2019 Annual Report

Richards Packaging Income Fund

Securigo

HEALTHMARK

DISPILL

Good Things Come in

Richards Packaging

RPI.UN LISTED ON TMX

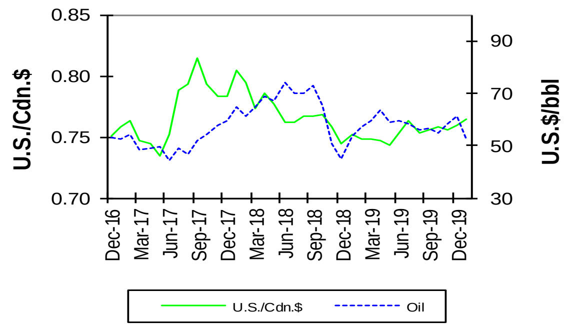
McKernan PACKAGING CLEARING HOUSE

QUALITY DISCOUNT PACKAGING

INVESTMENT PROPOSITION

Financial Markets

- Canada GDP growth slowing in the fourth quarter to 0.1% with US to 2.6%
- Commodities range bound in 2019 reflected in U.S./Cdn. exchange rate; now +/-\$0.75
- Impact of diverging US & Canadian tax policies, China tariffs and pace of interest rate decreases in the US resulting in a 0.4% spread
- Governments shift to stimulus and growing deficits



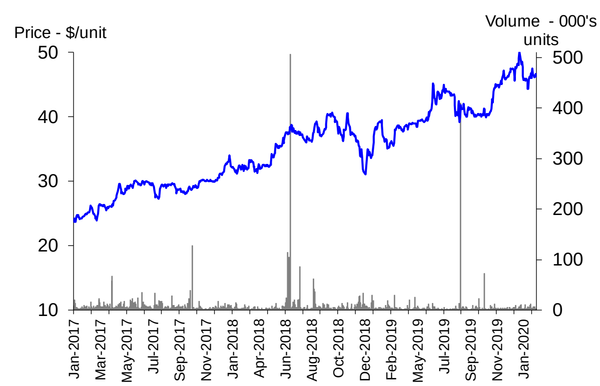
Distribution Stress Test

- Pro forma distributable cash reflects the impact of a recession similar to 2009 at -10% revenue, long term interest 3% and a U.S./Cdn. 84¢ and \$1 mil. withholding tax on intercompany debt
- Distributions for 2019 – 83% return of capital and 17% capital dividend for Unitholders
- Payout target of 70% in less certain times

(\$ millions)	**2019**	**Adj's**	**Proforma**
Adjusted EBITDA	48.1	(6.1)	42.0
Interest	(2.2)	(0.1)	(2.3)
Taxes	(12.1)	2.5	(9.6)
Maintenance capital	(1.8)		(1.8)
Distributable cash flow	32.0		28.3
Current distribution level	15.5		15.5
Payout Ratio	49%		55%

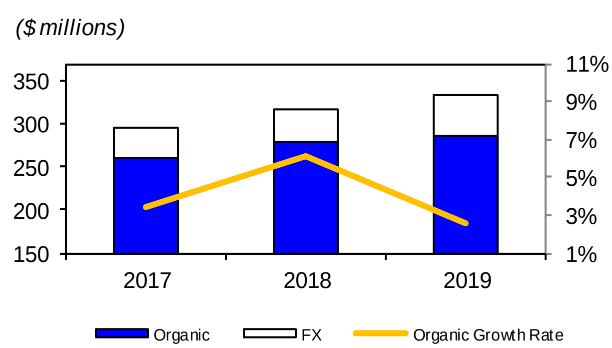
RPI.UN Trading Activity

- Increase post March 2017 on increase of monthly distribution by 1.65¢ per Unit
- Debt to Adjusted EBITDA[1] dropped 0.8x to 0.3x over the three years
- Insider (Tim McKernan) sold 700,000 units June 2018 and 400,000 in August 2019; now 27% insider ownership (2018 31%)
- Market volatility leading to December 2018 & 2019 price drops



Revenue

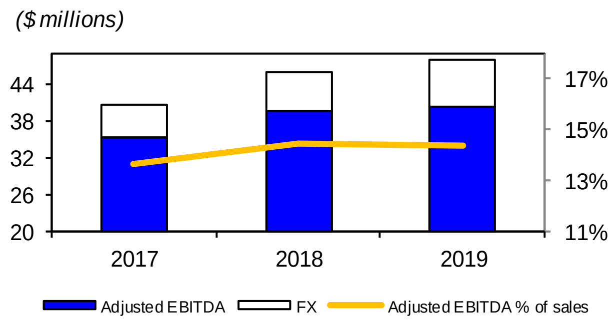
- Organic growth 2.6% or \$8.0 mil. reflects \$6 mil. or 5.7% drop in large and \$22 mil. or 10.7% increase in small customers
- Richards US translation impact of \$8.0 mil. (2018 \$3.4 mil.) with average FX rates at U.S/Cdn. \$0.75
- Changes in mix: Richards US increase 3% to 58% while cosmetic and healthcare remain at 53% and food & beverage at 47%



PERFORMANCE SNAPSHOT

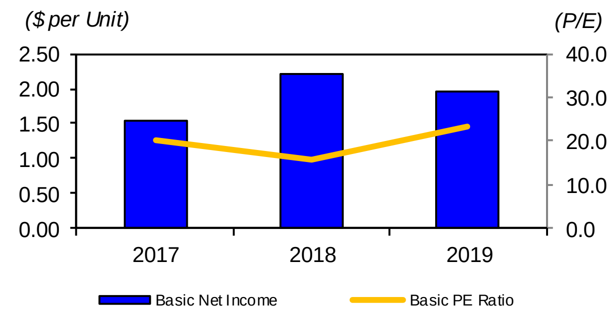
Adjusted EBITDA[1]

- Adjusted EBITDA up $2.1 mil. on higher revenue at 14.4% of sales (2018 $5.4 mil., up 0.7%)
- Inventory provision down $0.4 mil. to $1.0 mil. (2018 down $0.7 mil.)
- FX currency up $1.5 mil. (2018 $0.9 mil.)



Net Income

- Net Income down $2.4 mil. or $0.24/Unit to $1.97/Unit (2018 up $7.5 mil., $0.68/Unit to $2.21/Unit). On a diluted basis Net Income is $2.52/Unit (2018 $2.43/Unit) which is antidilutive.
- Exchangeable share mark-to-market loss up $3.7 mil. or $0.31/Unit (2018 down $2.1 mil.)
- P/E ratio reflects Unit price appreciation of $10.59/Unit to $45.59/Unit (2018 $3.83/Unit)



Cash Management

- Operating activities up $15.1 mil. on leases of $6.1 mil., lower working capital investment of $5.6 mil., profit from operations of $2.1 mil. and lower taxes of $1.5 mil.
- Prior years negative cash flows funded by 2016 cash on hand
- 2019 $8.0 mil. cash on hand designated for $0.7 mil. taxes, $1.6 mil. annual bonuses and working capital

($ millions)	**2017**	**2018**	**2019**
Operating activities	31.2	24.9	**40.0**
Capital expenditures	(1.6)	(2.1)	**(1.8)**
Acquisitions	(10.4)	—	—
Repayment of debt	(8.5)	(6.0)	**(12.5)**
Financial expenses	(2.2)	(2.3)	**(2.2)**
Lease payments	—	—	**(6.1)**
Unit purchases	—	—	—
Distributions	(15.0)	(15.6)	**(15.5)**
Net cash flow	(6.6)	(1.1)	**1.8**

Fourth Quarter Results

- Revenue decreased 2.8%; organic 2.9%, with limited FX currency impact at U.S/Cdn $0.76
- Adjusted EBITDA reflects lower revenues and limited FX currency impact (2018 up $0.5 mil.)
- Net Income decreased $4.7 mil. on $5.5 mil. loss on mark-to-market of exchangeable shares (2018 $6.2 mil. gain)

($ millions)	**2017**	**2018**	**2019**
Revenue	72.4	81.8	**79.5**
Adjusted EBITDA[1]	10.4	11.6	**11.2**
	14.3%	*14.1%*	*14.1%*
Net Income	4.2	10.0	**5.3**
Diluted per Unit	*38.5 ¢*	*53.4 ¢*	*47.3%*
Payout Ratio[3]	*66%*	*59%*	***52%***
Free cash flow[2]	2.0	2.7	**3.6**

CEO'S REPORT TO UNITHOLDERS

December 31, 2019

Richards Packaging has been providing packaging solutions to small- and medium-sized North American businesses since 1912. Over this period Richards Packaging became 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.

We could not live in more uncertain times largely due to government intervention at all levels and the late stage of the economic cycle. Specifically, the US Department of Commerce will implement an additional 23% countervailing tariff on our Chinese manufacturers beginning in April 2020 and the supply disruptions from the coronavirus and Canadian rail blockades. Revenue to date for the first quarter of 2020 is growing at double digit rates due to a spike in demand for healthcare related products in relation to combatting the Corona virus. Our inventory levels have shielded our performance to date, but it is unclear what the impacts will be beyond the first quarter of 2020.

Overall the 2019 performance exceeded our expectations with revenue growth of 5.1%. Organic growth added 2.6% and currency translation added 2.5%. Adjusted EBITDA[1] was up $2.1 million on higher revenue at 14.4% of sales. Net income was down $2.4 million, or $0.24 per Unit, which reflects the increase in Adjusted EBITDA and the higher loss on mark-to-market of the exchangeable shares.

Fourth quarter revenue decreased 2.8% mainly due to the loss of two large accounts in reaction to the 25% US tariff on Chinese imports, the $2 million of pre-buying by our large customers in the fourth quarter of 2018 ahead of the tariff and the weak Canadian GDP performance at 0.1%. Adjusted EBITDA was down $0.4 million on lower revenues at 14.1% of sales consistent with 2018. Net income decreased $4.7 million mainly due to a higher $5.5 million loss on mark-to-market of exchangeable shares as the price increased $5.09 per Unit.

The focus for 2020 will be to continue to grow revenue by 2% to 5% if the economic recovery continues. The $8.0 million of cash on hand will be used to pay $0.7 million in taxes and bonuses of $1.6 million and for working capital needs. We enter 2020 with enough working capital to fund the growth we've experienced and are poised to reset in the likely event that growth will revert to slower, historical levels. Acquisitions will remain part of our strategic direction although locating compelling targets has proved challenging[4].

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 — March 6, 2020
Richards Packaging Inc.

INDEPENDENT TRUSTEES' REPORT

December 31, 2019

It is our pleasure as independent trustees to provide this brief report on governance of the Fund.

The interests of Unitholders are represented by four trustees, three independent trustees and the chief executive officer of Richards Packaging Inc. Trustees also serve as directors of certain wholly owned subsidiaries of Richards Packaging. The mandate of the trustees is to ensure the integrity of reporting to Unitholders, while the directors monitor the strategic, business and financial plans of Richards Packaging, and the succession plan for senior management. Our approach to corporate governance is to meet or exceed the guidelines developed by the Ontario Securities Commission.

The trustees have established the audit committee which is responsible for overseeing the activities of the external auditors, PricewaterhouseCoopers LLP, the quality and thoroughness of financial reporting and the effectiveness of internal controls in providing financial information and safeguarding assets of Richards Packaging. The directors have established the compensation and corporate governance committee to assess senior management performance, review their compensation, set CEO compensation and oversee the succession planning process. All members of both committees are independent of management.

Continuing trustees, directors and officers of Richards Packaging are Unitholders and combined own 27% of the Fund. Accordingly, our motivation and interests are aligned with the public Unitholders. Overall, our goal as directors and officers is to add value to Richards Packaging by contributing our broad experience and expertise in directing a controlled growth-oriented enterprise.

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, gains and losses on financial instruments and deferred income taxes. Factors considered when setting this level included the funding needed for potential acquisitions, the current low interest and foreign exchange rates and the cash needs of operations.

The Fund paid monthly distributions of 11¢ per Unit which represents an annualized yield of 2.9% on the December 31st closing price of $45.59 per Unit. The payout ratio[3] for the fourth quarter was 52% and 49% for the year with free cash flow[2] mainly deployed to repay debt. The distributions to Unitholders in 2019 were 17% capital dividends and 83% return of capital.

It is not prudent to increase monthly distributions until the outlook is clearer and so future cash flows will be used to further reduce debt levels or be opportunistically deployed in acquisitions and/or Unit buy backs.

The 336,642 exchangeable shares previously issued by Richards Packaging Holdings (US) Inc. were converted into Units of the Fund on August 15, 2019. On March 14, 2019, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2020. No Units were purchased under the bid. On March 14, 2020, the Fund will reinstate a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2021.

"Don Wright"	*"Susan Allen"*	*"Rami Younes"*
Chair	Chair - audit committee	Chair – compensation & corporate governance committee

March 6, 2020

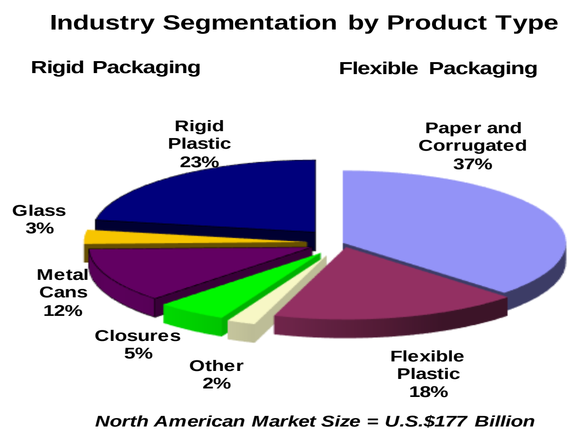
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

This management's discussion and analysis of Richards Packaging Income Fund ("MD&A") for the year should be read in conjunction with the attached audited financial statements for the year ended December 31, 2019, the annual statements for the year ended December 31, 2018, the quarterly reports for the periods ended March 31, June 30 and September 30, 2019 and the Annual Information Form dated March 6, 2020. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the annual financial statements except as disclosed in the Change in Accounting Policy note.

North American Packaging Industry

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfils not only the practical, transportability, protection functions and shelf life, but also serves to differentiate products and communicate branding messages such as quality, safety and consumer satisfaction. The latest ergonomically complex packaging components' design reflects significant investment in market research and product development. To meet the needs of this changing marketplace, the packaging industry has segmented into different product types outlined in the adjacent chart. Public market valuations tend to be higher in the Plastic and Flexible product types.



As large product marketers have consolidated, packaging companies have embarked on a parallel industry consolidation strategy to meet their needs. Concentration is high in the glass, metal and paper segments with two to five companies controlling approximately 90% of their market and concentration is medium in the rigid plastic, flexible plastic and closure segments with 10 to 15 companies controlling 50% to 60% of their market. In 2019, there were over 143 acquisitions in the North America, down from the 205 acquisitions in 2018 at a median multiple of 10 times Adjusted EBITDA[1] (2018 10.5x). During 2019, the top 20 companies continued to spend on capital at the cautious rate of 5% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates. Financing structures in place at most packaging companies are similar to that of an income trust, with significant use of debt priced anywhere from 3% to 6% and free cash flow[2] at 4%, which ensures that a disciplined approach to passing cost increases through to customers will remain in place. Clear evidence is that for the top 20 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales has remained at a healthy 16% overall for 2019.

Within the North American Packaging industry, a $3 billion distributor-based market for rigid packaging exists to serve regional small- to medium-sized premium product marketers. Approximately 50 distributors provide marketing and package design expertise, source multiple packaging components from around the world, aggregate orders ensuring access to large manufacturers and provide inventory and logistics support to deliver a complete packaging solution.

Concentration in this segment is growing with the top five companies now controlling over 60% of their market. Richards Packaging Holdings Inc., Richards Packaging Holdings 2 Inc. and their subsidiaries ("Richards Packaging") is the largest packaging distributor in Canada and the third largest in North America. Other distributors consist mainly of local or regional family-owned companies who specialize to meet the unique needs of their customers.

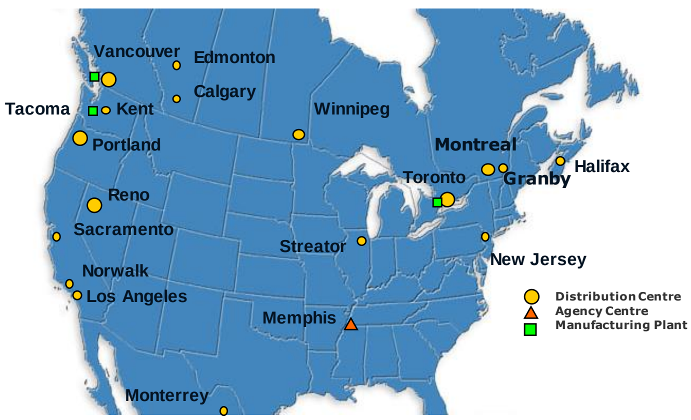
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

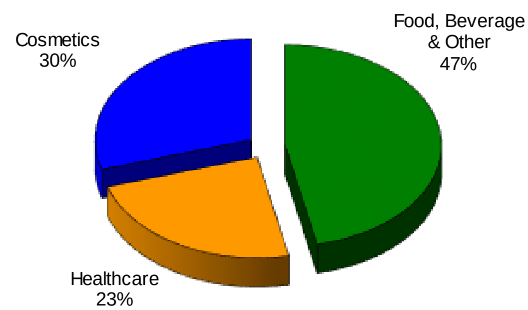
Description of the Business

Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 when the Fund completed an initial public offering of 8.6 million trust units of the Fund ("Units") at a price of $10 per Unit and indirectly purchased 96% of the securities of Richards Packaging Inc. The remaining 4% represented the exchangeable shareholder ownership.

Richards Packaging Locations



Revenue Categories



Richards Packaging serves a wide customer base that is comprised of approximately 14,300 regional cosmetics, healthcare, food, beverage and other companies. The primary source of revenue is from the distribution of over 5,800 different types of packaging containers and related components sourced from over 850 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 7% of the total revenues (2018 9%). 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.

The cornerstones of Richards Packaging's strategy include:

- Being a leading supplier of cosmetic and nutraceutical packaging solutions,
- Being the largest distributor of surplus packaging,
- Being the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems and health care service providers in Canada,
- Focusing on a diversified customer base dominated by small regional premium product marketers, and
- Being one of the largest distributors of European and Asian glass for the specialty food and beverage markets.

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2019
Revenue disaggregation					
Cosmetics……………………….	3.4%	15.6%	4.6%	-2.6%	**5.5%**
Heathcare……………………….	15.3%	1.5%	8.0%	-2.2%	**4.9%**
Food, beverage & other………….	3.2%	-2.6%	5.0%	-4.5%	**0.3%**
Exchange translation…………….	4.2%	3.7%	2.3%	0.1%	**2.5%**
Weighted average growth………...	9.8%	6.5%	7.2%	-2.8%	**5.1%**

Cosmetics quarterly sales comparisons need to take into account the implementation of the Chinese tariffs which distort the first, second and fourth quarters. Large customer pre-purchases in the fourth quarter of 2018 representing $2 million in revenue inflating the fourth quarter 2018 comparative and depressed first quarter 2019 buying activity. Also, we invested $1.1 million in extra inventory which was sold to customers outside our base inflating the second quarter performance. The full year increase of $4.0 million, or 5.5%, represents normal activity across the Cosmetics customer base.

Healthcare quarterly sales reflect a $0.9 million win in the first quarter due to a supplier acquiring its' competitor in the second quarter of 2018, a shift in timing of $0.7 million in sales from the second quarter to the third quarter in response to the threat of Ontario Government budget cuts that did not materialize and a decrease of $0.5 million for the fourth quarter due to a large vitamin customer going direct to our supplier for their safety caps. The full year increase of $3.7 million, or 4.9%, represents normal activity across the Healthcare customer base.

Food, beverage & other decreased by $1.4 million for the fourth quarter and increased $0.4 million for the year from the same periods in 2018 excluding the impact of translation and were in line with GDP growth. The 25% US tariff on Chinese imports resulted in the loss of two large accounts representing $2 million in revenue per quarter. Delayed shipments in the second quarter led to a 2% higher growth rate in the third quarter. Without the loss of these two accounts the increases for the year exceeded normal activity across the Food, beverage & other customer base.

During 2019, management continued to strategically reposition Richards Packaging in the marketplace to optimize the concentration of large customers and focus on customers with the highest value for the unique product offering and services we provide. The concentration of our top 60 customers decreased in 2019 by $6 million or 5.7% (2018 increased $12 million) while growth in small customers was $22 million or 10.7% (2018 $9 million). Our concentration of business in the US grew 3% to 58% as US GDP grows at twice the pace of Canada.

Changes in Financial Markets

Global economic markets and the impending end to the current economic cycle reflect pressure on GDP growth, currency wars and divergent United States monetary policy from the rest of the first world. Policy shifts to government deficit spending, protectionism and US tax rate decreases will also impact currency valuations and GDP growth.

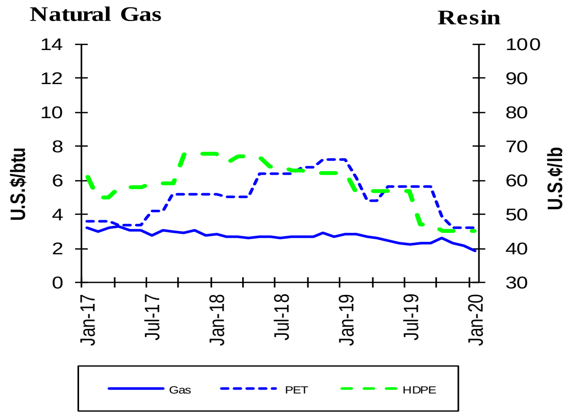
Interest Rates and Foreign Exchange

Interest rates were flat during the year with short term BA's at 2.1% by year end (2018 2.1%). The US Federal Reserve and The Bank of Canada both implemented 50 bps reductions given recent economic uncertainty. Exchange rates averaged U.S./Cdn. $0.75 leading to a positive impact on both revenue and Adjusted EBITDA[1] of $8.0 million and $1.5 million, respectively in the year as US denominated volumes grew. Oil prices and exchange rates were range bound between $50-$60 per barrel and U.S./Cdn. $0.74 - $0.76 for the year.

($ millions)	**2017**	**2018**	**2019**
INTEREST RATES	*1.4%*	***2.1%***	***2.1%***
Impact on Interest	(0.1)	(0.2)	—
F/X - U.S./Cdn.$	***0.77***	***0.77***	***0.75***
Impact on:			
Revenue	**(0.4)**	**3.4**	**8.0**
Adjusted EBITDA	**(0.3)**	**0.9**	**1.5**

Energy Prices

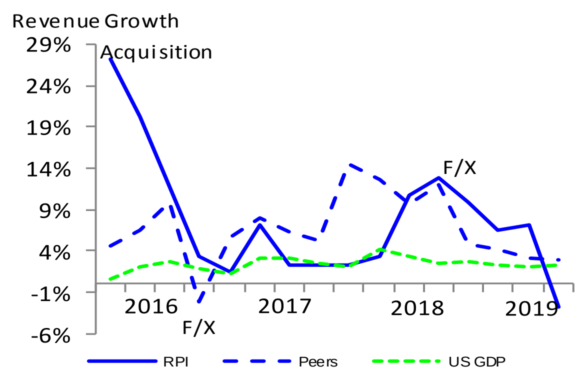
Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2019, HDPE and PET resin prices converged with natural gas, their main feedstock, as improved supply reliability resulted in prices dropping towards the end of the year.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Gross Domestic Product

In Canada, GDP grew 1.5% in the first quarter, 1.9% in the second quarter, 1.7% in the third and only 0.1% for the fourth quarter. The United States GDP grew 2.7%, 2.3%, 2.1% and 2.3% in each of the respective quarters. Our US operations outpaced the United States' pattern, however our Canadian operations underperformed as GDP growth dropped significantly in the fourth quarter. For 2019, we outperformed GDP during the first three quarters but underperformed in the fourth quarter unlike our peers who have limited exposure to Canada.



Financial Highlights

The MD&A covers the three months ending March 31, June 30, September 30 and December 31, 2019 and 2018 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2019 and 2018 (generally referred to in this MD&A as the "year").

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

The 2019 year results

- Revenue up 5.1% due to 2.6% organic growth in addition to 2.5% from U.S./Cdn. currency translation,
- Adjusted EBITDA[1] up $2.1 mil. or 4.6%; foreign currency translation contributed $1.5 mil.,
- Current income taxes down $0.2 mil. mainly reflecting the 2018 tax on refinancing the intercompany notes,
- Net income down $2.4 mil. due primarily to $3.7 mil. in higher mark-to-market losses on exchangeable shares partially offset by higher Adjusted EBITDA,
- Assets increased by $42.4 mil. and long-term financial liabilities by $37.4 mil. to reflect the new accounting policy for leases,
- Term debt repayments of $12.5 mil., leverage down 0.3x,
- Cash balance of $8.0 mil. was accumulated to settle income tax payable, annual bonuses and working capital,
- Monthly distributions of 11¢ per Unit to yield a 2.9% return (@$45.59/Unit Dec 31st), and
- Distributable cash flow[2] increased by 21¢ to $2.73 per Unit yielding a payout ratio[3] of 49%, free cash flow[2] increased $2.6 mil. or 21¢ to $1.40 per Unit.

($ thousands)	**Calendar Year**		
	2019	**2018**	**2017**
Income Statement Data:			
Revenue…………………….....	**334,148**	318,058	296,580
Net income…………………....	**21,734**	24,120	16,640
Diluted per Unit c) …….........	*$1.97*	*$2.21*	*$1.53*
Financial Position Data:			
Assets…………………….......	**248,014**	212,973	191,784
Long-term finacial liabilities…..	**52,347**	27,441	33,440
Leverage b) …………………	*0.3*	*0.6*	*0.8*
Cash Flow Statement Data:			
Distributions a) …………..........	**15,533**	15,564	14,986
Diluted per Unit ………..…...	*$1.33*	*$1.33*	*$1.28*
Payout ratio 3 ………………	*49%*	*53%*	*63%*
Debt repayments…………….	**12,500**	6,000	8,500

a) presented on a declared basis
b) Term debt/Adjusted EBITDA
c) anti-dilutive result reverts back to basic income per Unit

The 2018 year results

- Revenue up 7.2% due to organic growth of 6.1% and U.S./Cdn. currency translation,
- Net income up $7.5 mil. primarily due higher Adjusted EBITDA and $2.1 mil. lower mark-to-market losses on exchangeable shares,
- Assets increase of $21.2 mil. mainly due to higher inventory ($11.9 mil.), receivables ($5.2 mil.), prepaids ($1.8 mil) and $2.3 mil. intangible assets and goodwill,
- Term debt repayments of $6.0 mil., leverage down 0.2x,
- Monthly distributions of 11¢ per Unit yield a 3.8% return (@$35.00/Unit Dec. 31st), and
- Distributable cash flow[2] increases by 50¢ to $2.52 per Unit
- Free cash flow[2] increased 44¢ to $1.19 per Unit.

Review of Operations

Operations were 58% in the United States ("Richards US") and 42% in Canada ("Richards Canada"). Approximately forty percent of sales are concentrated in Los Angeles, Reno and Portland and 23% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue decreased by $2.3 million, or 2.8% for the fourth quarter (2018 up $9.4 million, or 12.9%), and increased by $16.1 million, or 5.1% for the year, (2018 $21.5 million, or 7.2%), from the same periods in 2018, respectively. During the fourth quarter, revenue decreased on organic shrinkage of $2.4 million, or 2.9%, (2018 $6.7 million growth, or 9.2%) slightly below industry norms with no translation impact of Richards US as the Canadian dollar was flat (2018 $2.7 million growth). For the year, the revenue increase was due to organic growth of $8.0 million, or 2.6%, (2018 $18.1 million, or 6.1%) in addition to $8.0 million, or 2.5% on the translation impact of Richards US as the rate depreciated 1.8¢ to U.S./Cdn. $0.75 (2018 $3.4 million).

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2017**
Revenue	**81,899**	74,587	**85,451**	80,273	**87,273**	81,413	**79,525**	81,785	**334,148**	318,058	296,580
Cost of sales	**65,705**	59,260	**68,447**	63,981	**69,700**	65,031	**63,221**	65,299	**267,073**	253,571	238,519
Lease payments	**1,439**	1,470	**1,408**	1,490	**1,594**	1,461	**1,665**	1,465	**6,106**	5,886	5,413
Gross profit	**14,755**	13,857	**15,596**	14,802	**15,979**	14,921	**14,639**	15,021	**60,969**	58,601	52,648
	18.0%	*18.6%*	*18.3%*	*18.4%*	*18.3%*	*18.3%*	*18.4%*	*18.4%*	*18.2%*	*18.4%*	*17.8%*
Administrative expenses	**3,024**	2,990	**3,170**	3,056	**3,343**	3,074	**3,464**	3,331	**13,001**	12,451	12,203
Foreign currency loss (gain)	**(42)**	35	**(20)**	52	**(20)**	(29)	**(10)**	133	**(92)**	191	(115)
Adjusted EBITDA[1]	**11,773**	10,832	**12,446**	11,694	**12,656**	11,876	**11,185**	11,557	**48,060**	45,959	40,560
	14.4%	*14.5%*	*14.6%*	*14.6%*	*14.5%*	*14.6%*	*14.1%*	*14.1%*	*14.4%*	*14.4%*	*13.7%*
Lease payments	**(1,439)**	—	**(1,408)**	—	**(1,594)**	—	**(1,665)**	—	**(6,106)**	—	—
Amortization	**2,316**	782	**2,458**	795	**2,484**	823	**2,509**	900	**9,767**	3,300	3,312
Exceptional items	**250**	—	**31**	—	**—**	—	**—**	—	**281**	—	—
Financial expenses	**772**	545	**871**	586	**874**	595	**751**	597	**3,268**	2,323	2,306
Exchangeable shares	**2,547**	869	**4,379**	4,986	**(915)**	2,129	**1,668**	(3,732)	**7,679**	4,252	6,357
Share of income - Vision	**9**	14	**17**	(6)	**9**	(16)	**34**	7	**69**	(1)	(5)
Income tax expense	**2,758**	2,517	**3,108**	2,763	**2,919**	2,876	**2,583**	3,809	**11,368**	11,965	11,867
Net Income	**4,560**	6,105	**2,990**	2,570	**8,879**	5,469	**5,305**	9,976	**21,734**	24,120	16,640

Cost of sales (before amortization) decreased $2.1 million for the fourth quarter or 3.2% (2018 up $7.5 million, or 12.6%) and increased by $13.5 million for the year, or 5.3% (2018 $15.5 million, or 6.4%) from the same periods in 2018, respectively. During the fourth quarter gross profit margins were flat (2018 up 0.2%) from the same period in 2018. For the year, gross profit margins were down 0.2% (2018 up 0.6%) due to timing of charging the Chinese tariff. The volatility in the price of resins continues to not have a material impact on margins as a result of management's practice of immediately passing through increases and decreases to customers.

Lease payments are required to adjust EBITDA[1] for bank covenant purposes and are higher against the same period in 2018 due to the move into one larger facility and the renewal of another.

Administrative expenses (before amortization) increased $0.1 million for the fourth quarter (2018 $0.2 million) and $0.5 million for the year (2018 $0.2 million), over the same periods in 2018, respectively mainly due to inflation and the translation impact of expenses of Richards US.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The net liability position in the fourth quarter led to a gain with the strengthening of the Canadian dollar to 77¢ at year end (2018 weakened to 73¢).

Adjusted EBITDA[1] decreased $0.4 million for the fourth quarter (2018 increased $1.2 million) and increased $2.1 million for the year (2018 $5.4 million), over the same periods in 2018, respectively. For the year, the U.S./Cdn. dollar translation impact resulted in an increase to Adjusted EBITDA of $1.5 million (2018 $0.9 million) due to higher earnings at Richards US while rates averaged U.S./Cdn.$0.75 for 2019 (2018 $0.77). As a percent of sales, Adjusted EBITDA was flat for the fourth quarter and for the year (2018 up 0.7%).

Amortization (excluding $6.2 million for leases) of $0.8 million for the fourth quarter and $3.5 million for the year includes $0.4 million for the quarter and $1.8 million for the year for intangible assets, which represents a charge for customer relationships. Remaining amortization amounts consisted of plant and equipment depreciation of $0.4 million for the fourth quarter and $2.0 million for the year, which is approximately our annual capital spending requirement.

Exceptional items include professional fees associated with our reorganization.

Financial expenses increased $0.2 million for the fourth quarter and $0.9 million for the year from the same periods in 2018 due to interest on leases with the adoption of IFRS 16.

Exchangeable shares include the mark-to-market loss and the dividends paid on the exchangeable shares. The mark-to-market loss increase for the year reflects a Unit price increase during the year of $10.59 to $45.59 per Unit, or $3.7 million (2018 decrease $2.1 million). The dividends on the exchangeable shares which decreased $0.2 million due to the conversion of exchangeable shares to Units in the third quarter of 2019. Unit prices increased by $2.81 and $5.10 for the first and second quarters, decreased by $2.41 for the third quarter and increased by $5.09 for the fourth quarter.

For the year, taxes decreased $0.6 million as current taxes decreased $0.2 million on the lower foreign exchange capital gain triggered by the intercompany refinancing during the fourth quarter of 2018 offset by lower deferred tax income of $0.8 million. Deferred tax was lower due to $0.3 million of leases and $0.5 million of customer relationships.

Net income for the fourth quarter was down $4.7 million and for the year $2.4 million, which represented $0.45 and $0.24 per Unit on a diluted basis, respectively. The 2019 time-weighted averages were 11,021,566 Units and 671,447 exchangeable shares outstanding for 2019.

Distributable Cash Flow

The distributable cash flow[2] definition for banking purposes excludes changes in working capital and capital expenditures for 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 (2018 $nil drawn).

Distributable cash flow[2] for the fourth quarter was up $0.9 million in comparison to the same period in 2018 as lower Adjusted EBITDA[1] of $0.4 million and higher maintenance capital $0.1 million was offset by lower current income tax of $1.2 million and interest of $0.2 million. For the year, distributable cash flow increased $2.6 million with higher Adjusted EBITDA of $2.1 million and lower taxes of $0.2 million.

The monthly distribution of 11¢ per Unit represents an annual yield of 2.9% on a $45.59 price per Unit at December 31, 2019 and a payout ratio[3] of 49% (2018 53%). Based upon the year, $2.5 million, or 17%, of the distributions will represent capital dividends and 83% return of capital to Unitholders while the exchangeable shareholders' dividends will be fully taxable.

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2017**
Cash provided by											
operating activities........	**4,428**	3,109	**8,522**	6,219	**11,740**	5,374	**15,276**	10,154	**39,966**	24,856	31,172
Lease payments................	**(1,439)**	—	**(1,408)**	—	**(1,594)**	—	**(1,665)**	—	**(6,106)**	—	—
Exceptional items..............	**250**	—	**31**	—	**—**	—	**—**	—	**281**	—	—
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(20)**	(20)	**(20)**	(20)	—
Changes in non-cash											
working capital..............	**5,759**	3,795	**239**	1,152	**611**	3,532	**(5,304)**	(1,534)	**1,305**	6,945	(2,067)
Income tax payments..........	**2,775**	3,928	**5,061**	4,323	**1,899**	2,970	**2,899**	2,957	**12,634**	14,178	11,455
Adjusted EBITDA[1]	**11,773**	10,832	**12,445**	11,694	**12,656**	11,876	**11,186**	11,557	**48,060**	45,959	40,560
Interest [a)]	**570**	545	**571**	545	**559**	561	**523**	672	**2,223**	2,323	2,306
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(20)**	(20)	**(20)**	(20)	—
Current income tax...........	**2,905**	2,654	**3,383**	2,921	**3,188**	2,852	**2,643**	3,854	**12,119**	12,281	13,373
Maintenance capital..........	**501**	292	**338**	406	**343**	756	**579**	496	**1,761**	1,950	1,140
Distributable cash flow[2] ..	**7,797**	7,341	**8,153**	7,822	**8,566**	7,707	**7,461**	6,555	**31,977**	29,425	23,741
Diluted per Unit	*66.5¢*	*62.8¢*	*68.0¢*	*66.9¢*	*73.4¢*	*65.9¢*	*63.8¢*	*56.1¢*	*$2.73*	*$2.52*	*$2.03*
Distributions................	**3,895**	3,887	**3,896**	3,892	**3,882**	3,893	**3,860**	3,892	**15,533**	15,564	14,986
Diluted per Unit	*33.4¢*	*33.3¢*	*33.3¢*	*33.3¢*	*33.2¢*	*33.3¢*	*33.0¢*	*33.3¢*	*$1.33*	*$1.33*	*$1.28*
Payout ratio[3]..............	*50%*	*53%*	*49%*	*50%*	*45%*	*51%*	*52%*	*59%*	*49%*	*53%*	*63%*
Free cash flow[2]	**3,902**	3,454	**4,257**	3,930	**4,684**	3,814	**3,601**	2,663	**16,444**	13,861	8,755
Units outstanding *(average)*											
Diluted basis 000's	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	**11,693**	11,693	11,693

a) financial expenses less bank refinancing fees less lease obligation interest

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities were up for the fourth quarter by $5.1 million and for the year up by $15.1 million over the same period in 2018. During the fourth quarter the $0.4 million decrease in profit from operations was fully offset by lower changes in non-cash working capital of $3.8 million and $1.7 million of lease payments. The changes in non-cash working capital was mainly due to a reduction in accounts receivable of $2.6 million and inventory of $1.1 million. For the year the increase was due to lease payments of $6.1 million, a $2.1 million increase in profit from operations, changes in non-cash working capital of $5.6 million and lower tax payments of $1.5 million. The changes in non-cash working capital include decreases in accounts receivable ($5.3 million), in inventory ($9.0 million) and prepaid expenses ($2.1 million) offset by lower accounts payable ($10.8 million). The distributions exceeded cash flow from operations during the first quarter of 2018 due to the $2.2 million taxes paid on the intercompany refinancing, with that cash set aside at the end of the 2017 year.

Free Cash Flow Deployment

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 year were $15.5 million with an additional $1.3 million declared for December, which was paid January 14th. The rapid sales growth in 2018 necessitated the investment in working capital.

($ millions)	**2017**	**2018**	**2019**
Free Cash Flow	8.8	13.9	**16.4**
Cash	1.9	0.9	**2.6**
Non-cash working capital	(2.1)	6.9	**1.3**
Expansion Capex	0.5	0.1	—
Debt Repayment	8.5	6.0	**12.5**

Normal Course Issuer Bid

On March 14, 2019, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2020. No Units were purchased during the bid period. On March 14, 2020, the Fund will reinstate a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2021.

Current income taxes

The current income tax expense for the year was $12.1 million (2018 $12.3 million) and includes $1.1 million of taxes in connection with the gain on the refinancing of intercompany debt (2018 $1.1 million). The associated refundable dividend tax of $0.7 million was not recorded as it will only be realized on payment of future dividends. Future withholding taxes will be negligible as Management intends to repatriate funds from Richards US by way of repayment of intercompany financing.

Capital expenditures

Capital expenditures for the year were $1.8 million (2018 $2.1 million), all on account of maintenance capital (2018 $2.0 million) and were mainly comprised of the refurbishment of moulds and computer and warehouse equipment.

Financing activities and instruments

Free cash flow for the year was mainly deployed to pay down debt. Lower leverage continues to keep bank margining down and provide financing flexibility for our ongoing acquisition program. Remaining free cash flow is more permanent in nature due to our distribution policy and is used to fund working capital for organic growth.

Credit facilities include a $15.0 million term loan (2018 $27.5 million) with maturity on September 30, 2021 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 1.15% to 1.80% or at the prime rate plus a premium of 0.15% to 0.80%. Term debt of $12.5 million was repaid in the year (2018 $6.0 million) with free cash flow[2].

On September 30, 2018, the term and revolving credit facilities were extended to September 30, 2021 on the same terms and conditions at a cost of $0.1 million in associated fees. On December 31, 2018, due to changes in US tax laws, Richards Canada refinanced the US denominated intercompany notes with maturity on December 31, 2021.

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 Adjusted EBITDA[1]. As at December 31, 2019, our leverage ratio was 0.3x (2018 0.6x). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

The exchangeable shares are redeemable and are retractable by the shareholders at any time and will be paid in Units on a one-for-one basis. Although the obligation to previous shareholder is on demand, the timing of the payment remains uncertain. Lease obligations exclude renewal options.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	15.0		15.0		
Exchangeable shares	20.9	20.9			
Previous shareholder	1.0	1.0			
Annual bonus plans	1.6	1.6			
Lease obligations	35.6	8.0	13.1	10.7	3.8
	74.1	31.5	28.1	10.7	3.8

Outlook Sensitivities[4]

Management believes that financial performance is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to Unitholders at current level through 2020.

First quarter revenue to date is growing at double digits on coronavirus related demand but the exchange translation impact at U.S./Cdn. $0.75 will likely be flat over the same period in 2019. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.5 million and to Adjusted EBITDA[1] is $0.05 million.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $2.0 million in 2020 half of which is to fund system upgrades. Expansion capital is expected to be in the order of $1 million cumulatively over the next few years to support the launch of new marketing programs by our customers. These expenditures will be funded by free cash flow[2].

Distributable cash flow from Richards Packaging US and the current tax profile of Richards Canada are expected to allow for a 95% return of capital to Unitholders in 2020 with the remainder representing taxable dividends. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.03 million for every U.S./Cdn. 1¢ movement. For 2020, surplus distributable cash is expected to be deployed to pay down debt, purchase Units opportunistically under the normal course issuer bid and/or fund acquisitions.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business including: changes in China tariff rates, the impact of pandemics including the coronavirus, 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, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, 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 2019 Annual Information Form dated March 6, 2020.

Liquidity Risk

The ability to make scheduled payments of interest or to refinance will depend on leverage and future cash flow, which is subject to operational performance, prevailing economic conditions, exchange rate fluctuations, interest rate levels, and financial, competitive and other factors, many of which are beyond Richards Packaging's control. These factors might inhibit refinancing the debt at all, or on favourable terms. In addition, the credit facilities contain restrictive covenants that limit the discretion of management with respect to certain business matters and require Richards Packaging to meet certain financial ratios and financial condition tests. Failure to comply with obligations in the credit facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the borrowings under the credit facilities were to be accelerated, there can be no assurance that assets on hand would be sufficient to repay in full that indebtedness. Richards Packaging's approach is to ensure sufficient liquidity to meet its liabilities when due. Cash levels are monitored daily to ensure sufficient continuity of funding.

Transactions with Related Parties

Three facilities were leased in 2019 from Tim McKernan, a resident of Nevada, USA and officer of Richards Packaging. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by Johanna Simmons a resident of British Columbia, Canada and 50% by Richards Canada. All related party transactions are at rates that would be charged by arms-length parties.

Outstanding Share Data

At March 6, 2020, the Fund had 11,230,007 Units and Holdings had 463,006 exchangeable shares outstanding, respectively. See note 17 of the attached consolidated financial statements for further discussion on the terms of the Units and exchangeable shares.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure of contingent amounts for assets and liabilities as at December 31, 2019 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Allowance for doubtful accounts

An allowance for doubtful accounts is reviewed using an expected credit loss model. The simplified approach is used to assess expected lifetime credit losses on trade receivables and is supplemented with an account-by-account analysis with a focus on the creditworthiness, aging and historical collection experience. Based on this review, management believes the allowance as at December 31, 2019 is sufficient to cover risks inherent in outstanding receivables.

Inventory obsolescence

Management monitors future demand for its inventory on a product-by-product basis, inventory aging and prevailing demand in local markets to record an allowance for obsolescence. This analysis resulted in a $1.0 million recognition of expense through inventory write down for the year (2018 $1.4 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2019.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $7.4 million as of December 31, 2019 pertaining to the future customer relationships. 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 approximately 90% per year. The customer relationship intangible and associated $2.0 million future income tax liability as at December 31, 2019 will be amortized to income over 10 to 15 years from the date of acquisition. In addition, trademark intangible assets of $4.1 million and an associated $1.2 million future income tax liability have been recorded. Although previously recognized customer relationship intangible assets affect net income, they do not impact distributable cash flow[2].

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the estimated fair value of the net assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if impairment indicators arise. The Unit price was $45.59 as at December 31, 2019 (2018 $35.00), which is in line with the fair value of the Fund. To determine fair value, management relies upon a valuation method based on a discounted cash flow model that assumes revenue growth of 3% and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Change in Accounting Policy

IFRS 16 *Leases* was adopted on January 1, 2019 on a modified retrospective basis requiring us to capitalize and depreciate the present value of leases on a straight-line basis over their expected terms, after adjusting for implied financial expenses calculated utilizing the effective interest rate method. The impact was to increase long-term assets by $39 million and long-term liabilities by $37 million on the statements of financial position. The impact to net income was an increase of $0.2 million for the year ending December 31, 2019. The statement of cash flow reflects $6.3 million of lease depreciation and $6.1 million in lease payments with the difference reflected in profit from operations and therefore there is no net cash flow impact.

Disclosure Controls and Internal Controls over Financial Reporting

The Fund maintains disclosure controls and procedures as well as internal controls over financial reporting. Richards Packaging's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as well as the design and operating effectiveness of internal controls over financial reporting as of December 31, 2019 and have concluded that such controls and procedures are adequate and effective. Management determined that there were no material weaknesses in the internal controls over financial reporting as of December 31, 2019 and there have been no changes in the internal controls over financial reporting during the year then ended that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 6, 2020

Cautionary Statement

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

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1 *Management defines Adjusted EBITDA as net income before non-lease amortization, exceptional items, financial expenses, unrealized losses and distributions on exchangeable shares, share of income - Vision and income tax expense. The reconciliation of Adjusted EBITDA to net income can be found on page 10. Our lenders use this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, Adjusted EBITDA and Adjusted EBITDA as a percentage of sales are 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. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating Adjusted 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 Adjusted EBITDA[1] less non-lease interest, cash income tax expense and maintenance capital expenditures plus dividends from equity investments. The reconciliation to cash from operations can be found on page 12. Free cash flow is distributable cash flow less distributions. The objective of presenting these measures 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 the 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[2]. The objective of presenting this measure is to calculate the percentage of distributions compared to the amount available for distribution under our credit agreement. Payout ratio does not have a standardized meaning prescribed by IFRS. The method of calculating the 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", "expect", "believe", "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. The risks and uncertainties include, among other things, changes in China tariff rates, changes in customer and supplier relationships, competition in the industry, trade risks in respect of foreign suppliers, fluctuations in foreign exchange and interest rates, liability claims, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described herein under "Risks and Uncertainties" and in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that 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.*

MANAGEMENT'S REPORT TO UNITHOLDERS

The accompanying financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The financial statements were prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 6, 2020.

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

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

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

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

Toronto, Ontario
March 6, 2020

Independent auditor's report

To the Unitholders of Richards Packaging Income Fund

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Richards Packaging Income Fund and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of net income and comprehensive income for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sarah Dobenko.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6, 2020

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands, unless otherwise noted	Notes	2019	2018
Revenue	*4*	**334,148**	318,058
Cost of sales	*3,5*	**276,661**	262,691
Administrative expenses	*3,5*	**13,461**	12,517
Foreign currency loss (gain)	*18*	**(92)**	191
Profit from operations		**44,118**	42,659
Financial expenses	*3,14*	**3,268**	2,323
Exchangeable shares			
Mark-to-market loss	*15*	**6,724**	3,063
Distributions	*15*	**955**	1,189
Share of loss (income) - Vision	*17*	**69**	(1)
Income tax expense (income)			
Current taxes	*6*	**12,119**	12,281
Deferred taxes	*3,6*	**(751)**	(316)
		11,368	11,965
Net income		**21,734**	24,120
Basic and diluted income per Unit	*15*	***$1.97***	*$2.21*
Other comprehensive income (loss)			
(subsequently recyclable to Net income)			
Currency translation adjustment - Richards Packaging US	*2,3*	**(4,241)**	7,621
Comprehensive income		**17,493**	31,741

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

STATEMENTS OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**8,023**	6,168
Accounts receivable	*3,8*	**32,339**	34,395
Inventory	*9*	**58,692**	60,663
Prepaid expenses and deposits	*10*	**4,812**	5,453
		103,866	106,679
Long-term Assets			
Leases	*3*	**39,918**	—
Plant and equipment	*12*	**4,776**	4,797
Leases receivable	*3*	**2,215**	—
Investment - Vision	*17*	**637**	726
Intangible assets	*13*	**11,644**	13,775
Goodwill	*13*	**84,958**	86,996
	4	**144,148**	106,294
		248,014	212,973
LIABILITIES & EQUITY			
Current Liabilities			
Accounts payable and accruals	*3,11*	**41,438**	40,466
Income tax payable	*6*	**674**	1,189
Distributions payable	*15*	**1,286**	1,300
Due to previous shareholder	*11*	**1,024**	1,075
Exchangeable shares	*15*	**20,935**	27,900
		65,357	71,930
Long-term Liabilities			
Term debt	*14*	**14,962**	27,441
Lease obligations	*3*	**37,385**	—
Deferred income taxes	*3,6*	**3,580**	4,354
		55,927	31,795
Equity			
Unitholders' capital	*15*	**16,314**	14,710
Retained earnings	*3*	**97,717**	77,598
Accumulated other comprehensive income	*2,3*	**12,699**	16,940
		126,730	109,248
		248,014	212,973
Contingencies	*19*		

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

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**Unitholders' capital**	**Retained earnings**	**AOCI[a)]**	**Equity**
December 31, 2017		23,049	59,514	9,319	91,882
Comprehensive income			24,120	7,621	31,741
Distributions[b)]	*15*	(8,339)	(6,036)		(14,375)
December 31, 2018		14,710	77,598	16,940	109,248
IFRS 16 adjustment	*3*		**865**		**865**
January 1, 2019		**14,710**	**78,463**	**16,940**	**110,113**
Comprehensive income (loss)			**21,734**	**(4,241)**	**17,493**
Distributions[b)]	*15*	**(12,085)**	**(2,480)**		**(14,565)**
Share conversion	*15*	**13,689**			**13,689**
December 31, 2019		**16,314**	**97,717**	**12,699**	**126,730**

a) *AOCI - Accumulated other comprehensive income (loss) reflects the cumulative translation adjustment related to Richards US.*

b) *The retained earnings amounts represent capital dividends paid to Unitholders.*

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

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2019**	**2018**
OPERATING ACTIVITIES			
Profit from operations		**44,118**	42,659
Add items not involving cash			
Plant, equipment & lease depreciation	*3,12*	**7,955**	1,532
Intangible assets amortization	*13*	**1,812**	1,768
Income tax payments		**(12,634)**	(14,178)
Dividends - Vision	*17*	**20**	20
Changes in non-cash working capital	*3,20*	**(1,305)**	(6,945)
Cash provided by operating activities		**39,966**	24,856
INVESTING ACTIVITIES			
Additions to plant and equipment	*12*	**(1,761)**	(2,069)
Cash used in investing activities		**(1,761)**	(2,069)
FINANCING ACTIVITIES			
Repayment of term debt	*14*	**(12,500)**	(6,000)
Lease payments	*3*	**(6,106)**	—
Financial expenses paid excluding leases	*14*	**(2,223)**	(2,323)
Distributions paid to Exchangeable Shareholders	*15*	**(1,006)**	(1,185)
Distributions paid to Unitholders	*15*	**(14,527)**	(14,378)
Cash used in financing activities		**(36,362)**	(23,886)
Net cash flow for the year		**1,843**	(1,099)
Cash and cash equivalents, beginning of year	*7*	**6,168**	6,816
Foreign exchange effect		**12**	451
Cash and cash equivalents, end of year	*7*	**8,023**	6,168

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

NOTES TO FINANCIAL STATEMENTS

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board. The measurement basis used was the historic cost convention, except for exchangeable shares which are measured at fair value. Accounting policies utilized under IFRS are consistent with those previously applied except as described in Note 3. Significant accounting policies are summarized as follows:

Principles of consolidation

The financial statements include the accounts of the Fund and its investments, Richards Packaging Holdings Inc. ["Richards Canada"] and Richards Packaging Holdings 2 Inc. ["Richards US"] and their wholly owned subsidiaries together are referred to as "Richards Packaging". The wholly owned subsidiaries of Richards Canada include Richards Packaging Inc. and Healthmark Services Ltd. ("Healthmark"). The wholly owned subsidiaries of Richards US include Richards Packaging Holdings (US) Inc., Richards Packaging, Inc., The E.J. McKernan Company and McKernan Packaging - Richards de Mexico, S.A. de c.v. Vision Plastics Inc. ["Vision"], which is jointly controlled and accounted for under the equity method, is a plastic container manufacturing plant located in Vancouver, British Columbia, Canada.

Foreign currency translation

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

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

Use of estimates

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

Revenue

Revenue is recognized when control of the goods and services to be delivered is transferred to the customer. In the case of sale of goods purchased for resale this is upon shipment and in the case of sale of capital goods this is when implementation and training are complete. Revenue associated with the sale of maintenance on capital goods is recognized on a straight-line basis over the contractual period. Revenue is measured at the best estimate of the amount to be received under the contract, net of any payments to customers including discounts, trade allowances and rebates.

Leases

Rental payments and lease inducements were expensed on a straight-line basis over the term of the leases for the year ending December 31, 2018. On January 1, 2019 IFRS 16, *Leases* was adopted [note 3].

Income taxes

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of inventory includes purchase price plus inbound freight for distributed products and direct variable costs and related production overheads for manufactured products, determined on a first-in, first-out basis. If the carrying value exceeds the net realizable value a write-down is recognized. Future demand, inventory aging and prevailing demand in local markets is monitored on a product-by-product basis to record a reserve for slow moving inventory.

Plant and equipment

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

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

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

Intangible assets and Goodwill

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the period of expected future benefit. Customer relationships and contracts are amortized over 10 to 15 years and computer systems software is amortized over 5 years. Trademarks have indefinite lives and therefore are not amortized. At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over fair value of the net assets acquired.

Impairment testing of long-term assets

Long-term assets are reviewed for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. For purposes of evaluating recoverability, a test is performed using discounted future net cash flows. Should impairment exist, the loss would be measured as the difference between the carrying value and the recoverable amount and recognized as an additional current period charge. Management has not identified any such impairment losses to date. Trademarks are reviewed for impairment annually. Management monitors goodwill for the entire organization, a group of cash-generating units, and performs an impairment test on its goodwill annually, or more frequently if circumstances indicate a possible impairment.

Exchangeable shares

Exchangeable shares are classified as debt and carried at fair value based upon the year end trading price of Units into which they are convertible [note 15]. Mark-to-market changes in value along with distributions are expensed during the period.

3. CHANGE IN ACCOUNTING POLICY

IFRS 16, *Leases*, was adopted on January 1, 2019, for real estate and equipment leases, on a modified retrospective basis. Formerly the policy under IAS 17 was to expense rental payments and lease inducements on a straight-line basis over the life of the leases and to disclose future obligations excluding renewal options in a commitment note. The new policy requires that these leases now be treated as “right of use assets” which requires that the present value of lease payments be recognized utilizing Richards Packaging’s incremental borrowing rate of 4% as the discount rate. Therefore, on January 1, 2019 we recognized $28,701 of leases, $2,863 of leases receivable and $31,564 of lease obligations as well as an adjustment to opening retained earnings of $865. Lease payments reduce lease obligations after adjusting for implied financial expenses ($1,023) calculated utilizing the effective interest method. Lease terms include extension options as management is reasonably certain to exercise them in due course and exclude any residual value. There are no onerous or low value leases and initial direct costs have been excluded. Short term leases ($900) continue to be treated as operating in nature. The calculations to reflect the adoption of IFRS 16 for lease obligations are outlined below:

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

Operating lease commitments disclosed as at December 31, 2018		**24,291**
Lease extension options		12,660
Discount using incremental borrowing rate		(5,117)
Short-term leases		(270)
January 1, 2019		**31,564**
Accounts payable and accruals	5,280	
Lease obligations	26,284	
Lease additions		18,787
Lease terminations		(844)
Currency translation adjustment		(614)
Lease obligation payments		(5,443)
December 31, 2019		**43,450**
Accounts payable and accruals	6,065	
Lease obligations	37,385	

Leased "right of use assets" are depreciated on a straight-line basis over the expected terms of the leases. The calculations to reflect the adoption of IFRS 16 are outlined below:

	Property	**Computer Equipment**	**Warehouse & Office**	**Total**
January 1, 2019	28,333	11	357	**28,701**
Additions	18,802			**18,802**
Terminations	(836)			**(836)**
Currency translation adjustment	(454)		(2)	**(456)**
Depreciation	(6,227)	(2)	(64)	**(6,293)**
December 31, 2019				
Carrying value	45,845	11	355	**46,211**
Accumulated Depreciation	(6,227)	(2)	(64)	**(6,293)**
Net Book Value	39,618	9	291	**39,918**

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

Richards Packaging has entered into subleases for property. The present value of rent receivable from the subleases is reflected as leases receivable with the associated financial income calculated utilizing the actuarial method at a 18% implied rate ($489). The calculations to reflect the adoption of IFRS 16 for subleases are outlined below:

Sublease income receivable as at December 31, 2018		**4,833**
Discount using the implicit lease rate		(1,970)
January 1, 2019		**2,863**
Accounts receivable	233	
Leases receivable	2,630	
Sublease receipts net of financial income		(361)
December 31, 2019		**2,502**
Accounts receivable	287	
Leases receivable	2,215	

The timing of when lease obligations and leases receivable come due are as follows:

	2021	**2022**	**2023**	**2024**	**beyond**
Lease obligations	5,801	6,007	6,112	5,383	14,082
Leases receivable[a)]	743	766	789	812	69

a) presented on a gross basis excluding discount of $677

The impact for the year ended December 31, 2019 on deferred taxes was a $282 decrease and on retained earnings a $554 increase.

4. REVENUE & SEGMENTED INFORMATION

Richards Packaging's operations consist of one reporting segment, principally the distribution of packaging for cosmetics, healthcare, food, beverage and other products. Geographic information is provided below and is determined based on the country of sales origination. No customer represents greater than 5% of total revenue.

	Canada		**United States**	
	2019	**2018**	**2019**	**2018**
Revenue	**140,313**	143,979	**193,835**	174,079
Long-term assets	**67,986**	51,259	**76,162**	55,035

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

Revenue has been disaggregated by end user based on markets that are subject to different economic conditions as follows:

	2019	2018
Revenue by end user		
Cosmetics	**99,504**	92,442
Healthcare	**78,509**	75,419
Food, beverage & other	**156,135**	150,197
	334,148	318,058

5. EXPENSES BY NATURE

	2019	2018
Salaries and wages	**24,687**	23,211
Benefits	**5,198**	4,832
Bonuses	**1,857**	1,934
Long-term incentive plan	**180**	165
Employee compensation	**31,922**	30,142
Inventory sold and services provided	**218,949**	208,357
Inventory provisions	**991**	1,386
Selling, distribution and other costs	**27,593**	25,727
Depreciation and amortization[a)]	**9,767**	3,300
Lease expenses[a)]	**900**	6,296
Cost of sales and administrative expenses	**290,122**	275,208

a) Reflects the impact of IFRS 16 Leases implementation [note 3]. 2019 represents short term leases only.

Management is eligible to participate in the long-term incentive plan [the "LTIP"]. Awards for the cash reimbursement of Units purchased under the LTIP will vest over a three-year period, with one-third of the award vesting each year. The Trustees committed to annual funding of $200 for three years starting in 2018. Total salaries and benefits for executive officers was $1,278 [2018 – $1,454]. Directors are eligible to participate in a deferred share unit ("DSU") plan where they may elect to receive their annual fees in DSU's. Amounts deferred under the DSU plan and accrued distributions earned thereon vest immediately and can be redeemed only when the DSU plan participant ceases to serve as a Trustee/Director.

6. INCOME TAXES

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

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

	2019	2018
Profit from operations	**44,118**	42,659
Financial expenses	**(3,268)**	(2,323)
Income subject to income taxes	**40,850**	40,336
Statutory tax rate	*26.8%*	*26.8%*
Income tax expense at statutory tax rate	**10,928**	10,818
Deferred income taxes	**751**	316
Current period adjustments		
Refinancing Intercompany notes [a)]	**129**	1,054
Foreign tax differential	**—**	(128)
Foreign rate differential	**155**	156
Other items	**156**	65
Current income taxes	**12,119**	**12,281**

a) future recovery associated with refundable dividend tax on hand of $2,081 [2018 - $1,857] has not been recognized. Fully taxable exchangeable share dividends gave rise to a $192 recovery [2018 - $192].

Approximately US$30,500 of unremitted earnings in Richards US as of December 31, 2019 is permanently reinvested and therefore the associated withholding tax is not recognized.

Significant components of deferred income taxes are as follows:

	2019	expense/ (income)	f/x [b)]	IFRS 16 adjustment	2018	expense/ (income)	f/x	2017
Deferred tax liabilities								
Customer relationships[a)]	**2,024**	**(487)**	**(41)**		**2,552**	(480)	83	**2,949**
Patents and trademarks[a)]	**1,172**		**(56)**		**1,228**		94	**1,134**
Plant and equipment	**944**	**48**	**(31)**		**927**	185	45	**697**
Computer system software								
Other	**60**	**(19)**	**(7)**		**86**	(28)	22	**92**
Deferred tax assets								
Leases	**(191)**	**(282)**		**91**	**—**			
Non-cash working capital	**(429)**	**(11)**	**21**	**.**	**(439)**	7	(35)	**(411)**
	3,580	**(751)**	**(114)**	**91**	**4,354**	(316)	209	**4,461**

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

b) f/x = foreign exchange differences

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

7. CASH

	2019	2018
Cash at bank	**8,857**	6,424
Demand deposits	**814**	2,011
Issued and outstanding cheques	**(1,648)**	(2,267)
	8,023	6,168

Cash at bank represents cash clearing accounts at various branches which are netted on an overall basis.

8. ACCOUNTS RECEIVABLE

	2019		2018	
	$	Expected Loss %	$	Expected Loss %
Current	**22,219**	***0.1%***	21,839	*0.1%*
Up to 60 days past due	**8,301**	***0.3%***	11,014	*0.4%*
61 – 90 days past due	**651**	***0.7%***	452	*1.5%*
Over 90 days past due	**1,927**	***52.8%***	1,808	*45.7%*
Trade receivables	**33,098**	***3.2%***	35,113	*2.5%*
Allowance for doubtful accounts[a)]	**(1,049)**		(883)	
Supplier rebates	**3**		165	
Lease receivables[b)]	**287**			
	32,339		34,395	

a) Management recorded new provisions of $317 [2018 – $291] and wrote off $151 [2018 – $337]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

b) Reflects the impact of IFRS 16 Leases implementation [note 3].

9. INVENTORY

	2019	2018
Goods purchased for resale	**62,132**	62,347
Goods in transit	**4,253**	5,903
Manufacturing raw materials	**545**	676
Manufactured finished goods	**1,539**	1,651
Reserve for slow moving inventory[a)]	**(9,777)**	(9,914)
	58,692	60,663

a) Management recorded a provision of $991 [2018 – $1,386] and recognized write-offs of $1,128 [2018 – $1,151]. The remaining non-cash change in inventory provision reflects foreign exchange differences.

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

10. PREPAID EXPENSES AND DEPOSITS

	2019	2018
Deposits for commitment to purchase goods	**1,402**	2,045
Deferred costs on maintenance contracts	**1,103**	973
Deposits for other commitments	**1,042**	1,222
Rent	**942**	866
Other deposits	**323**	347
	4,812	5,453

11. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
Trade payables	**27,144**	31,450
Rebates	**596**	651
Staffing expenses[a)]	**4,091**	3,874
Professional fees	**486**	498
Sales tax	**596**	563
Deferred revenue on maintenance contracts	**1,340**	1,187
Leases [b)]	**6,065**	956
Other payables	**1,120**	1,287
	41,438	40,466

a) Management bonuses included in staffing expenses have been fully paid subsequent to year end.
b) Reflects the impact of IFRS 16 Leases implementation [note 3].

Included in Trade payables is $214 [2018 – $463] associated with payables to Vision *[note 17]*.

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

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

12. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
December 31, 2017						
Carrying value	3,014	4,334	1,697	902	574	10,521
Accumulated Depreciation	(1,877)	(2,758)	(611)	(649)	(546)	(6,441)
Net book value	1,137	1,576	1,086	253	28	4,080
Additions/Acquisition	107	754	375	241	592	2,069
Fully depreciated assets	(116)	(728)	(104)	(105)	(187)	(1,240)
Depreciation	(338)	(734)	(229)	(66)	(165)	(1,532)
Foreign exchange differences	59	121				180
December 31, 2018						
Carrying value	3,064	4,481	1,968	1,038	979	11,530
Accumulated Depreciation	(2,099)	(2,764)	(736)	(610)	(524)	(6,733)
Net book value	965	1,717	1,232	428	455	4,797
Additions/Acquisition	**133**	**868**	**158**	**348**	**254**	**1,761**
Fully depreciated assets	**(232)**	**(578)**	**(206)**	**(202)**	**(159)**	**(1,377)**
Depreciation	**(245)**	**(814)**	**(227)**	**(179)**	**(197)**	**(1,662)**
Foreign exchange differences	**69**	**(130)**	**(60)**	**0**	**1**	**(120)**
December 31, 2019						
Carrying value	**3,034**	**4,641**	**1,860**	**1,184**	**1,075**	**11,794**
Accumulated Depreciation	**(2,112)**	**(3,000)**	**(757)**	**(587)**	**(562)**	**(7,018)**
Net book value	**922**	**1,641**	**1,103**	**597**	**513**	**4,776**

13. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill are not deductible for tax purposes.

Goodwill and trademarks were assessed for impairment by calculating the recoverable amount determined based on the value in use. Five-year cash flow budgets, prepared using growth rates experienced in the industry and approved by the Board, were used with the application of a pre-tax discount rate of 13% [2018 – 12%]. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 3.0% [2018 – 1.0%]. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

	Customer relationships	Trade-marks	Computer software	Intangible assets	Goodwill
December 31, 2017					
Carrying value	21,543	3,994	598	26,135	83,578
Accumulated amortization	(10,770)		(450)	(11,220)	
Net book value	10,773	3,994	148	14,915	83,578
Amortization	(1,747)		(21)	(1,768)	
Fully amortized intangibles			(46)	(46)	
Foreign exchange differences	295	329	4	628	3,418
December 31, 2018					
Carrying value	22,596	4,323	556	27,475	86,996
Accumulated amortization	(13,275)		(425)	(13,700)	
Net book value	9,321	4,323	131	13,775	86,996
Amortization	**(1,766)**		**(46)**	**(1,812)**	
Foreign exchange differences	**(143)**	**(197)**	**21**	**(319)**	**(2,038)**
December 31, 2019					
Carrying value	**21,968**	**4,126**	**577**	**26,671**	**84,958**
Accumulated amortization	**(14,556)**		**(471)**	**(15,027)**	
Net book value	**7,412**	**4,126**	**106**	**11,644**	**84,958**

14. REVOLVING AND TERM DEBT

Richards Packaging has available both revolving and term debt credit facilities. On September 30, 2018, the revolving and term debt credit facilities' maturities were extended to September 30, 2021 at a cost of $65 which is amortized over the loan term. The revolving credit facility availability of $5,000 [2018 – $5,000], which was undrawn at December 31, 2019, bears interest at the prime rate plus a premium of 0.2% to 0.8%. The term facility of $15,000 [2018 – $27,500] bears interest at the bankers' acceptance borrowing rate plus a premium of 1.15% to 1.8%. The effective interest rate at December 31, 2019 was 3.2 % [2018 – 3.0%]. Voluntary repayments of term debt of $12,500 [2018 – $6,000] were made during the year ended December 31, 2019.

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

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

	2019	**2018**
Interest expense	**722**	899
Credit card fees	**1,295**	1,062
Credit facility charges	**206**	275
Bank and intercompany refinancing fees	**22**	87
Sublease financial income	**(489)**	—
Lease obligation interest	**1,512**	—
	3,268	2,323

The bank has a first charge over all of Richards Packaging's assets as collateral for the revolving and term credit facilities. Richards Packaging is in compliance with all covenants *[note 16]*.

15. UNITS AND EXCHANGEABLE SHARES

Number outstanding	**Units basic**	**Weighted average**	**Exchangeable shares**	**Units diluted**	**Weighted average**
December 31, 2017	10,893,365	10,875,082	799,648	11,693,013	11,693,013
December 31, 2018	10,893,365	10,893,365	799,648	11,693,013	11,693,013
Share conversion	336,642		(336,642)		
December 31, 2019	**11,230,007**	**11,021,566**	**463,006**	**11,693,013**	**11,693,013**

Exchangeable shares mark-to-market loss reflects a unit price increase during the year ended December 31, 2019 of $10.59 [2018 – $3.83] to $45.59 per Unit. The impact on income per Unit of the mark-to-market loss and distributions to exchangeable shareholders is anti-dilutive which reverts back to basic income per Unit [2018 – anti-dilutive].

Fund Units

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

The Fund initiated a normal course issuer bid on March 14, 2019 to purchase up to 200,000 Units prior to March 13, 2020. There were no purchases during the year. During 2019, 336,642 exchangeable shares were converted to Units at an average value of $43.16/Unit.

Contributed surplus

The components of Unitholders' capital include unit capital and contributed surplus. The conversion in 2019 of 336,642 exchangeable shares resulted in a $10,662 increase.

Exchangeable shares

Exchangeable shares were issued by Richards Packaging to officers on the initial public offering and in connection with two business acquisitions. The exchangeable shares issued by Richards Packaging Holdings Inc. and Richards Packaging Holdings (US) Inc. are redeemable and are retractable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. The exchangeable shares issued by Richards Packaging Holdings (US) Inc. were converted to Units of the Fund on August 15, 2019. Exchangeable shares carry the right to vote at any meeting that Unitholders are entitled to vote on the same basis.

Distributions

Distributions are made monthly to Unitholders of record on the last business day of each month and paid on the 14th day of the following month. Monthly distributions in 2019 prior to the exchange were $1,198, and $1,235 post exchange, or 11¢ per Unit.

Distributions paid to exchangeable shareholders are not subordinated to distributions to Unitholders and are declared on the same basis net of applicable taxes. Distributions are made monthly to shareholders of record on the last business day of each month and paid on or about the 14th day of the following month. Monthly distributions in 2019 prior to the exchange were $100, and $51 post exchange.

16. CAPITAL STRUCTURE

Capital consists of Unitholders' equity, exchangeable shares and secured credit facilities. Capital levels are maintained to meet the following objectives: optimizing the cost of capital at acceptable risk levels while providing an appropriate return to its Unitholders and shareholders; balancing the interests of equity shareholders, exchangeable shareholders and debt holders; maintaining compliance with financial covenants; and preserving financial flexibility to benefit from potential opportunities as they arise. The leverage ratio covenant was not to exceed 2.75 and the ratio at December 31, 2019 was 0.29 [2018 – 0.57]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times at 4.70 [2018 – 4.48]. The minimum net worth covenant was $70,000 and the net worth was $147,666 [2018 – $137,147].

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

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

17. RELATED PARTY TRANSACTIONS AND INVESTMENT IN JOINT VENTURE

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

	2019	2018
Leases of facilities from entities related to certain officers	**995**	1,020
Product purchases from Vision	**6,391**	6,790

Richards Packaging commitments for leases of facilities from entities related to officers of $1.3 million extend to 2022.

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

	2019	2018		2019	2018
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,288**	1,400	Current liabilities	**541**	547
Plant and equipment	**528**	599			
Total assets	**1,816**	1,999	**Net assets**	**1,275**	1,452
Statement of net income					
Revenue				**6,391**	6,790
Expenses				**6,529**	6,788
Net income				**(138)**	2

The decrease of $89 [2018 – $19 decrease] in Investment – Vision represents share of net loss of $69 [2018 – $1 income] increased by dividends received of $20 [2018 – $20].

18. FINANCIAL INSTRUMENTS

Fair value

Cash, accounts receivable, accounts payable and accruals, distributions payable and due to previous shareholder are all short-term in nature and are measured at amortized cost, however, their carrying values approximate fair values with no amortization necessary. Term debt carrying value approximates fair value as it bears interest at rates comparable to current market rates. Associated financing fees are amortized over the term of the debt. Exchangeable shares fall under Level 1 of the fair value hierarchy and are recorded at the year-end trading price of Units into which they are convertible, with changes in value recorded through net income *[note 15]*.

Credit risk

Financial assets exposed to credit risk consist primarily of trade receivables arising from the sale of goods. Concentration of credit risk is limited due to the large number of customers and geographical dispersion. As at December 31, 2019, no customer represented 5% or more of accounts receivable or sales.

Credit quality is assessed prior to establishing customer accounts. Management continuously monitors the collection of overdue accounts. For customers with overdue accounts, internal collection staff takes appropriate action, including the placement of accounts on hold, with third party collection or legal action taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. The allowance for doubtful accounts as at December 31, 2019 is sufficient to cover impaired accounts *[note 8]*.

Inventory obsolescence risk

Richards Packaging is exposed to inventory obsolescence due to customer insolvency when they have unique packaging, maturing product life cycles for stock items and large purchases due to economic order quantities. The inventory provision is assessed on a specific item-by-item basis considering a number of factors including aging, recent sales and market demand. Management continually monitors over-aged inventory with a focus to realize value before obsolescence occurs. On a quarterly basis, the reserve for inventory obsolescence is reviewed by management. The reserve as at December 31, 2019 is sufficient to cover losses due to inventory obsolescence *[note 9]*.

Liquidity risk

The approach to managing liquidity risk is to ensure that sufficient funds are available to meet financial obligations as they come due *[notes 11, 19]*. This is achieved through a combination of cash balances *[note 7]*, availability of credit facilities *[note 15]*, surplus cash flow from operations, distribution policy and matching the maturities of financial assets and liabilities.

Interest rate risk

Exposure to interest rate risk arises due to variable interest rates on the revolving and term debt credit facilities. A 1.0% movement in interest rates would have impacted net income by $164.

Foreign currency risk

Exposure to U.S./Cdn. currency fluctuations arises on cross-border transactions and on the translation of cash flows of Richards US. A foreign currency gain of $92 has been recorded for the year ended December 31, 2019 [2018 – $191 loss] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $262.

December 31, 2019 and 2018 [Cdn$ thousands, unless otherwise noted]

19. CONTINGENCIES

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

20. ADDITIONAL CASH FLOW INFORMATION

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

	2019	2018
Accounts receivable	**1,484**	(3,851)
Inventory	**140**	(8,870)
Prepaid expenses and deposits	**496**	(1,617)
Accounts payable and accruals[a)]	**(3,425)**	7,393
	(1,305)	(6,945)

a) excludes impact of IRFS 16 leases implementation [note 3]

For the year ended December 31, 2019, the foreign exchange translation loss excluded from the above was $2,099 [2018 – $3,293 gain].

Richards Packaging Income Fund

UNITHOLDER INFORMATION

Corporate Information

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Toronto Stock Exchange listing

Symbol: RPI.UN

Investor information

Investor information is available at www.richardspackaging.com, SEDAR at www.sedar.com and TSX at www.tmx.com

Annual meeting

Monday May 4, 2020 at 10:00 a.m.
Brookfield Place
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3