**(255)**
Transfers	**-**	**24,778**	**18,364**	**-**	**(43,142)**	**-**
Depreciation	**-**	**(7,853)**	**(37,664)**	**(87)**	**-**	**(45,604)**
At December 26, 2021	**24,486**	**160,743**	**286,834**	**981**	**42,203**	**515,247**
At December 26, 2021						
Cost	**24,486**	**239,690**	**721,321**	**14,693**	**42,203**	**1,042,393**
Accumulated depreciation	**-**	**(78,947)**	**(434,487)**	**(13,712)**	**-**	**(527,146)**
	24,486	**160,743**	**286,834**	**981**	**42,203**	**515,247**

At December 26, 2021, property, plant and equipment includes right-of-use assets of $12,665 (2020 - $13,825) related to leased facilities (see note 23).

Government grants/tax credits in respect of property, plant and equipment were recognized within deferred income totaling $5,207 in 2021 (2020 - $1,644). No impairment losses or impairment reversals were recorded during 2021 and 2020. No borrowing costs were capitalized during 2021 and 2020.

18. Intangible assets and goodwill

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
At December 30, 2019					
Cost	18,435	9,976	38	18,830	47,279
Accumulated amortization	-	(8,742)	(11)	(1,200)	(9,953)
	18,435	1,234	27	17,630	37,326
2020 Activity					
Additions	-	181	34	-	215
Disposals	-	(1)	-	-	(1)
Amortization	-	(377)	-	(1,276)	(1,653)
At December 27, 2020	18,435	1,037	61	16,354	35,887
At December 27, 2020					
Cost	18,435	10,106	72	18,830	47,443
Accumulated amortization	-	(9,069)	(11)	(2,476)	(11,556)
	18,435	1,037	61	16,354	35,887

	Goodwill	Software	Patents	Customer Related	Total
Net book value					
At December 28, 2020					
Cost	**18,435**	**10,106**	**72**	**18,830**	**47,443**
Accumulated amortization	**-**	**(9,069)**	**(11)**	**(2,476)**	**(11,556)**
	18,435	**1,037**	**61**	**16,354**	**35,887**
2021 Activity					
Additions	**-**	**222**	**23**	**-**	**245**
Disposals	**-**	**-**	**-**	**-**	**-**
Amortization	**-**	**(383)**	**-**	**(1,277)**	**(1,660)**
At December 26, 2021	**18,435**	**876**	**84**	**15,077**	**34,472**
At December 26, 2021					
Cost	**18,435**	**9,750**	**95**	**18,830**	**47,110**
Accumulated amortization	**-**	**(8,874)**	**(11)**	**(3,753)**	**(12,638)**
	18,435	**876**	**84**	**15,077**	**34,472**

The 2021 intangible assets and goodwill balance includes $12,596 (2020 - $12,542) related to the lidding CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 10.8 percent (2020 - 11.1 percent). Cash flows were projected based on actual operating results and the five-year business plan. Average sales volume growth projected for the next five years was 6.4 percent (2020 - 4.8 percent) and the average gross profit percentage projected over the same time-frame was within two percentage points of (2020 - within two percentage points) the actual gross profit percentage attained in the current year. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent (2020 - 1.5 percent).

The 2021 intangible assets and goodwill balance includes $20,770 (2020 - $22,060) related to the specialized printed packaging CGU. The impairment testing for this CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 12.6 percent (2020 - 13.1 percent). Cash flows were projected based on actual operating results and the five-year business plan. Average sales volume growth projected for the next five years was 9.7 percent (2020 - 8.8 percent) and the average gross profit percentage projected over the same time-frame was within five percentage points of (2020 - within four percentage points) the actual gross profit percentage attained in the current year. Cash flows after the five-year period were assumed to increase at a terminal growth rate of 1.5 percent (2020 - 1.5 percent).

As of December 26, 2021, there were no indefinite life intangible assets other than goodwill. The amortization of software and patents is included within general and administrative expenses and the amortization of customer-related intangibles is included within sales, marketing and distribution expenses. At December 26, 2021 the weighted average remaining useful life of customer-related intangible assets was 12.5 years (2020 - 13.4 years).

No impairment losses or impairment reversals were recorded during 2021 and 2020.

19. Employee benefit plans

The Company maintains four funded non-contributory defined benefit pension plans, one funded non-contributory supplementary income postretirement plan for certain CDN-based executives, one unfunded contributory defined benefit postretirement plan for healthcare benefits for a limited group of US individuals and seven defined contribution pension plans. Effective January 1, 2005, all defined benefit pension plans were frozen to new entrants except one, which was frozen effective January 1, 2009. All new CDN employees are required, and all new US employees have the option, to participate in defined contribution plans upon satisfaction of certain eligibility requirements.

The employee benefit plans are overseen by the Company Pension Committee (CPC) which is comprised of two members from senior management and one Board member. The CPC is responsible for determining and recommending the following items to the Company's Board of Directors for approval: (a) the benefit plan asset investment policies, (b) the Company's cash funding and (c) the employee benefit entitlements within the respective benefit plans.

Total amounts paid by the Company on account of all benefit plans, consisting of: defined benefit pension plans, supplementary income postretirement plan, direct payments to beneficiaries for the unfunded postretirement plan and the defined contribution plans, amounted to $8,340 (2020 - $8,378).

Defined contribution pension plans
The Company maintains four defined contribution pension plans for employees in Canada and three retirement savings plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was $7,325 (2020 - $6,846).

Defined benefit plans
For financial reporting purposes, the Company measures the benefit obligations and fair value of the benefit plan assets as of the year-end date. The most recent actuarial valuations for funding purposes for the funded non-contributory plans were completed as at the following dates: January 1, 2021 for one plan, January 1, 2020 for one plan, December 31, 2019 for one plan and October 31, 2020 for one inactive plan. These actuarial valuations establish the minimum funding requirements. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for healthcare benefits were dated December 26, 2021. The supplementary income postretirement plan has no minimum funding requirements. The next required actuarial valuations for all of the Company's active defined benefit plans are three years from the aforementioned dates. Based on the most recent actuarial valuations, the Company expects to contribute $1,648 in cash to its defined benefit plans in 2022. The CPC also reviews the funding position of each plan on an annual basis and makes recommendations to the Company's Board of Directors regarding any additional cash funding by the Company deemed appropriate.

Regarding the funded non-contributory plans and the supplementary income postretirement plan, the normal retirement age is 65. The option to retire early and receive a reduced pension begins at age 55. For most plan members, the annual pension entitlement is based on years of credited service and the earnings attained in each of those years. However, for certain CDN-based executives, the annual pension entitlement is based on years of credited service and the highest average annual base compensation excluding incentive payments during the highest 36 consecutive months of earnings prior to retirement. At December 26, 2021 and December 27, 2020, the benefit obligation pertaining to these plan members represented less than 10 percent of the Company's total benefit obligation.

All equity and debt securities have quoted prices in active markets. The defined benefit pension plans do not invest in the shares of the Company. The objective of the benefit plan asset allocation policy is to manage the funded status of the benefit plans at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns. The long-term rate of return is targeted to exceed the return indicated by a benchmark portfolio by at least 1 percent annually. The CPC also pays attention to potential fluctuations in the benefit obligations. In the ideal case, benefit plan assets and obligations move in the same direction when interest rates change, creating a natural hedge against possible underfunding of the benefit plans.

The following presents the financial position of the Company's defined benefit pension plans and other postretirement benefits, which include the supplementary income plan and the postretirement plan for healthcare benefits:

	December 26 2021	December 27 2020
Funded status		
Present value of funded obligations	**(113,189)**	(118,587)
Fair value of benefit plan assets	**119,342**	114,978
Status of funded obligations	**6,153**	(3,609)
Present value of unfunded obligations	**(1,429)**	(1,596)
Total funded status of obligations	**4,724**	(5,205)
Benefit plan assets not recognized due to pension plan asset ceiling limit	**(1,014)**	(165)
	3,710	(5,370)

	December 26 2021	December 27 2020
Amounts recognized in the balance sheet		
Employee benefit plan assets	**13,547**	8,114
Employee benefit plan liabilities	**(9,837)**	(13,484)
	3,710	(5,370)
Change in benefit obligation		
Benefit obligation, beginning of year	**120,183**	102,766
Current service cost	**4,095**	3,172
Finance expense	**2,986**	3,319
Remeasurement (gains) losses recognized in other comprehensive income	**(8,538)**	12,968
Benefits paid	**(4,395)**	(3,451)
Foreign exchange	**287**	1,409
Benefit obligation, end of year	**114,618**	120,183
Change in benefit plan assets		
Fair value of benefit plan assets, beginning of year	**114,978**	103,625
Expected return on benefit plan assets	**2,793**	3,234
Remeasurement gains recognized in other comprehensive income	**5,038**	8,813
Employer contributions	**1,074**	1,500
Benefits paid	**(4,395)**	(3,451)
Benefit plan administration cost paid from the plan assets recognized in income	**(438)**	(345)
Foreign exchange	**292**	1,602
Fair value of benefit plan assets, end of year	**119,342**	114,978
Change in benefit plan assets not recognized due to pension plan asset ceiling limit		
Balance, beginning of year	**165**	1,139
Remeasurement losses (gains) recognized in other comprehensive income	**849**	(995)
Foreign exchange	**-**	21
Balance, end of year	**1,014**	165
Benefit plan obligation		
The following represents the geographical breakdown of the benefit obligation:		
Canada	**(66,692)**	(69,475)
United States	**(47,926)**	(50,708)
	(114,618)	(120,183)
The following represents the membership status breakdown of the benefit obligation:		
Active members	**(58,725)**	(64,537)
Retired members	**(49,916)**	(48,831)
Deferred vested members	**(5,159)**	(5,967)
Other	**(818)**	(848)
	(114,618)	(120,183)
Benefit plan assets		
The following represents the weighted average allocation of benefit plan assets:		
Asset category		
Equity securities	**35%**	49%
Debt securities	**61%**	47%
Cash	**4%**	4%
Total	**100%**	100%

	2021	2020
Net benefit plan expense		
Current service cost	**(4,095)**	(3,172)
Plan administration cost	**(438)**	(345)
	(4,533)	(3,517)
Net finance income	**109**	278
Net finance expense	**(302)**	(363)
	(4,726)	(3,602)
Actual return on benefit plan assets	**7,831**	12,047
Cumulative remeasurements recognized in other comprehensive income		
Cumulative amount, beginning of year	**5,202**	8,362
Annual activity		
Remeasurement of benefit obligation:		
Actuarial (losses) gains arising from changes in demographic assumptions	**(146)**	340
Actuarial gains (losses) arising from changes in financial assumptions	**8,120**	(12,564)
Actuarial gains (losses) arising from experience adjustments	**564**	(744)
	8,538	(12,968)
Remeasurement of benefit plan assets - actuarial gains arising from experience adjustments	**5,038**	8,813
Remeasurement of benefit plan assets not recognized due to pension plan asset ceiling limit	**(849)**	995
	12,727	(3,160)
Cumulative amount, end of year	**17,929**	5,202

	December 26 2021	December 27 2020
Significant assumptions		
The following weighted averages were used to value the benefit obligation:		
Discount rate	**3.0%**	2.5%
Rate of compensation increase	**3.6%**	3.6%

Assumptions regarding future mortality were based on the following mortality tables: Canada - CPM - RPP2014 private generational (2020 - CPM - RPP2014 private generational) and United States - RP2021 (2020 - RP2020).

At December 26, 2021, the weighted average duration of the benefit obligations was 15.0 years (2020 - 15.5 years).

Sensitivity analysis

At December 26, 2021, the present value of the benefit obligation was $114,618. Based on changes to the definitive actuarial assumptions, the benefit obligation would have been as follows:

	Increase	Decrease
Discount rate - one percentage point	100,062	132,812
Future mortality - one year	117,945	111,253
Rate of compensation increase - one percentage point	115,697	113,666

20. Deferred tax assets and liabilities

The following are the components of the deferred tax assets and liabilities recognized by the Company:

	Assets		Liabilities		Net	
	December 26 2021	December 27 2020	**December 26 2021**	December 27 2020	**December 26 2021**	December 27 2020
Trade and other receivables	**196**	395	**-**	-	**196**	395
Inventories	**4,689**	5,465	**-**	-	**4,689**	5,465
Prepaid expenses	**-**	-	**(157)**	(108)	**(157)**	(108)
Derivative financial instruments	**191**	-	**-**	(304)	**191**	(304)
Property, plant and equipment	**-**	-	**(74,360)**	(65,557)	**(74,360)**	(65,557)
Intangible assets and goodwill	**4**	4	**(2,260)**	(2,263)	**(2,256)**	(2,259)
Employee benefit plans	**2,313**	3,468	**(3,557)**	(1,977)	**(1,244)**	1,491
Trade payables and other liabilities	**1,472**	1,141	**(73)**	(72)	**1,399**	1,069
Provisions	**-**	40	**-**	-	**-**	40
Provisions and other long-term liabilities	**3,175**	3,815	**-**	-	**3,175**	3,815
Tax assets (liabilities)	**12,040**	14,328	**(80,407)**	(70,281)	**(68,367)**	(55,953)
Set off of tax	**(12,040)**	(14,328)	**12,040**	14,328	**-**	-
Net tax assets (liabilities)	**-**	-	**(68,367)**	(55,953)	**(68,367)**	(55,953)

Movement in deferred tax assets and liabilities:

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
<u>2020</u>				
Trade and other receivables	257	138	-	395
Inventories	5,157	308	-	5,465
Prepaid expenses	(95)	(13)	-	(108)
Derivative financial instruments	(139)	-	(165)	(304)
Property, plant and equipment	(49,287)	(16,270)	-	(65,557)
Intangible assets and goodwill	(2,146)	(113)	-	(2,259)
Employee benefit plans	102	523	866	1,491
Trade payables and other liabilities	910	159	-	1,069
Provisions	40	-	-	40
Provisions and other long-term liabilities	1,285	2,530	-	3,815
	(43,916)	(12,738)	701	(55,953)

	Opening Balance	Recognized In Income	Recognized In Equity	Ending Balance
<u>2021</u>				
Trade and other receivables	**395**	**(199)**	**-**	**196**
Inventories	**5,465**	**(776)**	**-**	**4,689**
Prepaid expenses	**(108)**	**(49)**	**-**	**(157)**
Derivative financial instruments	**(304)**	**-**	**495**	**191**
Property, plant and equipment	**(65,557)**	**(8,803)**	**-**	**(74,360)**
Intangible assets and goodwill	**(2,259)**	**3**	**-**	**(2,256)**
Employee benefit plans	**1,491**	**684**	**(3,419)**	**(1,244)**
Trade payables and other liabilities	**1,069**	**330**	**-**	**1,399**
Provisions	**40**	**(40)**	**-**	**-**
Provisions and other long-term liabilities	**3,815**	**(640)**	**-**	**3,175**
	(55,953)	**(9,490)**	**(2,924)**	**(68,367)**

Deferred tax assets have been recognized where it is probable that they will be recovered. In recognizing deferred tax assets, the Company has considered if it is probable that sufficient future income will be available to absorb temporary differences.

No deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries where the Company controls the timing of the reversal and it is probable that such temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in domestic and foreign subsidiaries for which a deferred tax liability has not been recognized is $657,752 (2020 - $600,204). Temporary differences relating to unremitted earnings of foreign subsidiaries which would be subject to withholding and other taxes totaled $521,651 (2020 - $480,183).

21. Trade payables and other liabilities

	December 26 2021	December 27 2020
Trade payables	**(63,789)**	(36,530)
Current portion of lease liabilities (note 23)	**(1,314)**	(1,267)
Other current liabilities and accrued expenses	**(26,614)**	(26,795)
	(91,717)	(64,592)

22. Provisions and other long-term liabilities

Provisions	**(850)**	(761)
Non-current portion of lease liabilities (note 23)	**(12,179)**	(13,009)
	(13,029)	(13,770)

23. Leases

Right-of-use assets

	December 26 2021
Opening balance, December 28, 2020	13,825
Additions	-
Depreciation	(1,160)
Closing balance, December 26, 2021	12,665

Lease liabilities

As lessee, the Company's leases are for office and manufacturing facilities.

The following tables provide information about the timing of future lease payments:

	December 26 2021
Less than one year	**(1,335)**
One to five years	**(4,659)**
More than five years	**(12,052)**
Total contractual undiscounted lease liabilities	**(18,046)**

	December 26 2021
Current	**(1,314)**
Non-current	**(12,179)**
Total discounted lease liabilities	**(13,493)**

During 2021, total cash outflow for leases was $1,995 (2020 - $1,150), including $790 for short-term leases (2020 - $221). Expenses for leases of low-dollar value items were not material.

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 December 26, 2021, potential future lease payments not included in lease liabilities totalled $5,165 on a discounted basis.

Lease income

Lease contracts in which the Company acts as a lessor are classified as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. Lease income from these lease contracts during 2021 totalled $660 (2020 - $645).

24. Share capital and reserves

Share capital

At December 26, 2021, the authorized voting common shares were unlimited (2020 - unlimited). The issued and fully paid voting common shares at December 26, 2021 were 65,000,000 (2020 - 65,000,000). The shares have no par value. The Company has no stock option plans in place.

Reserves

Reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred.

Dividends

During 2021, dividends in Canadian dollars of 12 cents per common share were declared (2020 - 12 cents). In addition, the Company paid a special dividend in Canadian dollars of $3.00 per common share on July 9, 2021.

25. Earnings per share

	2021	2020
Net income attributable to equity holders of the Company	**103,808**	106,321
Weighted average shares outstanding (000's)	**65,000**	65,000
Basic and diluted earnings per share - cents	**160**	164

26. Financial instruments

The following sets out the classification and the carrying/fair value of financial instruments:

Assets (Liabilities)	Classification	Carrying / Fair Value
Cash and cash equivalents	Amortized cost	377,461
Trade and other receivables	Amortized cost	161,949
Trade and other receivables - factoring arrangements	FVOCI	15,433
	Total trade and other receivables	177,382
Trade payables and other liabilities	Amortized cost	(91,717)
Derivative financial instrument liabilities	Fair value - hedging instrument	(715)

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 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 year-end reporting date. 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 following table presents the classification of financial instruments within the fair value hierarchy:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At December 26, 2021				
Foreign currency forward contracts - net	-	(715)	-	(715)
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 December 26, 2021, the supplier rebate receivable balance that was offset was $6,972 (2020 - $5,390).

27. Commitments and guarantees

(a) Commitments

At December 26, 2021, the Company has commitments to purchase plant and equipment of $15,769 (2020 - $26,294).

(b) Guarantees

Directors and officers

The Company and its subsidiaries have entered into indemnification agreements with their respective directors and officers to indemnify them, to the extent permitted by law, against any and all amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding involving the directors and officers. Indemnification claims will be subject to any statutory or other legal limitation period. The Company has purchased directors' and officers' liability insurance to mitigate losses from any such claims.

Leased real property

The Company and its subsidiaries enter into leases in the ordinary course of business for real property. In certain instances, the Company and its subsidiaries have indemnified the landlord from any obligations that may arise from any occurrences of personal bodily injury, loss of life and property damages. The Company's property and liability insurance coverage mitigates losses from any such claims.

Pension plan

The Company has indemnified the Manitoba Pension Commission from any and all claims that may be made by any beneficiary under a certain defined benefit pension plan. The indemnity relates to the transfer of a portion of the surplus in the respective pension plan to a non-contributory supplementary income plan.

Given the nature of the aforementioned indemnification agreements, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company believes the likelihood of a material payment pursuant to these indemnification agreements is remote. No amounts have been recorded in the consolidated financial statements with respect to these indemnification agreements.

28. 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, credit risk and liquidity 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 income (expenses). As a result of the Company's CDN dollar net asset monetary position as at December 26, 2021, a one-cent change in the year-end foreign exchange rate from 0.7805 to 0.7705 (CDN to US dollars) would have decreased net income by $231 for 2021. Conversely, a one-cent change in the year-end foreign exchange rate from 0.7805 to 0.7905 (CDN to US dollars) would have increased net income by $231 for 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 other 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 forward contracts matured during the year and the Company realized pre-tax foreign exchange gains of $884 (2020 losses - $504). Of these foreign exchange differences, gains of $1,751 (2020 losses - $504) were recorded in other income (expenses) and losses of $867 were recorded directly to equity (2020 - $0).

As at December 26, 2021, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $33.0 million at an average exchange rate of 1.2550 maturing between January and October 2022. The fair value of these financial instruments was negative $715 US and the corresponding unrealized loss has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments during 2021 or 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 December 26, 2021 cash and cash equivalents balance of $377.5 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $3,775 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 2021, 69 percent (2020 - 63 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.

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:

	December 26 2021	December 27 2020
Cash and cash equivalents	**377,461**	495,346
Trade and other receivables	**177,382**	135,406
Foreign currency forward contracts	**-**	1,138
	554,843	631,890

Credit risk on cash and cash equivalents and 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 receivable balances against credit losses.

During 2021, the Company incurred costs on the sale of trade receivables of $1,275 (2020 - $1,779). Of these costs, $919 was recorded in finance expense (2020 - $1,413) and $356 was recorded in general and administrative expenses (2020 - $366).

As at December 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 (2020 - 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) 32 percent (2020 - 32 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 (2020 - 34 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 December 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 2021, the Company recorded impairment recoveries on trade and other receivables of $946 (2020 - $850 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:

	December 26 2021	December 27 2020
Current (not past due)	**149,824**	112,780
1 - 30 days past due	**22,504**	20,026
31 - 60 days past due	**3,351**	2,476
More than 60 days past due	**2,710**	2,167
	178,389	137,449
Less: Allowance for expected credit losses	**(1,007)**	(2,043)
Total trade and other receivables, net	**177,382**	135,406

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 $377.5 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 2022. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

Capital management

The Company's objectives in managing capital are to ensure the Company will continue as a going concern and have 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. In the management of capital, the Company includes bank overdrafts, bank loans 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 operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (income before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of bank loans and bank overdrafts less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the 12-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 26, 2021, the ratio was 0.00:1. Debt service coverage is calculated as a 12-month rolling income from operations over debt service. Debt service is calculated as the sum of one-sixth of bank loans outstanding plus annualized finance expense and dividends. This ratio is to be maintained over 1.50:1. As at December 26, 2021, the ratio was 20.83:1.

There were no changes in the Company's approach to capital management during 2021.

29. Contingencies

In the normal course of business activities, the Company may be subject to various legal actions. Management contests these actions and believes resolution of the actions will not have a material adverse impact on the Company's financial condition.

30. Related party transactions

The Company had revenue of $122 (2020 - $0), purchases of $17,534 (2020 - $14,222), commission income of $716 (2020 - $635) and proceeds on the sale of equipment of $0 (2020 - $4,500) with its majority shareholder company. Trade and other receivables and trade payables and other liabilities include amounts of $184 (2020 - $203) and $3,757 (2020 - $1,837) respectively with the majority shareholder company. These transactions were completed at market values with normal payment terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Executive Committee are key management personnel. The following table details the compensation earned by these key management personnel:

	2021	2020
Salaries, fees and short-term benefits	**(3,226)**	(3,652)
Post-employment benefits	**(422)**	(313)
	(3,648)	(3,965)

No loans were advanced to key management personnel during the year.

The aggregate remuneration earned by the Board of Directors in 2021 was $812 (2020 - $828). As a group, the Board of Directors hold, directly or indirectly, 52.7 percent (2020 - 52.6 percent) of the outstanding shares of the Company. The members of the Executive Committee hold, directly or indirectly, 0.0 percent (2020 - 0.0 percent) of the outstanding shares of the Company.

Annual Meeting

The Annual Meeting of Shareholders will be held as an audio/video webcast meeting
on Tuesday, April 26, 2022 at 11:00 a.m. (CDT)
Meeting link: https://meetnow.global/MMHD6JL

Listing

Winpak Ltd. shares are listed WPK on the Toronto Stock Exchange

Transfer Agent

Computershare Investor Services Inc.

Annual Information Form

The most recent version of the Annual Information Form for Winpak Ltd.
is available on Winpak's website: www.winpak.com

Board of Directors

Chairman, *A.I. Aarnio-Wihuri (2)*, Kaarina, Finland; Chairman, Wihuri International Oy
M.H. Aarnio-Wihuri (2), Kaarina, Finland; Deputy CEO, Wihuri International Oy
R.J. Aarnio-Wihuri (2), Kaarina, Finland; Chief Development Officer, Wihuri International Oy
B.J. Berry (2), Winnipeg, Canada
K.P. Kuchma (1), Winnipeg, Canada
D. Spiring (1), Winnipeg, Canada; President and CEO, Economic Development Winnipeg Inc.
I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri International Oy

(1) Member of the Audit Committee
(2) Member of the Corporate Governance, Sustainability, Compensation and Nomination Committee

Executive Committee

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

M. Bilgen, Vice President, Technology and Innovation, Winpak Ltd.
J.C. Holland, President, Winpak Division, a division of Winpak Ltd. and President, Winpak Films Inc.
O.Y. Muggli, President and Chief Executive Officer, Winpak Ltd.
G.L. Powell, President, Winpak Portion Packaging, President, Winpak Heat Seal and President, Winpak Lane, Inc.
L.A. Warelis, Vice President and Chief Financial Officer, Winpak Ltd.

Auditors

KPMG LLP, Winnipeg, Canada

Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada
Bond Schoeneck & King PLLC, Buffalo, U.S.A.

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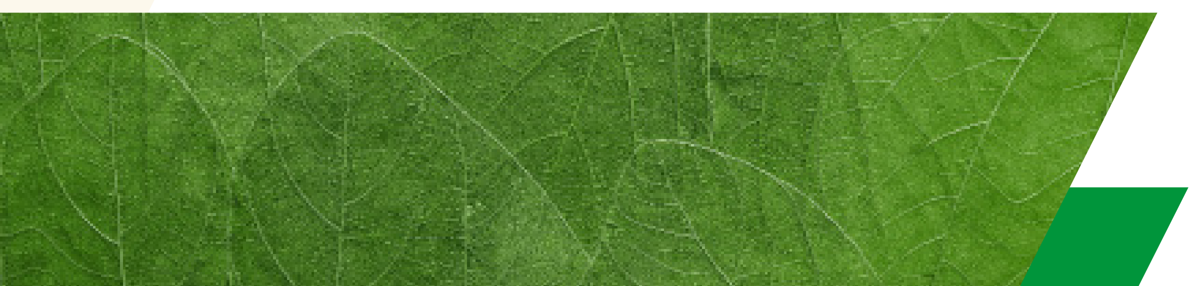

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