Winpak Ltd.
Interim Condensed Consolidated Financial Statements
Second Quarter Ended: July 2, 2023

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

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

	Note	July 2 2023	December 25 2022
Assets			
Current assets:			
Cash and cash equivalents		454,746	398,673
Trade and other receivables	15	198,346	204,040
Income taxes receivable		4,905	3,573
Inventories	8	267,753	288,118
Prepaid expenses		9,345	5,602
Derivative financial instruments		1,317	-
		936,412	900,006
Non-current assets:			
Property, plant and equipment	9	516,740	518,590
Intangible assets and goodwill		32,551	33,110
Employee benefit plan assets	10	11,287	10,783
		560,578	562,483
Total assets		1,496,990	1,462,489
Equity and Liabilities			
Current liabilities:			
Trade payables and other liabilities		81,369	102,382
Contract liabilities		786	2,621
Income taxes payable		3,284	18,393
Derivative financial instruments		24	1,328
		85,463	124,724
Non-current liabilities:			
Employee benefit plan liabilities	10	9,237	8,334
Deferred income		17,712	17,946
Provisions and other long-term liabilities		11,613	12,062
Deferred tax liabilities		56,232	60,648
		94,794	98,990
Total liabilities		180,257	223,714
Equity:			
Share capital		29,195	29,195
Reserves		1,147	(972)
Retained earnings		1,250,930	1,174,551
Total equity attributable to equity holders of the Company		1,281,272	1,202,774
Non-controlling interests		35,461	36,001
Total equity		1,316,733	1,238,775
Total equity and liabilities		1,496,990	1,462,489

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended (Note 2) July 2 2023	Quarter Ended (Note 2) June 26 2022	Year-To-Date Ended (Note 2) July 2 2023	Year-To-Date Ended (Note 2) June 26 2022
Revenue	6	287,464	310,254	591,980	586,236
Cost of sales		(200,563)	(221,000)	(417,229)	(415,452)
Gross profit		86,901	89,254	174,751	170,784
Sales, marketing and distribution expenses		(22,559)	(25,497)	(47,953)	(48,287)
General and administrative expenses		(9,595)	(10,498)	(20,111)	(19,249)
Research and technical expenses		(5,480)	(4,485)	(9,758)	(8,750)
Pre-production expenses		-	(518)	-	(920)
Other income (expense)	7	404	(1,480)	1,292	(889)
Income from operations		49,671	46,776	98,221	92,689
Finance income		5,461	682	10,453	955
Finance expense		(1,577)	(855)	(2,935)	(1,411)
Income before income taxes		53,555	46,603	105,739	92,233
Income tax expense		(13,538)	(12,495)	(26,986)	(24,196)
Net income for the period		40,017	34,108	78,753	68,037
Attributable to:					
Equity holders of the Company		40,006	33,671	79,293	67,541
Non-controlling interests		11	437	(540)	496
		40,017	34,108	78,753	68,037
Basic and diluted earnings per share - cents	13	62	52	122	104

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

	Note	Quarter Ended (Note 2) July 2 2023	Quarter Ended (Note 2) June 26 2022	Year-To-Date Ended (Note 2) July 2 2023	Year-To-Date Ended (Note 2) June 26 2022
Net income for the period		40,017	34,108	78,753	68,037
Items that will not be reclassified to the statements of income:					
Cash flow hedge gains recognized		478	-	766	-
Cash flow hedge gains transferred to property, plant, and equipment		(17)	-	(17)	-
		461	-	749	-
Items that are or may be reclassified subsequently to the statements of income:					
Cash flow hedge gains (losses) recognized		544	(948)	954	(104)
Cash flow hedge losses transferred to the statements of income	7	632	178	918	278
Income tax effect		(315)	206	(502)	(46)
		861	(564)	1,370	128
Other comprehensive income (loss) for the period - net of income tax		1,322	(564)	2,119	128
Comprehensive income for the period		41,339	33,544	80,872	68,165
Attributable to:					
Equity holders of the Company		41,328	33,107	81,412	67,669
Non-controlling interests		11	437	(540)	496
		41,339	33,544	80,872	68,165

See accompanying notes to condensed consolidated financial statements.

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

	Note	Attributable to equity holders of the Company					
	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at December 27, 2021		29,195	(524)	1,050,949	1,079,620	36,119	1,115,739
Comprehensive income for the period							
Cash flow hedge losses, net of tax		-	(76)	-	(76)	-	(76)
Cash flow hedge losses transferred to the statements of income, net of tax		-	204	-	204	-	204
Other comprehensive income		-	128	-	128	-	128
Net income for the period		-	-	67,541	67,541	496	68,037
Comprehensive income for the period		-	128	67,541	67,669	496	68,165
Dividends	12	-	-	(3,076)	(3,076)	-	(3,076)
Balance at June 26, 2022		29,195	(396)	1,115,414	1,144,213	36,615	1,180,828
Balance at December 26, 2022		29,195	(972)	1,174,551	1,202,774	36,001	1,238,775
Comprehensive income for the period							
Cash flow hedge gains, net of tax		-	1,464	-	1,464	-	1,464
Cash flow hedge losses transferred to the statements of income, net of tax		-	672	-	672	-	672
Cash flow hedge gains transferred to property, plant and equipment		-	(17)	-	(17)	-	(17)
Other comprehensive income		-	2,119	-	2,119	-	2,119
Net income (loss) for the period		-	-	79,293	79,293	(540)	78,753
Comprehensive income (loss) for the period		-	2,119	79,293	81,412	(540)	80,872
Dividends	12	-	-	(2,914)	(2,914)	-	(2,914)
Balance at July 2, 2023		29,195	1,147	1,250,930	1,281,272	35,461	1,316,733

See accompanying notes to condensed consolidated financial statements.

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

	Note	Quarter Ended (Note 2)		Year-To-Date Ended (Note 2)	
		July 2 2023	June 26 2022	July 2 2023	June 26 2022
Cash provided by (used in):					
Operating activities:					
Net income for the period		40,017	34,108	78,753	68,037
Items not involving cash:					
Depreciation		11,952	11,962	24,039	23,879
Amortization - deferred income		(421)	(428)	(839)	(854)
Amortization - intangible assets		419	427	846	845
Employee defined benefit plan expenses		1,072	1,092	1,823	2,176
Net finance (income) expense		(3,884)	173	(7,518)	456
Income tax expense		13,538	12,495	26,986	24,196
Other		(854)	(8)	(2,254)	(2,859)
Cash flow from operating activities before the following		61,839	59,821	121,836	115,876
Change in working capital:					
Trade and other receivables		2,092	(21,217)	5,694	(34,035)
Inventories		13,794	(49,242)	20,365	(73,248)
Prepaid expenses		(1,296)	341	(3,743)	(2,717)
Trade payables and other liabilities		(10,423)	17,555	(21,012)	34,111
Contract liabilities		(503)	(816)	(1,835)	(1,696)
Employee defined benefit plan contributions		(28)	(146)	(785)	(1,640)
Income tax paid		(20,856)	(10,774)	(46,373)	(17,303)
Interest received		5,141	568	10,082	735
Interest paid		(1,593)	(785)	(2,962)	(1,281)
Net cash from operating activities		48,167	(4,695)	81,267	18,802
Investing activities:					
Acquisition of property, plant and equipment - net		(12,142)	(11,555)	(21,585)	(23,491)
Acquisition of intangible assets		(79)	(56)	(286)	(231)
		(12,221)	(11,611)	(21,871)	(23,722)
Financing activities:					
Payment of lease liabilities		(227)	(220)	(446)	(428)
Dividends paid	12	(1,443)	(1,563)	(2,877)	(3,085)
		(1,670)	(1,783)	(3,323)	(3,513)
Change in cash and cash equivalents		34,276	(18,089)	56,073	(8,433)
Cash and cash equivalents, beginning of period		420,470	387,117	398,673	377,461
Cash and cash equivalents, end of period		454,746	369,028	454,746	369,028

See accompanying notes to condensed consolidated financial statements.

1. General

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

2. Basis of Presentation

Statement of compliance
The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The unaudited interim condensed consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 25, 2022, which are included in the Company's 2022 Annual Report.

The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2023 fiscal year comprises 53 weeks and the 2022 fiscal year comprised 52 weeks. Each quarter of 2023 and 2022 comprises 13 weeks with the exception of the first quarter of 2023, which comprised 14 weeks.

The unaudited interim condensed consolidated financial statements were approved by the Audit Committee on behalf of the Board of Directors on July 27, 2023.

3. Accounting Standards Implemented in 2023

The following accounting standards came into effect commencing in the Company's 2023 fiscal year:

(a) Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction:
In May 2021, the IASB issued "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)", which introduces an exception to the initial recognition exemption for deferred tax on transactions such as leases and decommissioning obligations. Applying this exception, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments were implemented with retrospective application, effective December 26, 2022. The amendments had no impact on the Company's unaudited interim condensed consolidated financial statements.

4. Future Accounting Standards

(a) Lease Liability in a Sale and Leaseback:
In September 2022, the IASB issued "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)", that requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 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 2024.

5. Segment Reporting

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

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

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

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, pet food, industrial and healthcare. Specialized printed packaging provides packaging solutions to the pharmaceutical, healthcare, nutraceutical, cosmetic and personal care markets.

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

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

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

	July 2 2023	December 25 2022
United States	248,459	249,075
Canada	282,583	284,019
Mexico	18,249	18,606
	549,291	551,700

6. Revenue

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

Disaggregation of Revenue

	Quarter Ended		Year-To-Date Ended	
	July 2 2023	June 26 2022	July 2 2023	June 26 2022
Operating segment				
Flexible packaging	151,167	166,726	315,167	313,586
Rigid packaging and flexible lidding	129,159	135,267	259,208	255,274
Packaging machinery	7,138	8,261	17,605	17,376
	287,464	310,254	591,980	586,236
Geographic segment				
United States	225,866	247,824	470,662	471,748
Canada	40,054	41,853	79,014	76,337
Mexico and other	21,544	20,577	42,304	38,151
	287,464	310,254	591,980	586,236

The Company's products are primarily used for the packaging of perishable foods and beverages, which accounted for more than 90 percent of sales during the year-to-date periods ended July 2, 2023 and June 26, 2022. Other markets include medical, pharmaceutical, nutraceutical, personal care, industrial and other consumer goods.

7. Other income (expenses)

	Quarter Ended		Year-To-Date Ended	
Amounts shown on a net basis	July 2 2023	June 26 2022	July 2 2023	June 26 2022
Foreign exchange gains (losses)	1,330	(1,302)	2,504	(611)
Cash flow hedge losses transferred from other comprehensive income	(632)	(178)	(918)	(278)
	698	(1,480)	1,586	(889)
Employee benefit plan settlement expense (Note 10)	(294)	-	(294)	-
	404	(1,480)	1,292	(889)

8. Inventories

	July 2 2023	December 25 2022
Raw materials	108,944	128,371
Work-in-process	44,400	46,022
Finished goods	96,700	97,163
Spare parts	17,709	16,562
	267,753	288,118

During the second quarter of 2023, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $1,842 (2022 - $1,914) and reversals of previously written-down items of $781 (2022 - $310). On a year-to-date basis, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of $4,670 (2022 - $3,864) and reversals of previously written-down items of $3,087 (2022 - $1,365).

9. Property, Plant and Equipment

At July 2, 2023, the Company has commitments to purchase plant and equipment of $28,068 (December 25, 2022 - $31,061). No impairment losses or impairment reversals were recognized during the year-to-date periods ended July 2, 2023 and June 26, 2022.

10. Employee benefit plans

On April 25, 2023, the Company entered into a contract to purchase annuities totaling $12,794 with respect to certain retired members of the US defined benefit pension plan. The corresponding benefit obligation relating to these plan members was $12,500, resulting in a loss on settlement of $294 which was recorded in other income (expenses).

11. Leases

Extension Options

Some leases of office and manufacturing facilities contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. At July 2, 2023, potential future lease payments not included in lease liabilities totalled $4,612 on a discounted basis.

12. Dividends

During the second quarter of 2023, dividends in Canadian dollars of 3 cents per common share were declared (2022 - 3 cents) and on a year-to-date basis, 6 cents per common share were declared (2022 - 6 cents).

13. Earnings Per Share

	Quarter Ended		Year-To-Date Ended	
	July 2 2023	June 26 2022	July 2 2023	June 26 2022
Net income attributable to equity holders of the Company	40,006	33,671	79,293	67,541
Weighted average shares outstanding (000's)	65,000	65,000	65,000	65,000
Basic and diluted earnings per share - cents	62	52	122	104

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

14. Financial Instruments

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

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

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

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

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
At July 2, 2023				
Foreign currency forward contracts - net	-	1,293	-	1,293
At December 25, 2022				
Foreign currency forward contracts - net	-	(1,328)	-	(1,328)

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 July 2, 2023, the supplier rebate receivable balance that was offset was $4,392 (December 25, 2022 - $7,002).

15. Financial Risk Management

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, liquidity risk, and credit risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

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

Foreign Exchange Risk
Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in other income (expenses). As a result of the Company’s CDN dollar net asset monetary position as at July 2, 2023, a one-cent change in the period-end foreign exchange rate from 0.7547 to 0.7447 (CDN to US dollars) would have decreased net income by $185 for the second quarter of 2023. Conversely, a one-cent change in the period-end foreign exchange rate from 0.7547 to 0.7647 (CDN to US dollars) would have increased net income by $185 for the second quarter of 2023.

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 for special dividend payments made in CDN dollars and when equipment purchases will be settled in other foreign currencies such as the Euro dollar. 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.

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

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

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

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

Certain foreign currency contracts matured during the second quarter of 2023 and the Company realized pre-tax foreign exchange losses of $615 (year-to-date losses - $901). Of these foreign exchange differences, losses of $632 were recorded in other income (expenses) (year-to-date losses - $918) and gains of $17 were recorded in property, plant and equipment (year-to-date gains $17). During the second quarter of 2022, the Company realized pre-tax foreign exchange losses of $178 (year-to-date losses - $278) which were recorded in other income (expenses).

As at July 2, 2023, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US $55.4 million at an average exchange rate of 1.3524 maturing between July 2023 and April 2024. The fair value of these financial instruments was $1,293 US and the corresponding unrealized gain has been recorded in other comprehensive income. The Company did not recognize any ineffectiveness on the hedging instruments for the year-to-date periods ended July 2, 2023 and June 26, 2022.

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 July 2, 2023 cash and cash equivalents balance of $454.7 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by $4,547 annually.

Commodity Price Risk
The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For the year-to-date period ended July 2, 2023, 76 percent of revenue was generated from customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Liquidity Risk
Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $454.7 million, (b) no outstanding bank loans, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures, payment of lease liabilities and dividend payments in the next twelve months. The Company's trade payables and other liabilities and derivative financial instrument liabilities are all due within twelve months.

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

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

	July 2 2023	December 25 2022
Cash and cash equivalents	454,746	398,673
Trade and other receivables	198,346	204,040
Foreign currency forward contracts	1,317	-
	654,409	602,713

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

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

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

During the second quarter of 2023, the Company incurred costs on the sale of trade receivables of $1,573 (2022 - $762). Of these costs, $1,466 was recorded in finance expense (2022 - $604) and $107 was recorded in general and administrative expenses (2022 - $158). On a year-to-date basis, the Company incurred costs on the sale of trade receivables of $2,928 (2022 - $1,226). Of these costs, $2,727 was recorded in finance expense (2022 - $978) and $201 was recorded in general and administrative expenses (2022 - $248).

As at July 2, 2023, the Company believes that the credit risk for trade and other receivables is mitigated due to the following: a) a broad customer base which is dispersed across varying market sectors and geographic locations, b) 97 percent of the gross trade and other receivables balance is within 30 days of the agreed upon payment terms with customers, c) the sale of certain extended term trade receivables without recourse to a third party and d) 24 percent of the trade and other receivables balance is insured against credit losses. The Company's exposure to the ten largest customer balances, on aggregate, accounted for 40 percent of the total trade and other receivables balance.

The carrying amount of trade and other receivables is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the statement of income within general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income. During the second quarter of 2023, the Company recorded impairment losses on trade and other receivables of $81 (2022 - $22 impairment recoveries). On a year-to-date basis, the Company recorded impairment losses on trade and other receivables of $109 (2022 - $8 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:

	July 2 2023	December 25 2022
Current (not past due)	172,260	176,720
1 - 30 days past due	21,922	22,119
31 - 60 days past due	2,698	3,145
More than 60 days past due	3,268	3,573
	200,148	205,557
Less: Allowance for expected credit losses	(1,802)	(1,517)
Total trade and other receivables, net	198,346	204,040

16. Seasonality

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