MANAGEMENT'S REPORT TO UNITHOLDERS

The accompanying financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The financial statements were prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 1, 2018.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared.

The Fund's Audit Committee is comprised of trustees who are neither employees nor officers of the Fund. The Audit Committee meets with management as well as with the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the Auditors' Report. The external auditors have direct access to the Audit Committee of the Board of Trustees.

The financial statements have been independently audited by PricewaterhouseCoopers LLP on behalf of the Unitholders, in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the nature of their audit and expresses their opinion on the financial statements of the Fund.

"Susan Allen"	*"Gerry Glynn"*	*"Enzio Di Gennaro"*
Chair Audit Committee	Chief Executive Officer Richards Packaging Inc.	Chief Financial Officer Richards Packaging Inc

Toronto, Ontario
March 1, 2018

March 1, 2018

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Richards Packaging Income Fund
We have audited the accompanying consolidated financial statements of Richards Packaging Income Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, 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 Richards Packaging Income Fund and its subsidiaries as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands, unless otherwise noted	Notes	2017	2016
Revenue	*5*	**296,580**	286,960
Cost of products sold	*6*	**247,090**	241,289
Administrative expenses	*6*	**12,357**	11,707
Foreign currency loss (gain)	*20*	**(115)**	134
Exceptional gains	*7*	**—**	(1,014)
Contingent consideration revaluation	*4*	**83**	8,439
Profit from operations		**37,165**	26,405
Financial expenses	*16*	**2,306**	2,548
Exchangeable shares			
Mark-to-market loss	*17*	**5,182**	4,842
Distributions	*17*	**1,175**	1,033
Share of income - Vision	*19*	**(5)**	(78)
Profit before income taxes		**28,507**	18,060
Income tax expense (income)			
Current taxes	*8*	**13,373**	10,971
Deferred taxes	*8*	**(1,506)**	(815)
		11,867	10,156
Net income		**16,640**	7,904
Basic and diluted income per Unit	*17*	***$1.53***	*$0.73*
Other comprehensive income *(subsequently recyclable to Net income)*			
Currency translation adjustment - Richards Packaging US	*2*	**(5,361)**	(2,674)
Comprehensive income		**11,279**	5,230

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2017	2016
Current Assets			
Cash and cash equivalents	*9*	**6,816**	13,257
Accounts receivable	*10*	**29,218**	32,827
Inventory	*11*	**48,801**	47,791
Prepaid expenses and deposits	*12*	**3,631**	3,172
		88,466	97,047
Current Liabilities *(excluding debt)*			
Accounts payable and accruals	*13*	**(31,842)**	(29,562)
Income tax payable	*8*	**(3,037)**	(1,110)
Distributions payable	*17*	**(1,296)**	(1,104)
Contingent consideration	*4*	**—**	(10,439)
Due to previous shareholder	*13*	**(989)**	(961)
		(37,164)	(43,176)
WORKING CAPITAL	*20*	**51,302**	53,871
Long-term Assets			
Plant and equipment	*14*	**4,080**	3,909
Investment - Vision	*19*	**745**	740
Intangible assets	*15*	**14,915**	17,459
Goodwill	*4,15*	**83,578**	86,326
	5	**103,318**	108,434
Long-term Liabilities *(excluding debt)*			
Deferred income taxes	*8*	**(4,461)**	(6,191)
NET OPERATING ASSETS		**150,159**	156,114
Debt			
Term debt	*16*	**33,440**	41,854
Exchangeable shares - current	*17*	**24,837**	20,904
		58,277	62,758
Equity			
Unitholders’ capital	*17*	**23,049**	35,802
Retained earnings		**59,514**	42,874
Accumulated other comprehensive income	*2*	**9,319**	14,680
		91,882	93,356
CAPITAL	*18,20*	**150,159**	156,114
Commitments and contingencies	*21*		

The accompanying notes are an integral part of these financial statements.

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**Unitholders' capital**	**Retained earnings**	**AOCI[a)]**	**Equity**
December 31, 2015		47,828	34,970	17,354	100,152
Comprehensive income			7,904	(2,674)	5,230
Distributions		(11,737)			(11,737)
Purchased for cancellation, net	*17*	(289)			(289)
December 31, 2016		35,802	42,874	14,680	93,356
Comprehensive income			**16,640**	**(5,361)**	**11,279**
Distributions	*17*	**(14,002)**			**(14,002)**
Share conversion	*17*	**1,249**			**1,249**
December 31, 2017		**23,049**	**59,514**	**9,319**	**91,882**

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

The accompanying notes are an integral part of these financial statements.

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2017**	**2016**
OPERATING ACTIVITIES			
Profit from operations		**37,165**	26,405
Add items not involving cash			
Plant and equipment depreciation	*14*	**1,337**	1,352
Intangible assets amortization	*15*	**1,975**	2,579
Contingent consideration revaluation	*4*	**83**	8,439
Income tax payments	*8*	**(11,455)**	(10,474)
Dividends - Vision	*19*	**—**	50
Changes in non-cash working capital	*22*	**2,067**	6,270
Cash provided by operating activities		**31,172**	34,621
INVESTING ACTIVITIES			
Additions to plant and equipment	*14*	**(1,612)**	(1,539)
Acquisition, contingent consideration	*4*	**(10,425)**	—
Cash used in investing activities		**(12,037)**	(1,539)
FINANCING ACTIVITIES			
Repayment of revolving and term debt	*16*	**(8,500)**	(5,000)
Financial expenses paid	*16*	**(2,223)**	(2,571)
Purchase of Fund units for cancellation	*17*	**—**	(289)
Distributions paid to Exchangeable Shareholders	*17*	**(1,168)**	(1,015)
Distributions paid to Unitholders	*17*	**(13,818)**	(11,520)
Cash used in financing activities		**(25,709)**	(20,395)
Net cash flow for the year		**(6,574)**	12,687
Cash and cash equivalents, beginning of year	*9*	**13,257**	794
Foreign exchange effect		**133**	(224)
Cash and cash equivalents, end of year	*9*	**6,816**	13,257

The accompanying notes are an integral part of these financial statements.

1. FORMATION OF THE FUND AND ACQUISITION

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards ["IFRS"]. The measurement basis used was the historic cost convention, except for exchangeable shares which are measured at fair value. Working capital is defined as current assets less current liabilities (excluding debt) and Net operating assets is defined as working capital plus long-term assets less long-term liabilities (excluding debt). Accounting policies utilized under IFRS are consistent with those previously applied. Significant accounting policies are summarized as follows:

Principles of consolidation

The financial statements include the accounts of the Fund, Richards Packaging Holdings Inc. ["Holdings"] and its subsidiaries: Richards Packaging Inc. ["Richards Canada"], Healthmark Services Ltd. ("Healthmark"), Richards Packaging Holdings (US) Inc., 071907 Inc., Richards Packaging, Inc., The E.J. McKernan Company and McKernan Packaging - Richards de Mexico, S.A. de c.v. [collectively "Richards Packaging US"]. Vision Plastics Inc. ["Vision"], which is jointly controlled and accounted for under the equity method, is a plastic container manufacturing plant located in Vancouver, British Columbia, Canada. Holdings and its subsidiaries are referred to as "Richards Packaging".

Foreign currency translation

The Canadian dollar is the functional currency for the Fund and its investments, except for Richards Packaging US, and therefore accounts in foreign currencies have been translated into Canadian dollars. Monetary items are recorded at exchange rates in effect at the statement of financial position dates and non-monetary items are recorded at the exchange rates in effect on the date of the transactions. Revenue and expenses are recorded at average exchange rates prevailing during the year. Gains and losses arising from foreign currency translations are included in profit from operations.

Richards Packaging US has a US dollar functional currency. Assets and liabilities are translated at exchange rates in effect on the statement of financial position dates. Revenue and expenses are translated at average exchange rates prevailing during the year. Effects of translation are included in equity as accumulated other comprehensive income (loss). Upon any future sale of Richards Packaging US, the cumulative translation gain (loss) will be recycled to the Statement of Net Income to form part of the overall gain or loss on disposal.

Use of estimates

Preparation of financial statements required management to make estimates and assumptions which affect the reported amounts of assets, liabilities, revenue and expenses. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically. Any adjustments deemed necessary are made prospectively in the period in which they are identified. Management believes that the allowances for doubtful accounts, inventory obsolescence and the testing for impairment of assets are critical accounting estimates that involve a high degree of judgment and complexity.

Revenue recognition

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer and the amount of revenue can be reliably measured. Significant risks and rewards of ownership are normally transferred in accordance with shipping terms agreed to with the customer. Management estimates and records an allowance for product returns and discounts for each reporting period.

Operating leases

Rental payments and lease inducements are expensed on a straight line basis over the term of the leases.

Income taxes

The liability method to account for income taxes is utilized, with current taxes reflecting the expected income tax payable for the year and any adjustments in respect of amounts owing from previous years. Deferred tax assets and liabilities are determined based on temporary differences between the carrying values and the tax bases of assets and liabilities at substantively enacted tax rates that will be in effect when these differences are expected to reverse. Deferred tax assets are recognized only to the extent that it is probable that the assets will be realized.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of inventory includes purchase price plus inbound freight for distributed products and direct variable costs and related production overheads for manufactured products, determined on a first-in, first-out basis. If the carrying value exceeds the net realizable value a write-down is recognized.

Plant and equipment

Plant and equipment are initially recorded at cost. Repairs and maintenance are charged to income as incurred. Depreciation is computed over the remaining estimated useful lives as outlined below:

Manufacturing equipment	straight-line over 7 years
Moulds	straight-line over 4 years
Computer equipment	30% diminishing balance
Warehouse and office equipment	20% diminishing balance
Leasehold improvements	straight-line over lease term

Intangible assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the period of expected future benefit. Customer relationships and contracts are amortized over 10 to 15 years, patents are amortized over 12 years and computer systems software is amortized over 5 years. Trademarks have indefinite lives and therefore are not amortized.

Goodwill

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over fair value of the net assets acquired. Management monitors goodwill for the entire organization, a group of cash-generating units, and performs an impairment test on its goodwill annually, or more frequently if circumstances indicate a possible impairment.

Impairment testing of long-term assets

Non-current assets are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. For purposes of evaluating the recoverability, a test is performed using discounted future net cash flows. Should impairment exist, the loss would be measured as the difference between the carrying value and the recoverable amount and recognized by way of an additional current period charge. Management has not identified any such impairment losses to date.

Exchangeable shares

Exchangeable shares are classified as debt and carried at fair value based upon the year end trading price of Units into which they are convertible *[note 17]*. Mark-to-market changes in value along with distributions are expensed during the period.

3. NEW ACCOUNTING PRONOUNCEMENTS

There are no new IFRS that became effective after January 1, 2017 other than the following:

The Fund will adopt IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2018 and IFRS 16, *Leases* for the annual period beginning on January 1, 2019. The revenue standard requires us to evaluate the timing of revenue recognition for customers with contracts from the sale of goods, custom moulds and capital equipment. Based on a preliminary evaluation, the adoption of this standard is not expected to have a material impact on the financial statements. We are evaluating the impact to note disclosures. The leases standard requires us to capitalize and amortize the fair market value of leases over their terms. The likely future impact of the adoption of the leases standard is expected to increase long term assets and long term liabilities on the statements of financial position by approximately $19,000 *[note 21]*. We are evaluating the impact to net income and note disclosures.

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

4. ACQUISITION

At December 31, 2016, Richards Packaging had accrued contingent consideration of $10,439 payable to the previous shareholders in connection with the acquisition of Healthmark Services Ltd. and had $97 due from the previous shareholders. Final adjustments in 2017 resulted in additional consideration of $83 reflected in the Statement of income and on March 31, 2017, $10,425 was paid as a net settlement.

5. SEGMENTED INFORMATION

Richards Packaging's operations consist of one reporting segment, principally the distribution of healthcare products, plastic and glass containers and associated closures. Geographic information is provided below and is determined based on the country of sales origination. No customer represents greater than 5% of total revenue.

	Canada		United States	
	2017	**2016**	**2017**	**2016**
Revenue	**138,716**	137,373	**157,864**	149,587
Long-term assets	**50,489**	53,038	**52,829**	55,396

6. EXPENSES BY NATURE

	2017	**2016**
Salaries and wages	**22,286**	22,783
Benefits	**4,556**	4,475
Bonuses	**1,956**	1,748
Long-term incentive plan	**120**	120
Employee compensation	**28,918**	29,126
Inventory sold	**195,431**	189,377
Inventory provisions	**2,088**	2,656
Selling, distribution and other costs	**24,285**	22,875
Depreciation and amortization	**3,312**	3,931
Lease expenses	**5,413**	5,031
Cost of products sold and administrative expenses	**259,447**	252,996

Management is eligible to participate in the long-term incentive plan [the "LTIP"]. Awards for the cash reimbursement of Units purchased under the LTIP will vest over a three-year period, with one-third of the award vesting each year. The Trustees committed to annual funding of $200 for three years starting in 2018. Total salaries and benefits for executive officers was $1,445 [2016 – $1,267].

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

7. EXCEPTIONAL GAINS

Exceptional gains in 2016 includes a $0.3 million gain on the disposal of manufacturing equipment and a $0.7 million excess of insurance proceeds over the carrying value of goods damaged.

8. INCOME TAXES

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

	2017	**2016**
Profit from operations	**37,165**	26,405
Financial expenses	**(2,306)**	(2,548)
Contingent consideration revaluation	**83**	8,439
Income subject to income taxes	**34,942**	32,296
Statutory tax rate	*26.7%*	*26.7%*
Income tax expense at statutory tax rate	**9,333**	8,626
Deferred income taxes	**1,506**	815
Current period adjustments		
Refinancing Intercompany notes [a)]	**2,224**	—
Foreign tax differential	**(863)**	(891)
Foreign rate differential	**2,039**	2,012
Impact of change in US tax rates	**(933)**	—
Withholding tax on Richards Packaging US dividends (@5%)	**122**	473
Other items	**(55)**	(64)
Current income taxes	**13,373**	10,971

a) future recovery associated with refundable dividend tax on hand of $1,288 has not been recognized

Approximately US$6,000 of unremitted earnings in Richards US as of December 31, 2017 will be repatriated by way of repayment of intercompany debt and therefore will not attract withholding tax.

Significant components of deferred income taxes are as follows:

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

	2017	expense/ (income)	f/x[b)]	2016	expense/ (income)	f/x	2015
Deferred tax liabilities							
Plant and equipment	**697**	**14**	**(31)**	**714**	(47)	(18)	779
Customer relationships[a)]	**2,949**	**(1,001)**	**(114)**	**4,064**	(665)	(75)	4,804
Computer system software	**-**	**(1)**	**-**	**1**	(46)	(2)	49
Patents and trademarks[a)]	**1,134**	**(438)**	**(89)**	**1,661**	(86)	(49)	1,796
Other	**92**	**(122)**	**(20)**	**234**	11	(14)	237
Deferred tax assets							
Working capital	**(411)**	**42**	**30**	**(483)**	18	15	(516)
	4,461	**(1,506)**	**(224)**	**6,191**	(815)	(143)	7,149

a) Reversal of intangible assets will not give rise to income taxes

b) f/x = foreign exchange differences

9. CASH

	2017	2016
Cash at bank	**6,362**	5,426
Demand deposits	**2,011**	10,019
Issued and outstanding cheques	**(1,557)**	(2,188)
	6,816	13,257

Cash at bank represents cash clearing accounts at various branches which are netted on an overall basis. At December 31, 2017, cash at bank was net of $nil credit balances [2016 – $494].

10. ACCOUNTS RECEIVABLE

	2017	2016
Current	**20,200**	21,973
Up to 60 days past due	**9,080**	9,287
61 – 90 days past due	**402**	1,008
Over 90 days past due	**460**	1,531
Trade receivables	**30,142**	33,799
Allowance for doubtful accounts[a)]	**(929)**	(1,033)
Supplier rebates	**4**	61
	29,218	32,827

a) Management recorded new provisions of $470 [2016 – $390] and wrote off $542 [2016 – $210]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

11. INVENTORY

	2017	2016
Goods purchased for resale	**51,735**	48,611
Goods in transit	**4,234**	5,152
Manufacturing raw materials	**623**	678
Manufactured finished goods	**1,574**	1,655
Reserve for slow moving inventory a)	**(9,365)**	(8,305)
	48,801	47,791

a) Management recorded a provision of $2,088 [2016 – $2,656] and recognized write-offs of $545 [2016 – $496]. The remaining non-cash change in inventory provision reflects foreign exchange differences.

12. PREPAID EXPENSES AND DEPOSITS

	2017	2016
Deposits for commitment to purchase goods	**1,820**	1,274
Deposits for other commitments	**373**	290
Rent	**542**	642
Insurance	**81**	25
Bank interest	**86**	82
Other deposits	**729**	859
	3,631	3,172

13. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
Trade payables	**24,563**	22,373
Rebates	**689**	739
Staffing expenses a)	**3,600**	2,994
Professional fees	**433**	428
Leases	**906**	912
Sales tax	**647**	834
Other payables	**1,004**	1,282
	31,842	29,562

a) Management bonuses included in staffing expenses have been fully paid subsequent to year end.

Included in Trade payables is $565 [2016 – $584] associated with payables to Vision *[note 19]*.

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

Included in Due to previous shareholder is a U.S.$788 non-interest bearing demand loan owing to a previous shareholder associated with a previous acquisition.

14. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
December 31, 2015						
Carrying value	3,645	4,102	1,369	970	937	11,023
Accumulated Depreciation	(2,681)	(2,867)	(461)	(560)	(711)	(7,280)
Net book value	964	1,235	908	410	226	3,743
Additions/Acquisition	678	730	61	70		1,539
Fully depreciated assets	(1,388)	(714)	(97)	(129)	(173)	(2,501)
Depreciation	(344)	(700)	(96)	(149)	(63)	(1,352)
Foreign exchange differences	(6)		(3)	(12)		(21)
December 31, 2016						
Carrying value	2,929	4,118	1,330	899	764	10,040
Accumulated Depreciation	(1,637)	(2,853)	(460)	(580)	(601)	(6,131)
Net book value	1,292	1,265	870	319	163	3,909
Additions/Acquisition	**203**	**889**	**411**	**88**	**21**	**1,612**
Fully depreciated assets		**(673)**	**(56)**	**(85)**	**(212)**	**(1,026)**
Depreciation	**(240)**	**(578)**	**(208)**	**(154)**	**(157)**	**(1,337)**
Foreign exchange differences	**(118)**	**(0)**	**13**	**0**	**1**	**(104)**
December 31, 2017						
Carrying value	**3,014**	**4,334**	**1,697**	**902**	**574**	**10,521**
Accumulated Depreciation	**(1,877)**	**(2,758)**	**(611)**	**(649)**	**(546)**	**(6,441)**
Net book value	**1,137**	**1,576**	**1,086**	**253**	**28**	**4,080**

15. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill are not deductible for tax purposes. Goodwill is assessed for impairment annually by calculating the recoverable amount determined based on the value in use. Five year cash flow budgets, prepared using growth rates experienced in the industry and approved by the Board, were used with the application of a pre-tax discount rate of 12% [2016 – 12%]. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 1.6% [2016 – 1.7%]. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

NOTES TO FINANCIAL STATEMENTS

	Customer relationships	Patents	Trade-marks	Computer software	Intangible assets	Goodwill
December 31, 2015						
Carrying value	28,386	4,436	3,744	2,561	39,127	87,613
Accumulated amortization	(13,191)	(3,366)		(2,194)	(18,751)	
Net book value	15,195	1,070	3,744	367	20,376	87,613
Amortization	(2,113)	(323)		(143)	(2,579)	
Fully amortized intangibles	(5,600)			(1,950)	(7,550)	
Foreign exchange differences	(179)	(79)	(46)	(34)	(338)	(1,287)
December 31, 2016						
Carrying value	22,390	4,357	3,698	577	31,023	86,326
Accumulated amortization	(9,487)	(3,689)		(387)	(13,564)	
Net book value	12,903	668	3,698	190	17,459	86,326
Amortization	**(1,801)**	**(111)**		**(63)**	**(1,975)**	
Fully amortized intangibles		**(4,357)**			**(4,357)**	
Foreign exchange differences	**(329)**	**(557)**	**296**	**21**	**(569)**	**(2,748)**
December 31, 2017						
Carrying value	**21,543**		**3,994**	**598**	**26,135**	**83,578**
Accumulated amortization	**(10,770)**			**(450)**	**(11,220)**	
Net book value	**10,773**		**3,994**	**148**	**14,915**	**83,578**

16. REVOLVING AND TERM DEBT

Richards Packaging has available both revolving and term debt credit facilities. On September 30, 2016, the revolving and term debt credit facilities' maturities were extended to September 30, 2019 at a cost of $102. The revolving credit facility availability of $5,000 [2016 – $5,000], which was undrawn at December 31, 2017, bears interest at the prime rate plus a premium of 0.3% to 0.8%. The effective interest rate at December 31, 2017 was 3.8% [2016 – 3.3%]. The term facility of $33,500 [2016 – $42,000] bears interest at the bankers' acceptance borrowing rate plus a premium of 1.25% to 1.8%. The effective interest rate at December 31, 2017 was 2.3% [2016 – 2.2%]. Voluntary repayments of term debt of $8,500 [2016 – $5,000] were made during the year ended December 31, 2017.

Financial expenses for the years ended December 31 were as follows:

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

	2017	2016
Interest expense	**838**	1,006
Credit card fees	**1,089**	1,213
Bank and intercompany refinancing fees	**139**	73
Credit facility charges	**240**	256
	2,306	2,548

The banking syndicate has a first charge over all of Richards Packaging's assets as collateral for the revolving and term credit facilities. Richards Packaging is in compliance with all covenants *[note 18]*.

17. UNITS AND EXCHANGEABLE SHARES

Number outstanding	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)	
December 31, 2016	10,846,578	10,846,578	846,435	11,693,013	11,693,013
Share conversion	46,787		(46,787)		
Units purchased					
December 31, 2017	**10,893,365**	**10,875,082**	**799,648**	**11,693,013**	**11,693,013**

Exchangeable shares mark-to-market loss reflects a unit price increase during the year ended December 31, 2017 of $6.38 [2016 – $5.61] to $31.17 per Unit. The impact on income per Unit of the mark-to-market loss and distributions to exchangeable shareholders is anti-dilutive which reverts back to basic income per Unit [2016 – anti-dilutive].

Fund Units

The Declaration of Trust provides that an unlimited number of Units may be issued. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Units have equal rights and privileges. Each Unit entitles the holder thereof to participate equally in allocations and distributions and to one vote at all meetings of Unitholders for each whole Unit held. The Units issued are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to a maximum of $50 in cash redemptions by the Fund in any particular month. The Fund is utilizing the puttable instrument exemption using the criteria in IAS 32, *Financial Instruments, Presentation,* to classify the Units as equity.

The Fund initiated a normal course issuer bid on March 14, 2017 to purchase up to 200,000 Units prior to March 13, 2018. There were no purchases during the year. In 2016, 16,000 Units were purchased at an average price of $18.05/Unit. During 2017, 46,787 exchangeable shares were converted to Units at an average cost of $26.64/Unit.

Contributed surplus

The components of Unitholders' capital include unit capital and contributed surplus. The conversion in 2017 of 46,787 exchangeable shares resulted in a $840 increase. The Fund's purchase of 16,000 Units in 2016 resulted in a reduction of $219.

Exchangeable shares

Exchangeable shares were issued by Richards Packaging to officers on the initial public offering and in connection with two business acquisitions. The exchangeable shares issued by Holdings and Richards Packaging Holdings (US) Inc. are redeemable and are retractable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. The Fund has the option to settle the redemption of Exchangeable shares issued by Richards Packaging Holdings (US) Inc. in cash. Exchangeable shares carry the right to vote at any meeting that Unitholders are entitled to vote on the same basis.

Distributions

Distributions are made monthly to Unitholders of record on the last business day of each month and paid on the 14th day of the following month. Distributions in 2017 began at $1,014, or 9.35¢ per Unit, and ended at $1,198, or 11¢ per Unit, reflecting the March 2017 distribution increase and exchangeable share conversions. The Board of Trustees approved a reduction in the capital account for distributions made for 2017.

Distributions paid to exchangeable shareholders are not subordinated to distributions to Unitholders and are declared on the same basis net of applicable taxes. Distributions are made monthly to shareholders of record on the last business day of each month and paid on or about the 14th day of the following month.

18. CAPITAL STRUCTURE

Capital consists of Unitholders' equity, exchangeable shares and secured credit facilities. Capital levels are maintained to meet the following objectives: optimizing the cost of capital at acceptable risk levels while providing an appropriate return to its Unitholders and shareholders; balancing the interests of equity shareholders, exchangeable shareholders and debt holders; maintaining compliance with financial covenants; and preserving financial flexibility to benefit from potential opportunities as they arise. The leverage ratio covenant was not to exceed 2.75 and the ratio at December 31, 2017 was 0.80 [2016 – 1.08]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times and the ratio was 4.43 [2016 – 4.17] and the minimum net worth covenant was $70,000 and the net worth was $116,451 [2016 – $114,032].

Management continually assesses the adequacy of its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. Adjustments may include changes in distributions, purchases of units for cancellation pursuant to normal course issuer bids, issues of new shares and/or Units, repayments or borrowings under the credit facilities and refinancing the debt to replace existing debt with different characteristics.

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

19. RELATED PARTY TRANSACTIONS AND INVESTMENT

Richards Packaging entered into the following related party transactions, which were measured at fair value:

	2017	2016
Leases of facilities from entities related to certain officers	**928**	912
Product purchases from Vision	**6,435**	6,299

Richards Canada owns a 50% interest in a joint venture, Vision. The information below reflects the amounts presented in the financial statements of Vision:

	2017	2016		2017	2016
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,311**	1,333	Current liabilities	**431**	520
Plant and equipment	**609**	664			
Total assets	**1,920**	1,997	**Net assets**	**1,489**	1,477
Statement of net income					
Revenue				**6,435**	6,299
Expenses				**6,422**	6,144
Net income				**13**	155

The increase of $5 [2016 – $28] in Investment – Vision represents share of net income of $5 [2016 – $78]. There were no dividends declared [2016 – 50].

20. FINANCIAL INSTRUMENTS

Fair value

Cash, accounts receivable, accounts payable and accruals, distributions payable, contingent consideration and due to previous shareholder are all short-term in nature and, as such, their carrying values approximate fair values. All financial liabilities excluding exchangeable shares are classified as other financial liabilities measured at amortized cost.

The fair value of term debt approximates the carrying value as it bears interest at rates comparable to current market rates that would be used to calculate fair value. Exchangeable shares fall under Level 1 of the fair value hierarchy and are recorded based on the year end trading price of Units into which they are convertible, with changes in value recorded through net income *[note 17]*.

Credit risk

Financial assets exposed to credit risk consist primarily of trade receivables arising from the sale of goods. Concentration of credit risk is limited due to the large number of customers and geographical dispersion. As at December 31, 2017, no customer represented 5% or more of accounts receivable or sales.

Credit quality is assessed prior to establishing customer accounts. Management continuously monitors the collection of overdue accounts. For customers with overdue accounts, internal collection staff takes appropriate action, including the placement of accounts on hold, with third party collection or legal action taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. The allowance for doubtful accounts as at December 31, 2017 is sufficient to cover impaired accounts *[note 10]*.

Inventory obsolescence risk

Richards Packaging is exposed to inventory obsolescence due to customer insolvency when they have unique packaging, maturing product life cycles for stock items and large purchases due to economic order quantities. The inventory provision is assessed on a specific item-by-item basis considering a number of factors including aging, recent sales and market demand. Management continually monitors over-aged inventory with a focus to realize value before obsolescence occurs. On a quarterly basis, the reserve for inventory obsolescence is reviewed by management. The reserve as at December 31, 2017 is sufficient to cover losses due to inventory obsolescence *[note 11]*.

Liquidity risk

The approach to managing liquidity risk is to ensure that sufficient funds are available to meet financial obligations as they come due *[notes 13, 21]*. This is achieved through a combination of cash balances *[note 9]*, availability of credit facilities *[note 16]*, surplus cash flow from operations, distribution policy and matching the maturities of financial assets and liabilities.

Interest rate risk

Exposure to interest rate risk arises due to variable interest rates on the revolving and term debt credit facilities. A 1.0% movement in interest rates would have impacted net income by $280 [2016 – $331].

Foreign currency risk

Exposure to U.S./Cdn. currency fluctuations arises on cross-border transactions and on the translation of cash flows of Richards Packaging US. A foreign currency gain of $115 has been recorded for the year ended December 31, 2017 [2016 – $134 loss] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $194.

21. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy charges, required under the operating leases for premises are as follows:

December 31, 2017 and 2016 [Cdn$ thousands, unless otherwise noted]

	Related parties	Third parties	Total
2018	**950**	**4,555**	**5,505**
2019	**973**	**3,920**	**4,893**
2020	**979**	**2,467**	**3,446**
2021	**179**	**2,374**	**2,553**
2022	**45**	**1,904**	**1,949**
Thereafter	**—**	**3,536**	**3,536**

In the ordinary course of business, Richards Packaging is involved in litigation and other claims. It is management's opinion that the ultimate outcome of these matters will not have a material adverse effect on the financial position or operating results.

22. ADDITIONAL CASH FLOW INFORMATION

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

	2017	2016
Accounts receivable	**2,510**	(3,061)
Inventory	**(2,957)**	10,537
Prepaid expenses and deposits	**(591)**	(924)
Accounts payable and accruals	**3,105**	(282)
	2,067	6,270

For the year ended December 31, 2017, the foreign exchange translation loss excluded from the above was $2,360 loss [2016 – $1,185].