

***Q1* QUARTERLY REPORT**

Richards Packaging Income Fund

Quarter ended March 31, 2017

Report Contents

CEO's report to Unitholders	1
Management's discussion and analysis	2
Financial statements	10
Notes to financial statements	14



Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2017

Richards Packaging has been providing packaging solutions to small-and medium-sized North American businesses since 1912. Over this period Richards Packaging has developed into the leading packaging distributor in Canada, and the third largest in North America, with one of the most diverse product and service offerings available to product marketers.

First quarter performance was in line with our 2017 outlook as total revenue was up 2.6% on organic revenue growth and a U.S./Cdn.2.7¢ strengthening of the dollar from 73¢. Gross profit and EBITDA¹ as a percent of sales were 17.4% and 13.4% respectively, in line with 2016 levels. EBITDA was up \$0.4 million, or 4.0%, due to higher organic revenue and the translation impact of Richards US. Net income was up \$1.0 million, or 9.1¢ per Unit, mainly due to higher revenue, lower administrative expenses, lower financial expenses and a lower mark to market loss on exchangeable shares.

The \$2.9 million of free cash flow² generated in the first quarter was utilized to repay \$2.0 million in debt and fund \$0.4 million for expansion and working capital requirements for revenue growth. Cash decreased \$5.7 million to \$7.5 million at March 31st of which \$10.4 million was utilized to settle the Healthmark purchase price offset by a reduction in working capital that is expected to reverse in the second quarter. The Fund's leverage was reduced to 1.0x from 1.1x at December 31, 2016.

The Fund paid monthly distributions of 9.35¢ per Unit, which represented an annualized yield of 4.3% on the March 31st closing price of \$26.10 per Unit. The payout ratio³ for the first quarter was 53% up 8 percentage points from the same period in 2016 reflecting the increase in the distribution. Beginning with the April distribution the new monthly payment will be 11¢ per Unit representing a 5.0% annualized yield on the March 31st closing price.

We appreciate the support of our customers, suppliers, employees and investors and will continue to execute on our commitments with the highest degree of quality, care and integrity.

"Gerry Glynn"
Chief Executive Officer
Richards Packaging Inc.
6095 Ordan Drive
Mississauga, Ontario
L4T 2M7

May 5, 2017

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the first quarter should be read in conjunction with the attached condensed interim financial statements dated March 31, 2016, the 2016 Annual Report and the 2016 Annual Information Form dated March 2, 2017 respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2016 annual financial statements.

Fund Profile and Description of the Business

Richards Packaging Income Fund (the "Fund") is an open-ended, limited purpose trust established under the laws of the Province of Ontario, Canada by a Declaration of Trust dated February 26, 2004. The Fund completed an initial public offering of trust Units (the "Units") on April 7, 2004, to facilitate the acquisition of Richards Packaging Inc. Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging serves a wide customer base that is comprised of approximately 13,300 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies. The primary source of revenue is from the distribution of over 5,000 different types of packaging containers and related components sourced from over 600 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent approximately 10% of the total revenues of Richards Packaging (2016 – 10%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance for the first quarter ended March 31, 2017 include:

- Revenue up \$1.0 mil., or 1.4%, due to organic growth of \$1.9 mil., or 2.6%, offset by a \$0.9 mil. foreign exchange impact due to a 2.7¢ U.S./Cdn. increase to 75.6¢,
- EBITDA¹ up \$0.4 mil., or 4.0%, at 13.4% of revenue,
- Current income taxes was flat due to higher taxable income offset by a deferral of withholding taxes,
- Net income increased \$1.0 mil. due primarily to higher revenue and lower administrative and financial expenses and mark-to-market loss on exchangeable shares,
- Non-cash working capital decreased \$3.3 mil. due to a \$4.5 mil. decrease in inventory, a \$0.6 mil. decrease in receivables and a \$0.2 mil. decrease in prepaids offset by a \$2.0 mil. decrease in payables,
- Free cash flow² of \$2.9 mil. and \$13.3 million cash on hand at Dec. 31, 2016 was utilized to pay the final settlement of \$10.4 million on the Healthmark purchase, repay \$2.0 million in debt and build cash. Cash of \$7.5 million on March 31st will be required to settle taxes payable of \$1.6 million and \$4.0 mil. in commitments to purchase inventory,
- Leverage ratio reduced to 1.0x from 1.1x at December 31, 2016,
- Distributable cash flow² up \$6.2 mil., or 53.2¢ per Unit, yielding a 53% payout ratio³, and
- Announced monthly distribution increase of 1.65¢ to 11¢ per Unit representing a 5.1% annualized return on the March 31st closing price of \$26.10 per Unit.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

This MD&A covers the three months ended March 31, 2017 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information:

(\$ thousands)	Qtr. 1	
	2017	2016
Income Statement Data:		
Revenue.....	72,902	71,879
EBITDA ¹	9,734	9,356
<i>Diluted per Unit</i>	83.2¢	80.0¢
Net income.....	4,284	3,300
<i>Diluted per Unit</i>	39.5¢	30.4¢
Financial Position Data:		
Working capital.....	54,235	58,221
Net operating assets.....	155,675	158,422
Bank debt.....	39,878	45,899
<i>Debt/EBITDA</i>	1.0	1.4
Cash Flow Statement Data:		
Distributions.....	3,311	2,608
<i>Diluted per Unit</i>	28.4¢	22.4¢
<i>Payout ratio</i> ⁵	53%	45%
Unit purchases.....	—	289
Debt repayments.....	2,000	1,000

Distribution policy is set by the Trustees after giving careful consideration to the projected cash flows of the Fund, the long-term sustainability of the distribution level and the balance of risks and future prospects of the investments of the Fund. This policy is not set based upon net income due to various non-cash accounting charges that depress net income such as amortization, mark-to-market losses on exchangeable shares and deferred income taxes. Factors considered when setting this level included the foreign exchange outlook, the current low interest and foreign exchange rates and the cash needs of operations.

Review of Operations

Operations were split approximately half in the United States ("Richards Packaging US") and half in Canada. Forty percent of sales are concentrated in Los Angeles, Reno and Portland and 40% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by \$1.0 million, or 1.4%, for the first quarter from the same period in 2016 due to organic growth (\$1.9 million) offset by the translation impact of Richards US, with the Canadian dollar strengthening by 2.7¢ from U.S./Cdn.72.8¢ (\$0.9 million).

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

(\$ thousands)	Qtr. 1	
	2017	2016
Revenue	72,902	71,879
Cost of products sold.....	60,232	59,477
Gross profit.....	12,670	12,402
	17.4%	17.3%
Administrative expenses.....	2,893	3,016
Foreign currency loss.....	43	30
EBITDA ¹	9,734	9,356
	13.4%	13.0%
Amortization.....	942	999
Financial expenses.....	501	640
Contingent consideration.....	83	—
Exchangeable shares.....	1,375	1,883
Share of income - Vision.....	(5)	(7)
Income tax expense.....	2,554	2,541
Net Income	4,284	3,300

Cost of products sold (before amortization) increased by \$0.7 million, or 1.2%, for the first quarter, with the business performing at a 17.4% gross profit margin, consistent with the same period in 2016 and with the increase in revenue. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of passing through increases and decreases to customers.

General and administrative expenses (before amortization) for the first quarter decreased \$0.1 million from the same period in 2016 mainly due to the translation impact of expenses of Richards Packaging US.

The foreign currency loss from operations resulted from exchange rate changes applied to our U.S. dollar denominated working capital position within our Canadian operations. The net liability position increased in the first quarter leading to the loss with the strengthening Canadian dollar.

EBITDA¹ for the first quarter increased by \$0.4 million, or 4.0%, from the same period in 2016. As a percent of sales, EBITDA was at 13.4% for the first quarter, up 0.4% from the same period in 2016. Changes were a result of the factors referred to above.

Amortization of \$0.9 million for the first quarter was mainly comprised of \$0.6 million intangible assets amortization, which represents a charge for customer relationships and patents and depreciation for capital assets of \$0.3 million, which annualized, is approximately Richards Packaging's normalized annual maintenance capital expenditure requirement.

Financial expenses were lower for the first quarter compared to the same period in 2016 due to lower term debt and credit card fees.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

Exchangeable shares mark-to-market loss reflects a unit price increase during the first quarter of \$1.31 to \$26.10 per Unit. Exchangeable share monthly distributions were 9.35¢ per share in the first quarter and were increased in April 2017 to 11¢ per share.

Income tax expense was flat for the first quarter compared to the same period in 2016. Current income tax decreased mainly due to a deferral of withholding taxes offset by deferred tax decreases on lower amortization.

Net income for the first quarter was \$4.3 million, which represented 39.5¢ per Unit on a diluted basis. A time-weighted average of 10,846,945 Units and 846,068 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the first quarter. On March 30th 33,000 exchangeable shares were converted to the same number of units.

Distributable Cash Flow²

(\$ thousands)

	Qtr. 1	
	2017	2016
Cash provided by operating activities.....	10,779	7,798
Working capital changes.....	(3,310)	150
Income tax payments.....	2,265	1,408
EBITDA¹	9,734	9,356
Interest.....	501	640
Current income tax.....	2,739	2,787
Maintenance capital.....	272	195
Distributable cash flow²	6,222	5,734
<i>Diluted per Unit</i>	53.2¢	49.0¢
Distributions	3,311	2,608
<i>Diluted per Unit</i>	28.4¢	22.4¢
<i>Payout ratio³</i>	53%	45%
Free cash flow²	2,911	3,126
Units outstanding (average)		
<i>Diluted basis 000's</i>	11,693	11,693

The distributable cash flow² definition excludes changes in working capital and capital expenditures for the expansion of the business, as they are necessary to drive organic growth and are expected to be financed by either a \$5.0 million revolving facility currently undrawn (2016 – nil drawn) or free cash flow².

Distributable cash flow² for the first quarter was \$0.5 million higher than in the same period in 2016 as a result of increased EBITDA¹ and lower interest expense offset by higher maintenance capital. Current income taxes were flat from the same period in 2016.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

Free cash flow² of \$2.9 million was utilized to repay \$2.0 million in debt and fund \$0.1 million for expansion capital requirements for revenue growth and build cash. In addition, \$3.3 million working capital reduction and \$3.4 million of the opening cash after the repayment of the contingent consideration combined to \$7.5 million at March 31st, which will be required to settle taxes payable of \$1.6 million and commitments to purchase Asian inventory of \$4.0 million.

Monthly distributions paid of 9.35¢ per Unit represent a payout ratio³ of 53%. Monthly distributions paid during the first quarter represent an annual yield of 4.3% on a \$26.1 price per Unit at March 31, 2017 (or 5.1% at the April distribution rate of 11¢ per Unit).

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the first quarter was \$10.8 million, up \$3.0 million over the same period in 2016, primarily due to a lower investment in working capital. During the first quarter, working capital decreased by \$3.3 million on lower inventory of \$4.5 million reflecting a delay in timing of the Asian imports, lower receivables of \$0.6 million reflecting a lower past due profile compared to year end or a reduction of 6 days sales outstanding, and lower prepaids of \$0.2 million offset by lower payables of \$2.0 million.

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and Exchangeable Shareholders as outlined above in the distributable cash discussion. Actual distributions paid during the first quarter were \$3.3 million, including those declared for December 2016, with \$1.3 million declared for March, which was paid April 13th.

Normal Course Issuer Bid

On March 14, 2017, the Fund renewed the normal course issuer bid to purchase up to 200,000 Units prior to March 13, 2018. During the first quarter, nil Units were purchased (2016 – 16,000 Units at an average price of \$18.05 per Unit).

Current income taxes

The current income tax expense for the first quarter was \$2.7 million, which reflects the deferral of withholding taxes on dividends received from Richards Packaging.

Capital expenditures

Maintenance capital expenditures for the first quarter were \$0.3 million (2016 – \$0.2 million) mainly comprised of refurbishment of moulds for replacement packaging and computer equipment upgrades. Expansion capital expenditures for the first quarter were \$0.1 million (2016 – \$0.6 million) primarily for the addition of manufacturing equipment for new customer programs.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

Financing activities and instruments

Credit facilities include a \$40.0 million term loan (2016 – \$46.0 million) with maturity on September 30, 2019 and up to \$5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.25% to 1.80% or at a prime rate plus a premium of 0.25% to 0.80%. During the first quarter, \$2.0 million was repaid (2016 – \$1.0 million).

The credit facilities are subject to a number of covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months EBITDA¹. As at March 31, 2017, our leverage ratio was 1.0 times (2016 – 1.4) down from 1.1 at December 31, 2016. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future⁴.

Outlook⁴

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to Unitholders at the current level through 2017.

Revenue performance for the first quarter was within the expected 1-3% growth band and is expected to continue for the second quarter. The impact of exchange translation is expected to be \$2 million for the second quarter at current exchange rates of U.S./Cdn.\$0.73 versus \$0.78 for the same period in 2016. The sensitivity is \$0.5 million for every 1¢ movement in the exchange rate.

EBITDA¹ for the first quarter was \$9.7 million and is expected to be maintained at 13% of revenue for the second quarter. The impact of exchange translation is expected to be \$0.3 million for the second quarter at current exchange rates. The sensitivity is \$0.1 million for every 1¢ movement.

Current income tax expense is expected to increase with increased EBITDA and withholding taxes and the impact of exchange translation is expected to be \$0.1 million for the second quarter at current exchange rates.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$2.0 million in 2017.

Distributable cash flow² sensitivity on an annual basis to foreign currency fluctuations is \$0.1 million for every U.S./Cdn. 1¢ movement.

Cash on hand of \$7.5 million will be partially utilized to pay pending commitments for Asian goods and the income tax payable as of March 31st of \$1.6 million.

Distributable cash flow from Richards Packaging US and Richards Canada's current tax profile are expected to allow for a full return of capital to Unitholders.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

Risks and Uncertainties

Investment in Units involves risks inherent in the ordinary course of business including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier distribution agreements, competition from other packaging companies, the extent and duration of an economic downturn, patent and trademark challenges, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, liquidity risks, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2016 Annual Information Form dated March 2, 2017. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2017.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure of contingent amounts for assets and liabilities as at March 31, 2017 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the first quarter of 2017, relative to December 31, 2016. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2016 Annual Report.

Disclosure Controls and Internal Controls over Financial Reporting

There have been no changes in the Fund's internal controls over financial reporting during the first quarter that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Additional Information

Additional information relating to the Fund is available on Richards Packaging's website at www.richardspackaging.com, SEDAR at www.sedar.com or TSX at www.tmx.com

1 Management defines EBITDA as earnings before amortization, contingent consideration revaluation, financial expenses, unrealized losses and dividends on exchangeable shares, share of income - Vision and taxes. EBITDA is the same as profit from operations as outlined in the annual financial statements after adding back amortization and contingent consideration revaluation. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2017

- 2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense, maintenance capital expenditures. Free cash flow is distributable cash flow less distributions. The objective of presenting this measure is to calculate the amount which is available for distribution to Unitholders or exchangeable shareholders and to determine the amount available to fund increases in working capital or expansion capital. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by IFRS and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other companies.*
- 3 *Management defines payout ratio as distributions declared over distributable cash flow². The objective of presenting this measure is to calculate the percentage of distributions compared to the amount available for distribution. Payout ratio does not have a standardized meaning prescribed by IFRS. The method of calculating payout ratio may not be comparable to similar measures presented by other companies.*
- 4 *The Report to Unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.*

<p style="text-align: center;">Notice to Unitholders</p>

<p style="text-align: center;">The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
--

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	2017	2016
Revenue		72,902	71,879
Cost of products sold		61,153	60,450
Administrative expenses		2,914	3,042
Foreign currency loss		43	30
Contingent consideration revaluation		83	—
Profit from operations		8,709	8,357
Financial expenses		501	640
Exchangeable shares			
Mark-to-market loss		1,095	1,651
Distributions		280	232
Share of income - Vision		(5)	(7)
Profit before income taxes		6,838	5,841
Income tax expense (income)			
Current taxes	3	2,739	2,787
Deferred taxes	3	(185)	(246)
		2,554	2,541
Net income for the period		4,284	3,300
Basic and diluted income per Unit	4	39.5¢	30.4¢
Other comprehensive income (loss) <i>(subsequently recyclable to Net income)</i>			
Currency translation adjustment - Richards Packaging US		(617)	(5,744)
Comprehensive income (loss) for the period		3,667	(2,444)

See accompanying notes

“Susan Allen”
Chair – Audit Committee

“Gerry Glynn”
CEO – Richards Packaging Inc.

“Enzio Di Gennaro”
CFO – Richards Packaging Inc.

Richards Packaging Income Fund

STATEMENTS OF FINANCIAL POSITION

Unaudited

As at March 31 and December 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Mar. 31		Dec. 31	
		2017	2016	2016	2015
Current Assets					
Cash and cash equivalents		7,535	2,982	13,257	794
Accounts receivable		32,089	32,824	32,827	30,281
Inventory		43,056	54,451	47,791	59,439
Prepaid expenses and deposits		2,930	2,641	3,172	2,267
		85,610	92,898	97,047	92,781
Current Liabilities (excluding debt)					
Accounts payable and accruals		(27,444)	(30,433)	(29,562)	(30,278)
Income tax payable	3	(1,584)	(2,119)	(1,110)	(740)
Distributions payable		(1,298)	(1,103)	(1,104)	(870)
Contingent consideration		—	—	(10,439)	—
Due to previous shareholder		(1,049)	(1,022)	(961)	(1,091)
		(31,375)	(34,677)	(43,176)	(32,979)
WORKING CAPITAL		54,235	58,221	53,871	59,802
Long-term Assets					
Plant and equipment		3,943	4,122	3,909	3,743
Investment - Vision		745	719	740	712
Intangible assets		16,763	19,080	17,459	20,376
Goodwill		85,962	84,905	86,326	87,613
		107,413	108,826	108,434	112,444
Long-term Liabilities (excluding debt)					
Contingent consideration		—	(2,000)	—	(2,000)
Deferred income taxes	3	(5,973)	(6,625)	(6,191)	(7,149)
NET OPERATING ASSETS		155,675	158,422	156,114	163,097
Debt					
Term debt		39,878	45,899	41,854	46,883
Exchangeable shares - current	4	21,141	17,713	20,904	16,062
		61,019	63,612	62,758	62,945
Equity					
Unitholders' capital	4	33,435	44,930	35,802	47,828
Retained earnings		47,158	38,270	42,874	34,970
Accumulated other comprehensive income		14,063	11,610	14,680	17,354
		94,656	94,810	93,356	100,152
CAPITAL		155,675	158,422	156,114	163,097

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Unitholders' capital	Retained earnings	AOCI^{a)}	Equity
December 31, 2015		47,828	34,970	17,354	100,152
Comprehensive income (loss)			3,300	(5,744)	(2,444)
Purchased for cancellation, net		(289)			(289)
Distributions		(2,609)			(2,609)
March 31, 2016		44,930	38,270	11,610	94,810
<hr/>					
December 31, 2016		35,802	42,874	14,680	93,356
Comprehensive income (loss)			4,284	(617)	3,667
Share conversion		858			858
Distributions		(3,225)			(3,225)
March 31, 2017		33,435	47,158	14,063	94,656

a) AOCI - Accumulated other comprehensive income (loss) reflects the foreign currency translation of the net investment in Richards Packaging US.

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	2017	2016
OPERATING ACTIVITIES			
Profit from operations		8,709	8,357
Add items not involving cash			
Plant and equipment depreciation		302	323
Intangible assets amortization		640	676
Contingent consideration revaluation		83	—
Income taxes payments	3	(2,265)	(1,408)
Changes in non-cash working capital	5	3,310	(150)
Cash provided by operating activities		10,779	7,798
INVESTING ACTIVITIES			
Additions to plant and equipment		(349)	(792)
Acquisition, contingent consideration		(10,425)	—
Cash used in investing activities		(10,774)	(792)
FINANCING ACTIVITIES			
Repayment of term debt		(2,000)	(1,000)
Financial expenses paid		(502)	(641)
Purchase of Fund units for cancellation		—	(289)
Distributions paid to Exchangeable Shareholders		(280)	(232)
Distributions paid to Unitholders		(3,031)	(2,376)
Cash used in financing activities		(5,813)	(4,538)
Net cash flow for the period		(5,808)	2,468
Cash, beginning of period		13,257	794
Foreign exchange effect		86	(280)
Cash, end of period		7,535	2,982

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2017

[Cdn\$ thousands]

1. FORMATION OF THE FUND

Richards Packaging Income Fund [the “Fund”] is an open-ended, limited purpose trust established under the laws of the Province of Ontario, Canada by a Declaration of Trust dated February 26, 2004. The Fund completed an initial public offering of trust units [the “Units”] on April 7, 2004, through the Toronto Stock Exchange, to facilitate the acquisition of Richards Packaging Inc.

2. BASIS OF PRESENTATION

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund’s 2016 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2016 audited annual financial statements.

3. INCOME TAXES

The income tax expense differs from the amount computed at statutory rates due to the various adjustments outlined below:

	2017	2016
Profit from operations	8,709	8,357
Financial expenses	(501)	(640)
Contingent consideration revaluation	83	—
Income subject to income taxes	8,291	7,717
Statutory tax rate	26.7%	26.7%
Income tax expense at statutory tax rate	2,213	2,061
Deferred income tax	185	246
Current period adjustments		
Foreign tax differential	(223)	(234)
Foreign rate differential	616	672
Withholding tax	—	113
Other items	(52)	(71)
Current income taxes	2,739	2,787

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2017

[Cdn\$ thousands]

4. UNITS AND EXCHANGEABLE SHARES

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2015	10,862,578	10,807,570	846,435	11,709,013	11,719,353
Units purchased	(16,000)			(16,000)	
March 31, 2016	10,846,578	10,846,578	846,435	11,693,013	11,693,013
December 31, 2016	10,846,578	10,846,578	846,435	11,693,013	11,693,013
Share conversion	33,000		(33,000)		
Units purchased	—			—	
March 31, 2017	10,879,578	10,846,945	813,435	11,693,013	11,693,013

Exchangeable shares mark-to-market loss reflects a unit price increase during the three months ended March 31, 2017 of \$1.31 to \$26.10 per Unit.

5. ADDITIONAL CASH FLOW INFORMATION

The net change in non-cash working capital consists of the following:

	2017	2016
Accounts receivable	594	(3,553)
Inventory	4,502	2,847
Prepaid expenses and deposits	228	(466)
Accounts payable and accruals	(2,014)	1,022
	3,310	(150)
	2017	2016
Financial expenses paid	502	641
Income taxes paid	2,265	1,408

Total foreign exchange translation impact excluded from the above was \$288 gain [2016 – \$2,376].