



2011
WINPAK
ANNUAL REPORT



Records are meant to be broken! Each year, for the past four years, Winpak's net income has aggressively surpassed the prior year's standings. For 2011, net income attributable to common shareholders of \$63.8 million or 98 cents per share, outpaced 2010's performance by 15.3 percent or 13 cents per share. Of further distinction, quarterly earnings per share for each of the past 15 consecutive quarters have exceeded the preceding year's achievements for the same timeframes. The Company's enviable profit figures were supported by strong revenue in 2011 of \$652.1 million, which favorably outdistanced 2010 by \$72.6 million or 12.5 percent.

There is a new buzz at the Company originating from the resolve to see Winpak's revenue escalate to one billion dollars by the year 2015. The Corporation's new battle cry is the "Billion Dollar Commitment" and its acronym "BDC" is entrenched in the spirit and work ethic of the entire Winpak team. This enthusiasm and dedication to the cause is backed by Winpak's Board of Directors having endorsed a capital program, which will provide plant expansions and state-of-the-art manufacturing equipment, allowing Winpak to remain at the forefront of technical breakthroughs. Exciting events continue to happen in all areas of Winpak's business.

One of the more enterprising undertakings in 2011 was the construction of a new 260,000 square foot building in Sauk Village, Illinois. This venture is nearing completion and will be in operation in the second quarter of 2012. Said facility will house additional extrusion and thermoforming lines producing high-barrier sheet materials that will greatly extend the shelf-life of perishable foods. As the barrier properties of rigid plastic packaging materials become more sophisticated, their popularity as alternatives to glass jars and metal cans will yield even more rewarding growth opportunities for Winpak. This capital project will satisfy customers' intensified demands for this type of packaging and advance the Company's ongoing sales in this burgeoning market. Long-term plans call for doubling the size of this plant and sufficient land has been set aside for this eventuality.

Winpak's range of shrink bags continues to garner rave reviews in the marketplace. Supplementary extrusion and bag-making capacity was installed in 2011 at the Company's Georgia-based specialty films plant in order to satisfy customer requests for this product offering. When this facility was enlarged in 2010, space was allocated for future growth. However, based on the fact that this specialty item has been so well received, projections dictate that future expansion plans may need to be pushed forward. Success of the shrink bag product line has further enabled the Company to offer a one-stop shop for its customers. Hence, major meat and cheese processing plants are consistently favoring Winpak as a reliable supplier for more of their packaging needs. Outside the meat and cheese industries, specific equipment acquired for Winpak's Georgia operations in 2011 promoted revenue growth in liquid and other unique packaging applications.

The Company's promising entry into the pharmaceutical and health-care markets continues to gather steam. Winpak's own and licensed proprietary technology is the springboard for providing new business opportunities. To keep pace with the appeal for novel products in these markets, coupled with the ongoing success of the die-cut lid business, a major extrusion/coating/laminating line has been specified and is slated for installation at the Quebec plant in 2012. To house this new equipment, the Quebec facility will be expanded. Plans are also in the works that will see the start-up of a converting operation outside the borders of Canada and the United States in 2012.

Revenue from Winpak's modified atmosphere packaging materials is gaining impressive momentum at some of North America's largest meat and cheese processing operations. Success is attributed to excellent quality products, a dynamic sales force and a comprehensive product range, thus attractively affording customers the ability to source all of their modified atmosphere packaging needs from one supplier. To further capitalize on this strength, a new production line will be installed in 2012 at the Company's Winnipeg location. An extra 75,000 square feet will be built onto the plant to accommodate other auxiliary capacity needs. With the ever-surging demand for complex, high-barrier packaging materials, the future bodes well for Winpak's modified atmosphere packaging product offerings.

The goal for Winpak's machinery operations is to design and manufacture equipment that will utilize the Company's flexible and rigid packaging materials thus continually advancing its commitment to promote cross-selling. This approach has generated success, not only in the Company's more traditional food end-use applications, but more recently in-roads have also been made for packaging material revenues to health-care and industrial end-use product markets. These persistent efforts have reaped dividends in that 2011 was a banner year for both machinery and system revenue. Based on these results, this winning formula will be replicated in 2012.

Winpak's business venture with Sojitz Corporation of Japan to produce biaxially oriented nylon logged a good sales year in 2011. By diligently improving efficiency on existing production lines, output was increased. Even with this added benefit, it is anticipated that due to the intensified popularity for biaxially-oriented nylon, the Company's two primary products lines will be entirely sold out by the end of 2012. The Company's superior biaxially-oriented nylon materials continue to out-perform the competition. This subsidiary is now in a position where the demand for its product is beginning to exceed supply. It will now focus even more diligently on weeding out less lucrative business and, hence, maximize profits.

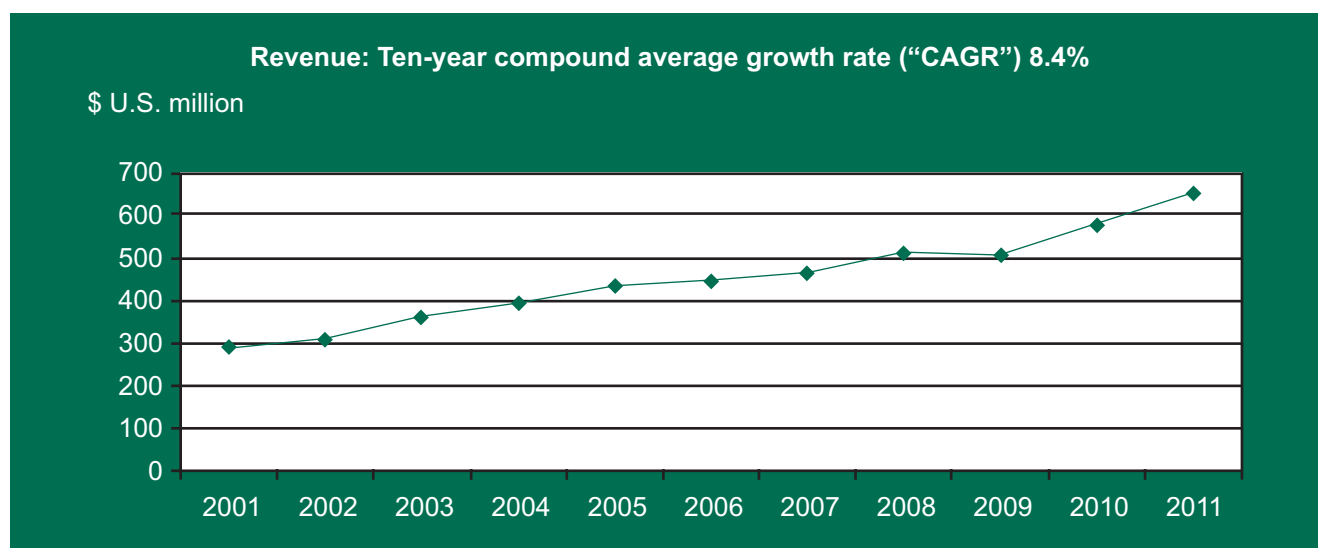
Winpak had a most noteworthy year in 2011 and this further affirms its established track record for attaining its goals. The business plan is firmly in place for Winpak to obtain its Billion Dollar Commitment in the year 2015. This initiative has been supported by the Corporation's Board of Directors, capital has been earmarked to provide the required capacity for growth and with the determination and winning spirit of the entire Winpak team, a foundation has been solidified to ensure success. This is significantly enhanced by the enormous opportunities that exist for packaging food and health-care products reliant on the type of proprietary and sophisticated materials manufactured by Winpak. Winpak's future is assured and definitely looks most promising for both revenue and profits.

B.J. Berry
President and Chief Executive Officer
Winnipeg, Canada
February 16, 2012

REVIEW

(Values expressed in US dollars)

	2011	2010	2009 (1)	2008 (1)	2007 (1)
Operating results (\$ million except earnings per share)					
Revenue	652.1	579.4	506.0	512.0	466.6
Income from operations	95.0	79.0	66.0	46.3	34.0
EBITDA (2)	122.6	105.0	92.0	71.7	58.1
Net income attributable to equity holders of the Company	63.8	55.3	42.9	29.4	24.0
Earnings per share (cents)	98	85	66	45	37
Investments and assets (\$ million)					
Investments in property, plant and equipment	48.9	39.0	21.4	14.7	36.0
Total assets	567.6	507.7	483.1	418.4	441.6
Financial position					
Total debt to equity attributable to equity holders of the Company (3)	0.0%	0.0%	0.0%	0.0%	8.4%
Net return on opening equity attributable to equity holders of the Company	16.3%	16.1%	13.8%	9.1%	8.8%
Return on opening invested capital (4)	27.1%	23.8%	18.3%	11.6%	10.0%



(1) Amounts are as previously reported under Canadian GAAP.

(2) EBITDA (income before interest, tax, depreciation and amortization) is not a recognized measure under International Financial Reporting Standards (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 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.

(3) Total debt is defined as long-term debt plus bank overdrafts less cash and cash equivalents. At December 25, 2011, December 26, 2010, December 27, 2009 and December 28, 2008, cash and cash equivalents exceeded long-term debt plus bank overdrafts.

(4) 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.



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 Wapak'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. Unless otherwise required by applicable securities law, Wapak 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 February 16, 2012 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 Company's adoption of IFRS is effective as of December 27, 2010, the start of the 2011 fiscal year. Comparative figures for fiscal 2010 have been restated in accordance with IFRS, including the December 28, 2009 transition date balance sheet. The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. As part of the Company's conversion to IFRS, entities with the Canadian dollar as their functional currency under Canadian GAAP changed their functional currency to the US dollar. As a result, 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 2011, which is available on SEDAR at www.sedar.com.

Company Overview

Wapak is an integrated converter operating in the packaging materials segment. The Company utilizes manufacturing technology focused on the core competency of sophisticated extrusion and conversion of plastic and aluminum foil materials. The business encompasses three product groups produced in eight manufacturing facilities located in North America. Wapak distributes products to customers primarily in North America for use in the packaging of perishable foods, beverages and in health-care applications.

Selected Financial Information

Millions of US dollars, except per share and margin amounts	2011	2010
Net income attributable to equity holders of the Company	63.8	55.3
Income from operations	95.0	79.0
Revenue	652.1	579.4
Gross profit margin	28.8%	29.8%
Earnings per share (cents)	98	85
Dividends declared per common share (Canadian cents)	12	12
Total assets	567.6	507.7
Cash and cash equivalents	126.9	90.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

- △ *Revenue* grew by \$72.6 million from 2010 levels on the strength of improved volumes of 6.6 percent, representing \$38.4 million in revenue. This was further supplemented by higher overall selling prices and a stronger Canadian dollar which resulted in additional revenue of \$30.0 million and \$4.2 million respectively.
- △ *Gross profit margins* declined by one percentage point from the prior year to 28.8 percent of revenue, but remained above the five-year average for the Company. The continued escalation in raw material costs had a negative impact on margins, but selling price increases, improved product mix and manufacturing performance helped to partially offset this effect.
- △ *Net income attributable to equity holders of the Company* moved up to \$63.8 million from \$55.3 million in 2010, an increase of 15.3 percent or \$8.5 million. This advancement was due primarily to improved sales volume, product mix, manufacturing performance and limited growth in operating and other expenses. In addition, 2010 contained a one-time recognition of a withdrawal liability under IFRS related to a multiemployer defined benefit pension plan which negatively impacted results for that year.
- △ *Cash position* improved by \$36.4 million to end the year at \$126.9 million due primarily to strong cash flow from operating activities. The Company has no bank overdrafts or long-term debt outstanding.

Highlights

- △ *Raw materials:* Raw material costs continued their ascent of the last two years as the Company's raw material index climbed by 15.3 percent over the previous year and more than 36 percent in the last two years.
- △ *Manufacturing performance:* Lower waste levels and enhanced productivity, due in part to higher sales volumes, helped drive further improvements in manufacturing performance over and above those attained in 2010. These provided support to gross profit margins which were otherwise negatively impacted by higher raw material costs.
- △ *Operating expenses:* The Company was successful at limiting its percentage increase in operating expenses to approximately half of the increase in sales volumes, resulting in a betterment to earnings per share of approximately 3.5 cents. Personnel costs, in particular, were closely controlled and were a major contributing factor to the enhanced result.
- △ *Foreign exchange:* In 2011, the average exchange rate of the Canadian dollar appreciated against the US dollar when compared to the prior year by 4.6 percent, negatively impacting results. Coupled with greater foreign exchange losses in 2011 on translation of Canadian dollar net monetary items and foreign exchange gains recorded in 2010 on Canadian income taxes, the overall foreign exchange impact on net income attributable to equity holders of the Company was a reduction of approximately \$4.6 million or 7.0 cents per share in comparison to 2010.
- △ *Capital expenditures:* Capital expenditures in 2011 totaled \$48.9 million, an all-time high for the Corporation. Nearly 80 percent of this amount relates to projects still in progress at the end of the year, with completion slated for various points in time throughout 2012 and into 2013. This is the first year of an ambitious organic expansion program, aimed at advancing revenue to a level approaching \$1 billion by the end of 2015, known throughout the Winpak organization as the "Billion Dollar Commitment" ("BDC").
- △ *Financing and investing:* During 2011, Winpak generated \$95.4 million in cash flow from operating activities, which was more than sufficient to fund \$48.9 million in capital projects, \$7.8 million in dividends, and return equity to the non-controlling interests in a subsidiary of \$1.8 million, leaving a year-end net cash position of \$126.9 million. The Company will utilize its cash resources on hand and generate additional cash flow from operations to fund its investing and financing activities in 2012. In addition, management will continue to evaluate strategic acquisition opportunities in concert with implementing the BDC plan, all focused on enhancing long-term shareholder value.



Results of Operations

Components of total increase in earnings per share

	2011
Organic growth	5.5
Gross profit margins	4.0
Expenses and non-controlling interests	3.5
Withdrawal liability expense on defined benefit multiemployer pension plan	7.0
Foreign exchange	(7.0)
Total increase in earnings per share (cents)	13.0

Ongoing operations

Organic growth is the impact on net income due exclusively to increased sales volume and excludes the influence of acquisitions, divestitures and foreign exchange. In 2011, this added 5.5 cents to earnings per share in comparison to the prior year.

In spite of the continued escalation in raw material costs in 2011, the Company was able to neutralize its impact on net income through improvements in product mix and manufacturing performance, and the partial hedge provided by selling price-indexing agreements.

The Company was successful in limiting the rise in operating expenses relative to sales volumes, resulting in an enhancement in earnings per share of approximately 3.5 cents. Furthermore, in the prior year, the Company recorded a one-time withdrawal liability related to the one multiemployer defined benefit pension plan that the Company participates in, depressing 2010 earnings per share by 7.0 cents.

On average, in 2011, the Canadian dollar was stronger against its US counterpart than in 2010, negatively impacting net income when applied to the Company's net Canadian dollar disbursements. Net income was further impacted by foreign translation exchange losses on Canadian net monetary items in the current year in addition to foreign exchange gains recorded in 2010 by the Canadian legal entities on filing their income tax returns in Canadian dollars. The net result was a reduction in 2011 earnings per share of 7.0 cents in relation to 2010.

Revenue

Revenue Change	Millions of US dollars		
	2011	2010	2009
Volume increase	38.4	51.5	24.8
Price and mix gains (losses)	30.0	12.6	(23.2)
Foreign exchange gain (loss)	4.2	9.4	(7.6)
Total increase (decrease) in revenue	72.6	73.5	(6.0)

Revenue reached an all-time high of \$652.1 million, increasing by \$72.6 million or 12.5 percent from the prior year. More than half of the revenue expansion was due to volume growth of 6.6 percent or \$38.4 million, with rigid packaging, including specialty beverage and condiment containers, leading the way at over a 20 percent ascent. Packaging machinery also had a very solid year, advancing by over 15 percent on the strength of both parts and new machinery demand. Lidding and modified atmosphere packaging sales volumes progressed in the low single-digit percentage range, while the more commodity-related biaxially oriented nylon and specialty films receded by a similar amount. The lacklustre performance of the US economy during 2011 held back growth, particularly in more commodity-related products. Selling price increases paralleled higher raw material costs and together with mix changes, furthered 2011 revenue by 5.2 percent or \$30.0 million compared to the previous year. The conversion of Canadian dollar sales into US funds at a higher average exchange rate in 2011 versus 2010 supplemented revenue by an additional 0.7 percent or \$4.2 million.

Gross profit margins

Gross profit margins reached a level of 28.8 percent of revenue in 2011, one full percentage point less than the result achieved in the prior year. Escalating raw material costs negatively impacted margins by over 2 percentage points in 2011 versus 2010. However, this was partly offset by enhanced manufacturing performance as a result of lower waste and heightened productivity levels. This, along with product mix improvements and a reasonable amount of success in matching raw material cost progressions with selling price increases, resulted in an increment of 4.0 cents in earnings per share in 2011, as the growth in dollar terms of gross profit was \$15.3 million or 8.9 percent, which exceeded the relative expansion in sales volumes of 6.6 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winpak's raw material index, which represents the weighted cost of a basket of the Company's eight principal raw materials, rose by 15.3 percent during 2011. This continued the escalation of the past two years which has seen the average annual index jump by over 36 percent during this period. The Company, however, has a partial natural hedge against rising raw material costs in that greater than 60 percent of the Company's revenues are subject to formal selling price-indexing agreements, whereby selling prices are adjusted as raw material costs change, albeit with a time lag.

Raw Material Index

	2011	2010	2009
Average annual index: weighted cost of a basket of Winpak's eight principal raw materials, where base year 2001 = 100	177.4	153.8	130.4
Increase (decrease) in index compared to prior year	15.3%	17.9%	(25.1%)

Expenses

On a net basis, lower operating and other expenses, excluding foreign exchange, resulted in an improvement in earnings per share of 10.5 cents in 2011 versus the prior year. In 2010, the Company recognized a one-time withdrawal liability under IFRS related to the one multiemployer defined benefit pension plan in which the Company participates. After being informed by an independent board of trustees that the plan was in a critical status funding position, the Company made the decision to withdraw from the plan and became responsible for making certain payments into the plan over a twenty-year period; 2010 earnings per share were reduced accordingly by 7.0 cents per share. The organization was also able to leverage its expenditure on operating expenses by limiting the increase in expenses, excluding foreign exchange impacts to just 3.5 percent while sales volumes strengthened by 6.6 percent in relation to 2010. In particular, personnel expenses included within operating expenses declined slightly, after adjusting for foreign exchange differences, and contributed to earnings per share growth of approximately 3.5 cents. The reduction in net income attributed to non-controlling interests resulted in an additional 1 cent in earnings per share compared to 2010 while a higher overall effective income tax rate in 2011, due primarily to a larger proportion of net income being earned in higher tax jurisdictions, reduced earnings per share by 1 cent.

Foreign Exchange

	2011	2010	2009
Year-end exchange rate of CDN dollar to US dollar	0.980	0.991	0.952
Year-end exchange rate of US dollar to CDN dollar	1.021	1.009	1.050
(Depreciation) appreciation of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	(1.1%)	4.1%	15.3%
Average exchange rate of CDN dollar to US dollar	1.010	0.966	0.870
Average exchange rate of US dollar to CDN dollar	0.991	1.035	1.149
Appreciation (depreciation) of CDN dollar vs. US dollar average exchange rate compared to the prior year	4.6%	11.0%	(8.0%)

Under IFRS, Winpak utilizes the US currency as both its reporting and functional currency. However, with half of its manufacturing facilities 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.

In total, foreign exchange had a negative impact on earnings per share of approximately 7.0 cents in 2011 compared to 2010. Approximately 17 percent of sales in the current year are denominated in Canadian dollars and approximately 29 percent of costs are incurred in the same currency. 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 2011 decreased earnings per share by approximately 1.5 cents compared to the prior year. In addition, translation differences arise when primarily Canadian dollar monetary assets and liabilities are translated at exchange rates that change over time. The change in spot conversion rate of the Canadian dollar from the start to the end of the year decreased earnings per share in 2011 by 1.0 cent in comparison to 2010. Although gains were realized on the maturation of foreign exchange contracts entered into as part of the Company's foreign exchange policy, the gains were lower than in 2010, further decreasing earnings per share by 0.5 cents in 2011 versus the prior year. In 2010, the Company's Canadian legal entities filed their income tax returns in Canadian dollars, a currency different from their functional currency under IFRS. This resulted in foreign exchange gains in 2010 approaching 4.0 cents in earnings per share which reduced income tax expense. In 2011, the Company received approval from the Canada Revenue Agency to file its Canadian income tax returns in US dollars, thereby eliminating this foreign exchange fluctuation in 2011 and subsequent years.



Summary of quarterly results

Thousands of US dollars, except earnings per share (e.p.s.) amounts (cents)

Quarter ended	2011			Quarter ended	2010		
	Revenue	Net income*	e.p.s.		Revenue	Net income*	e.p.s.
March 27	148,537	14,694	23	March 28	132,888	15,240	23
June 26	161,340	16,195	25	June 27	145,568	14,130	22
September 25	170,670	14,408	22	September 26	146,055	13,132	20
December 25	171,516	18,486	28	December 26	154,930	12,794	20
	652,063	63,783	98		579,441	55,296	85

*attributable to equity holders of the Company

Various factors affect timing of the Company's income 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 US and Canadian 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 startup of 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. Net income in the first quarter of 2010 was bolstered by higher foreign exchange gains, while 2010 fourth quarter net income was negative impacted by the recording of the withdrawal liability related to the multiemployer defined benefit pension plan. Revenue in 2010 followed the normal pattern with the exception of the third quarter where revenue exceeded that of the second quarter by only 0.3 percent. In 2011, net income followed the established pattern previously described whereas revenue in the third quarter was elevated due to selling price increases and an atypical surge in demand in rigid containers in the period.

Cash Flow, Liquidity and Capital Resources

At December 25, 2011, Winpak's cash position totaled \$126.9 million, an increase of \$36.4 million or 40.2 percent from the prior year-end. This improvement reflected total funds provided by operating activities of \$95.4 million less disbursements for investing activities of \$49.4 million and financing activities of \$9.6 million.

Operating activities

Cash flow provided by operating activities totaled \$95.4 million, a net improvement of \$17.3 million from 2010. The cash flow derived from operating activities, before changes in working capital and employee benefit plan payments, improved by \$18.9 million in total from the prior year. The increase in net income in 2011 of \$7.8 million plus the increases in depreciation and amortization of \$1.7 million and income tax expense of \$8.6 million accounted for \$18.1 million of the advancement. The elevation in income tax expense is as a result of an improvement in earnings performance and a higher effective income tax rate in 2011 due to a larger proportion of net income being earned in higher tax jurisdictions as well as foreign exchange gains recorded against income tax expense in 2010.

The investment in working capital for the year only advanced by \$1.6 million, while revenue forged ahead by \$72.6 million. Accounts receivable grew by \$6.7 million or 8.7 percent, less than the percentage increase in revenue of 10.7 percent in the fourth quarter of 2011 versus the prior year period. Inventories edged up by a mere \$1.9 million or 2.6 percent as the Company was able to effectively manage inventory levels to a minimum. Accounts payable and accrued liability levels climbed by \$6.8 million in part due to elevated payable levels related to property, plant and equipment additions in progress at year-end. Payments were made to defined benefit pension plans during the year totaling \$5.1 million, \$0.4 million more than in 2010.

Investing activities

Investing activities in 2011 reached \$49.4 million, an increase of \$10.1 million over 2010, and consisted of an all-time high amount of property, plant and equipment purchases of \$48.9 million and intangible assets of \$0.5 million. This is in keeping with the Company's philosophy of investing in the latest and most advanced technology in order to retain its competitive advantage and represents the first year of the organization's capital spending under the BDC plan. Of the \$48.9 million in property, plant and equipment additions, \$38.2 million consisted of construction in progress and equipment deposits, projects which will not be in commercial production until various points in time throughout 2012 and into 2013. The largest undertaking is the construction of a 260,000 square foot rigid packaging facility in Sauk Village, Illinois, at a year-to-date cost of over \$15 million, with completion scheduled for the

MANAGEMENT'S DISCUSSION AND ANALYSIS

end of the first quarter of 2012. Expansions of capacity in modified atmosphere packaging, lidding, specialty films and rigid containers are in process with investments in extrusion, printing, slitting and die-cutting capabilities. 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 2011 consisted of dividends to common shareholders of \$7.8 million and the preferred share redemption and dividend payment to a non-controlling interest in a subsidiary totaling \$1.8 million. The quarterly common share dividends were paid at the rate of CDN \$0.03 per share which, based on the December 25, 2011 closing share price of CDN \$12.05, provides a dividend yield of 1.0 percent.

Resources

Investments to drive growth can be sizeable, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt, 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 operating lines of \$38 million, which are believed adequate for liquidity purposes. None of the lines were utilized as at December 25, 2011. Based on formal and informal discussions with various financial institutions, Winpak is confident that additional credit can be arranged from banks and other major lenders as the need arises. The Company believes that all 2012 requirements for capital expenditures, 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, exchange rates, raw material costs and counterparty financial condition can be expected to impact net income.

Winpak's policy regarding interest expense is to fix interest rates on between one- and two-thirds of any long-term debt outstanding. The Company may enter into derivative contracts or fixed-rate debt to minimize the risk associated with interest rate fluctuations.

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 either 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 forward foreign currency 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 I Canadian financial institutions.

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, respectively, by approximately one-half of a US cent per share.

During 2011, certain foreign currency forward contracts matured and the Company realized pre-tax foreign exchange gains of \$1.1 million. As at December 25, 2011, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of \$21.0 million and US dollar to Swiss franc foreign currency forward contracts outstanding with a notional amount of \$7.6 million. The pre-tax unrealized foreign exchange loss on these contracts of \$0.6 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 slight time lag. By the end of 2011, approximately 63 percent of Winpak's revenues were 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 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 AA rated or higher by a recognized international credit rating agency or insured 100 percent by a AAA rated Canadian or US 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 25, 2011, 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
Operating leases	4,534	1,529	2,423	582	-
Purchase obligations	35,184	35,184	-	-	-
Total contractual obligations	39,718	36,713	2,423	582	-

Accounting Policy Changes

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that Publicly Accountable Enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As permitted under National Instrument 52-107, the Company has elected to adopt IFRS for its fiscal year beginning December 27, 2010 and accordingly reported under this basis as of the first quarter of 2011, with fiscal 2010 comparative financial information being presented using IFRS.

Note 29 details the impact of the transition to IFRS on the Company's reported balance sheet, changes in equity, statements of income, comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Canadian GAAP consolidated financial statements for the year ended December 26, 2010. The following highlights the impacts of the more significant changes in accounting policies:

First-Time Adoption of International Financial Reporting Standards – IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides guidance for an entity's initial adoption of IFRS and generally requires the retrospective application of all IFRS effective at the end of its first IFRS reporting period. IFRS 1 however does include certain mandatory exceptions and allows certain limited optional exemptions from this general requirement of retrospective application. The exemptions and exceptions most relevant to the Company under IFRS 1 on the opening transition date of December 28, 2009 are as follows:

- i. Business combinations – An exemption is available within IFRS 1 that allows a Company to carry forward its previous Canadian GAAP accounting for business combinations prior to the transition date. The Company has elected to apply this exemption and as a result, acquisitions prior to December 28, 2009 have not been restated to comply with IFRS 3 "Business Combinations".
- ii. Fair value as deemed cost – This exemption allows a Company to revalue property, plant and equipment at fair value at its transition date and use this fair value as the deemed cost. The Company did not apply this exemption.
- iii. Borrowing costs – This exemption allows an entity to adopt IAS 23 "Borrowing Costs" prospectively on qualifying assets for which the capitalization commencement date is after the transition date. The Company applied this exemption.
- iv. Employee benefits – IFRS 1 allows a Company to recognize all cumulative actuarial gains and losses at the transition date. The Company has elected to apply this exemption and all unrecognized actuarial gains and losses have been recognized, resulting in a charge to opening retained earnings at December 28, 2009 of \$10.0 million. In addition, the Company has applied the exemption whereby employee benefit plan historical disclosures required under IAS 19, *Employee Benefits*, may be provided only for fiscal years subsequent to the transition to IFRS.
- v. Cumulative translation differences – This exemption allows a Company to deem the amount of cumulative translation differences to be zero at transition and instead, transfer this amount into retained earnings. The Company has elected to apply this exemption at December 28, 2009, resulting in the cumulative translation differences balance of \$18.3 million being transferred to increase retained earnings.
- vi. Estimates – IFRS 1 prescribes a mandatory exemption from full retrospective application of IFRS as it relates to the use of estimates. It requires that a company's estimates in accordance with IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with previous Canadian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The Company did not use hindsight in its estimates upon transition to IFRS, nor did it find any evidence that any of its previously made estimates were in error.

Functional Currency – IAS 21, The Effects of Changes in Foreign Exchange Rates, requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators is used under IFRS in this determination and these differ in content and emphasis to a certain degree from those factors used under Canadian GAAP. The parent Company and all of its Canadian subsidiaries, with the exception of American Bixis Inc., operated with the Canadian dollar as their functional currency under Canadian GAAP. However, it was determined that under IFRS, these same entities had a change in their functional currency at varying points in prior years, such that all entities within the Wopak group now operate with the US dollar as their functional currency. The historical cost basis for certain balance sheet items is different under IFRS than it was under Canadian GAAP and the balance in the cumulative translation differences for each of these Canadian subsidiaries was held constant at the amount in effect at the date of the change in functional currency. The impact of this change in functional currency, as at December 28, 2009, was a net decrease in equity of \$15.9 million. For the year ended December 26, 2010, the

MANAGEMENT'S DISCUSSION AND ANALYSIS

change in functional currency increased net income by \$7.0 million and decreased other comprehensive income by \$9.5 million. The specific line items affected by the change in functional currency are detailed in note 29 to the consolidated financial statements. Going forward, income volatility due to foreign exchange fluctuations should decline as the magnitude of net Canadian dollar monetary financial asset exposure is significantly less than the net US dollar monetary financial asset exposure within the Canadian entities.

Impairment of Assets – Upon transition to IFRS, all of the Company's property, plant and equipment and intangible assets, including goodwill, were reviewed to determine whether there were any indications of impairment. When these indications were present, the asset's recoverable amount was estimated. IAS 36, *Impairment of Assets*, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. Canadian GAAP, on the other hand, generally used a two-step approach to impairment testing of long-lived assets and finite-life intangible assets by first comparing asset carrying values with undiscounted future cash flows to determine whether impairment existed. If it was determined that there was impairment under this basis, the impairment was then calculated by comparing asset carrying values with fair values in much the same manner as computed under IFRS. Additionally under IFRS, testing for impairment occurs at the level of cash generating units (CGUs), which is the lowest level of assets that generate largely independent cash inflows. This lower level of grouping compared to Canadian GAAP along with the one-step approach to testing for impairment may increase the likelihood that the Company will realize an impairment of assets under IFRS in the future. It should also be noted that under IAS 36, previous impairment losses, with the exception of goodwill, can be reversed when there are indications that circumstances have changed whereas Canadian GAAP prohibited reversal of non-financial asset impairment losses. As of the transition date of December 28, 2009, the Company determined that an impairment of goodwill with regard to the specialty film business had taken place under IAS 36. This resulted in a reduction of goodwill and retained earnings of \$3.4 million as of that date.

Employee Benefit Plans – As previously mentioned, under IFRS 1, the Company has elected to recognize all cumulative actuarial gains and losses at the transition date, resulting in a charge to opening retained earnings at December 28, 2009 of \$10.0 million. Under Canadian GAAP, past service costs for defined benefit pension plans were generally amortized on a straight-line basis over the expected average remaining service period of active employees in the plan. IAS 19, *Employee Benefits*, requires the past service costs to be expensed on an accelerated basis, with vested past service costs being expensed immediately and unvested past service costs being recognized on a straight-line basis until the benefits become vested. This resulted in a charge to retained earnings at December 28, 2009 of \$1.4 million. Under IAS 19 and IFRIC 14, the Company is not able to report an asset in its financial statements in excess of the economic benefit it can expect to receive in the form of a refund of a pension plan surplus and/or a reduction in future contributions. This differs from the treatment allowed under Canadian GAAP and as a result, under IFRS, the impact as at December 28, 2009 is a decrease in retained earnings of \$1.1 million. In total, the changes under IFRS related to employee benefits resulted in a net decrease to opening retained earnings upon transition of \$12.5 million.

Subsequent to the transition date, the Company has selected to recognize actuarial gains and losses directly in equity through other comprehensive income as its accounting policy choice under IAS 19 to be consistent with the latest revisions to the standard issued by the IASB which will become mandatory for annual periods beginning on or after January 1, 2013. Under Canadian GAAP, unrecognized actuarial gains and losses, in excess of 10 percent of the greater of the benefit obligation or the fair value of plan assets, were amortized to the statement of income on a straight-line basis over the expected average remaining service lives of active plan members. This change in policy recognition of actuarial gains and losses along with the other changes under IFRS related to past service costs and recognition of pension assets, had a minimal effect on net income for the year ended December 26, 2010. The employee benefit accounting changes had a marginal increase of \$0.4 million on other comprehensive income for the year ended December 26, 2010.

Under IFRS, interest costs on the benefit obligation of defined benefit plans are charged to the statement of income as a finance expense and the expected return on employee benefit plan assets is presented as finance income. Under Canadian GAAP, these two items were presented as part of personnel expenses within various lines within the statement of income. As a result of this change, finance income and finance expense increased by \$3.5 million for the year ended December 26, 2010. Various other reclassifications related to this item were insignificant.

Provisions – Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the threshold for recording provisions is considerably lower than under Canadian GAAP as the probability for recording a provision for a cash outflow has to be only more likely than not under IFRS. Under Canadian GAAP, the probability of a future outflow has to be viewed as likely before a liability is recorded, which is a much higher probability than under IFRS. As a result, provisions are inclined to be recorded more often and/or sooner under IFRS than under Canadian GAAP.

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. Under IAS 19, multiemployer plans, that are defined benefit plans, are to be accounted for as such under IFRS unless sufficient information is not available to use defined benefit accounting. Most multiemployer plans, by their nature, do not provide sufficient information to participating employers to enable them to use defined benefit accounting. However, IAS 19 notes that IAS 37 should be considered for certain multiemployer plans. IAS 37 is applicable in recognizing a liability where there is a contractual agreement to determine how a deficit would be funded. The board of independent trustees of the multiemployer plan communicated to both the Company and the Union that this plan was in a critical status position from a funding perspective in 2010. During the fourth quarter of 2010, the Company, with the assistance of external consultants, determined that the only economically feasible course of action was to withdraw from the plan. In 2011, an agreement was reached with the Union to withdraw from the plan and the necessary paperwork was filed with the plan trustees. Pursuant to US federal pension legislation, an employer who withdraws from a plan with unfunded vested benefits is legally responsible for a share of that underfunding. Based on the relevant facts and circumstances, it was concluded that the potential withdrawal liability met the definition of a provision under IFRS as at December 26, 2010, which was not the case under Canadian GAAP. As a result of this difference, for the year ended December 26, 2010, other expenses increased by \$7.1 million and income tax expense decreased by \$2.5 million, for a reduction in net income of \$4.6 million.



Income Taxes – Under Canadian GAAP, when the functional currency for accounting purposes differed from the functional currency for taxation purposes, deferred taxes were first calculated in the currency in which income taxes were paid and then translated to the functional currency for accounting purposes at the period end exchange rate. Under IFRS, IAS 12, *Income Taxes*, deferred taxes are calculated based on the functional currency for accounting purposes, regardless of the functional currency used for taxation purposes. As a result of this difference between Canadian GAAP and IFRS, retained earnings increased by \$0.9 million and non-controlling interests increased by \$0.8 million as at December 28, 2009. The offset was an increase in deferred tax assets. There was virtually no impact on 2010 net income in regard to this change.

Non-controlling interest – Under Canadian GAAP, minority interest was classified in the consolidated balance sheets between total liabilities and equity. Under IAS 27, *Consolidated and Separate Financial Statements*, minority interest is reclassified to a separate component of equity entitled non-controlling interest. As at December 28, 2009, this reclassification was \$15.9 million. Under Canadian GAAP, minority interest in the consolidated statements of income was presented as an expense. Under IFRS, non-controlling interests are presented as an allocation of net income for the period.

Future Accounting Changes

As more fully described in Note 5 to the Consolidated Financial Statements, various new accounting standards have been issued which apply as follows: IFRS 7 “Financial Instruments: Disclosures”, effective for annual periods beginning July 1, 2011; IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, amended IAS 27 “Separate Financial Statements”, and amended IAS 28 “Investments in Associates and Joint Ventures”, effective for annual periods beginning January 1, 2013; amended IAS 32 “Financial Instruments: Presentation”, effective for annual periods beginning January 1, 2014; and IFRS 9 “Financial Instruments”, effective for annual periods beginning January 1, 2015. None of these standards is expected to have a significant impact on the Company’s consolidated financial statements.

The IASB issued an amendment to IAS 1 “Financial Statement Presentation” regarding the presentation of items of other comprehensive income. This amendment is effective for annual periods beginning July 1, 2012 and is not expected to have a significant impact on the Company’s consolidated financial statements.

The IASB also issued a new accounting standard and an amended standard effective for annual periods beginning January 1, 2013: IFRS 13 “Fair Value Measurement” which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards; and amended IAS 19 “Employee Benefits” which is a comprehensive set of amendments dealing with the manner in which pensions and other employee benefits are recorded, classified and disclosed in the financial statements. The Company has not yet begun the process of assessing the impact that these standards will have on its consolidated financial statements.

Looking Forward

The Company is optimistic as it enters 2012, after a very satisfying end to 2011. The outlook for the US economy, where over three-quarters of the Company’s business is conducted, appears to be more favorable moving forward, which should strengthen future sales volumes. Unfortunately, with enhanced economic activity usually comes increased raw material costs which will bring pressure to bear on margins. The challenge will be to match these raw material increases with selling price changes to the greatest degree possible. With over 60 percent of the organization’s revenues subject to customer price-indexing agreements, whereby selling prices are adjusted as raw material costs change, albeit with a time lag, Wipac has a built-in partial hedge to raw material cost inflation. This should help to keep margins within a few percentage points of current levels for 2012.

The Company’s commitment to investment in the latest technology to remain at the forefront in terms of product offerings continued in 2011 with the highest levels ever spent on property, plant and equipment in Wipac’s history. Although capital investment is never without risk, the focus continues on markets within which the Company is familiar and utilizing extrusion technologies that have formed the backbone of the organization’s success. This will continue in 2012 with plans to approximately double capital spending to further broaden the product range as well as add to existing capacity aimed at achieving \$1 billion in revenue by the year 2015. A major expansion is planned for the Montreal facility to bolster the Company’s foil technology, extrusion capacity will be expanded in the modified atmosphere packaging plant in Winnipeg, additional extrusion equipment is planned for the specialty films unit in Georgia and extrusion lines will be installed in the new Sauk Village, Illinois rigid packaging site. As capacity comes on stream and equipment is commissioned, there will be temporary margin contractions while technical challenges get resolved and revenues build to the anticipated volumes. The Company also remains dedicated to evaluating external acquisition opportunities that would complement its core competencies in the areas of food and health care packaging. With Wipac’s extremely solid financial position, it has the resources available to consummate an acquisition transaction while still remaining strongly committed to the organic growth capital investment plan.

Critical Accounting Estimates

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

Impairment of property, plant and equipment and intangible assets – 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 appropriate discount rates. 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 future cash flows and the appropriate discount

MANAGEMENT'S DISCUSSION AND ANALYSIS

rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the 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 eight CGUs, of which the carrying values for two include goodwill and must be tested for impairment annually.

Employee benefit plans – Accounting for employee benefit plans requires the use of actuarial assumptions. The assumptions include the discount rate, expected rate of return on plan assets, rate of compensation increase and health care costs. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates. These assumptions could change in the future and may result in material adjustments to employee benefit plan assets or 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 25, 2011 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 Canadian generally accepted accounting principles. 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) 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 25, 2011 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 25, 2011, 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 SEDAR at www.sedar.com, including the Annual Information Form dated February 16, 2012.



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 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 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 executives and an internal audit team to evaluate internal controls, systems and procedures.

The Board of Directors, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and MD&A, and in the financial control of operations. The Audit Committee recommends to the shareholders the appointment of the independent auditor. The Audit Committee meets regularly with financial management and the independent auditor 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 auditor prior to submission to the Board for approval.

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

A handwritten signature in black ink, appearing to read 'B.J. Berry'.

B.J. Berry
President and Chief Executive Officer
Winnipeg, Canada
February 16, 2012

A handwritten signature in black ink, appearing to read 'Ken Kuchma'.

K.P. Kuchma
Vice President and Chief Financial Officer
Winnipeg, Canada
February 16, 2012

REPORTING

Auditor's Report to the Shareholders

Independent Auditor's Report

To the Shareholders of Winpak Ltd.

We have audited the accompanying consolidated financial statements of Winpak Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 25, 2011, December 26, 2010 and December 28, 2009 and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 25, 2011 and December 26, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

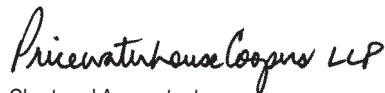
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winpak Ltd. and its subsidiaries as at December 25, 2011, December 26, 2010 and December 28, 2009 and its financial performance and its cash flows for the years ended December 25, 2011 and December 26, 2010 in accordance with International Financial Reporting Standards.



Chartered Accountants
Winnipeg, Canada
February 16, 2012

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 25, 2011 and December 26, 2010

(thousands of US dollars, except per share amounts)

	Note	2011	2010
Revenue		652,063	579,441
Cost of sales		(464,299)	(406,948)
Gross profit		187,764	172,493
Other income (expenses)	8	(520)	(5,244)
Sales, marketing and distribution expenses		(53,043)	(49,078)
General and administrative expenses		(26,345)	(25,501)
Research and technical expenses		(12,606)	(13,436)
Pre-production expenses		(240)	(237)
Income from operations		95,010	78,997
Finance income	9	4,417	3,656
Finance expense	9	(3,865)	(3,557)
Income before income taxes		95,562	79,096
Income tax expense	10	(30,653)	(22,026)
Net income for the year		64,909	57,070
Attributable to:			
Equity holders of the Company		63,783	55,296
Non-controlling interests		1,126	1,774
		64,909	57,070
Basic and fully diluted earnings per share - cents	22	98	85

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 25, 2011 and December 26, 2010

(thousands of US dollars)

		2011	2010
Net income for the year		64,909	57,070
Cash flow hedge (losses) gains recognized		(167)	1,033
Cash flow hedge gains transferred to the statement of income	8	(996)	(1,586)
Cash flow hedge gains transferred to property, plant and equipment		(60)	-
Actuarial (losses) gains on employee benefit plans	16	(11,771)	402
Income tax relating to applicable components of other comprehensive income	10	3,990	191
Other comprehensive income (loss) for the year - net of income tax		(9,004)	40
Comprehensive income for the year		55,905	57,110
Attributable to:			
Equity holders of the Company		54,779	55,336
Non-controlling interests		1,126	1,774
		55,905	57,110

See accompanying notes to consolidated financial statements, including note 29(c) which reconciles amounts previously reported under Canadian GAAP to International Financial Reporting Standards (IFRS).

CONSOLIDATED BALANCE SHEETS

(thousands of US dollars)

	Note	December 25 2011	December 26 2010	December 28 2009
Assets				
Current assets:				
Cash and cash equivalents	11	126,879	90,488	61,164
Trade and other receivables	12	83,935	77,118	69,172
Income taxes receivable		33	1,953	1,255
Inventories	13	78,018	76,075	69,812
Prepaid expenses		2,769	2,284	2,211
Derivative financial instruments		242	629	1,182
		<u>291,876</u>	<u>248,547</u>	<u>204,796</u>
Non-current assets:				
Property, plant and equipment	14	256,938	234,797	220,196
Intangible assets	15	15,076	16,666	18,505
Employee benefit plan assets	16	-	3,330	1,110
Deferred tax assets	17	3,729	4,174	3,408
Other receivables		-	141	799
		<u>275,743</u>	<u>259,108</u>	<u>244,018</u>
Total assets		<u>567,619</u>	<u>507,655</u>	<u>448,814</u>
Equity and Liabilities				
Current liabilities:				
Trade payables and other liabilities	18	59,294	52,560	44,965
Provisions	19	592	368	-
Income taxes payable		4,988	1,554	5,051
Derivative financial instruments		836	-	-
		<u>65,710</u>	<u>54,482</u>	<u>50,016</u>
Non-current liabilities:				
Employee benefit plan liabilities	16	12,504	6,719	7,181
Deferred income		10,243	11,221	11,363
Provisions	19	8,423	7,614	870
Deferred tax liabilities	17	17,116	20,322	19,622
		<u>48,286</u>	<u>45,876</u>	<u>39,036</u>
Total liabilities		<u>113,996</u>	<u>100,358</u>	<u>89,052</u>
Equity:				
Share capital	21	29,195	29,195	29,195
Reserves	21	(426)	441	810
Retained earnings		409,008	361,128	313,038
Total equity attributable to equity holders of the Company		<u>437,777</u>	<u>390,764</u>	<u>343,043</u>
Non-controlling interests		<u>15,846</u>	<u>16,533</u>	<u>16,719</u>
Total equity		<u>453,623</u>	<u>407,297</u>	<u>359,762</u>
Total equity and liabilities		<u>567,619</u>	<u>507,655</u>	<u>448,814</u>

See accompanying notes to consolidated financial statements, including note 29(b) which reconciles amounts previously reported under Canadian GAAP to IFRS.

On behalf of the Board:

 Director

 Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of US dollars)

	Attributable to Equity Holders of the Company						
	Note	Share Capital	Reserves	Retained Earnings	Total	Non- Controlling Interests	Total Equity
Balance at December 28, 2009		29,195	810	313,038	343,043	16,719	359,762
Comprehensive income (loss) for the year							
Cash flow hedge gains, net of tax		-	741	-	741	-	741
Cash flow hedge gains transferred to the statement of income, net of tax		-	(1,110)	-	(1,110)	-	(1,110)
Actuarial gains on employee benefit plans, net of tax		-	-	409	409	-	409
Other comprehensive income (loss)		-	(369)	409	40	-	40
Net income for the year		-	-	55,296	55,296	1,774	57,070
Comprehensive income (loss) for the year		-	(369)	55,705	55,336	1,774	57,110
Preferred share redemption		-	-	-	-	(1,960)	(1,960)
Dividends	21	-	-	(7,615)	(7,615)	-	(7,615)
Balance at December 26, 2010		29,195	441	361,128	390,764	16,533	407,297
Balance at December 27, 2010		29,195	441	361,128	390,764	16,533	407,297
Comprehensive income (loss) for the year							
Cash flow hedge losses, net of tax		-	(109)	-	(109)	-	(109)
Cash flow hedge gains transferred to the statement of income, net of tax		-	(714)	-	(714)	-	(714)
Cash flow hedge gains transferred to property, plant and equipment, net of tax		-	(44)	-	(44)	-	(44)
Actuarial losses on employee benefit plans, net of tax		-	-	(8,137)	(8,137)	-	(8,137)
Other comprehensive income (loss)		-	(867)	(8,137)	(9,004)	-	(9,004)
Net income for the year		-	-	63,783	63,783	1,126	64,909
Comprehensive income (loss) for the year		-	(867)	55,646	54,779	1,126	55,905
Preferred share redemption		-	-	-	-	(980)	(980)
Dividends	21	-	-	(7,766)	(7,766)	(833)	(8,599)
Balance at December 25, 2011		29,195	(426)	409,008	437,777	15,846	453,623

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 25, 2011 and December 26, 2010

(thousands of US dollars)

	Note	2011	2010
Cash provided by (used in):			
Operating activities:			
Net income for the year		64,909	57,070
Items not involving cash:			
Depreciation	14	26,789	25,061
Amortization - deferred income		(1,223)	(1,154)
Amortization - intangible assets	15	2,049	2,091
Employee defined benefit plan expenses	16	2,928	2,537
Net finance income	9	(552)	(99)
Income tax expense	10	30,653	22,026
Other		(1,433)	(2,348)
Cash flow from operating activities before the following		124,120	105,184
Change in working capital:			
Trade and other receivables		(6,676)	(7,946)
Inventories		(1,943)	(6,263)
Prepaid expenses		(485)	(73)
Trade payables and other liabilities		6,756	8,099
Provisions		795	7,112
Employee defined benefit plan payments	16	(5,148)	(4,750)
Income tax paid		(22,347)	(23,377)
Interest received		309	116
Interest paid		(20)	(10)
Net cash from operating activities		95,361	78,092
Investing activities:			
Acquisition of property, plant and equipment (net)		(48,906)	(39,017)
Acquisition of intangible assets	15	(462)	(252)
		(49,368)	(39,269)
Financing activities:			
Dividends paid		(7,789)	(7,539)
Change in non-controlling interests in subsidiary		(1,813)	(1,960)
		(9,602)	(9,499)
Change in cash and cash equivalents		36,391	29,324
Cash and cash equivalents, beginning of year		90,488	61,164
Cash and cash equivalents, end of year	11	126,879	90,488

See accompanying notes to consolidated financial statements, including note 29(d) which highlights the significant adjustments made to the amounts previously reported under Canadian GAAP.



(thousands of US dollars, unless otherwise indicated)

1. General

Wapak Ltd. 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 health-care applications. The address of the Company's registered office is 100 Saulteaux Crescent, Winnipeg, Manitoba, Canada R3J 3T3. The ultimate controlling party of Wapak Ltd. is Wihuri Oy of Helsinki, Finland, a privately held Company.

2. Basis of presentation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (CICA). 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 2011 and 2010 fiscal years comprised 52 weeks. In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and require publicly accountable enterprises to apply such standards for years beginning on or after January 1, 2011. The Company's current fiscal year commenced on December 27, 2010. As permitted under National Instrument 52-107, the Company elected to commence reporting on this new basis for the year ended December 25, 2011. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements were the first prepared in accordance with IFRS. Accordingly, IFRS 1 has been applied. Subject to certain transition elections disclosed in note 29, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at December 28, 2009 and throughout all periods presented, as if these policies had always been in effect. Note 29 discloses the impact of the transition to IFRS on the Company's reported balance sheet, changes in equity, statements of income, comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Canadian GAAP consolidated financial statements for the year ended December 26, 2010.

The Company's functional and reporting currency is the US dollar. The US dollar is the reporting currency as more than three-quarters of the Company's business is conducted in US dollars thereby increasing transparency by significantly reducing volatility of reported results due to fluctuations in the rate of exchange between the US and Canadian currencies. As part of the Company's conversion to IFRS, entities with the Canadian dollar as their functional currency under Canadian GAAP changed their functional currency to the US dollar (see note 29).

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

The consolidated financial statements were approved by the Board of Directors on February 16, 2012.

3. Significant accounting policies

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Wapak Portion Packaging Ltd., Wapak Heat Seal Packaging Inc., Wapak Holdings Ltd., Wapak Inc., Wapak Films Inc., Wapak Portion Packaging, Inc., Wapak Lane, Inc., Wapak Heat Seal Corporation, Grupo Wapak De Mexico, S.A. De C.V., Embalajes Wapak De Mexico, S.A. De C.V., and Administracion Wapak De Mexico, S.A. De C.V., and its majority-owned subsidiary American Biaxis Inc. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. 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 profits 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 incurred by 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 IAS 39 either in the statement of income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Non-controlling interests:

Non-controlling interests represent equity interests in American Bixis Inc. 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:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and discounts. Revenue is recognized when the risks and rewards of ownership have transferred to the customer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, or there is continuing management involvement with the goods.

(f) Research and technical expenses:

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

(g) Government grants:

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

Grants 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 received in relation to research and development activities are recorded to reduce these costs when it is determined there is reasonable assurance the tax credits will be realized.

(h) Leases:

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

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease, while any lease incentive received is recognized as a reduction of the total lease expense, over the term of the 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) 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 right 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(o) 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
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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.

(l) Pre-production expenses:

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

(m) Intangible assets:

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. See note 3(o) 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:

Patents	8 - 17 years	Customer-related	10 years	Marketing-related	2 - 10 years	Computer software	3 - 12 years
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(n) 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(o)).

(o) 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 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.

(p) Employee benefit plans:

The Company maintains five 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. Current service costs are charged to the statement of income and included in the same line items as the related compensation cost. Interest costs on the benefit obligation are charged to the statement of income as finance expense. Likewise, the expected return on benefit plan assets is presented in the statement

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of income as finance income. Actuarial gains and losses are recognized directly in equity within other comprehensive income. Gains and losses on the curtailment or settlement of a plan are recognized in the statement of income when the Company is demonstrably committed to the curtailment or settlement. Past service costs are recognized immediately in the statement of income to the extent that the benefits are already vested, and are otherwise amortized on a straight-line basis over the average period until the amended benefits become vested. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, adjusted for unrecognized past service costs, and 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. 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 health care 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 per capita claims cost method. 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. Actuarial gains and losses are recognized directly in equity within other comprehensive income. Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight-line basis over the average period until the amended benefits become vested. The amount recognized in the balance sheet at each year-end reporting date represents the present value of the benefit obligation, adjusted for unrecognized past service costs.

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The Company's responsibility to make contributions is the amount established pursuant to its collective agreement; however poor performance of the investments in this plan could have an adverse impact on the Company, its employees and former employees who are members of this plan. This multiemployer defined benefit pension plan is accounted for using the accounting standards for defined contribution plans as there is insufficient information to apply defined benefit pension plan accounting. Accordingly, the Company's pension expense charged to the statement of income is the annual funding contribution and the Company does not reflect its share of a plan surplus or deficit. The cost of withdrawing from the plan is charged to the statement of income and is calculated as the present value of the required future cash outflows. For further information on the Company's withdrawal from the plan, refer to notes 19 and 29(b). Changes in estimates with respect to the withdrawal liability are recorded to 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 when the Company is committed to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense in the statement of income if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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.

(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 expense is the expected income tax payable on the taxable income 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 income adjustments to income taxes payable in respect of previous periods. Current income tax expense 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 expense 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.

Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to income tax authorities.

(r) 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 right 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 re-measured 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 in the statement of income.

At each reporting date, other provisions are re-measured 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 in the statement of income.

(s) Financial assets and liabilities:

Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. The Company's financial instruments are classified as follows: a) cash and cash equivalents - loans and receivables, b) trade and other receivables - loans and receivables c) trade payables and other liabilities - other financial liabilities and d) derivative financial instruments - derivatives designated as effective hedges. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except loans and receivables and other financial liabilities, which are measured at amortized cost. All changes in fair value are recorded to the 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.

(t) Derivative financial instruments:

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, overhead, and property, plant and equipment expenditures to be incurred in Canadian dollars and equipment expenditures to be incurred in other foreign currencies.

All foreign currency forward contracts are designated as cash flow hedges. The fair value of each contract is included on the 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 overhead expenditures, changes in the fair value of these contracts are initially recorded in other comprehensive income and subsequently recorded in the 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.

(u) Share-based payments:

The Company maintains a share-based compensation plan, which provides restricted share units under the President's Incentive Plan. Units under the plan vest immediately, and are paid in cash during the fourth quarter of the third year or the first quarter of the fourth year after the date of grant based upon the quoted market value of the common shares of the Company on the day prior to the date of payment. The fair value of the units granted is recognized as a personnel expense, with a corresponding increase in liabilities, over the period that the units pertain. The liability is re-measured at each reporting date. Any changes in the fair value of the liability are recognized as a personnel expense in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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. Fully 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that are critical to the determination of carrying value of assets and liabilities are addressed below.

(a) *Impairment of property, plant and equipment and intangible assets:*

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 appropriate discount rates. 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 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 expected future cash inflows and the 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 eight CGUs, of which the carrying values for two include goodwill and must be tested for impairment annually.

(b) *Employee benefit plans:*

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

5. Future accounting standards

(a) *Financial instruments - disclosures:*

The Accounting Standards Board approved the incorporation of the amendments to IFRS 7 "Financial Instruments: Disclosures" and the related amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" into Part 1 of the Handbook. These amendments were made to Part 1 in January 2011 and are effective for annual periods beginning on or after July 1, 2011. The amendments relate to required disclosures for transfers of financial assets to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. While the Company is currently assessing the impact of this new standard, management does not expect the standard to have a significant impact on the Company's consolidated financial statements.

(b) *Financial instruments:*

IFRS 9 "Financial Instruments" was issued in November 2009 as the first step in the project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. While the Company is currently assessing the impact of this new standard, management does not expect the standard to have a significant impact on the Company's consolidated financial statements.

In May 2011, the International Accounting Standards Board issued the following standards: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements", IFRS 13 "Fair Value Measurement" and amended IAS 28 "Investments in Associates and Joint Ventures". Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. While the Company is currently assessing the impact of the new and amended standards, management does not expect the standards to have a significant impact on the Company's consolidated financial statements. The Company has not yet determined whether any of the new requirements will be early adopted.

The following is a brief summary of the new standards:

(c) *Consolidation:*

IFRS 10 "Consolidated Financial Statements" requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12 "Consolidation – Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".



(d) Joint arrangements:

IFRS 11 "Joint Arrangements" requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities - Non-monetary Contributions by Venturers".

(e) Disclosure of interests in other entities:

IFRS 12 "Disclosure of Interests in Other Entities" establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(f) Fair value measurement:

IFRS 13 "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(g) Amendments to other standards:

There have been amendments to existing standards, including IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 - 12 as explained above.

In June 2011, the International Accounting Standards Board amended IAS 1 "Financial Statement Presentation" and IAS 19 "Employee Benefits".

(h) Financial statement presentation:

The amendments to IAS 1 "Financial Statement Presentation" requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to the statement of income in the future. Items that will not be recycled such as re-measurements resulting from amendments to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that presented other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted and full retrospective application is required. The Company has not yet determined whether the amended standard will be early adopted.

(i) Employee benefits:

The amendments to IAS 19 "Employee Benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosure for all employee benefits. Actuarial gains and losses are renamed re-measurements and will be recognized immediately in other comprehensive income. Re-measurements recognized in other comprehensive income will not be recycled through the statement of income in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a defined benefit plan will be computed based on the application of the discount rate to the net defined benefit plan asset or liability. The amendments to IAS 19 will also impact the presentation of pension expense as benefit costs will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past service cost, settlements and curtailments); and (ii) finance expense or income. The amendment is effective for periods beginning on or after January 1, 2013. Early adoption is permitted. The amendment should be applied retrospectively, except for changes to the carrying value of assets that include benefit costs in the carrying amount. The Company has not yet begun the process of assessing what impact the amended standard may have on its financial statements or whether or not it will early adopt.

(j) Financial instruments - presentation:

In December 2011, the International Accounting Standards Board issued an amendment to the application guidance in IAS 32 "Financial Instruments: Presentation" to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. As a result, the International Accounting Standards Board has also published an amendment to IFRS 7 "Financial Instruments: Disclosures". The amendments do not change the current offsetting model in IAS 32 but instead clarifies that the right of offset must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement. The offsetting disclosures in IFRS 7 are to be retrospectively applied, with an effective date for annual periods beginning on or after January 1, 2013. However, the clarifications to the application guidance in IAS 32 are to be retrospectively applied, with an effective date for annual periods beginning on or after January 1, 2014. While the Company is currently assessing the impact of this new standard, management does not expect the standard to have a significant impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Expenses by nature:

	2011	2010
Raw materials and consumables used	(337,074)	(288,985)
Depreciation and amortization	(27,615)	(25,998)
Personnel expenses (note 7)	(138,661)	(137,495)
Freight	(17,750)	(16,558)
Other expenses	(36,228)	(33,276)
Net foreign exchange and cash flow hedge gains transferred from other comprehensive income (note 8)	275	1,868
	<u>(557,053)</u>	<u>(500,444)</u>

7. Personnel expenses:

	2011	2010
Wages and salaries	(119,742)	(113,355)
Social security expenses	(11,120)	(10,340)
Expenses related to defined benefit plans	(2,928)	(2,537)
Contribution to defined contribution plans and defined benefit multiemployer pension plan	(3,115)	(2,840)
Withdrawal liability expense on defined benefit multiemployer pension plan	(795)	(7,112)
Share-based payments	(961)	(1,311)
	<u>(138,661)</u>	<u>(137,495)</u>

8. Other income (expenses):

	2011	2010
Foreign exchange (loss) gain	(721)	282
Cash flow hedge gains transferred from other comprehensive income	996	1,586
Withdrawal liability expense on defined benefit multiemployer pension plan	(795)	(7,112)
	<u>(520)</u>	<u>(5,244)</u>

9. Finance income and expense:

	2011	2010
Finance income on cash and cash equivalents	328	182
Expected return on benefit plan assets	4,089	3,474
Finance income	<u>4,417</u>	<u>3,656</u>
Finance expense on bank overdrafts and other	(48)	(12)
Finance expense on benefit plan obligation	(3,579)	(3,545)
Unwinding of discount rates on provisions	(238)	-
Finance expense	<u>(3,865)</u>	<u>(3,557)</u>
Net finance income	<u>552</u>	<u>99</u>



10. Income tax expense:

	2011	2010
<u>Current tax expense</u>		
Current year	(29,424)	(22,744)
Adjustment for prior years	-	87
	<u>(29,424)</u>	<u>(22,657)</u>
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	(1,229)	418
Change in enacted or substantively enacted tax rates	-	213
	<u>(1,229)</u>	<u>631</u>
Total income tax expense	<u>(30,653)</u>	<u>(22,026)</u>
<u>Income tax recovery recognized in other comprehensive income</u>		
Cash flow hedges	356	184
Actuarial gains and losses	3,634	7
	<u>3,990</u>	<u>191</u>
<u>Reconciliation of effective income tax rate</u>		
Combined Canadian federal and provincial income tax rate	28.2%	29.8%
United States income taxed at rates higher than Canadian tax rates	4.5	1.4
Change in enacted or substantively enacted Canadian provincial income tax rates	-	(0.3)
Non-taxable foreign exchange differences	-	(2.4)
Capital cost allowance and cumulative eligible capital tax pool foreign exchange differences	-	(0.9)
Permanent differences and other	(0.6)	0.2
Effective income tax rate	<u>32.1%</u>	<u>27.8%</u>

Effective January 1, 2011, the Canadian federal income tax rate dropped from 18 percent to 16.5 percent.

11. Cash and cash equivalents:

	December 25 2011	December 26 2010	December 28 2009
Bank balances	17,320	12,118	21,783
Money market and short-term deposits	109,559	78,370	39,381
	<u>126,879</u>	<u>90,488</u>	<u>61,164</u>

12. Trade and other receivables:

	December 25 2011	December 26 2010	December 28 2009
Trade receivables	81,811	74,861	65,999
Less: Allowance for doubtful accounts	(1,446)	(1,628)	(1,761)
Net trade receivables	<u>80,365</u>	<u>73,233</u>	<u>64,238</u>
Other receivables	3,570	3,885	4,934
	<u>83,935</u>	<u>77,118</u>	<u>69,172</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Inventories:

	December 25 2011	December 26 2010	December 28 2009
Raw materials	22,584	24,138	23,570
Work-in-process	13,753	12,266	9,619
Finished goods	37,367	35,757	33,230
Spare parts	4,314	3,914	3,393
	<u>78,018</u>	<u>76,075</u>	<u>69,812</u>

During 2011, the Company recorded, within cost of sales, inventory write-downs for slow-moving and obsolete inventory of \$6,080 (2010 - \$6,539) and reversals of previously written-down items of \$1,688 (2010 - \$1,366).

14. Property, plant and equipment:

	Land	Buildings	Equipment	Packaging Machines	Expansions In Progress	Total
Net book value						
<u>At December 28, 2009</u>						
Cost	2,565	76,321	314,388	29,555	8,851	431,680
Accumulated depreciation	-	(20,952)	(164,134)	(26,398)	-	(211,484)
	<u>2,565</u>	<u>55,369</u>	<u>150,254</u>	<u>3,157</u>	<u>8,851</u>	<u>220,196</u>
<u>2010 Activity</u>						
Additions	-	4,660	33,111	627	1,787	40,185
Disposals	-	-	(283)	(240)	-	(523)
Transfers	-	2,527	6,324	-	(8,851)	-
Depreciation	-	(2,416)	(21,628)	(1,017)	-	(25,061)
At December 26, 2010	<u>2,565</u>	<u>60,140</u>	<u>167,778</u>	<u>2,527</u>	<u>1,787</u>	<u>234,797</u>
<u>At December 26, 2010</u>						
Cost	2,565	83,508	350,472	28,305	1,787	466,637
Accumulated depreciation	-	(23,368)	(182,694)	(25,778)	-	(231,840)
	<u>2,565</u>	<u>60,140</u>	<u>167,778</u>	<u>2,527</u>	<u>1,787</u>	<u>234,797</u>
Net book value						
<u>At December 27, 2010</u>						
Cost	2,565	83,508	350,472	28,305	1,787	466,637
Accumulated depreciation	-	(23,368)	(182,694)	(25,778)	-	(231,840)
	<u>2,565</u>	<u>60,140</u>	<u>167,778</u>	<u>2,527</u>	<u>1,787</u>	<u>234,797</u>
<u>2011 Activity</u>						
Additions	-	2,014	8,598	377	38,204	49,193
Disposals	-	-	(263)	-	-	(263)
Transfers	-	-	1,376	-	(1,376)	-
Depreciation	-	(3,078)	(22,881)	(830)	-	(26,789)
At December 25, 2011	<u>2,565</u>	<u>59,076</u>	<u>154,608</u>	<u>2,074</u>	<u>38,615</u>	<u>256,938</u>
<u>At December 25, 2011</u>						
Cost	2,565	85,522	356,074	28,134	38,615	510,910
Accumulated depreciation	-	(26,446)	(201,466)	(26,060)	-	(253,972)
	<u>2,565</u>	<u>59,076</u>	<u>154,608</u>	<u>2,074</u>	<u>38,615</u>	<u>256,938</u>



Government grants in respect of property, plant and equipment were recognized within deferred income totaling \$249 in 2011 (2010 - \$1,043). No impairment losses or impairment reversals were recorded during 2011 (2010 - nil). No borrowing costs were capitalized during 2011 (2010 - nil).

15. Intangible assets:

	Goodwill	Software	Patents	Customer Related	Marketing Related	Total
Net book value						
<u>At December 28, 2009</u>						
Cost	31,546	6,831	4,017	11,996	2,058	56,448
Accumulated amortization and impairment	(18,780)	(5,333)	(3,899)	(8,394)	(1,537)	(37,943)
	12,766	1,498	118	3,602	521	18,505
<u>2010 Activity</u>						
Additions	-	243	9	-	-	252
Amortization	-	(662)	(55)	(1,160)	(214)	(2,091)
At December 26, 2010	12,766	1,079	72	2,442	307	16,666
<u>At December 26, 2010</u>						
Cost	31,546	7,056	4,026	11,996	1,924	56,548
Accumulated amortization and impairment	(18,780)	(5,977)	(3,954)	(9,554)	(1,617)	(39,882)
	12,766	1,079	72	2,442	307	16,666
Net book value						
<u>At December 27, 2010</u>						
Cost	31,546	7,056	4,026	11,996	1,924	56,548
Accumulated amortization and impairment	(18,780)	(5,977)	(3,954)	(9,554)	(1,617)	(39,882)
	12,766	1,079	72	2,442	307	16,666
<u>2011 Activity</u>						
Additions	-	461	1	-	-	462
Disposals	-	(3)	-	-	-	(3)
Amortization	-	(676)	(29)	(1,160)	(184)	(2,049)
At December 25, 2011	12,766	861	44	1,282	123	15,076
<u>At December 25, 2011</u>						
Cost	31,546	7,510	4,027	11,996	1,924	57,003
Accumulated amortization and impairment	(18,780)	(6,649)	(3,983)	(10,714)	(1,801)	(41,927)
	12,766	861	44	1,282	123	15,076

The amortization of software and patents is included within general and administrative expenses and the amortization of customer related and marketing related intangibles is included within sales, marketing and distribution expenses.

As of December 25, 2011, there were no indefinite life intangible assets other than goodwill.

The 2011 goodwill balance of \$12,766 (2010 - \$12,766) includes \$12,542 (2010 - \$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 12.4 percent (2010 - 13.5 percent). Cash flows were projected based on actual operating results and the five-year business plan. For the 2011 impairment testing, average volume growth for the next five years was 4.1 percent and the average gross profit percentage over the same time-frame was two percentage points lower than the actual gross profit percentage attained in 2011. For the 2010 impairment testing, the average volume growth for the next five years was 2.5 percent and the average gross profit percentage over the same time-frame was within one percentage point of the actual gross profit percentage attained in 2010. Cash flows after the five year period were assumed to increase at a terminal growth rate of 1.5 percent (2010 - 1.5 percent).

No impairment losses or impairment reversals were recorded during 2011 (2010 - nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Employee benefit plans:

The Company maintains five 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 health-care benefits for a limited group of US individuals, one multiemployer defined benefit pension plan for certain unionized employees in the US 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.

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, the multiemployer defined benefit pension plan and the defined contribution plans, amounted to \$8,328 (2010 - \$7,590).

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, 2010 for one plan, December 31, 2010 for three plans, and October 31, 2005 for one frozen plan which will not have a new actuarial valuation completed at this time. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for health-care benefits were dated January 1, 2009 and January 1, 2010 respectively. The next required actuarial valuations for all of the Company's defined benefit plans are three years from the aforementioned dates. Based on the most recent actuarial valuations, the Company expects to contribute \$2,671 in cash to its defined benefit plans in 2012.

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

	2011	2010	
<u>Change in benefit obligation</u>			
Benefit obligation, beginning of year	65,769	57,909	
Current service cost	2,928	2,537	
Finance expense	3,579	3,545	
Actuarial losses recognized in other comprehensive income	8,099	1,856	
Benefits paid	(2,162)	(1,675)	
Foreign exchange	(662)	1,597	
Benefit obligation, end of year	<u>77,551</u>	<u>65,769</u>	
<u>Change in benefit plan assets</u>			
Fair value of benefit plan assets, beginning of year	62,911	53,404	
Expected return on benefit plan assets	4,089	3,474	
Actuarial (losses) gains recognized in other comprehensive income	(4,125)	1,186	
Employer contributions	5,148	4,750	
Benefits paid	(2,162)	(1,675)	
Foreign exchange	(744)	1,772	
Fair value of benefit plan assets, end of year	<u>65,117</u>	<u>62,911</u>	
	December 25	December 26	December 28
	2011	2010	2009
<u>Funded status</u>			
Present value of funded obligations	(75,659)	(63,829)	(56,048)
Fair value of benefit plan assets	65,117	62,911	53,404
Status of funded obligations	<u>(10,542)</u>	(918)	(2,644)
Present value of unfunded obligations	<u>(1,892)</u>	(1,940)	(1,861)
Total funded status of obligations	<u>(12,434)</u>	(2,858)	(4,505)
Assets not recognized due to pension plan asset ceiling limit	(70)	(531)	(1,566)
	<u>(12,504)</u>	<u>(3,389)</u>	<u>(6,071)</u>



	December 25 2011	December 26 2010	December 28 2009
Amounts recognized in the balance sheet			
Employee benefit plan assets	-	3,330	1,110
Employee benefit plan liabilities	<u>(12,504)</u>	<u>(6,719)</u>	<u>(7,181)</u>
	<u>(12,504)</u>	<u>(3,389)</u>	<u>(6,071)</u>
Benefit plan assets			
The following represents the weighted average allocation of benefit plan assets:			
<u>Asset category</u>			
Equity securities	62%	62%	61%
Debt securities	32%	32%	32%
Cash	6%	6%	7%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>
		2011	2010
Net benefit plan expense			
Current service cost		(2,928)	(2,537)
Finance expense on benefit obligation		(3,579)	(3,545)
Expected return on benefit plan assets		4,089	3,474
		<u>(2,418)</u>	<u>(2,608)</u>
Current service cost is recognized in the following line items in the statement of income:			
Cost of sales		(1,364)	(1,184)
Sales, marketing and distribution expenses		(459)	(338)
General and administrative expenses		(870)	(818)
Research and technical expenses		(235)	(197)
		<u>(2,928)</u>	<u>(2,537)</u>
Actual return on benefit plan assets		<u>(36)</u>	<u>4,660</u>
Amounts recognized in other comprehensive income			
Actuarial losses		(12,224)	(670)
Assets not recognized due to pension plan asset ceiling limit		453	1,072
		<u>(11,771)</u>	<u>402</u>
Cumulative actuarial gains / (losses) recognized in other comprehensive income			
Cumulative amount, beginning of year		402	-
Recognized during the year		<u>(11,771)</u>	<u>402</u>
Cumulative amount, end of year		<u>(11,369)</u>	<u>402</u>
Historical information			
Fair value of benefit plan assets		65,117	62,911
Present value of benefit obligations		<u>(77,551)</u>	<u>(65,769)</u>
Deficit in the plans		<u>(12,434)</u>	<u>(2,858)</u>
Experience adjustments arising on benefit plan assets		<u>(4,125)</u>	<u>1,186</u>
Experience adjustments arising on benefit plan liabilities		<u>584</u>	<u>-</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2011 2010

Significant assumptions

The following weighted averages were used:

Benefit obligations as of the year-end date:

Discount rate	4.5%	5.4%
Rate of compensation increase	3.7%	3.9%

Net benefit plan expense for the year:

Discount rate	5.4%	6.0%
Expected return on benefit plan assets	6.4%	6.3%
Rate of compensation increase	3.9%	3.9%

The defined benefit pension plans do not invest in the shares of the Company. The expected rate of return on the benefit plan assets is based on historical and projected rates of return for each asset category measured over a four-year time period. The objective of the asset allocation policy is to manage the funded status of the 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 postretirement benefit plan assumed health-care cost trend rate is 8.1 percent with the rate declining to 4.5 percent by 2028. A one-percentage point change in the assumed health-care cost trend rate would affect the net benefit plan expense by approximately \$5 and the benefit obligation by \$111.

Multiemployer defined benefit pension plan

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The trustees have determined that this plan is in a critical status position from a funding perspective. As a result, the trustees have formulated a funding rehabilitation plan to forestall a possible insolvency of the plan. The rehabilitation plan requires participating employers to provide phased in contribution increases for future years with the contributions increasing 25 percent by 2012. These contributions are directed solely toward improving the plan's funding status. During 2011, the Company filed the necessary paperwork with the plan trustees to withdraw from the plan. Pursuant to US federal legislation, an employer who withdraws from a plan with unfunded vested benefits is responsible for a share of that underfunding. See note 19 for the details on the accounting for the withdrawal liability. This multiemployer defined benefit pension plan is accounted for using the accounting standards for defined contribution plans as there is insufficient information to apply defined benefit pension plan accounting. Accordingly, the Company's pension expense in respect to this plan of \$135 (2010 - \$456) is the annual funding contribution and the Company does not recognize its share of a plan surplus or deficit.

Defined contribution pension plans

The Company maintains four defined contribution plans for employees in Canada and three savings retirement plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was \$2,980 (2010 - \$2,384).

17. 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 25 2011	December 26 2010	December 25 2011	December 26 2010	December 25 2011	December 26 2010
Trade and other receivables	447	498	-	-	447	498
Inventories	3,147	2,608	-	-	3,147	2,608
Prepaid expenses	-	-	(76)	(74)	(76)	(74)
Derivative financial instruments	168	-	-	(188)	168	(188)
Property, plant and equipment	3,726	4,167	(30,762)	(29,518)	(27,036)	(25,351)
Intangible assets	965	887	(449)	(403)	516	484
Employee benefit plans	4,446	2,455	-	(811)	4,446	1,644
Trade payables and other liabilities	1,611	1,622	(121)	(136)	1,490	1,486
Provisions	3,511	2,745	-	-	3,511	2,745
Tax assets (liabilities)	18,021	14,982	(31,408)	(31,130)	(13,387)	(16,148)
Set off of tax	(14,292)	(10,808)	14,292	10,808	-	-
Net tax assets (liabilities)	3,729	4,174	(17,116)	(20,322)	(13,387)	(16,148)



Movement in deferred tax assets and liabilities:

	Opening Balance	Recognized In Income	Recognized In Equity	Exchange Differences	Ending Balance
<u>2010</u>					
Trade and other receivables	557	(59)	-	-	498
Inventories	2,237	371	-	-	2,608
Prepaid expenses	(74)	3	-	(3)	(74)
Derivative financial instruments	(372)	-	184	-	(188)
Property, plant and equipment	(22,563)	(2,192)	-	(596)	(25,351)
Intangible assets	588	(73)	-	(31)	484
Employee benefit plans	2,364	(592)	7	(135)	1,644
Trade payables and other liabilities	793	684	-	9	1,486
Provisions	256	2,489	-	-	2,745
	<u>(16,214)</u>	<u>631</u>	<u>191</u>	<u>(756)</u>	<u>(16,148)</u>
<u>2011</u>					
Trade and other receivables	498	(51)	-	-	447
Inventories	2,608	539	-	-	3,147
Prepaid expenses	(74)	(2)	-	-	(76)
Derivative financial instruments	(188)	-	356	-	168
Property, plant and equipment	(25,351)	(1,685)	-	-	(27,036)
Intangible assets	484	32	-	-	516
Employee benefit plans	1,644	(832)	3,634	-	4,446
Trade payables and other liabilities	1,486	4	-	-	1,490
Provisions	2,745	766	-	-	3,511
	<u>(16,148)</u>	<u>(1,229)</u>	<u>3,990</u>	<u>-</u>	<u>(13,387)</u>

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 \$190,659 (2010 - \$157,802). Temporary differences relating to unremitted earnings of foreign subsidiaries which would be subject to withholding and other taxes totalled \$114,821 (2010 - \$96,416).

18. Trade payables and other liabilities:

	December 25 2011	December 26 2010	December 28 2009
Trade payables	32,138	26,783	23,798
Other current liabilities and accrued expenses	27,156	25,777	21,167
	<u>59,294</u>	<u>52,560</u>	<u>44,965</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Provisions:

	Multiemployer Withdrawal Liability	Asset Retirement Obligations	Total
Balance at December 27, 2010			
Current liabilities	368	-	368
Non-current liabilities	6,744	870	7,614
	<u>7,112</u>	<u>870</u>	<u>7,982</u>
<u>2011 Annual activity</u>			
Finance expense - unwinding of discount	216	22	238
Change in discount rates	795	-	795
Balance at December 25, 2011	<u>8,123</u>	<u>892</u>	<u>9,015</u>
At December 25, 2011			
Current liabilities	491	101	592
Non-current liabilities	7,632	791	8,423
	<u>8,123</u>	<u>892</u>	<u>9,015</u>

Multiemployer withdrawal liability

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The trustees communicated to both the Company and the Union in 2010 that this plan was in a critical status position from a funding perspective. During the fourth quarter of 2010, the Company analyzed its options with the assistance of external consultants. Management has determined that the only economically feasible alternative was to withdraw from the plan and therefore, in the first quarter of 2011, reached an agreement with the Union to proceed. In addition, the Company filed the necessary paperwork with the plan trustees to withdraw from the plan. Pursuant to US federal legislation, an employer who withdraws from a plan with unfunded vested benefits is responsible for a share of that underfunding. As a consequence of withdrawing from the plan, the Company will be required to make monthly payments at a constant dollar value estimated at \$41, or \$491 on an annual basis, over a twenty year period. A one-percentage point increase in the discount rates would have decreased the December 25, 2011 liability by \$676 and increased income before income taxes by \$676.

Asset retirement obligations

For certain building leases, the Company is required to remove all equipment and restore the premises at the end of the lease.

20. Share-based payments:

Effective January 1, 2004, the Board of Directors established the President's Incentive Plan (Plan), whereby the Company grants to B.J. Berry (President) 60,000 restricted share units (RSUs) upon completion of each year of service. There is no cost of the RSUs to the President and there is no potential for repricing. The Company pays to the President the cash value of the RSUs based on the closing share price on a date selected by the President during the fourth quarter of the third year or the first quarter of the fourth year subsequent to the year the RSUs were granted. A date cannot be selected during periods in which insiders may not trade Winpak shares. In the event of the termination of the President's employment for any reason, the cash value of the RSUs shall vest and be paid to the President or his personal representative, as the case may be. The cash value of a RSU is the market value of the common shares of the Company on the day prior to the date of payment. In addition, the Company is required to pay the President an amount equal to the dividends paid on the common shares of the Company with respect to each RSU if, as and when, declared and paid.

Details of RSUs issued and outstanding during the current and prior year are as follows:

	2011	2010
Outstanding, beginning of year	240,000	240,000
Settled	(60,000)	(60,000)
Granted	<u>60,000</u>	<u>60,000</u>
Outstanding, end of year	<u>240,000</u>	<u>240,000</u>
Available for settlement, end of year	<u>60,000</u>	<u>60,000</u>



The 240,000 RSUs outstanding at the end of 2011 mature 60,000 annually from 2012 through 2015 and the 240,000 RSUs outstanding at the end of 2010 mature 60,000 annually from 2011 through 2014.

The fair value of the RSUs at the grant date and each subsequent reporting date is determined based upon the market value of the Company's common shares.

The personnel expense recorded in the statement of income under the Plan was \$961 (2010 - \$1,311). The settlement price in 2011 was \$14.72 US per RSU (2010 - \$8.83 US). At December 25, 2011, the carrying value of the liability, as well as the intrinsic value of the vested liability, in respect of the Plan was \$2,856 (2010 - \$2,828).

21. Share capital and reserves:

Share capital

At December 25, 2011, the authorized voting common shares were unlimited (2010 - unlimited). The issued and fully paid voting common shares at December 25, 2011 were 65,000,000 (2010 - 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 2011, dividends in Canadian dollars of 12 cents per common share were declared (2010 - 12 cents).

22. Earnings per share:

	2011	2010
Net income attributable to equity holders of the Company	63,783	55,296
Weighted average shares outstanding (000's)	65,000	65,000
Basic and fully diluted earnings per share - cents	98	85

23. Financial instruments:

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

Assets (Liabilities)	Classification	Carrying / Fair Value
Cash and cash equivalents	Loans and receivables	126,879
Trade and other receivables	Loans and receivables	83,935
Derivative financial instrument assets	Derivatives designated as effective hedges	242
Trade payables and other liabilities	Other financial liabilities	(59,294)
Derivative financial instrument liabilities	Derivatives designated as effective hedges	(836)

The fair value of cash and cash equivalents, trade and other receivables, 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, have 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the classification of financial instruments within the fair value hierarchy as at December 25, 2011:

Financial Assets (Liabilities)	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	-	(594)	-	(594)

24. Commitments and guarantees:

Commitments:

The Company has commitments to purchase property, plant and equipment of \$35,184 (2010 - \$4,539).

The Company rents premises and equipment under operating leases that expire at various dates until January 31, 2016. The aggregate minimum rentals payable for these leases are as follows:

Year	2012	2013	2014	2015	2016	Thereafter	Total
Amount	1,529	1,272	1,151	571	11	-	4,534

During 2011, \$1,767 was recognized as an expense in the statement of income in respect of operating leases (2010 - \$1,850).

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 operating 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.

25. 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 25, 2011, a one-cent change in the year-end foreign exchange rate from 1.0208 to 1.0108 (US to CDN dollars) would have increased net income by \$202 for 2011. Conversely, a one-cent change in the year-end foreign exchange rate from 1.0208 to 1.0308 (US to CDN dollars) would have decreased net income by \$202 for 2011.



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 forward foreign currency contracts when equipment purchases will be settled in other foreign currencies. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. Certain foreign currency forward contracts matured during the year and the Company realized pre-tax foreign exchange gains of \$1,056. Of these foreign exchange gains, \$996 were recorded in other income (expenses) and \$60 were recorded in property, plant and equipment.

As at December 25 2011, the Company had US to CDN dollar foreign currency forward contracts outstanding with a notional amount of US \$21.0 million at an average exchange rate of 1.0209 maturing between January and September 2012 and US dollar to Swiss franc foreign currency forward contracts outstanding with a notional amount of US \$7.6 million at an average exchange rate of 0.8634 (US dollars to Swiss francs) maturing between February and August 2012. The fair value of these financial instruments was negative \$594 US and the corresponding unrealized loss has been recorded in other comprehensive income.

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 25, 2011 cash and cash equivalents balance of \$126.9 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease income before income taxes by \$1,269 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 2011, 62 percent of revenue was to 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 25 2011	December 26 2010	December 28 2009
Cash and cash equivalents	126,879	90,488	61,164
Trade and other receivables	83,935	77,118	69,172
Foreign currency forward contracts	242	629	1,182
	211,056	168,235	131,518

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 'AA' rated, or higher, by a recognized international credit rating agency or insured 100 percent by a 'AAA' rated CDN or US government. The Company manages its counterparty risk on its financial instruments by only dealing with CDN Schedule I financial institutions.

In the normal course of business, the Company is exposed to credit risk on its trade and other receivables from customers. The Company's current credit exposure is higher in the weakened North American economic environment. 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.

As at December 25, 2011, 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 (2010 - 97 percent) of gross trade and other receivable balances are outstanding for less than 60 days, (c) 20 percent (2010 - 17 percent) of the trade and other receivables balance are insured against credit losses, and (d) the Company's exposure to individual customers is limited and the ten largest customers, on aggregate, accounted for 35 percent (2010 - 33 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 account 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 doubtful accounts. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets out the aging details of the Company's trade and other receivables balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	December 25 2011	December 26 2010	December 28 2009
Current - neither impaired nor past due	66,890	63,716	52,042
<u>Not impaired but past the due date:</u>			
Within 30 days	15,606	13,015	16,725
31 - 60 days	1,841	1,237	1,271
Over 60 days	1,044	778	895
	<u>85,381</u>	<u>78,746</u>	<u>70,933</u>
Less: Allowance for doubtful accounts	<u>(1,446)</u>	<u>(1,628)</u>	<u>(1,761)</u>
Total trade and other receivables, net	<u>83,935</u>	<u>77,118</u>	<u>69,172</u>

The following table details the continuity of the allowance for doubtful accounts:

	2011	2010
Balance, beginning of year	(1,628)	(1,761)
Provisions for the year, net of recoveries	(90)	(320)
Uncollectible amounts written off	272	462
Foreign exchange impact	-	(9)
Balance, end of year	<u>(1,446)</u>	<u>(1,628)</u>

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 \$126.9 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 and dividend payments in 2012. The Company's trade payables and other liabilities and derivative financial instrument liabilities are virtually 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. The Company also strives to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, the Company includes bank 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 25, 2011, 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 25, 2011, the ratio was 13.15:1.

There were no changes in the Company's approach to capital management during 2011.



26. Segment reporting:

The Company operates in one operating segment being the manufacture and sale of packaging materials. The Company operates principally in Canada and the United States. The following summary presents key information by geographic segment:

	United States	Canada	Other	Consolidated
2011				
Revenue	503,643	110,462	37,958	652,063
Property, plant and equipment and intangible assets	122,351	149,663	-	272,014
2010				
Revenue	452,194	97,230	30,017	579,441
Property, plant and equipment and intangible assets	101,165	150,298	-	251,463

Major customer

During 2011, the Company reported revenue to one customer representing 14 percent of total revenue (2010 - 8 percent).

27. 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.

28. Related party transactions:

The Company had revenue of \$0 (2010 - \$215) and purchases of \$3,811 (2010 - \$3,895) with its majority shareholder company. Trade and other receivables and trade payables and other liabilities include amounts of \$39 (2010 - \$39) and \$0 (2010 - \$28) 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:

	2011	2010
Salaries, fees and short-term benefits	(4,680)	(4,871)
Post-employment benefits	(370)	(398)
Share-based payments	(961)	(1,311)
	<u>(6,011)</u>	<u>(6,580)</u>

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

The aggregate remuneration earned by the Board of Directors in 2011 was \$500 (2010 - \$496). As a group, the Board of Directors hold, directly or indirectly 52.6 percent (2010 - 52.7 percent) of the outstanding shares of the Company. The members of the Executive Committee hold, directly or indirectly, 0.4 percent (2010 - 1.0 percent) of the outstanding shares of the Company.

29. Transition to IFRS:

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

- Transition elections at December 28, 2009
- Reconciliation of equity as previously reported under Canadian GAAP to IFRS at December 28, 2009, and December 26, 2010
- Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the year ended December 26, 2010
- Adjustments to the consolidated statements of cash flows for the year ended December 26, 2010

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) Transition elections:

The requirements for first time adoption of IFRS are set out in IFRS 1. In general, a company is required to determine its IFRS accounting policies and to apply these retrospectively in order to determine its opening balance sheet under IFRS. However, due to cost and/or practical considerations, retrospective application is not always possible. Accordingly, IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period.

The exemptions most relevant to the Company are as follows:

Business combinations

An exemption is available within IFRS 1 that allows a Company to carry forward its previous Canadian GAAP accounting for business combinations prior to the transition date. The exemption is optional and can be applied to any business combination transaction prior to the transition date. However, should a Company choose to adjust a prior business combination to comply with IFRS, all business combinations subsequent to the date of the adjusted transaction must also be retrospectively adjusted. The Company has elected to apply this exemption and as a result, acquisitions prior to December 28, 2009 have not been restated to comply with IFRS 3 "Business Combinations".

Borrowing costs

This exemption allows an entity to adopt IAS 23 "Borrowing Costs" prospectively on qualifying assets for which the capitalization commencement date is after the transition date. The Company applied this exemption.

Employee benefit plans

IFRS 1 allows a Company to recognize all cumulative actuarial gains and losses at the date of transition. The Company has applied this exemption and all unrecognized actuarial gains and losses have been recognized in opening retained earnings at December 28, 2009. In addition, employee benefit plan historical disclosures required under IAS 19 may be provided only for fiscal years subsequent to the transition to IFRS. The Company has applied this exemption.

Cumulative translation differences (CTD)

This exemption allows CTD to be deemed zero at transition. The Company has applied this exemption at December 28, 2009 and the previous balance recorded within a separate component of equity was transferred to retained earnings.

Fair value or revaluation as deemed cost

This exemption allows a Company to revalue property, plant and equipment at fair value at its transition date and use this fair value as the deemed cost. This election applies to individual assets. The Company did not apply this exemption.

Estimates

IFRS 1 stipulates a mandatory exemption from full retrospective application of IFRS as it relates to the use of estimates. It requires that a company's estimates in accordance with IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with previous Canadian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The Company did not use hindsight in its estimates upon transition to IFRS, nor did it find any evidence that any of its previously made estimates were in error.

Hedge Accounting

IFRS 1 stipulates a mandatory exemption from full retrospective application of IFRS as it relates to hedge accounting. In order for a hedging relationship to qualify for hedge accounting at the transition date, the relationship must have been fully designated and documented as effective at the transaction date in accordance with Canadian GAAP, and that designation and documentation must be updated in accordance with IAS 39 at the transition to IFRS. The Company's hedging relationships were fully documented and designated at the transaction dates under Canadian GAAP and satisfied the hedge accounting criteria under IFRS at the transition date.



(b) Reconciliation of equity as previously reported under Canadian GAAP to IFRS:

At December 28, 2009

(thousands of US dollars)

	CDN GAAP	Reclasses	Change In Functional Currency	IFRS 1 - CTD	Employee Benefits	Impairment	Income Taxes	Netting	IFRS
Assets									
Current assets:									
Cash and cash equivalents	61,164	-	-	-	-	-	-	-	61,164
Trade and other receivables	70,354	a) (1,182)	-	-	-	-	-	-	69,172
Income taxes receivable	-	-	-	-	-	-	-	1,255	1,255
Inventories	70,559	-	(747)	-	-	-	-	-	69,812
Prepaid expenses	2,211	-	-	-	-	-	-	-	2,211
Deferred tax assets	2,310	b) (2,310)	-	-	-	-	-	-	-
Derivative financial instruments	-	a) 1,182	-	-	-	-	-	-	1,182
	206,598	(2,310)	(747)	-	-	-	-	1,255	204,796
Non-current assets:									
Property, plant and equipment	239,017	-	(19,691)	-	-	-	-	870	220,196
Intangible assets	5,896	c) 17,235	(1,251)	-	-	(3,375)	-	-	18,505
Goodwill	17,235	c) (17,235)	-	-	-	-	-	-	-
Employee benefit plan assets	-	d) 13,602	-	-	(17,811)	-	-	5,319	1,110
Other assets	14,401	d) (14,401)	-	-	-	-	-	-	-
Deferred tax assets	-	b) 2,310	-	-	-	-	1,730	(632)	3,408
Other receivables	-	d) 799	-	-	-	-	-	-	799
	276,549	2,310	(20,942)	-	(17,811)	(3,375)	1,730	5,557	244,018
Total assets	483,147	-	(21,689)	-	(17,811)	(3,375)	1,730	6,812	448,814
Equity and Liabilities									
Current liabilities:									
Trade payables and other liabilities	44,965	-	-	-	-	-	-	-	44,965
Income taxes payable	2,931	e) 865	-	-	-	-	-	1,255	5,051
	47,896	865	-	-	-	-	-	1,255	50,016
Non-current liabilities:									
Employee benefit plan liabilities	1,673	-	-	-	189	-	-	5,319	7,181
Deferred income	11,363	-	-	-	-	-	-	-	11,363
Provisions	-	-	-	-	-	-	-	870	870
Deferred tax liabilities	32,459	e) (865)	(5,830)	-	(5,510)	-	-	(632)	19,622
	45,495	(865)	(5,830)	-	(5,321)	-	-	5,557	39,036
Total liabilities	93,391	-	(5,830)	-	(5,321)	-	-	6,812	89,052
Non-controlling interests	15,871	f) (15,871)	-	-	-	-	-	-	-
Equity:									
Share capital	29,195	-	-	-	-	-	-	-	29,195
Reserves	58,717	-	(39,598)	(18,309)	-	-	-	-	810
Retained earnings	285,973	-	23,739	18,309	(12,490)	(3,375)	882	-	313,038
Total equity attributable to equity holders of the Company	373,885	-	(15,859)	-	(12,490)	(3,375)	882	-	343,043
Non-controlling interests	-	f) 15,871	-	-	-	-	848	-	16,719
Total equity	373,885	15,871	(15,859)	-	(12,490)	(3,375)	1,730	-	359,762
Total equity and liabilities	483,147	-	(21,689)	-	(17,811)	(3,375)	1,730	6,812	448,814

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Reconciliation of equity as previously reported under Canadian GAAP to IFRS - continued:

At December 26, 2010

(thousands of US dollars)

	CDN		Change In	IFRS 1 -	Employee		Income			
	GAAP	Reclasses	Functional Currency	CTD	Benefits	Impairment	Taxes	Provisions	Netting	IFRS
Assets										
Current assets:										
Cash and cash equivalents	90,488	-	-	-	-	-	-	-	-	90,488
Trade and other receivables	77,747	a) (629)	-	-	-	-	-	-	-	77,118
Income taxes receivable	1,234	e) (636)	-	-	-	-	-	-	1,355	1,953
Inventories	76,765	-	(690)	-	-	-	-	-	-	76,075
Prepaid expenses	2,284	-	-	-	-	-	-	-	-	2,284
Deferred tax assets	3,472	b) (3,472)	-	-	-	-	-	-	-	-
Derivative financial instruments	-	a) 629	-	-	-	-	-	-	-	629
	251,990	(4,108)	(690)	-	-	-	-	-	1,355	248,547
Non-current assets:										
Property, plant and equipment	257,208	-	(23,281)	-	-	-	-	-	870	234,797
Intangible assets	4,007	c) 17,590	(1,556)	-	-	(3,375)	-	-	-	16,666
Goodwill	17,590	c) (17,590)	-	-	-	-	-	-	-	-
Employee benefit plan assets	-	d) 15,492	-	-	(16,938)	-	-	-	4,776	3,330
Other assets	15,633	d) (15,633)	-	-	-	-	-	-	-	-
Deferred tax assets	-	b) 3,472	-	-	-	-	1,862	-	(1,160)	4,174
Other receivables	-	d) 141	-	-	-	-	-	-	-	141
	294,438	3,472	(24,837)	-	(16,938)	(3,375)	1,862	-	4,486	259,108
Total assets	546,428	(636)	(25,527)	-	(16,938)	(3,375)	1,862	-	5,841	507,655
Equity and Liabilities										
Current liabilities:										
Trade payables and other liabilities	52,782	-	(222)	-	-	-	-	-	-	52,560
Provisions	-	-	-	-	-	-	-	368	-	368
Income taxes payables	-	-	199	-	-	-	-	-	1,355	1,554
	52,782	-	(23)	-	-	-	-	368	1,355	54,482
Non-current liabilities:										
Employee benefit plan liabilities	1,674	-	-	-	269	-	-	-	4,776	6,719
Deferred income	11,597	-	(376)	-	-	-	-	-	-	11,221
Provisions	-	-	-	-	-	-	-	6,744	870	7,614
Deferred tax liabilities	36,772	e) (636)	(6,805)	-	(5,360)	-	-	(2,489)	(1,160)	20,322
	50,043	(636)	(7,181)	-	(5,091)	-	-	4,255	4,486	45,876
Total liabilities	102,825	(636)	(7,204)	-	(5,091)	-	-	4,623	5,841	100,358
Non-controlling interests	15,620	f) (15,620)	-	-	-	-	-	-	-	-
Equity:										
Share capital	29,195	-	-	-	-	-	-	-	-	29,195
Reserves	67,860	-	(49,110)	(18,309)	-	-	-	-	-	441
Retained earnings	330,928	-	30,787	18,309	(11,847)	(3,375)	949	(4,623)	-	361,128
Total equity attributable to equity holders of the Company	427,983	-	(18,323)	-	(11,847)	(3,375)	949	(4,623)	-	390,764
Non-controlling interests	-	f) 15,620	-	-	-	-	913	-	-	16,533
Total equity	427,983	15,620	(18,323)	-	(11,847)	(3,375)	1,862	(4,623)	-	407,297
Total equity and liabilities	546,428	(636)	(25,527)	-	(16,938)	(3,375)	1,862	-	5,841	507,655



PRINCIPAL DIFFERENCES BETWEEN CANADIAN GAAP AND IFRS

Reclasses

- a) Previously, the assets and liabilities related to cash flow hedging derivatives were presented within trade and other receivables. They are now shown as derivative financial instrument assets and liabilities.
- b) Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The balances that were classified as a current asset are now classified as a non-current asset.
- c) Goodwill is now included within intangible assets.
- d) Under Canadian GAAP, other assets included amounts pertaining to defined benefit plans, other postretirement benefits and income tax credits recoverable. The balances relating to defined benefit plans and other postretirement benefits are now included within employee benefit plan assets or liabilities and the balances relating to income tax credits recoverable are shown within other receivables.
- e) In accordance with Canadian GAAP, the income tax effects relating to inter-company profit eliminations were classified as income taxes receivable or payable, but in accordance with IFRS, they have been presented as part of deferred tax liabilities.
- f) Non-controlling interests in the consolidated balance sheets are presented as a separate component within equity. Under Canadian GAAP, non-controlling interests in the balance sheets were previously classified between total liabilities and equity.

Change in functional currency

IAS 21 requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators is used under IFRS in this determination and these differ in content and emphasis from those factors used under Canadian GAAP. The parent Company and its Canadian subsidiaries, with the exception of American Bixis Inc., operated with the Canadian dollar as their functional currency under Canadian GAAP. However, it was determined that under IFRS, these same entities had a change in their functional currency, at varying points in time, in prior years. Accordingly, the historical cost basis for certain balance sheet items is different under IFRS than it was under Canadian GAAP. In addition, the balance in the cumulative translation differences (CTD) for each of these Canadian subsidiaries was held constant at the amount in effect at the date of the change in functional currency.

At December 28, 2009 and December 26, 2010, inventories, property, plant and equipment, intangible assets, deferred tax liabilities, CTD and retained earnings recorded under Canadian GAAP were adjusted to reflect the changes in functional currency under IFRS. Additionally, at December 26, 2010, adjustments were made to trade payables and other liabilities, income taxes payable and deferred income.

IFRS 1 - CTD

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition. Accordingly, CTD were reclassified to retained earnings. There was no related income tax effect.

Employee benefits

Under Canadian GAAP, unrecognized actuarial gains and losses in excess of 10 percent of the greater of the benefit obligation or the fair value of benefit plan assets were amortized to the statement of income on a straight-line basis over the expected average remaining service lives of active plan members. Under IFRS, the Company's accounting policy is to recognize all actuarial gains and losses directly in equity within other comprehensive income. In addition, the unrecognized actuarial gains and losses that were amortized to the statement of income under Canadian GAAP during 2010 were reversed. Furthermore, for employee benefit plans denominated in Canadian dollars, the net adjustment regarding actuarial gains and losses made under IFRS was revalued into US dollars at the year-end exchange rate.

At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings. At December 28, 2009, employee benefit plan assets were reduced by \$14,339 and employee benefit plan liabilities were increased by \$189. The related income tax effect served to decrease deferred tax liabilities by \$4,530. Retained earnings were reduced by \$9,998.

At December 26, 2010, the cumulative adjustment pertaining to actuarial gains and losses reduced employee benefit plan assets by \$14,785, increased employee benefit plan liabilities by \$269, lowered deferred tax liabilities by \$4,739 and reduced retained earnings by \$10,315.

Under IFRS, the Company is not able to report an employee benefit plan asset in excess of the economic benefit it can expect to receive in the form of a refund of an employee benefit plan surplus and/or a reduction in future contributions. This differs from the treatment allowed under Canadian GAAP and as a result, at December 28, 2009, a decrease in the following items was made: employee benefit plan assets - \$1,566, deferred tax liabilities - \$420 and retained earnings - \$1,146. At December 26, 2010, reductions in the following items were made: employee benefit plan assets - \$531, deferred tax liabilities - \$142 and retained earnings \$389.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under Canadian GAAP, past service costs were amortized to the statement of income on a straight-line basis over the expected average remaining service lives of active plan members. Under IFRS, the Company's accounting policy is to recognize past service costs directly to the statement of income if vested, or on a straight-line basis over the average remaining vesting period if unvested. No past service costs were recorded during 2010. In addition, the past service costs amortized to the statement of income under Canadian GAAP were reversed. For employee benefit plans denominated in Canadian dollars, the net adjustment regarding past service costs made under IFRS was revalued into US dollars at the year-end exchange rate.

At the date of transition, all previously unrecognized vested past service costs were recognized in retained earnings. At December 28, 2009, employee benefit plan assets were reduced by \$1,906. The related income tax effect lowered deferred tax liabilities by \$560. Retained earnings were reduced by \$1,346.

At December 26, 2010, employee benefit plan assets declined by \$1,622, deferred tax liabilities decreased by \$479 and retained earnings decreased by \$1,143.

Impairment

Upon transition to IFRS, all of the Company's property, plant and equipment and intangible assets were reviewed to determine whether there were any indications of impairment. When these indications were present, the asset's recoverable amount was estimated. In addition, all goodwill balances were tested for impairment upon transition to IFRS.

For goodwill impairment testing under IFRS, goodwill is allocated to cash-generating units (CGUs). In contrast, Canadian GAAP tests goodwill impairment at the operating unit level. The Company's specialty films business was classified as one reporting unit for Canadian GAAP, but has been separated into two CGUs under IFRS. The goodwill balance relating to the specialty films business was allocated to the extrusion/coextrusion CGU. At the transition date of December 28, 2009, it was concluded that an impairment of goodwill had taken place and the entire balance was written off, with a corresponding reduction in retained earnings. No income tax effect was recorded.

The impairment testing for the extrusion/coextrusion CGU was conducted under the value-in-use approach, using a pre-tax discount rate of 19 percent. Cash flows were projected based on actual operating results and the five-year business plan. Average volume growth for 2010 to 2014 was 1.5 percent and the average gross profit percentage over the same time-frame was within one percentage point of the actual gross profit percentage attained in 2009. Cash flows after 2014 were assumed to increase at a terminal growth rate of 1.5 percent.

Income taxes

Under Canadian GAAP, when the functional currency for accounting purposes differs from the functional currency for income tax purposes, deferred taxes are first calculated in the currency in which income taxes are paid and then translated to the functional currency for accounting purposes at the period end exchange rate. Under IAS 12, deferred taxes are calculated based on the functional currency for accounting purposes, regardless of what functional currency is used for income tax purposes. A portion of the additional deferred tax asset was attributed to the non-controlling interests.

Provisions

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The trustees communicated to both the Company and the Union in 2010 that this plan was in a critical status position from a funding perspective. During the fourth quarter of 2010, the Company analyzed its options with the assistance of external consultants. Management has determined that the only economically feasible alternative was to withdraw from the plan and therefore, in the first quarter of 2011, reached an agreement with the Union to proceed. In addition, the Company filed the necessary paperwork with the plan trustees to withdraw from the plan. Pursuant to US federal legislation, an employer who withdraws from a plan with unfunded vested benefits is responsible for a share of that underfunding.

Based on the relevant facts and circumstances, it was concluded that the potential withdrawal liability met the definition of a provision under IFRS as at December 26, 2010 and was recorded. Under Canadian GAAP, the threshold for the recording of a liability is much higher and therefore the withdrawal liability did not meet the applicable recognition criteria at that date.

As a consequence of withdrawing from the plan, the Company will be required to make monthly payments at a constant dollar value estimated at \$41, or \$491 on an annual basis, over a twenty year period. Using pre-income tax discount rates that reflect the risks specific to the withdrawal liability, the corresponding present value of the liability at December 26, 2010 of \$7,112 and related tax effect of \$2,489 were recorded within provisions and deferred taxes respectively.

Netting

Under IAS 1, assets and liabilities should not be offset unless offsetting is specifically allowed in another standard. Therefore, in the consolidated IFRS balance sheets, income taxes, derivative financial instruments, employee benefits and deferred taxes are now presented in both assets and liabilities, where applicable. In addition, the balance pertaining to asset retirement obligations was netted against property, plant and equipment and is now shown in non-current provisions.



(c) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS:

For The Year Ended December 26, 2010

(thousands of US dollars)

	CDN		Change In			Income		IFRS
	GAAP	Reclasses	Functional Currency	Employee Benefits	Taxes	Provisions		
Revenue	579,441	-	-	-	-	-	579,441	
Cost of sales	(410,869)	-	3,731	190	-	-	(406,948)	
Gross profit	168,572	-	3,731	190	-	-	172,493	
Other income (expenses)	-	a)	(613)	2,993	(435)	(77)	(7,112)	(5,244)
Sales, general and administrative expenses	(75,954)	a)	75,954	-	-	-	-	-
Sales, marketing and distribution expenses	-	a)	(49,119)	-	41	-	-	(49,078)
General and administrative expenses	-	a)	(26,222)	114	607	-	-	(25,501)
Research and technical expenses	(13,478)	-	-	42	-	-	-	(13,436)
Pre-production expenses	(237)	-	-	-	-	-	-	(237)
Income from operations	78,903	-	6,838	445	(77)	(7,112)	78,997	
Finance income	170	b)	12	-	3,474	-	-	3,656
Finance expense	-	b)	(12)	-	(3,545)	-	-	(3,557)
Income before income taxes	79,073	-	6,838	374	(77)	(7,112)	79,096	
Non-controlling interests	(1,709)	c)	1,709	-	-	-	-	-
Income tax expense	(24,794)	-	210	(140)	209	2,489	(22,026)	
Net income for the year	52,570	1,709	7,048	234	132	(4,623)	57,070	
Attributable to:								
Equity holders of the Company								55,296
Non-controlling interests								1,774
								<u>57,070</u>
Other comprehensive income:								
Cumulative translation difference adjustment	9,512	-	(9,512)	-	-	-	-	-
Cash flow hedge gains recognized	1,033	-	-	-	-	-	-	1,033
Cash flow hedge gains transferred to the statement of income	(1,586)	-	-	-	-	-	-	(1,586)
Actuarial gains on employee benefit plans	-	-	-	402	-	-	-	402
Income tax relating to applicable components of other comprehensive income	184	-	-	7	-	-	-	191
Other comprehensive income (loss) for the year - net of income tax	9,143	-	(9,512)	409	-	-	-	40
Comprehensive income for the year	61,713	1,709	(2,464)	643	132	(4,623)	57,110	

PRINCIPAL DIFFERENCES BETWEEN CANADIAN GAAP AND IFRS

Reclasses

- a) Sales, general and administrative expenses have been separated into two categories: sales, marketing and distribution expenses and general and administrative expenses. Foreign exchange gains and losses were previously included within sales, general and administrative expenses. They are now shown within other income (expenses) (note 8).
- b) Finance income and finance expense were previously shown on a net basis under Canadian GAAP. Under IFRS, the two components are shown separately.
- c) Under Canadian GAAP, non-controlling interests in the consolidated statement of income were presented as an expense. Under IFRS, non-controlling interests are presented as an allocation of net income for the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Change in functional currency

In 2010, depreciation expense and material costs within cost of sales, foreign exchange gains and losses on monetary items, amortization expense within general and administrative expenses and income tax expense recorded under Canadian GAAP were adjusted to reflect the changes in functional currency under IFRS relating to the applicable Canadian subsidiaries.

Certain foreign exchange gains and losses were included in taxable income, but were not recorded for accounting purposes due to having the US dollar as the functional currency. In addition, the foreign exchange revaluation of the CDN dollar denominated capital cost allowance and cumulative eligible capital income tax pools generated an income tax recovery.

Under Canadian GAAP, certain entities had the Canadian dollar as their functional currency. Changes in the cumulative translation differences (CTD) were recorded throughout 2010. However, as a result of these entities now having the US dollar as their functional currency under IFRS, no CTD are recorded.

Employee benefits

Consistent with the Company's accounting policy under IFRS of recording actuarial gains and losses directly in equity within other comprehensive income, the amounts amortized to the statement of income under Canadian GAAP were reversed. In addition, for employee benefit plans denominated in Canadian dollars, the cumulative adjustment made in respect of actuarial gains and losses under IFRS was revalued into US dollars at the year-end exchange rate and the corresponding foreign exchange gains and losses were recorded to the statement of income. As a result, for the year ended December 26, 2010, income before income taxes increased by \$90 and net income increased by \$31.

During 2010, pre-income tax actuarial gains of \$402 were recorded in other comprehensive income, as well as an income tax recovery of \$7, leading to net other comprehensive income of \$409. Included within these figures were adjustments made to employee benefit plan assets for which the balance exceeded the economic benefit to be received in the form of a refund of an employee benefit plan surplus and/or a reduction in future contributions.

The amortization of past service costs to the statement of income under Canadian GAAP was also reversed. For employee benefit plans denominated in Canadian dollars, the cumulative adjustment made in respect of past service costs under IFRS was revalued into US dollars at the year-end exchange rate and the corresponding foreign exchange gains and losses were recorded to the statement of income. As a result, for the year ended December 26, 2010, income before income taxes increased by \$284 and net income increased by \$203.

Under IFRS, interest costs on the benefit obligation are charged to the statement of income as a finance expense. Likewise, the expected return on benefit plan assets is presented in the statement of income as finance income. Under Canadian GAAP, these two items were presented as part of personnel expenses. For the year ended December 26, 2010, finance income increased by \$3,474, finance expense increased by \$3,545 and personnel expenses declined by \$71.

Income taxes

Consistent with the change in the method of calculating deferred tax balances under IFRS, for the year ended December 26, 2010, income tax recoveries were recorded, including the reclassification of foreign exchange gains recorded under Canadian GAAP. A portion of the net adjustment was attributed to non-controlling interests.

Provisions

The provision relating to the withdrawal liability on the multiemployer defined benefit pension plan, including the applicable income tax recovery, was recorded during 2010.

(d) Adjustments to the consolidated statement of cash flows:

As a result of reversing the amortization of actuarial gains and losses and past service costs in the statement of income, defined benefit plan expenses were revised. In addition, the net defined benefit expense reclassification pertaining to finance income and finance expense is shown within the net finance income line on the consolidated statement of cash flows.

Consistent with the adjustments made regarding the changes in functional currency to depreciation and amortization expense, the corresponding amounts on the consolidated statement of cash flows were adjusted.

Under Canadian GAAP, a portion of the change in the CTD pertains to working capital balances. As such, the changes in working capital balances relating to the change in the CTD are excluded from the consolidated statement of cash flows. Under IFRS reporting, all operations have the US dollar as their functional currency. Accordingly, no CTD are required and none of the changes in working capital relate to the CTD as they do under Canadian GAAP.



Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, April 25, 2012 at 4:30 p.m. at The Fort Garry Hotel, Winnipeg, Canada

Listing

Wopak 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 Wopak Ltd. is available by contacting Wopak's Corporate Office
100 Saulteaux Crescent, Winnipeg, Canada R3J 3T3
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Board of Directors

Chairman, *A. Aarnio-Wihuri (2)*, Helsinki, Finland; Chairman, Wihuri Oy

M.H. Aarnio-Wihuri, Helsinki, Finland

J.M. Hellgren (2), Helsinki, Finland; President and Chief Executive Officer, Wihuri Oy

J.R. Lavery (2), Winnipeg, Canada

D.R.W. Chatterley (1), Winnipeg, Canada

J.S. Pollard (1), Winnipeg, Canada; Co-Chief Executive Officer, Pollard Banknote Limited

I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri Oy

(1) *Member of the Audit Committee*

(2) *Member of the Compensation, Governance and Nominating 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.

B.J. Berry, President and Chief Executive Officer, Wopak Ltd.

K.M. Byers, President, Wopak Films Inc.

D.A. Johns, President, Wopak Division, a division of Wopak Ltd.

T.L. Johnson, President, Wopak Heat Seal Packaging

K.P. Kuchma, Vice President and Chief Financial Officer, Wopak Ltd.

J.R. McMacken, President, Wopak Portion Packaging

O.Y. Muggli, Vice President, Technology, Wopak Ltd.

D.J. Stacey, President, Wopak Lane, Inc. and Vice President, Corporate Development, Wopak Ltd.

Auditor

PricewaterhouseCoopers LLP, Winnipeg, Canada

Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada

Jones Day, Atlanta, U.S.A.

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