

# ***Q1* QUARTERLY REPORT**

## **Richards Packaging Income Fund**

Quarter ended March 31, 2015

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

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

*March 31, 2015*

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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 10.5% on organic revenue growth of 3.4% and a U.S./Cdn.10¢ weakening of the dollar. Gross profit and EBITDA<sup>1</sup> as a percent of sales were 16.1% and 11.5% respectively, slightly ahead of levels in 2014. EBITDA was up \$0.8 million, or 13.3%, due to higher organic revenue and the translation impact of Richards US. Net income was up \$0.5 million, or 4.7¢ per Unit, mainly due to a higher profit from operations.

The \$1.1 million of free cash flow<sup>2</sup> generated in the first quarter together with \$0.9 million of cash on hand at Dec. 31<sup>st</sup> was utilized to pay \$0.8 million for 2014 bonuses and to fund expansion and working capital requirements for revenue growth. Income tax payable of \$2.4 million will be paid in the second quarter with free cash flow and by temporary borrowings. As we have taken advantage of the changing economic climate to grow revenue, the associated \$3 million working capital investment which typically unwinds will need to be financed at the expense of debt repayment for 2015.

The Fund paid monthly distributions of 7.35¢ per Unit, which represented an annualized yield of 5.6% on the March 31<sup>st</sup> closing price of \$15.72 per Unit. The payout ratio<sup>3</sup> for the first quarter was 71% up 3 percentage points from the same period in 2014 reflecting the increase in last year's distribution.

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 6, 2015

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

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

*May 6, 2015*

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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, 2015, the 2014 Annual Report and the 2014 Annual Information Form dated March 5, 2015 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 2014 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 12,500 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 13% of the total revenues of Richards Packaging (2014 – 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 \$5.3 mil., or 10.5%, due to 3.4% organic growth and 7.1% foreign exchange due to a 10.1¢ U.S./Cdn. drop,
- EBITDA<sup>1</sup> up \$0.8 mil., or 13.3%, at 11.5% of revenue similar to the last half of 2014,
- Current income taxes up \$0.3 mil. due to higher EBITDA and withholding taxes,
- Net income increased \$0.5 mil. due primarily to higher EBITDA and lower intangible amortization offset by higher taxes and mark-to-market loss on exchangeable shares,
- Non-cash working capital increased \$3.0 mil. due to a \$1.7 mil. payables decrease and increases of \$1.9 mil. and \$0.6 mil. in receivables and prepaid expenses respectively, offset by a \$1.2 mil. inventory reduction,
- Free cash flow<sup>2</sup> of \$1.1 mil. together with \$0.9 million of cash on hand was utilized to pay \$0.8 million for 2014 bonuses and to fund expansion and working capital requirements for revenue growth,
- Distributable cash flow<sup>2</sup> and distributions both increased by \$0.2 mil., or 1.4¢ and 1.7¢ per Unit respectively, yielding a 71% payout ratio<sup>3</sup>, and
- Paid monthly distributions of 7.35¢ per Unit representing a 5.6% annualized return on the March 31<sup>st</sup> closing price of \$15.72 per Unit.

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 6, 2015

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This MD&A covers the three months ended March 31, 2015 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information:

(\$ thousands)	Qtr. 1	
	2015	2014
<b>Income Statement Data:</b>		
Revenue.....	56,329	50,993
EBITDA <sup>1</sup> .....	6,467	5,708
<i>Diluted per Unit</i> .....	55.2¢	48.7¢
Net income.....	897	392
<i>Diluted per Unit</i> .....	8.4¢	3.7¢
<b>Financial Position Data:</b>		
Working capital.....	46,550	41,318
Net operating assets.....	136,208	126,091
Bank debt.....	32,435	35,000
<i>Debt/EBITDA</i> .....	1.3	1.5
<b>Cash Flow Statement Data:</b>		
Distributions.....	2,604	2,406
<i>Diluted per Unit</i> .....	22.3¢	20.6¢
<i>Payout ratio</i> <sup>3</sup> .....	71%	68%
Unit purchases.....	—	—
Debt repayments.....	—	500

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 foreign exchange outlook, 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 2014. Approximately one-third of sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Reno and Portland.

Revenue increased by \$5.3 million, or 10.5%, for the first quarter from the same period in 2014 due to organic growth of 3.4% (\$1.6 million) along with the translation impact of Richards US, with the Canadian dollar weakening by 10.1¢ to U.S./Cdn.\$0.81 (\$3.7 million).

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 6, 2015

(\$ thousands)	Qtr. 1	
	2015	2014
<b>Revenue</b> .....	<b>56,329</b>	50,993
Cost of products sold.....	<b>47,262</b>	42,914
Gross profit.....	<b>9,067</b>	8,079
	16.1%	15.8%
Administrative expenses.....	<b>2,538</b>	2,342
Foreign currency loss.....	<b>62</b>	29
<b>EBITDA</b> <sup>1</sup> .....	<b>6,467</b>	5,708
	11.5%	11.2%
Amortization.....	<b>694</b>	1,641
Financial expenses.....	<b>499</b>	471
Exchangeable shares.....	<b>2,681</b>	2,106
Share of income - Vision.....	<b>(27)</b>	(20)
Income tax expense.....	<b>1,723</b>	1,118
<b>Net Income</b> .....	<b>897</b>	392

Cost of products sold (before amortization) increased by \$4.3 million, or 10.1%, for the first quarter, with the business performing at a 16.1% gross profit margin, up from the same period in 2014 primarily due to increased volumes. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of passing through increases and decreases to customers.

General and administrative expenses (before amortization) for the first quarter increased \$0.2 million from the same period in 2014 mainly due to the translation impact of expenses of Richards Packaging US.

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

EBITDA<sup>1</sup> for the first quarter increased by \$0.8 million, or 13.3%, from the same period in 2014. As a percent of sales, EBITDA was at 11.5% for the first quarter, up 0.3% from the same period in 2014. Changes were a result of the factors referred to above.

Amortization of \$0.7 million for the first quarter was mainly comprised of \$0.4 million intangible assets amortization, which represents a \$1.0 million reduction in charges 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.

Financial expenses were higher for the first quarter compared to the same period in 2014 mainly due to higher credit card fees and the translation impact of financial expenses of Richards Packaging US offset by \$2.5 million less term debt outstanding in 2015.

## Richards Packaging Income Fund

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 6, 2015

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Exchangeable shares mark-to-market loss reflects a unit price increase during the first quarter of \$2.98 to \$15.72 per Unit. Exchangeable share monthly distributions were 7.35¢ per share in the first quarter.

Income tax expense was \$0.6 higher for the first quarter compared to the same period in 2014 with current income tax increases mainly due to higher income and withholding taxes and deferred tax decreases on lower intangible amortization.

Net income for the first quarter was \$0.9 million, which represented 8.4¢ per Unit on a diluted basis. A time-weighted average of 10,695,878 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	
	2015	2014
Cash provided by operating activities.....	2,618	1,699
Working capital changes.....	3,007	2,897
Income tax payments.....	842	1,112
<b>EBITDA<sup>1</sup></b> .....	<b>6,467</b>	5,708
Interest.....	499	471
Current income tax.....	1,864	1,567
Maintenance capital.....	426	154
<b>Distributable cash flow<sup>2</sup></b> .....	<b>3,678</b>	3,516
<i>Diluted per Unit</i> .....	31.4¢	30.0¢
<b>Distributions</b> .....	<b>2,604</b>	2,406
<i>Diluted per Unit</i> .....	22.3¢	20.6¢
<i>Payout ratio<sup>3</sup></i> .....	71%	68%
<b>Free cash flow<sup>2</sup></b> .....	<b>1,074</b>	1,110
<b>Units outstanding (average)</b>		
<i>Diluted basis 000's</i> .....	11,720	11,727

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 either a \$5.0 million revolving facility currently undrawn (2014 – nil drawn) or free cash flow<sup>2</sup>.

Distributable cash flow<sup>2</sup> for the first quarter was \$0.2 million higher than in the same period in 2014. Overall the increase was attributed to increased EBITDA<sup>1</sup> offset by higher taxes and maintenance capital. Current income taxes increased \$0.3 million from the same period in 2014 due to the increase in earnings and withholding taxes.

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

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

*May 6, 2015*

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Free cash flow<sup>2</sup> of \$1.1 million together with \$0.9 million of cash on hand was utilized to pay \$0.8 million for 2014 bonuses and to fund expansion and working capital requirements for revenue growth.

Monthly distributions paid of 7.35¢ per Unit represent a payout ratio<sup>3</sup> of 71%. Monthly distributions were increased in March of the first quarter of 2014 by 0.8¢ to 7.35¢ per Unit and represent an annual yield of 5.6% on a \$15.72 price per Unit at March 31, 2015.

#### **Liquidity and Financing**

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

Cash flow from operating activities for the first quarter was \$2.6 million, up \$0.9 million over the same period in 2014, primarily due to a \$3.0 million increased investment in working capital to fund organic growth. During the first quarter, working capital increased by \$3.0 million on higher receivables of \$1.9 million which reflected the same past due profile as at year end and lower payables of \$1.7 million. Inventories decreased \$1.2 million reflecting the unwinding of the seasonally 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. Actual distributions paid during the first quarter were \$2.6 million, including those declared for December 2014, with \$0.9 million declared for March, which was paid April 14<sup>th</sup>.

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

On March 13, 2015, the Fund renewed the normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2016. During the first quarter, no Units were purchased (2014 – nil).

##### ***Current income taxes***

The current income tax expense for the first quarter was \$1.9 million, made up of current income tax for Richards Packaging US, withholding taxes and taxes in Richards Canada.

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

Maintenance capital expenditures for the first quarter were \$0.4 million (2014 – \$0.2 million) mainly comprised of refurbishment of moulds for replacement packaging and computer equipment upgrades. Expansion capital expenditures for the first quarter were \$0.1 million (2014 – \$0.1 million) primarily for the addition of new moulds for new customer programs.

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

Credit facilities include a \$32.5 million term loan (2014 – \$35.0 million) with maturity on September 30, 2017 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 1.30% to 1.80% (2014 – 1.55% to

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

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

*May 6, 2015*

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1.80%). There were no term debt repayments made during the first quarter as free cash flow<sup>2</sup> was deployed for working capital investment.

The credit facilities are subject to a number of covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months EBITDA<sup>1</sup>. As at March 31, 2015, our leverage ratio was 1.3 times. 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 2015.

Revenue performance for the first quarter was above the expected 1-3% growth band and is expected to continue throughout the year. The impact of exchange translation is expected to be \$4 million for the second quarter at current exchange rates of U.S./Cdn.\$0.82.

EBITDA<sup>1</sup> for the first quarter was \$6.5 million, up \$0.8 million against the same period in 2014, is expected to track above 11% of revenue for the second quarter. The impact of exchange translation is expected to be \$0.5 million for the second quarter at current exchange rates.

Current income tax expense is expected to increase by \$0.2 million for the second quarter against the same period in 2014, due to the impact of exchange translation.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$1.2 million in 2015, higher than expected due to computer equipment upgrades.

Distributable cash flow<sup>2</sup> sensitivity on annual basis to foreign currency fluctuations is \$0.1 million for every U.S./Cdn. 1¢ movement.

In order to pay the income tax payable as of March 31<sup>st</sup> of \$2.4 million, we will be utilizing the free cash flow<sup>2</sup> over the next two quarters and temporarily borrow as at June 30<sup>th</sup>.

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

#### **Risks and Uncertainties**

Investment in Units involves risks inherent in the ordinary course of business including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier 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



## **Richards Packaging Income Fund**

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

May 6, 2015

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facing investors in the Fund please refer to the 2014 Annual Information Form dated March 5, 2015. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2015.

#### **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, 2015 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 2015, relative to December 31, 2014. 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 2014 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, 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. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies.*

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.*

## **Richards Packaging Income Fund**

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

May 6, 2015

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- 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><b>Notice to Unitholders</b></p>
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<p>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>2015</b>	<b>2014</b>
<b>Revenue</b>		<b>56,329</b>	50,993
Cost of products sold		<b>47,940</b>	44,538
Administrative expenses		<b>2,554</b>	2,359
Foreign currency loss		<b>62</b>	29
<b>Profit from operations</b>		<b>5,773</b>	4,067
Financial expenses		<b>499</b>	471
Exchangeable shares			
Mark-to-market loss		<b>2,436</b>	1,889
Distributions		<b>245</b>	217
Share of income - Vision		<b>(27)</b>	(20)
<b>Income before income taxes</b>		<b>2,620</b>	1,510
Income tax expense (income)			
Current taxes	3	<b>1,864</b>	1,567
Deferred taxes	3	<b>(141)</b>	(449)
		<b>1,723</b>	1,118
<b>Net income for the period</b>		<b>897</b>	392
Basic and diluted income per Unit	4	<b>8.4¢</b>	3.7¢
<b>Other comprehensive income</b>			
<i>(subsequently recyclable to Net income)</i>			
Richards Packaging US - Currency translation adjustment		<b>6,653</b>	2,541
<b>Comprehensive income for the period</b>		<b>7,550</b>	2,933

*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	
		2015	2014	2014	2013
<b>Current Assets</b>					
Cash and cash equivalents		266	852	1,127	2,649
Accounts receivable		26,297	23,155	23,262	20,938
Inventory		43,949	36,803	42,892	37,235
Prepaid expenses and deposits		3,000	2,520	2,211	2,056
		<b>73,512</b>	63,330	<b>69,492</b>	62,878
<b>Current Liabilities (excluding debt)</b>					
Accounts payable and accruals		(22,731)	(19,083)	(23,383)	(20,674)
Income tax payable	3	(2,363)	(1,193)	(1,341)	(738)
Distributions payable		(868)	(865)	(865)	(770)
Due to previous shareholder		(1,000)	(871)	(914)	(838)
		<b>(26,962)</b>	(22,012)	<b>(26,503)</b>	(23,020)
<b>WORKING CAPITAL</b>					
		<b>46,550</b>	41,318	<b>42,989</b>	39,858
<b>Long-term Assets</b>					
Plant and equipment		3,590	3,471	3,190	3,421
Investment - Vision		655	754	628	734
Intangible assets		11,200	11,505	10,688	12,489
Goodwill		78,885	73,807	75,514	72,507
		<b>94,330</b>	89,537	<b>90,020</b>	89,151
<b>Long-term Liabilities (excluding debt)</b>					
Deferred income taxes	3	(4,672)	(4,764)	(4,435)	(5,052)
<b>NET OPERATING ASSETS</b>					
		<b>136,208</b>	126,091	<b>128,574</b>	123,957
<b>Debt</b>					
Term debt		32,435	35,000	32,428	35,500
Exchangeable shares - current	4	16,029	12,404	13,593	10,515
		<b>48,464</b>	47,404	<b>46,021</b>	46,015
<b>Equity</b>					
Unitholders' capital	4	52,431	61,956	54,790	64,144
Retained earnings		25,362	16,835	24,465	16,443
Accumulated other comprehensive income (loss)		9,951	(104)	3,298	(2,645)
		<b>87,744</b>	78,687	<b>82,553</b>	77,942
<b>CAPITAL</b>					
		<b>136,208</b>	126,091	<b>128,574</b>	123,957

*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>AOCI<sup>a)</sup></b>	<b>Equity</b>
<b>December 31, 2013</b>		64,144	16,443	(2,645)	77,942
Share of comprehensive income			392	2,541	2,933
Distributions		(2,188)			(2,188)
<b>March 31, 2014</b>		61,956	16,835	(104)	78,687
<hr/>					
<b>December 31, 2014</b>		<b>54,790</b>	<b>24,465</b>	<b>3,298</b>	<b>82,553</b>
Share of comprehensive income			897	6,653	7,550
Distributions		(2,359)			(2,359)
<b>March 31, 2015</b>		<b>52,431</b>	<b>25,362</b>	<b>9,951</b>	<b>87,744</b>

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

See accompanying notes

**Richards Packaging Income Fund**

**STATEMENTS OF CASH FLOWS**

*Unaudited*

*For the three months ended March 31*

*[Consolidated]*

<i>Cdn\$ thousands</i>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>			
Profit from operations		<b>5,773</b>	4,067
Add items not involving cash			
Plant and equipment depreciation		<b>312</b>	282
Intangible assets amortization		<b>382</b>	1,359
Income taxes payments	3	<b>(842)</b>	(1,112)
Changes in non-cash working capital	5	<b>(3,007)</b>	(2,897)
<b>Cash provided by operating activities</b>		<b>2,618</b>	1,699
<b>INVESTING ACTIVITIES</b>			
Additions to plant and equipment		<b>(546)</b>	(204)
<b>Cash used in investing activities</b>		<b>(546)</b>	(204)
<b>FINANCING ACTIVITIES</b>			
Repayment of term debt		—	(500)
Financial expenses paid		<b>(486)</b>	(463)
Distributions paid to Exchangeable Shareholders		<b>(245)</b>	(217)
Distributions paid to Unitholders		<b>(2,359)</b>	(2,103)
<b>Cash used in financing activities</b>		<b>(3,090)</b>	(3,283)
<b>Net cash flow for the period</b>		<b>(1,018)</b>	(1,788)
Cash and cash equivalents, beginning of period		<b>1,127</b>	2,649
Foreign exchange effect		<b>157</b>	(9)
<b>Cash and cash equivalents, end of period</b>		<b>266</b>	852

*See accompanying notes*

## *Richards Packaging Income Fund*

### NOTES TO INTERIM FINANCIAL STATEMENTS

*Unaudited*

*March 31, 2015*

*[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 2014 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2014 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>2015</b>	<b>2014</b>
Profit from operations	5,773	4,067
Financial expenses	(499)	(471)
<b>Income subject to income taxes</b>	<b>5,274</b>	<b>3,596</b>
Statutory tax rate	26.5%	26.5%
Income tax expense at statutory tax rate	<b>1,397</b>	953
<b>Deferred income tax</b>	<b>141</b>	449
Current period adjustments		
Foreign tax differential	<b>(208)</b>	(230)
Foreign rate differential	<b>484</b>	410
Withholding tax	<b>110</b>	—
Other items	<b>(60)</b>	(15)
<b>Current income taxes</b>	<b>1,864</b>	1,567

*Richards Packaging Income Fund*

**NOTES TO INTERIM FINANCIAL STATEMENTS**

*Unaudited*

March 31, 2015

[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, 2013	10,702,778	10,676,491	1,024,435	11,727,213	11,733,828
Units purchased	—			—	
March 31, 2014	10,702,778	10,702,778	1,024,435	11,727,213	11,727,213
December 31, 2014	<b>10,695,878</b>	<b>10,700,972</b>	<b>1,024,435</b>	<b>11,720,313</b>	<b>11,725,407</b>
Units purchased	—			—	
<b>March 31, 2015</b>	<b>10,695,878</b>	<b>10,695,878</b>	<b>1,024,435</b>	<b>11,720,313</b>	<b>11,720,313</b>

Exchangeable shares mark-to-market loss reflects a unit price increase during the three months ended March 31, 2015 of \$2.98 to \$15.72 per Unit.

**5. ADDITIONAL CASH FLOW INFORMATION**

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

	<b>2015</b>	<b>2014</b>
Accounts receivable	<b>(1,915)</b>	(1,779)
Inventory	<b>1,235</b>	1,235
Prepaid expenses and deposits	<b>(658)</b>	(414)
Accounts payable and accruals	<b>(1,669)</b>	(1,939)
	<b>(3,007)</b>	(2,897)

Total foreign exchange translation impact excluded from the above was \$2,596 gain [2014 – \$1,031 gain].