

QUARTERLY REPORT

## **Richards Packaging Income Fund**

Quarter ended September 30, 2004 - Amended

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## Richards Packaging Income Fund

# REPORT TO UNITHOLDERS

September 30, 2004

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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.

Richards Packaging Income Fund delivered strong results for the third quarter ended September 30, 2004 and year-to-date since the inception of the Fund on April 7, 2004. Overall revenue and income growth met management's expectations. Organic growth offset the impact of strategic repositioning for the first time since our 18 month profit improvement initiative plan was launched one year ago. We have now built a strong platform from which to grow profitability, with EBITDA<sup>1</sup> as a percent of sales at our long-term target of 10%<sup>5</sup>.

Investors are highly anxious about the exchange rate rising Cdn/US\$0.05 to Cdn/US\$0.80 and the oil price rising US10/bbl. to US\$50/bbl. However, it was not too long ago that exchange rates were at Cdn/US\$0.63 and oil prices were below US\$25/bbl., this is just a continuing trend. Although these factors may be important to some corporations, Richards Packaging has a very long history of passing through resin price increases and has effectively hedged the cash flow from US operations through to September 2005. We do not see these factors adversely influencing our distribution policy<sup>4,5</sup>.

The Fund paid monthly distributions of \$0.0854 per unit for May through September, with total distributions per unit of \$0.256 for the third quarter and \$0.490 since the inception of the Fund. The board of trustees is comfortable with a target payout ratio of 90% and has maintained an average payout ratio of 87% for the period April 7 to September 30, 2004. The trustees will continue to monitor the performance of the Company with the objective of delivering stable and predictable distributions to unitholders.

*"Gerry Glynn"*  
Chief Executive Officer and Trustee  
Richards Packaging Income Fund

November 12, 2004 amended March 28, 2005

## **Richards Packaging Income Fund**

### **AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS**

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

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*The following amended management's discussion and analysis ("MD&A") of Richards Packaging Income Fund has been prepared as of March 28, 2005 and is an update to the MD&A dated November 12, 2004 previously filed on SEDAR.*

*This management's discussion and analysis of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated September 30, 2004, the amended second quarter report for the period ended June 30, 2004 and the Prospectus of Richards Packaging Income Fund (the "Prospectus") dated March 30, 2004. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a consistent basis with the annual financial statements contained in the Prospectus. The MD&A was amended to reflect the adjustments made to the interim financial statements as described in note 15 in the interim financial statements.*

### **Fund Profile and Description of the Business**

Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in packaging distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 when the Fund completed an initial public offering of 8,569,913 trust units of the Fund ("Units") at a price of \$10 per unit and indirectly purchased all of the securities of Richards Packaging Inc. (the "Company"). The Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging Inc. serves a wide customer base that is comprised of over 6,000 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 3 dedicated manufacturing facilities. In addition to providing its customers with a wide range of packaging solutions, the Company provides design and development services and comprehensive logistics management through 11 sales offices and 5 agency locations.

### **Highlights and Selected Financial Information**

Highlights of the overall performance of the Fund for the quarter ended September 30, 2004 include:

- Organic growth of 3.9%, over the same quarter in 2003, fully offset the impacts of foreign exchange and strategic product repositioning.
- Increased the EBITDA<sup>1</sup> as a percent of sales to 10.0%, our long-term target rate, by continuing the Company's marketing focus on higher value added products and services.
- Paid monthly distributions of \$0.0854 per unit to yield a 10.25% annualized return.
- Increased distributable cash flow<sup>2</sup> by \$0.03 per unit or 11.8% from one quarter of the annual target outlined in the Prospectus. Given the distributions declared of \$0.256 per unit during the quarter, the implied payout ratio<sup>3</sup> was 87%.

## Richards Packaging Income Fund

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

- Benefited from monthly foreign currency forward rate contracts at Cdn/US\$0.73. This will continue through to September 2005 hedging substantially all of the exposure inherent in distributable cash from US operations.
- The cash on hand as at September 30, 2004 was \$3.5 million available to fund future growth. The remaining \$1.0 million on hand is required for pending liabilities and commitments.

This is the second reporting period of the Fund since its inception, and as such the attached interim consolidated financial statements do not have comparative figures. The MD&A covers the three months ending September 30, 2004 and the period from April 7 to September 30, 2004, (generally referred to in this MD&A as “the third quarter” and “the six months ended September 30, 2004” respectively). Where possible selective comparative information for the periods ended September 30, 2003 is provided from the financial records of the Company and the pro forma information outlined in the Prospectus. The following table sets out selected consolidated financial information of the Fund:

	Three months ended		Six months ended	
	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>
	\$	\$	\$	\$
<b>Income Statement Data:</b>				
Revenue .....	39,803	39,771	77,720	79,721
EBITDA <sup>1</sup> .....	3,989	4,095	7,523	7,546
<i>Basic and diluted per unit</i> .....	\$0.372	\$0.382	\$0.702	\$0.704
Net income .....	3,102		3,386	
<i>Basic and diluted per unit</i> .....	\$0.290		\$0.316	
<b>Balance Sheet Data:</b>				
Total assets .....	157,900			
Long-term debt outstanding .....	23,194			
<b>Cash Flow Statement Data:</b>				
Distributions per unit and dividends per share declared .....	\$0.256		\$0.490	
Payout ratio <sup>3</sup> .....	86%		87%	

(1) These amounts are derived from the attached interim unaudited consolidated financial statements.

(2) These amounts are derived from unaudited historical financial statements of the Company.

## Review of Operations

Richards Packaging Inc. operations are approximately two-thirds in Canada and one-third in the United States. Approximately 70% of the Company’s sales are concentrated in Toronto, Montreal, Vancouver, Los Angeles and Portland. Comparatives of revenue to EBITDA have been provided but not other expenses, as the capital structure of the Fund is significantly different than that of the Company in the prior periods, and therefore would not provide meaningful comparisons.

## Richards Packaging Income Fund

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

	Three months ended		Six months ended	
	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>
	\$	\$	\$	\$
<b>Revenue</b> .....	<b>39,803</b>	<b>39,771</b>	<b>77,720</b>	<b>79,721</b>
Cost of products sold.....	<b>33,935</b>	<b>33,946</b>	<b>66,428</b>	<b>68,774</b>
Gross profit .....	<b>5,868</b>	<b>5,825</b>	<b>11,292</b>	<b>10,947</b>
	14.7%	14.6%	14.5%	13.7%
General and administrative expenses .....	<b>1,879</b>	<b>1,730</b>	<b>3,769</b>	<b>3,401</b>
<b>EBITDA</b> <sup>1</sup> .....	<b>3,989</b>	<b>4,095</b>	<b>7,523</b>	<b>7,546</b>
<b>Net Income</b> .....	<b>3,102</b>		<b>3,386</b>	

- (1) These amounts are derived from the attached interim unaudited consolidated financial statements.  
(2) These amounts are derived from unaudited historical financial statements of the Company.

Revenue for the third quarter was unchanged, and for the six months ended September 30, 2004 decreased by \$2.0 million, or 2.5%, from the same periods in 2003. During the third quarter, organic growth was \$1.5 million, or 3.9%, which was offset by the Company's sales mix transition program to a higher concentration of strategic higher margin products (\$1.1 million) and translation of the US operations with the Canadian dollar strengthening by Cdn/US\$0.040 to Cdn/US\$0.765 (\$0.9 million). The transition program will continue to influence the financial results during the fourth quarter, beyond which the exchange translation effect should be offset by organic revenue growth which is expected at the historic rate of between 3 to 5% per annum<sup>5</sup>.

Cost of products sold for the third quarter was unchanged, and for the six months ended September 30, 2004 decreased by \$2.4 million, or 3.5%, from the same periods in 2003. The impact of the increase in the Canadian dollar from Cdn/US\$0.725 to Cdn/US\$0.765 during the third quarter was fully offset by the margin improvement from strategic products. For the six months ended September 30, 2004 the decreased cost of products sold resulted in a gross profit percent improvement of 0.8%, which reflected the increase in the Canadian dollar from Cdn/US\$0.721 to Cdn/US\$0.750 as well as a shift in concentration to higher margin products such as Asian glass, pharmaceuticals and specialty plastic packaging. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of immediately passing through to customers increases or decreases.

General and administrative expenses for the third quarter increased by \$0.1 million, and for the six months ended September 30, 2004 increased \$0.4 million, over the same periods in 2003 respectively due mainly to public company costs, such as directors' fees, professional fees, insurance, filing fees and additional staff, consistent with management's expectation as described in the Prospectus.

EBITDA for the third quarter decreased by \$0.1 million, and for the six months ended September 30, 2004 was unchanged from the same periods in 2003. As a percent of sales, EBITDA was 9.7% for the third quarter and 9.4% for the six months ended September 30, 2004. Changes were a result of the factors referred to above.

## Richards Packaging Income Fund

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

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Other expenses of the Fund for the third quarter included \$1.8 million of amortization, \$0.4 million of interest and a \$1.4 million foreign exchange gain on translation of long-term debt. For the six months ended September 30, 2004 other expenses included \$5.1 million of amortization, \$0.8 million of interest and a \$0.7 million foreign exchange gain on translation of long-term debt. The only cash items in other expenses represent the interest paid by the Company.

Amortization of \$5.1 million for the six months ended September 30, 2004 was mainly comprised of \$3.9 million for intangibles, which represents a charge of \$1.5 million for backlog customer orders on April 7, 2004 and the ongoing charge of \$2.4 million per for customer relationships and contracts. The remaining amortization amounts consisted of deferred financing fees of \$0.3 million that will continue for the 3-year term of the debt facilities and capital asset amortization of \$0.9 million per quarter, which is approximately twice the company's maintenance capital expenditure spending requirement.

The term loan outstanding at September 30, 2004 was US\$18.2 million, which gave rise to the unrealized foreign currency translation gain of \$0.7 million for the six months then ended. On April 7, 2004 the exchange rate was Cdn/US\$0.766, while during the period it dropped as low as Cdn/US\$0.715 and closed on September 30, 2004 at Cdn/US\$0.791. The Company has borrowed mainly in US dollars to partially match the US dollar interest obligations with the earnings it receives from US operations. It is management's intention to continue to borrow funds denominated in US dollars for the foreseeable future<sup>2</sup>. This translation gain is fully offset by the \$1.1 million currency translation loss, on the net investment in the Company's US operations, debited directly to the unitholders' equity.

Current income taxes are negligible as they reflect the tax deductions inherent in distributions to unitholders. The Fund and its' subsidiaries have \$11.7 million of initial public offering and financing fees available to shield future income taxes, of which \$0.4 million was realized in the six months ended September 30, 2004.

Net income for the third quarter was \$3.1 million, and for the six months ended September 30, 2004 was \$3.4 million, which represented \$0.290 and \$0.316 per unit on a basic and diluted basis respectively. Before the intangible charge relating to the backlog customer orders described above, the Fund realized a net income of \$4.6 million or \$0.430 per unit on a basic and diluted basis for the six months ended September 30, 2004. A total of 10,256,327 Units and 455,185 Richards Holdings Inc. ("Holdings") shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the period.

### **Distributable Cash Flow<sup>2</sup>**

Management believes that the pro forma distributable cash flow for the year ended December 31, 2003, as presented in the Prospectus, provides the most appropriate source of comparative information. Adopting a conservative approach, 25% and 50% of the annual number was utilized for comparison purposes for the third quarter and the six months ending September 30, 2003 respectively.

## Richards Packaging Income Fund

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

	Three months ended		Six months ended	
	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>	2004 <sup>(1)</sup>	2003 <sup>(2)</sup>
	\$	\$	\$	\$
Cash provided by operating activities .....	3,978		4,778	
Change in non-cash working capital items, net.....	(414)		2,188	
Changes in other non-cash items, net.....	425		557	
<b>EBITDA</b> <sup>1</sup> .....	<b>3,989</b>		<b>7,523</b>	
Interest.....	(383)		(783)	
Cash income taxes.....	(208)		(327)	
Maintenance capital expenditures .....	(211)		(354)	
Loan principal payments.....	(13)		(20)	
<b>Distributable cash flow</b> <sup>2</sup> .....	<b>3,174</b>	<b>2,745</b>	<b>6,039</b>	<b>5,489</b>
<i>Per Unit on a basis and diluted basis</i> .....	<i>\$0.297</i>	<i>\$0.256</i>	<i>\$0.564</i>	<i>\$0.513</i>
<b>Distributions and dividends declared</b> .....	<b>2,745</b>		<b>5,245</b>	
<i>Per unit on a basic and diluted basis</i> .....	<i>\$0.256</i>		<i>\$0.490</i>	
Payout ratio <sup>3</sup> .....	86%		87%	
<b>Number of units and shares outstanding on a diluted basis</b> .....	<b>10,711,512</b>		<b>10,711,512</b>	

(1) These amounts are derived from the attached interim unaudited consolidated financial statements.

(2) These amounts are derived from the Prospectus except for the number of units and shares outstanding.

The distributable cash flow<sup>2</sup> definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by a \$5.0 million revolving facility available to the Company. Likewise capital expenditures for expansion of the business are excluded as they are intended to generate future growth in distributable cash and are expected to be financed primarily by a US\$5.2 million term facility.

Distributable cash flow for the third quarter exceeded one quarter of the annual target outlined in the Prospectus by \$0.4 million, or by 15.6%. This increase was primarily attributed to growth in EBITDA described earlier in this report. Maintenance capital expenditures were slightly above target, however management continues to believe that the annual target of \$0.75 million is appropriate<sup>5</sup>.

The distribution for April was prorated for a short month with full distributions beginning for the month of May at \$0.854 per unit, which represents an annual yield of 10.25% on a \$10 price per unit. We believe that a long-term payout ratio of 90% is appropriate and provides a reasonable cushion to enhance the stability and predictability of future distributions. Based upon the six months ended September 30, 2004, 92% of the distributions will represent interest on the subordinated note held by the Fund and 8% will be treated as a return of capital to the unitholders. Investors are cautioned however, that this ratio will only be finally determined based on results for the year ending December 31, 2004.

## **Richards Packaging Income Fund**

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

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### **Liquidity and Financing**

#### ***Initial public offering, use of proceeds***

The net proceeds of the initial public offering of the Fund were \$75.9 million, after deducting \$10.2 million in associated fees. These proceeds were mainly expended to acquire all the shares of the Company for \$68.8 million in cash, together with 1,686 in Units and 455 common shares of Holdings. The surplus cash of \$6.7 million was deployed to discharge \$3.1 million of existing liabilities, to pre-fund the discharge of \$2.4 million in pending liabilities and commitments and to provide \$1.3 million in working capital for organic growth. Larger liabilities and commitments pending included \$0.8 million to complete a new management information system for the Canadian operations, \$0.5 million to discharge amounts due to certain officers and \$1.0 million to cover the cheques outstanding on April 7, 2004. Of these pending payments, \$1.4 million was funded as of September 30, 2004.

#### ***Cash flows from operating activities***

Cash flow from operating activities for the third quarter was \$4.0 million, and for the six months ended September 30, 2004 was \$4.8 million, as the additional working capital deployed was provided from the proceeds of the initial public offering as described above. The financial structure of the Fund allows for maximum distributions of cash flow from operations to the unitholders and shareholders as outlined above in the distributable cash discussion. Actual distributions and dividends paid during the six months ended September 30, 2004 were \$4.3 million with an additional \$0.9 million declared for September, which was paid on October 15.

#### ***Capital expenditures***

Capital expenditures for the six months ended September 30, 2004 were \$0.4 million, half of which was for maintenance capital and half of which was applied as progress payments on the new management information system under development for the Canadian operations. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. No expansion capital was required for new machinery in the six months ended September 30, 2004.

#### ***Financing activities and instruments***

The Company's credit facilities include a US\$18.2 million term loan with repayment at the end of 3 years, up to \$5.0 million in revolving debt to fund working capital expansion and up to US\$5.2 million for expansion capital and/or acquisition financing. During the six months ended September 30, 2004 certain bank indebtedness was repaid and a partial repayment of the loans due to officers was made totaling \$0.9 million. Combined with the cash on hand, management believes that adequate financing is available for the foreseeable future<sup>5</sup>.



## **Richards Packaging Income Fund**

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

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Approximately one quarter of distributable cash flow for the six months ended September 30, 2004 was provided by the Company's US operations. In order to manage the inherent foreign currency exchange risk management has put in place a US\$0.1 million monthly standard rate agreement through September 2005 fixed at Cdn/US\$0.73 to augment the hedge created by the interest on the US dollar debt described above. Combined, this position hedged substantially all of the distributable cash flow from the Company's US operations for the periods ended September 30, 2004.

### **Outlook<sup>4, 5</sup>**

Management believes that the performance of the Company is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the current level for the remainder of the year. Our long-term objective is to modestly increase distributions in line with annual sales growth of 3 to 5%.

With the Company's profit improvement plan associated with the repositioning of sales focus on increasing strategic higher margin products is largely complete, future growth will result from organic growth and our acquisition strategy.

Maintenance capital will continue to be funded by cash flow from operations and is expected to grow in line with sales. Expansion capital is expected to be in the order of \$2 to \$3 million over the next few years to support the launch of new marketing programs by our customers, although no major expenditures are pending. These expenditures will be funded by debt.

### **Transactions with Related Parties**

The Company leases three of its facilities from various former owners of the Company who are currently officers and unitholders. These same officers provided a loan associated with the original sale of the Company, which will be repaid shortly as outlined above. The Company utilizes all of the production capability of Vision Plastics Inc., which is half owned by the Plant manager and half by the Company. All related party transactions are at rates that would be charged by arms length parties.

### **Critical Accounting Estimates**

The Fund has recognized an intangible asset of \$47.7 million as at April 7, 2004 pertaining to the future customer relationships that are not under long-term contract but their buying pattern in the past indicates a long-term relationship. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of 90% per year. This non-cash asset and the associated future income tax recovery of \$17.2 million will be amortized to income over 10 years. It should be noted that although these items affect the net income recorded by the Fund, they do not impact distributable cash flow available to unitholders.

## Richards Packaging Income Fund

[expressed in thousands of dollars, except where otherwise indicated  
and per unit amounts]

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### Additional Information

Additional information relating to the Fund, including the Prospectus, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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- 1 *Management defines EBITDA as earnings before amortization, interest, unrealized foreign currency loss and taxes. EBITDA is the same as income before under noted items and income taxes as outlined in the attached interim consolidated financial statements. Management believes that in addition to net income, EBITDA is a useful supplemental measure of earnings available for distribution prior to debt service, changes in working capital, capital expenditures and taxes. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may not be comparable to similar measures presented by other companies or income trusts.*
- 2 *Management defines distributable cash flow, in accordance with the Company's credit agreement, as EBITDA less interest, income taxes paid, maintenance capital expenditures and loan payments. Management believes that in addition to cash flow from operating, investing and financing activities, distributable cash flow is a useful measure of the cash available for distribution to unitholders and shareholders. This cash flow measure does not have a standard meaning prescribed by or recognized by GAAP. 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 the Fund's liquidity and cash flows. The Fund's method of calculating distributable cash flow may not be comparable to similar measures presented by other income trusts.*
- 3 *Management defines payout ratio as distributions declared over maximum allowable distributions under the Company's banking covenants.*
- 4 *An investment in Units involves risks inherent in the ordinary course of business of the Company including: the sustainability of customer and supplier relationships, the financial stability of customers, competition from other distributors and manufacturers, resin price volatility and exchange rate and interest rate fluctuations. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the Prospectus.*
- 5 *The Report to Unitholders and this MD&A contain certain forward looking statements (the "Statements") regarding future growth potential, results of operations, performance and business prospects and opportunities of the Fund and the Company. These Statements reflect management's current beliefs and are based on information currently available to the management of the Company. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. Please refer to the Prospectus of the Fund for a full discussion of risks and uncertainties. Although the Statements contained in the report to the unitholders and the MD&A are based upon what management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these Statements. These Statements are made as of the date of this report and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.*

<p style="text-align: center;"><b>Notice to Unitholders</b></p>
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<p style="text-align: center;">The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
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## Richards Packaging Income Fund

### CONSOLIDATED BALANCE SHEET

Unaudited  
[expressed in thousands of dollars]

As at September 30

	2004
	\$
	<i>[amended-note 15]</i>
<b>ASSETS</b> <i>[note 5]</i>	
<b>Current</b>	
Cash and cash equivalents	4,548
Accounts receivable	21,575
Inventory	20,555
Prepaid expenses	1,348
Income taxes recoverable	1,499
<b>Total current assets</b>	<b>49,525</b>
Capital assets <i>[note 3]</i>	6,216
Deferred financing fees	1,635
Intangible assets <i>[note 4]</i>	45,300
Future income taxes <i>[note 11]</i>	3,258
Goodwill <i>[note 1]</i>	51,966
<b>Total long-term assets</b>	<b>108,375</b>
	<b>157,900</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>	
<b>Current</b>	
Accounts payable and accrued liabilities	18,429
Income taxes payable	357
Distributions payable to unitholders <i>[note 8]</i>	876
Dividends payable to exchangeable shareholders <i>[note 8]</i>	39
Due to officers <i>[note 10]</i>	299
Current portion of long-term debt <i>[note 5]</i>	36
<b>Total current liabilities</b>	<b>20,036</b>
Long-term debt <i>[note 5]</i>	23,158
Future income taxes <i>[note 11]</i>	17,344
<b>Total liabilities</b>	<b>60,538</b>
Commitments and contingencies <i>[note 6]</i>	
<b>Unitholders' equity</b>	
Units and exchangeable share capital <i>[note 7]</i>	100,334
Deficit, end of period	(1,859)
Cumulative translation adjustments <i>[note 9]</i>	(1,113)
<b>Total unitholders' equity</b>	<b>97,362</b>
	<b>157,900</b>

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

## Richards Packaging Income Fund

### CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

Unaudited

[expressed in thousands of dollars except for unit, share and per unit amounts]

For the periods ended September 30

	Three months ended Sept. 30, 2004 \$	April 7 to Sept. 30, 2004 \$
		<i>[amended-note 15]</i>
<b>Revenue</b>	<b>39,803</b>	<b>77,720</b>
Cost of products sold	33,935	66,428
	5,868	11,292
General and administrative expenses	1,879	3,769
Income before undernoted items and income taxes	3,989	7,523
Amortization		
Capital assets <i>[note 3]</i>	455	880
Intangible assets <i>[note 4]</i>	1,200	3,900
Deferred financing fees	165	330
Interest expense <i>[note 5]</i>	383	784
Foreign exchange gain on translation of long-term debt	(1,393)	(745)
Income before income taxes	3,179	2,374
Provision (recovery) for income taxes <i>[note 11]</i>		
Current	42	(227)
Future	35	(785)
	77	(1,012)
<b>Net income for the period</b>	<b>3,102</b>	<b>3,386</b>
Deficit, beginning of period	(2,216)	—
Distributions declared to unitholders	(2,628)	(5,022)
Dividends declared to exchangeable shareholders	(117)	(223)
<b>Deficit, end of period</b>	<b>(1,859)</b>	<b>(1,859)</b>
<b>Basic and diluted income per Unit</b>	<b>\$0.290</b>	<b>\$0.316</b>
<b>Weighted average number of Units and shares outstanding</b>	<b>10,711,512</b>	<b>10,711,512</b>

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

## Richards Packaging Income Fund

### CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited  
[expressed in thousands of dollars]

For the periods ended September 30

	Three months ended Sept. 30, 2004	April 7 to Sept. 30, 2004
	\$	\$
	<i>[amended-note 15]</i>	
<b>OPERATING ACTIVITIES</b>		
Income for the period	3,102	3,386
Add (deduct) items not involving cash		
Amortization	1,820	5,110
Future income taxes	35	(785)
Foreign exchange gain on translation of long-term debt	(1,393)	(745)
	3,564	6,966
Net change in non-cash operating elements of working capital <i>[note 13]</i>	414	(2,188)
<b>Cash provided by operating activities</b>	<b>3,978</b>	<b>4,778</b>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	(355)	(662)
Acquisition of Richards Packaging Inc. net of cash acquired of \$112 <i>[note 1]</i>		(69,185)
<b>Cash used in investing activities</b>	<b>(355)</b>	<b>(69,847)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness		(607)
Repayment of long-term debt	(13)	(20)
Initial public offering of Fund Units, net of expenses		75,921
Repayment of due to officers	(244)	(244)
Dividends paid to exchangeable shareholders	(117)	(184)
Distributions paid to unitholders	(2,628)	(4,146)
<b>Cash provided by (used in) financing activities</b>	<b>(3,002)</b>	<b>70,720</b>
Foreign currency translation loss	(1,933)	(1,103)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,312)</b>	<b>4,548</b>
Cash and cash equivalents, beginning of period	5,860	—
<b>Cash and cash equivalents, end of period</b>	<b>4,548</b>	<b>4,548</b>

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

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 by a Declaration of Trust dated February 26, 2004. The Fund remained inactive until April 7, 2004 when the Fund completed an initial public offering of 8,569,913 trust units of the Fund (the "Units") at a price of \$10 per unit, realizing gross proceeds of \$85,699 to facilitate the acquisition of all of Richards Packaging Inc. shares and an indenture note through a series of transactions.

The Fund indirectly purchased all of the shares of Richards Packaging Inc. for \$90,713 including acquisition costs of \$417. The consideration consisted of \$68,880 in cash, the issuance of 1,686,414 Units at a price of \$10 per unit and the issuance of 455,185 Richards Packaging Holdings Inc.'s common shares at a price of \$10 per share, exchangeable into an equal number of Units. This acquisition has been accounted for using the purchase method and accordingly, the results of operations from April 7, 2004 have been included in these interim consolidated financial statements and no comparative information is provided. The consideration paid has been allocated to the assets acquired based on their fair values and the excess of the purchase price over the value of the net identifiable assets acquired has been recorded as goodwill. All acquired intangible assets, other than goodwill, are subject to amortization. The allocation of the purchase price is as follows:

	\$
	<i>[amended-note 15]</i>
Current assets	42,715
Capital assets	6,445
Deferred financing fees	1,977
Intangible assets – customer orders <i>[note5]</i>	1,500
Intangible assets – customer relationships and contracts <i>[note 5]</i>	47,700
<b>Total assets acquired</b>	<b>100,337</b>
Current liabilities	20,583
Long-term debt	23,958
Future income tax liability	17,676
<b>Total liabilities assumed</b>	<b>62,217</b>
Fair value of net assets acquired	38,120
Goodwill	52,593
<b>Purchase price</b>	<b>90,713</b>

During the period from April 7 to September 30, 2004 a currency translation gain of \$123 associated with the goodwill related to Richards Packaging Inc.'s wholly owned US subsidiary was recognized.

## **Richards Packaging Income Fund**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of consolidation**

The consolidated financial statements include the accounts of the Fund, Richards Packaging Holdings Inc. ("Holdings"), and Richards Packaging Inc. ["Richards Can"], its wholly-owned subsidiary, Richards Packaging, Inc. ["Richards US"] and 50% of Vision Plastics Inc., one of its 3 plastic containers manufacturing plants, which is jointly controlled. The "Company" refers to Richards Packaging Inc. and its consolidated subsidiaries. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles employing the same accounting policies as the Company's annual financial statements presented in the Prospectus.

### **Revenue recognition**

Revenue is recognized when persuasive evidence of an arrangement exists, significant risks and benefits of ownership are transferred, the sales price to the customer is fixed or is determinable and collection of the resulting receivable is reasonably assured. The significant risks and benefits of ownership are normally transferred in accordance with the shipping terms agreed to with the customer. The Company estimates and records an allowance for product returns and discounts for each reporting period.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with a term to maturity of three months or less at the date of purchase.

### **Inventory**

Raw materials are valued at the lower of cost and replacement value. Products available for sale are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### **Capital assets**

Capital assets are initially recorded at cost. Repairs and maintenance are charged to operations as incurred. Amortization is computed using the straight-line or diminishing balance method over the remaining estimated useful lives of the capital assets as outlined below:

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

## **Richards Packaging Income Fund**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Deferred financing**

The costs of obtaining long-term debt are deferred and amortized on a straight-line basis over the term of the debt to which those costs relate.

#### **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 orders are amortized as the orders are being shipped. Customer relationships and contracts are amortized on a straight-line basis over 10 years.

#### **Goodwill**

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired.

On an annual basis, management will review the carrying amount of goodwill for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as a business combination. If the fair value of goodwill is less than its carrying value, goodwill will then be written down to its estimated fair value.

#### **Long-lived assets**

Long-lived assets comprise capital assets and intangible assets subject to amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future net cash flows of the asset. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset and recognized by way of an additional current period amortization charge.

#### **Income taxes**

Income tax obligations relating to distributions of the Fund are the obligations of the unitholders, and accordingly, no provision for income taxes has been made in respect of the Fund itself. A provision has been recognized for the Fund's subsidiary companies, which are subject to tax.

The Fund's subsidiary companies follow the liability method to account for income taxes whereby future tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Future tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to



## **Richards Packaging Income Fund**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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reverse. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

#### **Long-term incentive plan**

Management of the Company is eligible to participate in the Fund's long-term incentive plan. For a period of 3 years beginning April 7, 2004 the Fund will purchase in the open market Units to be awarded to the extent that distributions to the unitholders exceed the annual target of \$1.025 per Unit. Units so awarded will be expensed in the period that they are granted. Distributions were at this level for the period from April 7 to September 30, 2004, and therefore no Units were awarded.

#### **Foreign currency translation**

The unit of measure for the Fund and related entities, except for Richards US, is the Canadian dollar and accounts in foreign currency have been translated into Canadian dollars. Monetary items are recorded at exchange rates in effect at the consolidated balance sheet date and non-monetary items are recorded at the exchange rates in effect on the date of the transaction. Revenue and expenses are recorded at average exchange rates prevailing during the period, except for amortization, which is translated at rates prevailing when the related assets were acquired. Gains and losses arising from foreign currency translation are included in income.

Richards US is treated as a self-sustaining foreign operation. All assets and liabilities are translated at exchange rates in effect at the consolidated balance sheet date. Revenue and expenses, including amortization, are translated at average exchange rates prevailing during the period. Any resulting gains or losses are included in unitholders' equity and described as a cumulative translation adjustment.

#### **Derivative financial instruments**

Derivative financial instruments are utilized to reduce foreign currency and interest rate risk on the Company's debt. The Fund does not enter into financial instruments for trading or speculative purposes.

Gains and losses on interest rate swap contracts and foreign currency standard rate agreements are recognized in the consolidated statement of loss and deficit in the period in which the changes in fair value occur.

#### **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses recognized for the

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

#### 3. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	Net book value \$
Manufacturing equipment	3,546	538	3,008
Moulds	1,733	238	1,495
Computer equipment and software	1,097	13	1,084
Warehouse and office equipment	611	60	551
Leasehold improvements	95	17	78
	<b>7,082</b>	<b>866</b>	<b>6,216</b>

Cost represents the fair value of the capital assets acquired in the initial acquisition of the Company [note 1] and the cost of capital asset additions during the period. Accordingly, accumulated amortization only consists of amortization recorded during the period from April 7, 2004 to September 30, 2004.

#### 4. INTANGIBLE ASSETS

	Cost \$	Accumulated amortization \$	Net book value \$
Customer orders	1,500	1,500	—
Customer relationships and contracts	47,700	2,400	45,300
	<b>49,200</b>	<b>3,900</b>	<b>45,300</b>

Cost represents the fair value of intangible assets acquired [note 1].

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 5. LONG-TERM DEBT

Immediately prior to the initial public offering by the Fund, the Company obtained new credit facilities. The fees associated with this refinancing will be deferred and amortized over the 3-year term of these facilities. Credit facilities available to the Fund are outlined on the following page:

Debt facility	Due date	Interest rate	Outstanding balance	Total facilities
			\$	\$
Revolving credit	April 6, 2005	See [i] below	—	5,000
Acquisition credit	April 6, 2005	See [ii] below	—	6,635
Term loan	August 5, 2008	See [iii] below	191	191
Term loan	April 6, 2007	See [iv] below	23,003	23,003
			23,194	
Current portion of long-term debt			(36)	
			23,158	

[i] The revolving credit facility consists of a Canadian operating line of credit of \$5,000 bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to earnings before income taxes, depreciation and amortization ["EBITDA"] and a 0.5% standby fee. At September 30, 2004, no amounts have been drawn from the swing line or revolving credit facility. The revolving credit facility attracts a daily fee equivalent to \$16 per annum.

[ii] The acquisition credit facility consists of a U.S. dollar line of credit of U.S.\$5,250 [Cdn.\$6,635] bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to EBITDA and a 0.5% standby fee.

[iii] The term loan consists of \$191 bearing interest at the prime rate plus 0.75% with monthly principal repayments of \$3. The effective interest rate for the period was 4.5%.

[iv] The term loan consists of a U.S.\$18,200 [Cdn.\$23,003] loan bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to EBITDA. The interest rate is subject to a fixed rate swap with an effective interest rate for the period from April 7, to September 30, 2004 of 4.7%, which is approximately 0.7% above the variable rate during that period. The loan is repayable in full at maturity.

Interest expense for the six months ended September 30, 2004 is comprised as follows: term loan interest of \$553, credit card commission charges of \$135 and credit facility charges of \$90.

The Company has provided a first charge over all of its assets as security for the revolving credit facility and term loans. Under the terms of the various loan agreements, the Company is required, amongst other conditions, to meet certain covenants of which the Company was in compliance as at September 30, 2004.

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 6. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy and escalation charges, required under the leases for the Company's premises for the years ending December 31, are as follows:

	Related parties	Other	Total
	\$	\$	\$
2004, October 1 to December 31	125	411	536
2005	361	883	1,244
2006	—	864	864
2007	—	604	604
2008	—	549	549
Thereafter	—	55	55

In the ordinary course of business, the Company is involved in litigation and is named as defendant in various legal actions. It is management's opinion that the ultimate outcome of litigation will not have a material adverse effect on the financial position or operating results of the Company.

#### 7. UNITS AND EXCHANGEABLE SHARE CAPITAL

The capital contributions by unitholders of the Fund and exchangeable shareholders of Holdings are included in Units and exchangeable share capital on the consolidated balance sheet as follows:

	\$
Units issued on initial public offering, 10,256,327 units	102,563
Exchangeable shares issued on initial public offering, 455,185 shares	4,552
Units' issuance costs, net of future income taxes	(6,781)
	100,334

No new Units or exchangeable shares were issued after April 7, 2004, the date of the initial public offering.

#### 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.

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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This limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata number of Holdings' securities held by the Fund.

#### Exchangeable shares

The exchangeable shares were issued by Holdings to officers of the Company in exchange for shares of the Company. These exchangeable shares are retractable by Holdings beginning April 7, 2009, or prior to that date in limited circumstances, and are redeemable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. Exchangeable shares carry the right to vote at any meeting that unitholders are entitled to vote on the same basis.

#### 8. CUMULATIVE DISTRIBUTIONS

Distributions are made monthly to unitholders of record on the last business day of each month and paid on the 15<sup>th</sup> day of the following month. Dividends paid to the exchangeable shareholders are not subordinated to distributions to unitholders and are declared on the same basis. Distributions and dividends declared during the period April 7 to April 30 were \$642 or \$0.0624 per Unit and \$28 or \$0.0626 per share respectively. The monthly distributions and dividends for the months of May through September have remained constant at \$876 or \$0.854 per Unit and \$39 or \$0.0854 per share respectively.

#### 9. CUMULATIVE TRANSLATION ADJUSTMENTS

This represents the effect of exchange rate variations on the translation of the Corporation's net investment in Richards US, a self-sustaining foreign operation.

#### 10. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions, which were measured at the exchange amount:

	Three months ended Sept. 30, 2004	April 7 to Sept. 30, 2004
	\$	\$
The Company leases three of its facilities from certain officers and other entities under their common control	115	230
The Company purchases product from Vision Plastics Inc.	1,226	2,410

The amount due to certain officers of \$298 as at September 30, 2004 is non-interest bearing and has no fixed terms of repayment.

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 11. INCOME TAXES

	Three months ended Sept. 30, 2004	April 7 to Sept. 30, 2004
	\$	\$
	<i>[amended-note 15]</i>	
Income before income taxes	3,179	2,374
Distributions to unitholders, not subject to tax in the Fund	(2,441)	(4,725)
	738	(2,351)
Statutory tax rate	36.1%	36.1%
Income taxes at statutory tax rate	266	(849)
<b>Adjustments to income taxes</b>		
Temporary differences		
Amortization	(46)	(117)
Equity placement fees	(152)	(304)
Penalty on discharge of debt	(36)	(74)
Gain on translation of long-term-debt	(242)	(129)
Intangible assets	441	1,409
Current period adjustments		
Intangible assets	122	234
Non-deductible expenses	9	36
Manufacturing and processing tax credit	(42)	(25)
Gain on translation of long-term-debt	(241)	(353)
Other	(37)	(55)
<b>Current income taxes</b>	42	(227)
<b>Future income taxes recovery</b>	35	(785)

## Richards Packaging Income Fund

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Significant components of future tax assets and liabilities as at September 30, 2004 are as follows:

	\$
<b>Future tax assets</b>	
Equity placement fees	(2,661)
Loan termination fees	(597)
	<b>(3,258)</b>
<b>Future tax liabilities</b>	
Capital assets	539
Deferred financing	9
Gain on translation of long-term-debt	129
Customer relationships and contracts	16,667
	<b>17,344</b>
<b>Net future tax liability</b>	<b>14,086</b>

In addition to the equity placement fees accounted for above, the Fund has approximately \$2,000 of fees available to be deducted over the next five years.

## 12. FINANCIAL INSTRUMENTS

### Fair value

Accounts receivable, accounts payable and accrued liabilities are all short-term in nature and as such, their carrying values approximate fair values.

A reasonable estimate of fair value could not be made for the amounts due to officers, as there are no fixed terms of repayment.

The fair value of long-term-debt and the associated interest rate swap contract approximates their carrying values as this debt bears interest at rates comparable to current market rates.

### Credit risk

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers and their geographical dispersion. During the period from April 7, 2004 to September 30, 2004 no customer represented 10% or more of the Company's sales. In the event of non-payment by the customers, management believes that the allowance for doubtful accounts is adequate to cover any likely losses.

## Richards Packaging Income Fund

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#### Interest rate risk

The Company is exposed to interest rate risk in the event of fluctuations in LIBOR and the bank's prime rate as the interest rates on the revolving credit facility and term loans are dependent on the bank's prime rate. The Company has entered into interest rate swap contracts with approved creditworthy counterparties to manage current and anticipated exposure to interest rate risk through September 2005 on a notional principal amount equal to the long-term loan.

#### Foreign exchange risk

The Company is exposed to Cdn/US\$ currency fluctuations on cross-border transactions and on translation of the net investment in, and earnings of, Richards US. A foreign currency standard rate agreement has been put in place at Cdn/US\$0.73 for US\$100 per month through September 30, 2005. The fair value of the foreign currency standard rate agreement as at September 30, 2004 represented a gain of \$86.

### 13. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended Sept. 30, 2004	April 7 to Sept. 30, 2004
	\$	\$
Accounts receivable	367	(791)
Inventory	262	(1,428)
Prepaid expenses	211	(125)
Accounts payable and accrued liabilities	(858)	9
Income taxes	432	147
	414	(2,188)



## Richards Packaging Income Fund

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#### 14. SEGMENTED INFORMATION

The Company's operations consist of one reporting segment, principally in the distribution of plastic and glass containers. The geographic distribution of sales for the periods ended September 30, 2004 and assets as at September 30, 2004 are as follows:

	Three months ended Sept. 30, 2004		April 7 to Sept. 30, 2004	
	Canada \$	United States \$	Canada \$	United States \$
Revenue	23,860	15,943	46,898	30,822
Capital assets and goodwill	35,419	21,763	35,419	21,763

[amended-note 15]

#### 15. AMENDED INTERIM FINANCIAL STATEMENTS

These interim consolidated financial statements have been amended to correct for the recognition of the future income tax liability associated with the valuation of the customer orders intangible asset in the purchase price allocation described in note 1. The effect of this change is to increase the future income tax liability and goodwill on April 7, 2004 by \$528 and to increase the recovery of future income taxes by \$528 for the period from April 7, 2004 to June 30, 2004. This adjustment did not impact the consolidated statement of income and deficit for the three months ended September 30, 2004.

In addition, other amendments were made to these interim consolidated financial statements as a result of additional information becoming available since the preparation of these statements. In particular, the allocation of the purchase price has been finalized and the following adjustments were made in these interim financial statements. The disclosure of the minimum rental payments has also been amended. The effect of these amendments did not have a material impact to the Company's financial position and results of operations.

1) Current assets and current liabilities increased by \$259 and \$582 respectively at April 7, 2004.

2) The future tax liability at April 7, 2004 was increased by an additional \$751 to reflect actual amounts included in income tax filings, assessments received, adjustments made and the change to the income tax rate applied. The effect of this future tax adjustment is to decrease the provision of current income taxes by \$68 and increase the provision of future income taxes by \$380 in the three months ended September 30, 2004 and to decrease current income taxes by \$333 and decrease the recovery for future income taxes by \$ 359 for the period April 7, 2004 to September 30, 2004.

3) The costs of acquisition of \$417 was added as part of the purchase price.

## **Richards Packaging Income Fund**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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4) The units' issuance costs, net of future income taxes, recorded in units and exchangeable share capital decreased by \$591 to record certain issuance costs as part of the purchase price and the finalization of the costs of the transaction.

As a result of all the above changes, goodwill recorded on the acquisition was increased by \$2,019 to \$52,593.