

# ***Q1* QUARTERLY REPORT**

## **Richards Packaging Income Fund**

Quarter ended March 31, 2014

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## ***Richards Packaging Income Fund***

### **CEO'S REPORT TO UNITHOLDERS**

*March 31, 2014*

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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.

First quarter performance was on track with our 2014 outlook as total revenue was up 7.5% with organic revenue growth of 2.3% mainly at Richards US and a U.S./Cdn.8.5¢ weakening of the dollar. EBITDA<sup>1</sup> was up \$0.6 million, or 11.1%, mainly due to higher revenue and the translation impact of Richards US. Gross profit and EBITDA as a percent of sales were 15.8% and 11.2% respectively, ahead of levels in the back half of 2013. Net income was down \$0.4 million, or 3.4¢ per Unit, mainly due to a higher mark-to-market loss on the exchangeable shares from the \$1.78 unit price increase.

The \$1.2 million of free cash flow<sup>2</sup> generated in the first quarter together with \$1.8 million of cash on hand was utilized to pay down \$0.5 million of debt, to pay \$0.7 million for 2013 income taxes, to pay \$0.7 million for 2013 bonuses and to fund working capital requirements for revenue growth.

The Fund increased monthly distributions by 12.2% to 7.35¢ per Unit beginning in April, which represented an annualized yield of 7.2% on the March 31<sup>st</sup> closing price of \$12.30 per Unit. The payout ratio<sup>3</sup> for the first quarter was 66%, or 74% on a pro forma basis at the new distribution level.

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

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

May 9, 2014

## ***Richards Packaging Income Fund***

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

*May 9, 2014*

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*This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the first quarter should be read in conjunction with the attached condensed interim financial statements dated March 31, 2014, the 2013 Annual Report and the 2013 Annual Information Form dated March 7, 2014 respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2013 annual financial statements.*

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

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

Richards Packaging serves a wide customer base that is comprised of approximately 11,300 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies. The primary source of revenue is from the distribution of over 5,000 different types of packaging containers and related components sourced from over 600 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent approximately 14% of the total revenues of Richards Packaging (2013 – 14%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

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

Highlights of the overall performance for the first quarter include:

- Revenue up \$3.6 mil., or 7.5%, due to 2.3% organic growth and 5.2% foreign exchange,
- EBITDA<sup>1</sup> up \$0.6 mil., or 11.1%, at 11.2% of sales similar to the previous two quarters,
- Current income taxes up \$0.6 mil. due to higher EBITDA and US taxes,
- Net income decreased \$0.4 mil. due primarily to a higher mark-to-market loss on exchangeable shares,
- Non-cash working capital increased \$2.9 mil. due to a \$1.9 mil. payables decrease, increases of \$1.8 mil. and \$0.4 mil. in receivables and prepaid expenses respectively, offset by a \$1.2 mil. inventory reduction,
- Free cash flow<sup>2</sup> of \$1.2 mil. together with \$1.8 million of cash on hand was utilized to pay down \$0.5 million of debt, to pay \$0.7 million for 2013 income taxes, to pay \$0.7 million for 2013 bonuses and to fund working capital requirements for revenue growth,
- Distributable cash flow<sup>2</sup> increased by \$0.5 mil., or 4.3¢ per Unit, resulting in a 66% payout ratio<sup>3</sup>, and
- Announced monthly distribution increase of 0.8¢ to 7.35¢ per Unit representing a 7.2% annualized return on the March 31<sup>st</sup> closing price of \$12.30 per Unit.

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2014

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This MD&A covers the three months ended March 31, 2014 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information:

(\$ thousands)	Qtr. 1	
	2014	2013
<b>Income Statement Data:</b>		
Revenue.....	50,993	47,415
EBITDA <sup>1</sup> .....	5,708	5,136
<i>Diluted per Unit</i> .....	48.7¢	43.7¢
Net income.....	392	763
<i>Diluted per Unit</i> .....	3.7¢	7.1¢
<b>Financial Position Data:</b>		
Working capital.....	41,318	41,445
Net operating assets.....	126,091	127,603
Bank debt.....	35,000	41,000
<i>Debt/EBITDA</i> .....	1.5	1.9
<b>Cash Flow Statement Data:</b>		
Distributions.....	2,320	2,311
<i>Diluted per Unit</i> .....	19.6¢	19.6¢
<i>Payout ratio</i> <sup>3</sup> .....	66%	76%
Unit purchases.....	—	250

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

### Review of Operations

Operations were approximately half in Canada and half in the United States ("Richards Packaging US") similar to performance in 2013. Approximately one-third of sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Reno and Portland.

Revenue increased by \$3.6 million, or 7.5%, for the first quarter from the same period in 2013 due to organic growth of 2.3% (\$1.1 million) along with the translation impact of Richards US, with the Canadian dollar weakening by 8.5¢ to U.S./Cdn.\$0.91 (\$2.5 million).

**Richards Packaging Income Fund**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 9, 2014

(\$ thousands)	Qtr. 1	
	2014	2013
<b>Revenue</b> .....	<b>50,993</b>	47,415
Cost of products sold <sup>a)</sup> .....	<b>42,914</b>	39,986
Gross profit.....	<b>8,079</b>	7,429
	15.8%	15.7%
Administrative expenses <sup>a)</sup> .....	<b>2,342</b>	2,265
Foreign currency loss.....	<b>29</b>	28
<b>EBITDA</b> <sup>1</sup> .....	<b>5,708</b>	5,136
	11.2%	10.8%
Amortization.....	<b>1,641</b>	1,912
Patent defense costs.....	—	432
Financial expenses.....	<b>471</b>	500
Exchangeable shares.....	<b>2,106</b>	982
Share of income - Vision.....	<b>(20)</b>	(35)
Income tax expense.....	<b>1,118</b>	582
<b>Net Income (loss)</b> .....	<b>392</b>	763

a) before amortization

Cost of products sold increased by \$2.7 million, or 6.3%, for the first quarter, with the business performing at a 15.8% gross profit margin, up slightly from the same period in 2013. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of passing through increases and decreases to customers.

General and administrative expenses for the first quarter remained consistent with the same period in 2013 with the slight increase due to foreign exchange.

The foreign currency loss from operations resulted from exchange rate changes applied to our U.S. dollar denominated working capital position within our Canadian operations.

EBITDA<sup>1</sup> for the first quarter increased by \$0.6 million, or 11.1%, from the same period in 2013. As a percent of sales, EBITDA was at 11.2% for the first quarter, up 0.4% from the same period in 2013. Changes were a result of the factors referred to above.

Amortization of \$1.6 million for the first quarter was mainly comprised of \$1.3 million intangibles assets amortization, which represents a charge for customer relationships and patents. Depreciation for capital assets was \$0.3 million, which annualized, is approximately Richards Packaging's normalized annual maintenance capital expenditure requirement.

Patent defense costs in 2013 related to court trial costs incurred to establish infringement on our Dispill patent, trademark and copyright. The case was resolved in 2013 and Management does not expect to incur any additional costs associated with the case.

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2014

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Financial expenses were lower for the first quarter compared to the same period in 2013 mainly due to \$6.0 million less term debt outstanding in 2014.

Exchangeable shares mark-to-market loss reflects a unit price increase during the first quarter of \$1.78 to \$12.30 per Unit. Exchangeable share monthly distributions increased 0.8¢ in March 2014 to 7.35¢ per share.

Income tax expense was \$0.5 higher for the first quarter compared to the same period in 2013 with current income tax increases mainly due to higher income in Richards Packaging US.

Net income for the first quarter was \$0.4 million, which represented 3.7¢ per Unit on a diluted basis. A time-weighted average of 10,702,778 Units and 1,024,435 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the first quarter.

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

(\$ thousands)

	Qtr. 1	
	2014	2013
Cash provided by operating activities.....	1,699	5,185
Working capital changes.....	2,897	(621)
Income tax payments.....	1,112	140
Patent costs.....	—	432
<b>EBITDA<sup>1</sup></b> .....	<b>5,708</b>	5,136
Patent costs.....	—	432
Interest.....	471	500
Current income tax.....	1,567	1,009
Maintenance capital.....	154	171
<b>Distributable cash flow<sup>2</sup></b> .....	<b>3,516</b>	3,024
<i>Diluted per Unit</i> .....	<i>30.0¢</i>	<i>25.7¢</i>
<b>Distributions</b> .....	<b>2,320</b>	2,311
<i>Diluted per Unit</i> .....	<i>19.6¢</i>	<i>19.6¢</i>
<i>Payout ratio<sup>3</sup></i> .....	<i>66%</i>	<i>76%</i>
<b>Free cash flow<sup>2</sup></b> .....	<b>1,196</b>	713
<b>Units outstanding</b>		
<i>Diluted basis 000's</i> .....	<b>11,727</b>	11,747

The distributable cash flow<sup>2</sup> definition excludes changes in working capital and capital expenditures for the expansion of the business, as they are necessary to drive organic growth and are expected to be financed by a \$5.0 million revolving facility currently undrawn (2013 – nil drawn).

## ***Richards Packaging Income Fund***

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

*May 9, 2014*

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Distributable cash flow<sup>2</sup> for the first quarter was \$0.5 million higher than in the same period in 2013. Overall the decrease was attributed to increased EBITDA<sup>1</sup> and the absence of patent costs offset by higher cash income taxes. Cash income taxes increased \$0.6 million from the same period in 2013 due to the increase in earnings in Richards Packaging US.

Free cash flow<sup>2</sup> of \$1.2 million together with \$1.8 million of cash on hand was utilized to pay down \$0.5 million of debt, to pay \$0.7 million for 2013 income taxes, to pay \$0.7 million for 2013 bonuses and to fund working capital requirements for revenue growth.

Monthly distributions paid of 6.55¢ per Unit represent a payout ratio<sup>3</sup> of 66%. Monthly distributions were increased 0.8¢ to 7.35¢ per Unit representing an annual yield of 7.2% on a \$12.30 price per Unit at March 31, 2014.

#### **Liquidity and Financing**

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

Cash flow from operating activities for the first quarter was \$1.7 million, down \$3.5 million over the same period in 2013, primarily due to a \$2.9 million increased investment in working capital to fund organic growth. During the first quarter, working capital increased by \$2.9 million on higher receivables of \$1.8 million which reflected the same past due profile as at year end and lower payables of \$1.9 million. Inventories decreased \$1.2 million reflecting the unwinding of the seasonably high year-end balance.

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and Exchangeable Shareholders as outlined above in the distributable cash discussion. In recognition of impending higher interest rates and taxes, 34% of the cash flow from operations was diverted to repay term debt and fund working capital. Actual distributions paid during the first quarter were \$2.3 million, including those declared for December 2013, with \$0.9 million declared for March, which was paid April 14<sup>th</sup>.

##### ***Normal Course Issuer Bid***

On March 13, 2014, the Fund renewed the normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2015. During the first quarter, no Units were purchased (2013 – 28,300 at an average price of \$8.85 per Unit).

##### ***Cash income taxes***

The cash income tax expense for the first quarter was \$1.6 million, made up of current income tax for Richards Packaging US and taxes in Richards Canada.

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

Maintenance capital expenditures for the first quarter were \$0.2 million (2013 – \$0.2 million) mainly comprised of refurbishment of moulds for replacement packaging. Expansion capital expenditures

## ***Richards Packaging Income Fund***

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

*May 9, 2014*

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for the first quarter were \$0.1 million (2013 – \$0.1 million) primarily for the addition of new moulds for new customer programs.

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

Richards Packaging's credit facilities include a \$35.0 million term loan (2013 – \$41.0 million) with maturity on May 30, 2015 and up to \$5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.55% to 1.80% (2013 – 1.55% to 1.80%).

The credit facilities are subject to a number of covenants including the leverage ratio which is to maintain debt less than 2.75 times the trailing twelve months EBITDA<sup>1</sup>. As at March 31, 2014, our leverage ratio was 1.5 times. Surplus distributable cash flow will continue to be utilized to repay term debt to maintain the leverage ratio at acceptable levels with any excess to be used to purchase Units. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future<sup>4</sup>.

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

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to Unitholders at the current level through 2014.

Revenue performance for the first quarter was as expected within the 1-3% growth band and is expected to continue for the second quarter against the same period in 2013. The impact of exchange translation is expected to be \$2 million for the second quarter at current exchange rates.

EBITDA<sup>1</sup> for the first quarter was \$5.7 million, up \$0.6 million against the same period in 2013 and is expected to track 11% of revenue for the second quarter. The impact of exchange translation is expected to be \$0.2 million for the second quarter at current exchange rates.

Cash income tax expense is expected to increase by \$0.4 million for the second quarter against the same period in 2013, similar to the increase in the first quarter. Distributable cash flow<sup>3</sup> from Richards Packaging US and Richards Canada's current tax profile are expected to allow for a full return of capital to Unitholders.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$1.0 million in 2014.

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



## **Richards Packaging Income Fund**

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

May 9, 2014

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#### **Risks and Uncertainties**

Investment in Units involves risks inherent in the ordinary course of business of Richards Packaging including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier agreements, competition from other packaging companies, the extent and duration of an economic downturn, patent and trademark challenges, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, liquidity risks, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2013 Annual Information Form dated March 7, 2014. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2014.

#### **Critical Accounting Estimates**

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting practices requires the Fund to make estimates and assumptions which affect the reported, and disclosure of, amounts for assets and liabilities as at March 31, 2014 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the first quarter of 2014, relative to December 31, 2013. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2013 Annual Report.

#### **Disclosure Controls and Internal Controls over Financial Reporting**

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

#### **Additional Information**

Additional information relating to the Fund is available on Richards Packaging's website at [www.richardspackaging.com](http://www.richardspackaging.com), SEDAR at [www.sedar.com](http://www.sedar.com) or TSX at [www.tmx.com](http://www.tmx.com)

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*1 Management defines EBITDA as earnings before amortization, financial expenses, exceptional items (disputed duties and patent defense costs), unrealized losses and dividends on exchangeable shares, share of income - Vision and taxes. EBITDA is the same as profit from operations as outlined in the annual financial statements after adding back amortization and patent defense costs. The definition was changed in 2013 to exclude disputed duties and as a result, relevant comparative amounts have been recalculated to conform to the presentation. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized*

## **Richards Packaging Income Fund**

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

May 9, 2014

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*meaning prescribed by IFRS and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies.*

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

<p style="text-align: center;"><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**

**STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME**

*Unaudited*

*For the three months ended March 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		<b>50,993</b>	47,415
Cost of products sold		<b>44,538</b>	41,881
Administrative expenses		<b>2,359</b>	2,282
Foreign currency loss		<b>29</b>	28
Patent defense legal costs		—	432
<b>Profit from operations</b>		<b>4,067</b>	2,792
Financial expenses		<b>471</b>	500
Exchangeable shares			
Mark-to-market loss		<b>1,889</b>	773
Distributions		<b>217</b>	209
Share of income - Vision		<b>(20)</b>	(35)
<b>Income before income taxes</b>		<b>1,510</b>	1,345
Income tax expense (income)			
Current taxes	3	<b>1,567</b>	1,009
Deferred taxes	3	<b>(449)</b>	(427)
		<b>1,118</b>	582
<b>Net income for the period</b>		<b>392</b>	763
Basic and diluted income per Unit	4	<b>3.7¢</b>	7.1¢
<b>Other comprehensive income</b>			
<i>(subsequently recyclable to Net income)</i>			
Richards Packaging US - Currency translation adjustment		<b>2,541</b>	1,330
<b>Comprehensive income for the period</b>		<b>2,933</b>	2,093

*See accompanying notes*

*Wayne McLeod*  
Chair – Audit Committee

*“Gerry Glynn”*  
CEO – Richards Packaging Inc.

*“Enzio Di Gennaro”*  
CFO – Richards Packaging Inc.

**Richards Packaging Income Fund**

**STATEMENTS OF FINANCIAL POSITION**

*Unaudited*

*As at March 31 and December 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	Notes	Mar. 31		Dec. 31	
		2014	2013	2013	2012
<b>Current Assets</b>					
Cash and cash equivalents		852	2,309	2,649	893
Accounts receivable		23,155	21,925	20,938	19,718
Inventory		36,803	38,350	37,235	40,379
Prepaid expenses and deposits		2,520	2,582	2,056	2,316
		<b>63,330</b>	65,166	<b>62,878</b>	63,306
<b>Current Liabilities (excluding debt)</b>					
Accounts payable and accruals		(19,083)	(21,346)	(20,674)	(20,764)
Income tax payable	3	(1,193)	(804)	(738)	65
Distributions payable		(865)	(770)	(770)	(771)
Due to previous shareholder		(871)	(801)	(838)	(784)
		<b>(22,012)</b>	(23,721)	<b>(23,020)</b>	(22,254)
<b>WORKING CAPITAL</b>		<b>41,318</b>	41,445	<b>39,858</b>	41,052
<b>Long-term Assets</b>					
Plant and equipment		3,471	3,548	3,421	3,564
Investment - Vision		754	707	734	672
Intangible assets		11,505	16,901	12,489	18,285
Goodwill		73,807	71,012	72,507	70,367
		<b>89,537</b>	92,168	<b>89,151</b>	92,888
<b>Long-term Liabilities (excluding debt)</b>					
Deferred income taxes	3	(4,764)	(6,010)	(5,052)	(6,353)
<b>NET OPERATING ASSETS</b>		<b>126,091</b>	127,603	<b>123,957</b>	127,587
<b>Debt</b>					
Term debt		35,000	41,000	35,500	41,500
Exchangeable shares - current	4	12,404	9,716	10,515	8,943
		<b>47,404</b>	50,716	<b>46,015</b>	50,443
<b>Equity</b>					
Unitholders' capital	4	61,956	70,267	64,144	72,617
Retained earnings		16,835	12,249	16,443	11,486
Accumulated other comprehensive loss		(104)	(5,629)	(2,645)	(6,959)
		<b>78,687</b>	76,887	<b>77,942</b>	77,144
<b>CAPITAL</b>		<b>126,091</b>	127,603	<b>123,957</b>	127,587

*See accompanying notes*

**Richards Packaging Income Fund**

**STATEMENTS OF CHANGES IN EQUITY**

*Unaudited*

*For the three months ended March 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>Unitholders' capital</b>	<b>Retained earnings</b>	<b>AOCL<sup>a)</sup></b>	<b>Equity</b>
<b>December 31, 2012</b>		72,617	11,486	(6,959)	77,144
Share of comprehensive income			763	1,330	2,093
Distributions		(2,100)			(2,100)
Purchased for cancellation, net	4	(250)			(250)
<b>March 31, 2013</b>		70,267	12,249	(5,629)	76,887
<hr/>					
<b>December 31, 2013</b>		<b>64,144</b>	<b>16,443</b>	<b>(2,645)</b>	<b>77,942</b>
Share of comprehensive income			392	2,541	2,933
Distributions		(2,188)			(2,188)
Purchased for cancellation, net		—			—
<b>March 31, 2014</b>		<b>61,956</b>	<b>16,835</b>	<b>(104)</b>	<b>78,687</b>

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

*See accompanying notes*

**Richards Packaging Income Fund**

**STATEMENTS OF CASH FLOWS**

*Unaudited*

*For the three months ended March 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES</b>			
Profit from operations		<b>4,067</b>	2,792
Add items not involving cash			
Plant and equipment depreciation		<b>282</b>	296
Intangible assets amortization		<b>1,359</b>	1,616
Income taxes payments	3	<b>(1,112)</b>	(140)
		<b>4,596</b>	4,564
Changes in non-cash working capital	5	<b>(2,897)</b>	621
<b>Cash provided by operating activities</b>		<b>1,699</b>	5,185
<b>INVESTING ACTIVITIES</b>			
Additions to plant and equipment		<b>(204)</b>	(284)
Additions to intangible assets		—	(31)
<b>Cash used in investing activities</b>		<b>(204)</b>	(315)
<b>FINANCING ACTIVITIES</b>			
Repayment of term debt		<b>(500)</b>	(500)
Financial expenses paid		<b>(463)</b>	(495)
Purchase of Fund units for cancellation	4	—	(250)
Distributions paid to Exchangeable Shareholders		<b>(217)</b>	(209)
Distributions paid to Unitholders		<b>(2,103)</b>	(2,102)
<b>Cash used in financing activities</b>		<b>(3,283)</b>	(3,556)
<b>Net cash flow for the period</b>		<b>(1,789)</b>	1,314
Cash and cash equivalents, beginning of period		<b>2,649</b>	893
Foreign exchange effect		<b>(8)</b>	102
<b>Cash and cash equivalents, end of period</b>		<b>852</b>	2,309

*See accompanying notes*

## ***Richards Packaging Income Fund***

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

*March 31, 2014*

*[Cdn\$ thousands]*

#### **1. FORMATION OF THE FUND**

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

#### **2. BASIS OF PRESENTATION**

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund’s 2013 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2013 audited annual financial statements.

#### **3. INCOME TAXES**

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

	<b>2014</b>	<b>2013</b>
Profit from operations	4,067	2,792
Financial expenses	(471)	(500)
<b>Income subject to income taxes</b>	<b>3,596</b>	<b>2,292</b>
Statutory tax rate	26.5%	26.5%
Income tax expense at statutory tax rate	<b>953</b>	607
<b>Deferred income tax</b>	<b>449</b>	427
Current period adjustments		
Foreign tax differential	<b>(230)</b>	(213)
Foreign rate differential	<b>410</b>	222
Other items	<b>(15)</b>	(34)
<b>Current income taxes</b>	<b>1,567</b>	1,009

**Richards Packaging Income Fund**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

March 31, 2014

[Cdn\$ thousands]

**4. UNITS AND EXCHANGEABLE SHARES**

<i>Number outstanding</i>	<b>Units basic</b>	<b>Weighted average</b>	<b>Exchangeable Shares</b>	<b>Units diluted</b>	<b>Weighted average</b>
December 31, 2012	10,715,970	10,735,721	1,059,043	11,775,013	10,794,764
Units purchased	(28,300)			(28,300)	
March 31, 2013	10,687,670	10,687,970	1,059,043	11,746,713	11,746,713
<b>December 31, 2013</b>	<b>10,702,778</b>	<b>10,676,491</b>	<b>1,024,435</b>	<b>11,727,213</b>	<b>10,733,828</b>
Units purchased	—			—	
<b>March 31, 2014</b>	<b>10,702,778</b>	<b>10,702,778</b>	<b>1,024,435</b>	<b>11,727,213</b>	<b>11,727,213</b>

Exchangeable shares mark-to-market loss reflects a unit price increase during the three months ended March 31, 2014 of \$1.78 to \$12.30 per Unit. The average price paid for the Units purchased under the normal course issuer bid in 2013 was \$8.85/Unit.

**6. ADDITIONAL CASH FLOW INFORMATION**

The net change in working capital (excluding cash) consists of the following:

	<b>2014</b>	<b>2013</b>
Accounts receivable	(1,779)	(2,004)
Inventory	1,235	2,476
Prepaid expenses and deposits	(414)	(241)
Accounts payable and accruals	(1,939)	390
	<b>(2,897)</b>	621

Total foreign exchange translation impact excluded from the above was \$1,031 gain [2013 – \$486 gain].