2023 ANNUAL REPORT | Richards Packaging Income Fund

RPI.UN LISTED ON TMX Toronto Stock Exchange

Good Things Come in

RICHARDS

RICHARDS PACKAGING

Richards

McKernan PACKAGING CLEARING HOUSE

DISPILL

HEALTHMARK

CLARION MEDICAL TECHNOLOGIES

INVESTMENT PROPOSITION

FINANCIAL MARKETS

- GDP in Canada and the US increased by 3.3% and 0.2% in the fourth quarter and 3.1% and 0.3% for the year, respectively
- Commodities remained range bound in 2023 due to the war in Ukraine; U.S./Cdn. exchange rate diverged on flight to quality; now +/-$0.74
- Governments in tightening mode; expect to continue to combat inflation currently at 3.2%

DISTRIBUTION STRESS TEST

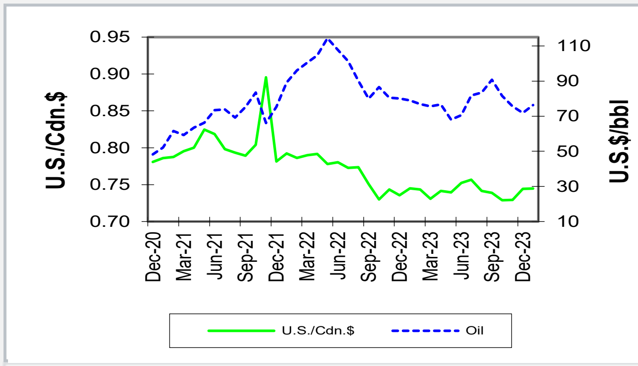
- Pro forma distributable cash reflects the impact of long-term interest at 5%, a U.S./Cdn. 80¢ and a $0.9 mil. lower US withholding tax
- Special distribution in March 2024 of 36¢ (2023 38¢) brings payout ratio to 50% for both years on a proforma basis
- Payout target of 50% due to economic uncertainty

RPI.UN TRADING ACTIVITY

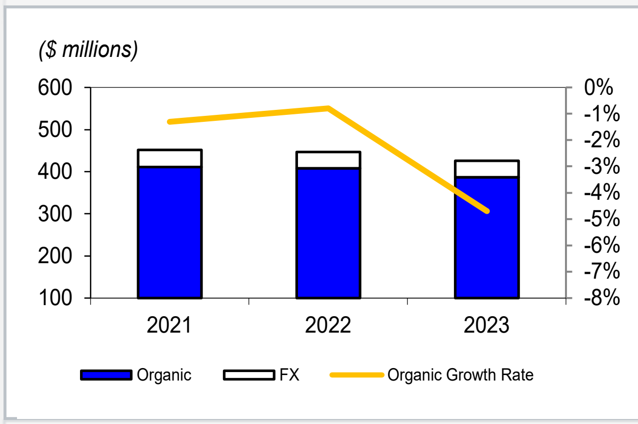
- Price momentum in 2023 back down to pre-coronavirus levels
- 2020 reflects coronavirus impact and Clarion acquisition while 2022 reflects interest rates
- Debt to Adjusted EBITDA[1] down 0.8x now 0.2x on working capital reductions
- Insider (David Prupas) retired in July 2023; owning 594 thousand Units, now 21% overall insider ownership

REVENUE

- Overall revenue contraction of 4.7%, or $21 mil., reflects $31 mil., or 21.4%, decrease in food & beverage and $3 mil., or 4.9%, decrease due to oversupply of pumps & sprayers offset by growth in Healthcare of $13 mil.
- Richards US translation negative impact of $0.1 mil. (2022 $0.8 mil.) with average FX rates at U.S./Cdn. 74¢ (2022 77¢)
- Changes in mix: Richards US decrease 3% to 35%, as healthcare increased 6% to 50% and food & beverage dropped 6% to 31%



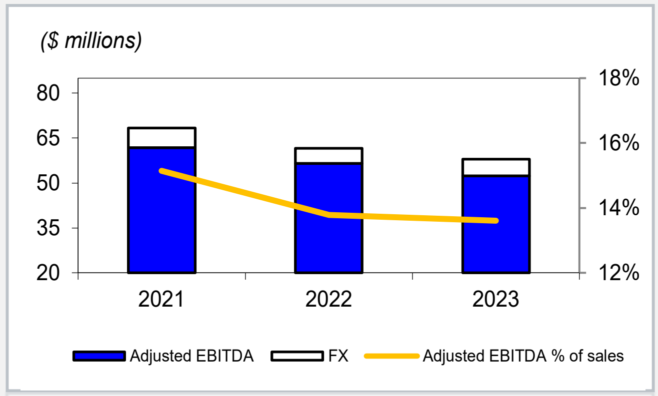
($ millions)	2023	Adj's	Proforma
Adjusted EBITDA	58.0	(1.6)	56.4
Interest	(3.0)	1.8	(1.2)
Taxes	(15.0)	0.4	(14.6)
Maintenance capital	(2.7)	0.7	(2.0)
Distributable cash flow	37.2		38.5
Current distribution level	15.1		15.1
Payout Ratio	40%		39%



PERFORMANCE SNAPSHOT

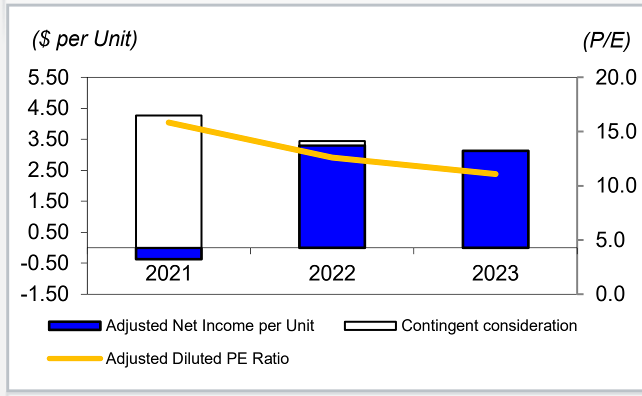
ADJUSTED EBITDA[1]

- Adjusted EBITDA down $4 mil. on lower revenue, at 13.6% of sales (2022 $7 mil.)
- Inventory provision of $2 mil. increased to reflect write downs to market levels (2022 $1 mil.) and a $26 mil. reduction in inventory during the year
- FX currency was flat (2022 $1 mil. decrease) on lower Richards US volume despite a drop of U.S./Cdn. 3¢ (2022 3¢)



NET INCOME

- Net Income down $6 mil., or $0.17/Unit (2022 up $3.66/Unit) due to a lower mark-to-market gain on exchangeable sharers and Adjusted EBITDA net of taxes
- Exchangeable share mark-to-market gain down $4 mil. or $0.38/Unit (2022 up $0.13/Unit)
- P/E ratio reflects Unit price drop of $9 to $35/Unit (2022 $18/Unit)



CASH MANAGEMENT

- Operating activities up $43 mil. as working capital[5] investment decreased $49 mil. and the lack of contingent consideration, was offset by higher taxes payments of $4 mil.
- Paid $50 mil. for Clarion acquisition with borrowings and repaid $8 mil. debt leaving $65 mil. outstanding in 2022. Free cash flow and working capital reductions in 2023 deployed to further pay debt down by $47 mil.
- Paid special distribution of $4 mil. in March 2023
- Cash on hand of $8 mil. designated for $4 mil. annual bonuses, taxes and working capital

($ millions)	**2021**	**2022**	**2023**
Operating activities	54.0	40.3	**83.2**
Capital expenditures	(2.4)	(1.5)	**(2.7)**
Acquisitions	(9.1)	(49.5)	—
Proceeds (repay) debt	(1.0)	42.0	**(47.0)**
Financial expenses	(0.8)	(2.8)	**(6.2)**
Lease payments	(8.1)	(8.7)	**(8.7)**
Unit purchases	(16.8)	—	—
Distributions	(15.4)	(23.0)	**(19.4)**
Net cash flow	0.4	(3.1)	**(0.8)**

FOURTH QUARTER RESULTS

- Revenue increased 0.7%; driven by healthcare capital sales offset by food and beverage
- Adjusted EBITDA reflects flat revenues and more favorable product mix
- Net Income increased $1 mil., or $0.17/Unit (2022 $2.36/Unit), due to higher Adjusted EBITDA net of higher taxes and exchangeable share loss

($ millions)	**2021**	**2022**	**2023**
Revenue	116.4	108.1	**108.8**
Adjusted EBITDA[1]	17.4	13.8	**16.6**
	14.9%	*12.8%*	*15.2%*
Net Income	(17.6)	8.9	**10.3**
Diluted per Unit	*($1.60)*	*$0.76*	*$0.93*
Payout Ratio[3]	*35%*	*40%*	*33%*
Free cash flow[2]	7.2	5.6	**7.7**

REPORT TO UNITHOLDERS

For The Year Ended December 31, 2023

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 and the healthcare community.

The most significant improvement in 2023 results was a $33 million reduction in working capital which was used to pay down debt which is now at a leverage ratio of 0.2x. Proactive actions were taken to align working capital with more challenging volume. Our strategy to address inventory aging yielded $14 million of this reduction with days on hand dropping from 128 to 98 and believe that further improvements can be made in 2024.

The 2023 year results reflect revenue contraction of 5% driven by the food & beverage markets partially offset by higher healthcare which now represents 50% of our product mix. Adjusted EBITDA[1] was down $3.6 million on lower revenues, at 14% of sales consistent with 2022. Net income was down $6 million, or $0.17 per Unit, mainly due to lower Adjusted EBITDA and a lower mark to market gain on exchangeable shares.

Fourth quarter revenue performance grew 1% on higher healthcare capital sales with no impact from currency translation with the dollar at U.S./Cdn. 74¢. Net income increased $1 million mainly due to the $2 million in contingent consideration not repeating.

Richards faces a challenging future as the oversupply in the food & beverage market that depressed our sales continues with January and February down 4%. A bridging table and a trend table have been provided to help investors come to their own conclusion in this regard.

The focus for 2024 will be to continue to grow core revenues by 2% to 5% assuming the economy does not slip into recession. We enter 2024 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 a large part of our strategic direction.

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"
Director,
Richards Packaging Inc

March 7, 2024

INDEPENDENT TRUSTEES' REPORT

For The Year Ended December 31, 2023

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 former 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 senior management 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 21% 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, 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 3.8% on the December 31st closing price of $34.65 per Unit. The payout ratio[3] based on regular distributions was 33% for the fourth quarter and 40% for the year with free cash flow[2] mainly deployed to repay debt and invest in working capital. A special dividend of 36¢ per Unit will accrue to unitholders of record on March 18th and be paid on March 26th bringing the total payout ratio to 50%. The distributions to Unitholders in 2023 were 100% eligible dividends.

"Don Wright" Chair	*"Susan Allen"* Chair – Audit Committee	*"Rami Younes"* Chair – Compensation & Corporate Governance Committee	*"Darlene Desant"* Director

March 7, 2024

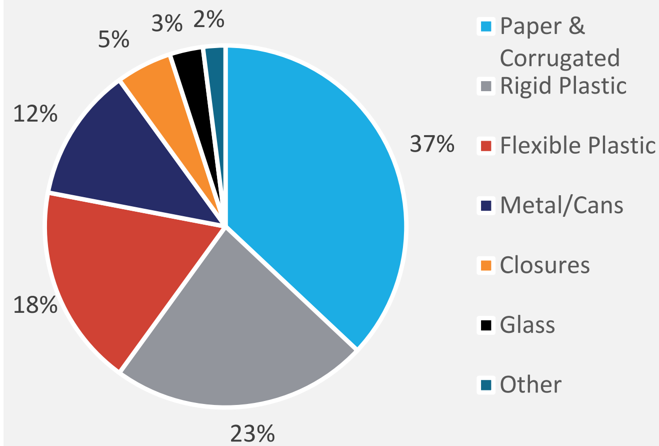
MANAGEMENT DISCUSSION & ANALYSIS

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, 2023, the annual statements for the year ended December 31, 2022, the quarterly reports for the periods ended March 31, June 30 and September 30, 2023 and the Annual Information Form dated March 7, 2024. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the 2022 annual financial statements. Certain comparative figures have been reclassified to conform to the current year presentation. Specifically, the credit card fees of $2,844 in 2022 previously presented within financial expenses have been reclassified to cost of sales.

NORTH AMERICAN PACKAGING INDUSTRY

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfil 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.

Industry Segmentation By Product Type



North American Market Size = U.S. $183B

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 2023, there were over 230 acquisitions globally, down from the 252 acquisitions in 2022 at a median multiple of 8 times Adjusted EBITDA[1] (2022 8x). During 2023, the top 12 companies reduced their spend on capital to 6% of revenue (2022 8%). 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 3%, which ensures that a disciplined approach to passing cost increases through to customers will remain in place. Clear evidence is that for the top 12 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales remains at a healthy 15% overall for 2023 (2022 15%).

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 45 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., Richards Packaging Holdings 3 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.

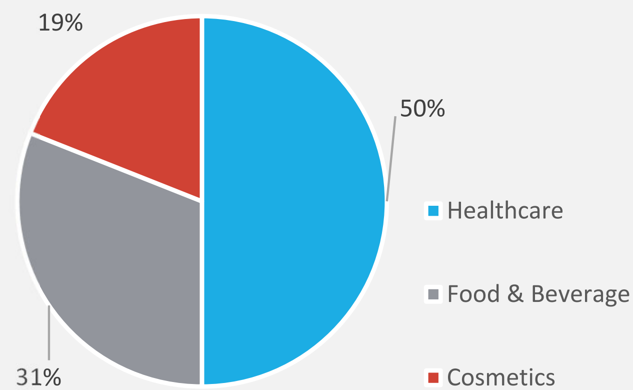
MANAGEMENT DISCUSSION & ANALYSIS

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 by management.

RICHARDS PACKAGING LOCATIONS

REVENUE CATEGORIES



Richards Packaging serves a wide customer base that is comprised of over 17,000 regional food, beverage, cosmetics, healthcare, and other enterprises. The primary source of revenue is from the distribution of over 8,000 different types of packaging containers and healthcare supplies and products sourced from over 900 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 3% of the total revenues (2022 6%). On December 31, 2022, Richards Canada sold the Rexplas manufacturing facility to a strategic supplier for $0.2 mil. who will continue to produce bottles for our needs.

The cornerstones of Richards Packaging's strategy include being:

- a leading supplier of cosmetic and nutraceutical packaging solutions,
- the largest distributor of surplus packaging,
- the largest distributor of medical, aesthetic, vision care supplies and surgical equipment,
- the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems, and
- one of the largest distributors of European and Asian glass for the specialty food and beverage markets.

Revenue growth

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2023
Cosmetics	-20.1%	-7.9%	1.7%	14.3%	**-4.7%**
Heathcare	12.9%	-0.7%	3.5%	11.2%	**6.6%**
Food, beverage & other	-15.5%	-24.2%	-24.9%	-21.1%	**-21.4%**
Exchange translation	0.6%	0.1%	-0.4%	-0.5%	**0.0%**
	-2.9%	-9.1%	-7.0%	0.7%	**-4.7%**

Cosmetics packaging decreased $3 mil., excluding the impact of translation, mainly due to an oversupply in the pumps and sprayer market during the first half of 2023.

Healthcare increased $13 mil. mainly due to capital and aesthetic lines. Capital sales increased in the fourth quarter to reflect the likely reduction in interest rates in 2024.

Food, beverage & other packaging decreased by $31 mil., excluding the impact of translation, reflecting customer and competitor overstocking and changing consumer buying patterns in the US and Canada.

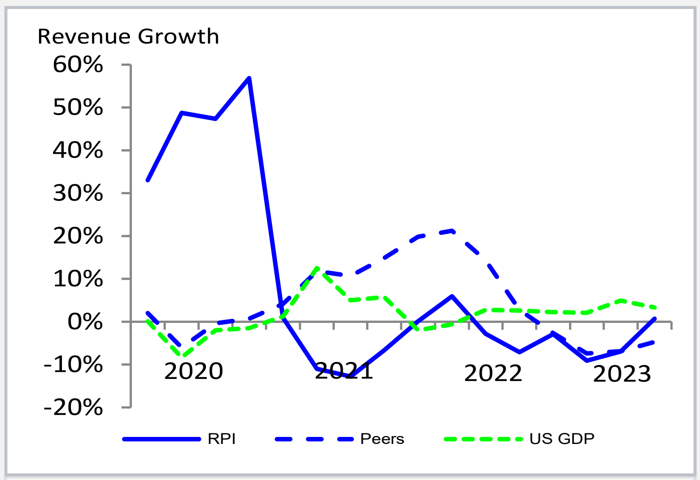
Revenue trend ($ thousands)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	2023
2022	109,981	119,735	109,039	108,141	446,896
Organic growth..........	1,987	-3,940	-3,372	2,468	-2,857
	1.8%	*-3.3%*	*-3.1%*	*2.3%*	*-0.6%*
Food & beverage lost..........	-1,709	-4,412	-1,432	-1,738	-9,291
Food & beverage inventory..........	-840	-1,826	-3,453	-2,123	-8,242
Oversupply of pumps & sprayers....	-3,276	-827	995	2,674	-434
Foreign exchange..........	690	136	-397	-574	-145
2023	**106,833**	**108,866**	**101,380**	**108,848**	**425,927**

CHANGES IN FINANCIAL MARKETS

Global economic markets, the impact of supply chain and consumer behavior following the coronavirus restrictions and the impending end to the current economic cycle reflect pressure on GDP, currency wars and divergent United States monetary policy from the rest of the first world. Policy shifts to government deficit spending and protectionism also impacted currency valuations and GDP growth.

Gross Domestic Product

In Canada, 2023 GDP grew quarterly at rates of 0.6% and 0.3% then contracted by 0.1% and grew 0.2% in the back half of the year. The United States GDP grew 2.2%, 2.1%, 4.9% and 3.3% in each of the four quarters. We outperformed GDP and our peers in 2020 on the back of coronavirus revenues and the Clarion acquisition but have lagged behind since with the exception of Q4 mainly due to the oversupply in the pumps and sprayer markets and inventory overages throughout the food and beverage supply chain. Our higher healthcare exposure helped our performance in Q4 2023.



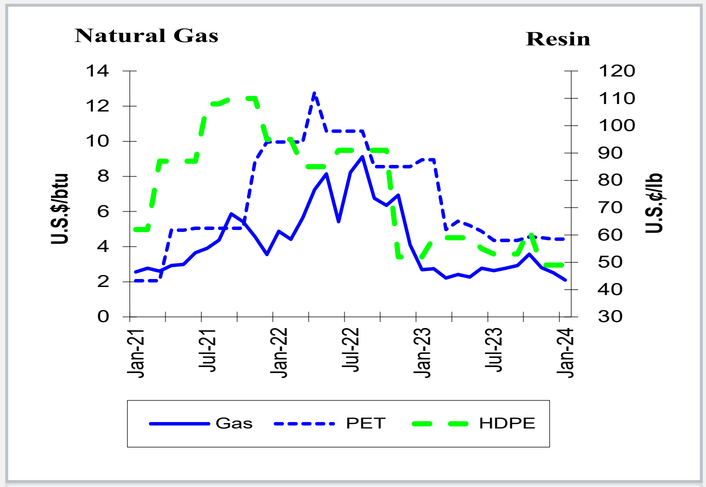
Interest Rates and Foreign Exchange

The US Federal Reserve and The Bank of Canada both have resisted interest rate decreases, given the strength of the US economy and recent inflationary pressures. Exchange rates averaged U.S./Cdn. $0.74 however a decrease in US denominated volumes has lead to a muted impact on both revenue and Adjusted EBITDA[1] in the year. Oil prices, after peaking at over $110 mid-year in 2022 fell back to opening year levels and exchange rates were between U.S./Cdn. $0.74-$0.79 for the year.

($ millions)	2021	2022	2023
INTEREST RATES	*1.2%*	*3.4%*	***6.1%***
Impact on Interest	(0.1)	1.5	1.3
F/X - U.S./Cdn.$	*0.80*	*0.77*	***0.74***
Impact on:			
Revenue	(31.5)	(0.8)	**(0.1)**
Adjusted EBITDA	(11.3)	(1.5)	**0.5**

Energy Prices

Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2023, HDPE and PET resin prices were flat after declining off their 2022 highs as natural gas, their main feedstock remained relatively flat after dropping from 2022.



FINANCIAL HIGHLIGHTS

The MD&A covers the three months ended March 31, June 30, September 30 and December 31, 2023 and 2022 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2023 and 2022 (generally referred to in this MD&A as the "year").

2023 results

- Revenue was down 4.7% due mainly to the 21.4% drop in food and beverage reflecting a shifting demand and overstocked market, and the 4.7% lower sales of pumps and sprayers due to an oversupplied market being offset by 6.6% growth in healthcare,
- Adjusted EBITDA[1] decreased $3.6 mil., at 13.6% of revenue, associated with lower revenue levels and a reduction of $1.4 mil. currency translation loss,
- Income taxes increased $0.9 mil. mainly reflecting higher withholding tax on Richards US dividends,
- Net income decreased $6.3 mil., or $0.17 per Unit, due to a lower mark-to-market gain on exchangeable shares and lower Adjusted EBITDA net of taxes,
- Assets decreased by $31.7 mil. mainly due to lower inventories of $26.5 mil. Long-term financial liabilities decreased by $47.9 mil. mainly reflecting the debt repayments utilizing cash from operations and lower working capital,
- Working capital[5] was down by $33.9 mil. mainly on lower inventory and accounts payable in line with revenue losses in food and beverage,
- Cash balance of $8.1 mil. was accumulated to cover $3.8 mil. annual bonuses and working capital needs,
- Free cash flow[2] of $22.1 mil. and working capital reduction of $33.9 mil. was mainly used to pay a $4.3 mil. special distribution, repay $47.0 mil. in debt dropping the leverage ratio by 0.8 to 0.2x,
- Distributable cash flow[2] down 47¢ to $3.26 per Unit yielding a payout ratio[3] of 40%, and
- Monthly regular distributions of 11¢ yield a 3.8% return (@$34.65/Unit Dec 31st). A special distribution of 38¢ per Unit was paid in March 2023 yielding a 4.9% return.

2022 results:

- Revenue was down 1.0% due mainly to the 2.3% unwinding of the coronavirus impact, and the 3.0% lower sales of pumps and sprayers due to an oversupplied market being offset by growth in healthcare (3.7%) and food & beverage (0.6%),
- Net income increased $43.1 mil., or $3.66 per Unit, due to $46.1 mil. lower contingent consideration for the Clarion acquisition and a mark-to-market gain on exchangeable shares ($1.5 mil.) due to a $18.36 reduction in the unit price, partially offset by lower Adjusted EBITDA[1] net of taxes ($2.9 mil.),
- Assets decreased by $7.0 mil. mainly due to lower leases of $5.3 mil. Long-term financial liabilities increased by $37.2 mil. mainly reflecting the debt for the Clarion acquisition,
- Free cash flow[2] of $27.5 mil. was mainly used to pay a $7.9 mil. special distribution, repay $7.5 mil. in debt and invest in working capital, raising the leverage ratio by 0.7 to 1.0x,
- Distributable cash flow[2] down 28¢ to $3.73 per Unit yielding a payout ratio[3] of 35%, and
- Monthly regular distributions of 11¢ yielded a 3.0% return (@$43.40/Unit Dec 31st). A special distribution of 69¢ per Unit was paid in March yielding a 4.6% return.

($ thousands)	Calendar Year		
	2023	**2022**	**2021**
Income Statement Data:			
Revenue…………………….......	**425,927**	446,896	451,438
Net income………………….….....	**38,893**	45,172	2,068
Diluted per Unit[a)] ……..........	*$3.12*	*$3.29*	*-$0.37*
Financial Position Data:			
Assets……………………..........	**318,203**	349,891	356,898
Long-term finacial liabilities……	**46,488**	94,381	57,193
Leverage[b)] ………………….	*0.2*	*1.0*	*0.3*
Cash Flow Statement Data:			
Distributions………..............	**19,411**	22,951	15,380
Diluted per Unit ……….….....	*$1.32*	*$1.32*	*$1.32*
Payout ratio[3] ………………	*41%*	*33%*	*33%*
Unit purchases………………..	—	—	16,796
Debt proceeds (repayments)….	**(47,000)**	42,000	1,000

REVIEW OF OPERATIONS

Operations were 35% in the United States (“Richards US”) and 65% in Canada (“Richards Canada”). Approximately 34% of sales are concentrated in Los Angeles, Sacramento, Memphis, Reno and Portland and 49% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by $0.7 million, or 0.7%, for the fourth quarter (2022 $8.2 million decrease), and decreased by $21.0 million, or 4.7%, for the year (2022 $4.5 million), from the same periods in 2022, respectively. During the fourth quarter, revenue increased on organic growth of $1.3 million, or 1.2%, mainly reflecting oversupply in the pumps and sprayer market clearing ($1.9 million) and $6.0 million, or 11.2%, of Healthcare capital sales deferred earlier in the year were realized partially offset by food and beverage ($6.6 million). For the year, revenue decreased on organic contraction of $20.8 mil., or 4.7%, (2022 $3.7 million) mainly due to the $30.7, or 21.4%, decrease in food & beverage caused by an oversupply of inventory at both customer and competitor.

Cost of sales (before amortization) decreased $2.6 million for the fourth quarter, or 2.9%, (2022 $4.1 million) and decreased by $16.8 million for the year, or 4.6%, (2022 $1.6 million increase) from the same periods in 2022, respectively. During the fourth quarter gross profit margins were up 2.9% (2022 2.3% down) from the same period in 2022. For the year, gross profit margins were down 0.1% (2022 1.2% down) on the lower revenues. 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.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2021**
Revenue……………………	**106,833**	109,981	**108,866**	119,735	**101,380**	109,039	**108,848**	108,141	**425,927**	446,896	451,438
Cost of sales[a]…………………	**87,464**	88,740	**89,171**	95,461	**82,573**	89,266	**86,910**	89,466	**346,118**	362,932	361,384
Gross profit	**19,369**	21,241	**19,695**	24,274	**18,807**	19,773	**21,938**	18,675	**79,809**	83,964	90,054
	18.1%	*19.3%*	*18.1%*	*20.3%*	*18.6%*	*18.1%*	*20.2%*	*17.3%*	*18.7%*	*18.8%*	*19.9%*
Administrative expenses………	**5,782**	5,433	**5,498**	5,489	**5,175**	5,470	**5,307**	4,871	**21,762**	21,263	21,158
Foreign currency loss (gain)…..	**(5)**	59	**(185)**	528	**209**	510	**77**	11	**96**	1,108	541
Adjusted EBITDA[1]	**13,592**	15,749	**14,382**	18,257	**13,423**	13,793	**16,554**	13,793	**57,951**	61,593	68,355
	12.7%	*14.3%*	*13.2%*	*15.2%*	*13.2%*	*12.6%*	*15.2%*	*12.8%*	*13.6%*	*13.8%*	*15.1%*
Lease payments………………	**(2,156)**	(2,123)	**(2,163)**	(2,094)	**(2,181)**	(2,225)	**(2,207)**	(2,251)	**(8,707)**	(8,693)	(8,101)
Amortization……………………	**2,892**	3,082	**2,907**	3,102	**2,888**	3,141	**2,959**	3,062	**11,646**	12,387	12,420
Contingent consideration………	**—**	1,631	**—**	—	**—**	—	**—**	—	—	1,631	47,700
Exceptional items…………….	**—**	—	**—**	—	**—**	—	**(729)**	385	**(729)**	385	—
Financial expenses…………….	**1,318**	619	**1,631**	952	**1,068**	1,225	**877**	1,427	**4,894**	4,224	2,720
Exchangeable shares…………	**(1,366)**	(4,593)	**(2,968)**	422	**—**	(3,158)	**1,070**	(241)	**(3,264)**	(7,570)	(6,376)
Share of loss (income) - Vision..	**(19)**	(2)	**53**	(30)	**39**	(23)	**33**	(71)	**106**	(126)	(112)
Income tax expense………….	**3,126**	3,970	**4,016**	4,445	**3,608**	3,178	**4,362**	2,590	**15,112**	14,183	18,036
Net Income	**9,797**	13,165	**10,906**	11,460	**8,001**	11,655	**10,189**	8,892	**38,893**	45,172	2,068

a) includes lease payments

Lease payments are required to adjust EBITDA[1] for bank covenant purposes.

Administrative expenses (before amortization) increased $0.4 million for the fourth quarter (2022 $0.5 million decrease) and were up $0.5 million for the year (2022 flat), over the same periods in 2022, respectively with the increases caused by inflation.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The strengthening of the Canadian dollar spot rate by 1.7¢ in the fourth quarter led to the net losses.

Adjusted EBITDA[1] increased $2.8 million for the fourth quarter (2022 $3.6 million drop) and decreased $3.6 million for the year (2022 $6.8 million), over the same periods in 2022, respectively. The increase during the fourth quarter reflected the higher margins on improved product mix. For the year, the decrease was due to lower volumes. As a percent of sales, Adjusted EBITDA was up 2.5% for the fourth quarter and 0.2% for the year (2022 1.3% down).

Amortization of $3.0 million for the fourth quarter and $11.6 million for the year includes $0.8 million for the fourth quarter and $2.4 million for the year for intangible assets, which represents charges for computer software and customer relationships. The remaining amortization amounts for the fourth quarter consisted of plant and equipment depreciation of $0.3 million for the fourth quarter and $1.7 million for the year, which is approximately two-thirds our capital spending requirement and lease amortization of $1.9 million of the fourth quarter and $7.5 million for the year.

Exceptional items represent a settlement payment for maintenance contracts transferred and pending capital sales on termination of the supply agreement between Healthmark and Becton Dickinson on October 1 ,2023.

Financial expenses were down $0.6 million for the fourth quarter and up $0.7 million for the year from the same periods in 2022 mainly due the March 31, 2022 $49.5 million borrowing for the Clarion acquisition, the $47.0 million of debt repayments in the year and higher interest rates.

For the year, taxes increased $0.9 million mainly due to the lack of a refundable dividend tax credit as decreases of $2.4 million income subject to taxes were offset by $0.9 million higher US withholding tax..

Net income for the fourth quarter was up $1.3 million and down $6.3 million for the year, which represented $0.11 and -$0.55 per Unit on a diluted basis, respectively. The main reason being the mark-to-market loss on exchangeable shares ($0.9 mil.) due to a $1.98 increase in the unit price (2022 $0.85 drop), partially offset by higher Adjusted EBITDA[1] net of taxes ($1.1 mil.).

The equity 2023 time-weighted averages were 10,955,007 Units and 463,006 exchangeable shares outstanding.

Adjusted EBITDA[1] trend

($ thousands)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
2022	15,749	18,257	13,793	13,793	61,593
(% of revenue)	*14.3%*	*15.2%*	*12.6%*	*12.8%*	*13.8%*
Organic growth…………...	497	(985)	(1,816)	617	(1,687)
Product mix…...................	(2,062)	(2,964)	1,186	1,953	(1,886)
Fixed cost….......................	(504)	—	—	—	(504)
Foreign exchange…...........	(88)	74	259	190	435
2023	**13,592**	**14,382**	**13,423**	**16,554**	**57,951**
(% of revenue)	*12.7%*	*13.2%*	*13.2%*	*15.2%*	*13.6%*

DISTRIBUTABLE CASH FLOW

($ thousands)	Qtr. 1 2023	Qtr. 1 2022	Qtr. 2 2023	Qtr. 2 2022	Qtr. 3 2023	Qtr. 3 2022	Qtr. 4 2023	Qtr. 4 2022	Calendar Year 2023	Calendar Year 2022	Calendar Year 2021
Cash provided by											
operating activities………	**20,829**	5,595	**18,866**	10,395	**20,548**	3,158	**22,945**	21,159	**83,188**	40,308	53,987
Leases……………................	**(2,156)**	(2,123)	**(2,163)**	(2,094)	**(2,181)**	(2,225)	**(1,847)**	(1,866)	**(8,347)**	(8,308)	(7,835)
Exceptional items………….....	**—**	—	**—**	—	**—**	—	**(729)**	385	**(729)**	385	—
Dividends - Vision…………	**—**	—	**—**	—	**—**	—	**—**	(90)	**—**	(90)	(90)
Working capital[5]………………	**(9,782)**	8,812	**(9,013)**	4,724	**(8,355)**	10,263	**(6,749)**	(8,393)	**(33,899)**	15,406	4,643
Income tax payments…………	**4,701**	3,465	**6,692**	5,232	**3,411**	2,597	**2,934**	2,598	**17,738**	13,892	17,650
Adjusted EBITDA[1]	**13,592**	15,749	**14,382**	18,257	**13,423**	13,793	**16,554**	13,793	**57,951**	61,593	68,355
Interest [a)] ….........................	**920**	205	**802**	482	**633**	788	**666**	997	**3,021**	2,473	475
Dividends - Vision…………..	**—**	—	**—**	—	**—**	—	**—**	(90)	**—**	(90)	(90)
Current income tax…………	**3,239**	4,176	**4,020**	4,624	**3,784**	3,412	**3,980**	2,867	**15,023**	15,079	18,985
Maintenance capital…………	**1,115**	310	**786**	275	**273**	308	**540**	624	**2,714**	1,517	2,362
Distributable cash flow[2]	**8,318**	11,058	**8,774**	12,876	**8,733**	9,285	**11,368**	9,395	**37,193**	42,614	46,623
Diluted per Unit	*$0.73*	*$0.97*	*$0.77*	*$1.15*	*$0.76*	*$0.79*	*$1.00*	*$0.82*	*$3.26*	*$3.73*	*$4.01*
Regular distributions….	**3,769**	3,771	**3,768**	3,768	**3,766**	3,765	**3,769**	3,769	**15,072**	15,073	15,380
Diluted per Unit	*33.1¢*	*33.1¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*$1.32*	*$1.32*	*$1.32*
Payout ratio[3]	*45%*	*34%*	*43%*	*29%*	*43%*	*42%*	*33%*	*40%*	*41%*	*35%*	*33%*
Free cash flow[2]	**4,549**	7,287	**5,006**	9,108	**4,967**	5,520	**7,599**	5,626	**22,121**	27,541	31,243
Special distribution	**4,339**	7,878							**4,339**	7,878	
Diluted per Unit …….	*38.0¢*	*69.0¢*							*38.0¢*	*69.0¢*	
Total Payout ratio[3] …….	*97%*	*105%*							*52%*	*54%*	
Units outstanding *(average)*											
Diluted basis 000's ………	**11,418**	11,418	**11,418**	11,418	**11,418**	11,418	**11,418**	11,418	**11,418**	11,418	11,693

a) *financial expenses less interest on leases and bank refinancing fees*

The distributable cash flow[2] definition for banking capital[5] purposes excludes changes in working capital[5] and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by our $65.0 million revolving facility currently $18.0 million drawn (2022 $53.0 million drawn) or free cash flow.

Distributable cash flow[2] for the fourth quarter increased $2.0 million in comparison to the same period in 2022 due to higher Adjusted EBITDA[1] of $2.8 million and $0.3 million lower interest partially offset by higher income tax of $1.1 million. For the year, distributable cash flow decreased $5.4 million with lower Adjusted EBITDA of $3.6 million and $0.5 million higher interest being partially offset by $1.2 million higher maintenance capital half for computer software and half for evaluation and rental equipment at Clarion..

The monthly distribution of 11¢ per Unit represents an annual yield of 3.8% on a $34.65 price per Unit at December 31, 2023 and a payout ratio[3] of 40% (2022 35%). Unitholder distributions and the exchangeable shareholders' dividends will be 100% eligible dividends for tax purposes.

LIQUIDITY AND FINANCING

Cash flows from operating activities

Cash flows from operating activities increased for the fourth quarter by $1.8 million and for the year by $42.9 million over the same period in 2022. During the fourth quarter, the increase in profit from operations of $4.0 million was partially offset by $1.6 million less from working capital[5]. The changes in working capital were mainly due to a decrease in inventory of $8.2 million and prepaid expenses of $0.7 million and higher accounts payable of $3.5 million with accounts receivable increasing $5.7 million. For the year, the $33.9 million decrease in working capital was partially offset by the lack of contingent consideration of $1.6 million and the higher tax payments of $3.8 million. The changes in working capital include decreases in accounts receivable ($2.8 million), inventory ($25.6 million), prepaid expenses ($0.7 million) and higher accounts payable ($4.8 million).

Free cash flow deployment

Regular and special distributions paid during the year were $15.1 million and $4.3 million respectively. The sales contraction in 2023 due to market supply disruptions allowed for significant reductions in working capital. Debt repayment from free cash flow and working capital reductions in 2023 was $47.0 (2022 $7.5 million). Debt in 2022 reflects $49.5 million borrowed for the Clarion acquisition offset by $7.5 million repayments from free cash flow.

($ millions)	2021	2022	2023
Free Cash Flow	31.2	27.5	**22.2**
Cash	-0.3	-3.3	**4.7**
Working capital[5]	4.6	15.4	**-33.9**
Clarion acquisition	9.1	49.5	**0.0**
Unit Buyback/Special	16.8	7.9	**4.3**
Debt repayment (proceeds)	1.0	-42.0	**47.0**

Normal Course Issuer Bid

On March 14, 2021, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2022, of which 275,000 Units were purchased during the bid period at an average purchase price of $61.08 per unit.

Current income taxes

The current income tax expense for the year was $15.0 million (2022 $15.1 million) which includes $1.7 million for withholding taxes. The 2022 year included a $1.5 million recovery for refundable dividend tax partially offset by $0.7 million of Unit redemption cost in excess of paid-up capital and $0.8 million for withholding taxes.

Capital expenditures

During the 2022 year, $49.5 mil. contingent consideration was paid for the Clarion acquisition.

Capital expenditures for the year were $2.7 million (2022 $1.5 million), all on account of maintenance capital and were mainly comprised of computer software ($1.2 million), the refurbishment of moulds ($0.3 million) and warehouse equipment ($0.9 million) including $0.3 million for each of evaluation and rental equipment at Clarion.

Financing activities and instruments

Free cash flow for the year was mainly used to fund the special distribution, invest in working capital[5] and pay down debt. Lower leverage continues to keep bank margining down and provide financing flexibility for our ongoing acquisition program. Remaining free cash flow was also used to fund working capital to combat supply disruptions.

On June 30, 2023, the credit facilities were modified to create one $65.0 million revolving credit facility of which $18.0 million was drawn [2022 $53.0 million] and is available for working capital and future acquisitions, The facility bears interest at the bankers' acceptance borrowing rate plus a margin of 1.25% to 2.00%, an increase of 0.30%, with maturity to June 30, 2027 and any unused portion bears a standby fee of 20% of the margin.

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, 2023, our leverage ratio was 0.2x (2022 1.0x). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

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. The obligation to previous shareholders of $1.0 mil. is on demand. Lease obligations include $4.4 mil. of interest that will be recognized over the lease terms.

($ millions)	Total	< 1 yr.	< 3 yrs.	< 5 yrs.	Beyond
Bank debt	18.0		18.0		
Exchangeable shares	15.9	15.9			
Previous shareholder	1.0	1.0			
Annual bonus plans	3.8	3.8			
Lease obligations [a)]	39.5	8.5	14.3	12.2	4.5
	78.2	29.2	32.3	12.2	4.5

[a)] *Lease obligations represents the gross payments including renewal options*

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 2024.

January and February revenue was down 4% as the drag from the oversupply in the food and beverage market and the loss of the Becton Dickinson contract in Healthmark are partially offset by growth in Healthcare and Cosmetics. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.6 mil. and to Adjusted EBITDA[1] is $0.07 mil.

At the current price of $33.50/Unit the mark-to-market gain on exchangeable units would be $0.5 mil. The sensitivity for every $1 movement in unit price is $0.46 mil.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $2.5 mil. in 2024 with continued investment in computer software. Expansion capital is expected to be in the order of $1 mil. 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 eligible dividends to be paid to Unitholders in 2024. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.05 mil. for every U.S./Cdn. 1¢ movement. For 2024, surplus distributable cash is expected to be deployed to pay down debt.

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, logistics disruptions, cybersecurity, 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 2023 Annual Information Form dated March 7, 2024.

TRANSACTIONS WITH RELATED PARTIES

Three facilities were leased in 2023 from Tim McKernan, a resident of Nevada, USA who ceased to be an officer of Richards Packaging in May 2023. One facility was leased from Thomas McPherson, a resident of Cambridge, Canada. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by the spouse of the late Tom 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 7, 2024, the Fund had 10,955,007 Units and Holdings had 463,006 exchangeable shares outstanding, respectively. See note 16 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, 2023 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Expected Credit Losses

Expected credit losses are 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, historical collection experience and forward-looking information. Based on this review, management believes the expected credit losses as at December 31, 2023 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 $2.8 million recognition of expense through inventory write down for the year (2022 $0.9 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2023.

Intangible Assets

Intangible assets have been recognized in connection with various acquisitions valued at $13.1 million as of December 31, 2023 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 $3.7 million future income tax liability as at December 31, 2023 will be amortized to income over 10 to 15 years from the dates of acquisition. In addition, trademark intangible assets of $11.6 million and an associated $3.0 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 $34.65 as at December 31, 2023 (2022 $43.40), which supports 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 3% per annum respectively. Overall, the carrying value of goodwill continues to be supported by the fair value of the Fund.

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 President, acting in the capacity as 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, 2023 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, 2023 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.

CAUTIONARY STATEMENT

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

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1. *Management defines Adjusted EBITDA as net income before amortization excluding leases, contingent consideration, 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 11. 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 interest excluding leases, 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.sedarplus.ca. 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.*

5. *Management defines working capital to be current assets (less cash) less current liabilities (less income tax payable, due to previous shareholders and exchangeable shares). The objective of utilizing this definition is to improve the understanding of activities within the cash flow statement.*

AUDIT COMMITTEE'S REPORT

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 7, 2024.

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"
Chair – Audit Committee

"Enzio Di Gennaro"
Chief Financial Officer,
Richards Packaging Inc.

Toronto, Ontario
March 7, 2024

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 Fund) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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

- the consolidated statements of net income and comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 Fund 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
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Key audit matter	How our audit addressed the key audit matter
Valuation of Inventory *Refer to note 2 – Material accounting policy information, note 5 – Expenses by nature, note 9 – Inventory and note 19 – Financial instruments to the consolidated financial statements.* As at December 31, 2023, the Fund held inventory of $71.3 million, net of inventory provisions for slow moving inventory of $10.2 million. The Fund's inventory is valued at the lower of cost and net realizable value. Management applies significant judgment and makes assumptions in estimating its slow moving inventory provisions and in determining the net realizable value of inventory based on the consideration of a variety of factors, including aging, recent sales and market demand. We considered this a key audit matter due to the magnitude of the inventory balance, the audit effort involved in testing the inventory balance and the significant judgment by management in determining the slow moving inventory provisions.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the slow moving inventory provisions in determining the net realizable value of inventory, which included the following: – Tested the data used by management in determining the inventory provisions and recalculated the mathematical accuracy of the inventory provisions. – Evaluated the appropriateness of the Fund's inventory provisioning method. – Evaluated the reasonableness of assumptions based on the factors used by management, including aging, recent sales and market demand, by: o considering the appropriateness of the aging of inventory balances by testing a sample of inventory items to purchase invoices; o assessing recent sales and market demand by reviewing a sample of sales invoices for transactions that occurred during the year and subsequent to year-end; and o discussing with management, including inventory personnel, to understand and corroborate the assumptions made by management in determining the inventory provisions. • Tested that inventory at year-end was recorded at the lower of cost and net realizable value by comparing a sample of inventory items to their most recent sales price as applicable.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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 Fund 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 7, 2024

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands, unless otherwise noted	Notes	2023	2022
Revenue	*4*	**425,927**	446,896
Cost of sales	*5*	**347,820**	367,645
Gross profit		**78,107**	79,251
Administrative expenses	*5*	**22,366**	21,737
Contingent consideration revaluation	*3*	**—**	1,631
Profit from operations		**55,741**	55,883
Financial expenses	*15*	**4,894**	4,224
Exchangeable shares	*16*		
Mark-to-market gain		**(4,051)**	(8,501)
Distributions		**787**	931
Share of loss (income) - Vision	*18*	**106**	(126)
Income tax expense (income)	*6*		
Current taxes		**15,023**	15,132
Deferred taxes		**89**	(949)
		15,112	14,183
Net income		**38,893**	45,172
Basic income per Unit	*16*	***$3.55***	*$4.12*
Diluted income per Unit	*16*	***$3.12***	*$3.29*
Other comprehensive (loss) income *(subsequently recyclable to Net income)*			
Currency translation adjustment - Richards US		**(1,621)**	7,515
Comprehensive income		**37,272**	52,687

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

STATEMENT OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2023	2022
ASSETS			
Current Assets			
Cash	*7*	**8,116**	5,445
Accounts receivable	*8*	**54,184**	57,334
Inventory	*9*	**71,280**	97,770
Prepaid expenses and deposits	*10*	**9,008**	9,977
		142,588	170,526
Long-term Assets			
Leases	*12*	**31,650**	32,733
Plant and equipment	*13*	**4,638**	4,970
Investment - Vision	*18*	**619**	725
Intangible assets	*14*	**26,515**	27,754
Goodwill	*14*	**112,193**	113,183
		175,615	179,365
		318,203	349,891
LIABILITIES & EQUITY			
Current Liabilities			
Accounts payable and accruals	*11*	**67,741**	63,464
Income tax (receivable) payable		**(577)**	2,138
Distributions payable	*16*	**1,256**	1,256
Due to previous shareholders	*3*	**1,042**	1,068
Exchangeable shares	*16*	**15,870**	19,921
		85,332	87,847
Long-term Liabilities			
Revolving and term debt	*15*	**18,022**	64,817
Lease obligations	*11,12*	**28,466**	29,564
Deferred income taxes	*6*	**6,235**	6,163
		52,723	100,544
Equity			
Unitholders' capital	*16*	**—**	—
Retained earnings		**163,304**	143,035
Accumulated other comprehensive income		**16,844**	18,465
		180,148	161,500
		318,203	349,891
Contingencies	*20*		

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

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	Notes	Unitholders' capital	Retained earnings	AOCI[a)]	Equity
December 31, 2021		—	119,883	10,950	130,833
Comprehensive income			45,172	7,515	52,687
Distributions	*16*		(22,020)		(22,020)
December 31, 2022		—	**143,035**	**18,465**	**161,500**
Comprehensive income (loss)			**38,893**	**(1,621)**	**37,272**
Distributions	*16*		**(18,624)**		**(18,624)**
December 31, 2023		—	**163,304**	**16,844**	**180,148**

a) AOCI - Accumulated other comprehensive income reflects the cumulative translation adjustment of Richards US.

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

STATEMENT OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	Notes	2023	2022
OPERATING ACTIVITIES			
Profit from operations		**55,741**	55,883
Add items not involving cash			
Plant, equipment & lease depreciation	*12,13*	**9,264**	9,701
Gain on leases	*12*	**(360)**	(385)
Intangible assets amortization	*14*	**2,382**	2,686
Contingent consideration revaluation	*3*	**—**	1,631
Income tax payments		**(17,738)**	(13,891)
Dividends - Vision	*18*	**—**	90
Changes in working capital	*21*	**33,899**	(15,407)
Cash provided by operating activities		**83,188**	40,308
INVESTING ACTIVITIES			
Due to previous shareholders	*3*	**—**	(49,533)
Additions to plant and equipment	*13*	**(1,482)**	(856)
Additions to computer software	*14*	**(1,231)**	(662)
Cash used in investing activities		**(2,713)**	(51,051)
FINANCING ACTIVITIES			
Proceeds from debt for acquisition	*3,15*	**—**	53,000
Repayment of revolving & term debt	*15*	**(47,000)**	(11,000)
Lease payments	*12,15*	**(8,707)**	(8,693)
Financial expenses paid (excluding leases)	*15*	**(3,060)**	(2,758)
Distributions paid to Exchangeable Shareholders	*16*	**(787)**	(931)
Distributions paid to Unitholders	*16*	**(18,624)**	(22,020)
Cash (used in) provided by financing activities		**(78,178)**	7,598
NET CASH FLOW		**2,297**	(3,145)
Cash, beginning of year	*7*	**5,445**	8,420
Foreign exchange effect		**374**	170
Cash, end of year	*7*	**8,116**	5,445

The accompanying notes are an integral part of these 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. MATERIAL ACCOUNTING POLICY INFORMATION

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

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation. Specifically, the credit card fees of $2,844 previously presented within financial expenses have been reclassified to cost of sales on the statement of net income and comprehensive income, impacting profit from operations and financial expenses paid (excluding leases) within the statement of cash flows.

Principles of consolidation

The financial statements include the accounts of the Fund and its investments, Richards Packaging Holdings Inc. and Richards Packaging Holdings 3 Inc. ["Richards Canada"], 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., Clarion Medical Technologies Inc. ["Clarion"] and its wholly owned subsidiaries 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. ["McKernan"]. 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 in Richards Canada 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. Upon any future sale of Richards US, the cumulative translation gain 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 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 expected credit losses, reserve for slow moving inventory, our view of one reporting segment and the testing for impairment of goodwill, intangibles and trademarks are accounting estimates that involve significant 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 and warranty service plans 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.

Income taxes

Income taxes are accounted for utilizing the liability method, 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 except at McKernan where weighted average is used. 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.

Leases

Leases are treated as “right of use assets” which requires that the present value of lease payments be recognized utilizing Richards Packaging’s incremental borrowing rate as the discount rate. Leased assets are depreciated on a straight-line basis over the expected terms of the leases. Lease payments reduce lease obligations after adjusting for implied financial expenses 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. Short term leases continue to be treated as operating in nature.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

Plant and equipment

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

Manufacturing equipment	straight-line over 7 years
Moulds	straight-line over 4 years
Computer equipment	30% diminishing balance
Warehouse and office equipment	20% - 33.3% diminishing balance
Leasehold improvements	straight-line over lease term

Business combinations, Intangible assets and Goodwill

The purchase method of accounting is utilized at the date of an acquisition whereby all identifiable assets and liabilities are recorded at their fair values. 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 valued using the multi-period excess earnings method and are amortized over 10 to 15 years and computer systems software is amortized over 5 years. Trademarks are valued using the relief from royalty method and have indefinite lives therefore are not amortized. These methods require the use of discounted cash flow models. 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. When performing the goodwill impairment assessment, management assesses this on an overall level as a result of there being only one operating segment identified. 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 annually.

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 16]. Mark-to-market changes in value along with distributions are expensed during the year.

3. ACQUISITION & DUE TO PREVIOUS SHAREHOLDERS

Included in due to previous shareholders is a U.S.$788 non-interest bearing demand loan. Contingent consideration associated with the Clarion acquisition of $49,533 was paid on March 31, 2022.

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 determined based on the country of sales origination. No customer represents more than 5% of total revenue.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

	Canada		United States	
	2023	**2022**	**2023**	**2022**
By geography				
Revenue	**275,456**	276,634	**150,471**	170,262
Long-term assets	**100,241**	105,130	**75,374**	74,235

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

	2023	**2022**
Revenue by end market		
Cosmetics	**83,591**	84,186
Healthcare[a)]	**211,588**	198,550
Food, beverage and other	**130,748**	164,160
	425,927	446,896

a) Healthcare includes $11,901 [2022 $11,232] of revenue recognized over time from the sale of maintenance & warranty service plans and $42,431 [2022 $38,828] sales of capital goods.

5. EXPENSES BY NATURE

	2023	**2022**
Salaries and wages	**35,531**	34,914
Benefits	**7,866**	7,397
Bonuses	**4,245**	5,012
Long-term incentive plan	**220**	30
Employee compensation	**47,862**	47,353
Inventory sold and services provided	**262,382**	278,099
Inventory provisions	**2,854**	925
Selling, distribution and other costs	**41,115**	45,196
Depreciation and amortization	**11,646**	12,387
Credit card fees	**3,129**	2,844
Lease expenses	**1,102**	1,470
Foreign currency (gain) loss	**96**	1,108
Cost of sales and administrative expenses	**370,186**	389,382

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 2021. Total salaries and benefits for executive officers was $987 [2022 – $831]. Trustee/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, are accrued at $545 [2022 – $383] and can be redeemed only when the DSU plan participant ceases to serve.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

6. INCOME TAXES

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

	2023	2022
Profit from operations	**55,741**	55,883
Financial expenses	**(4,894)**	(4,224)
Contingent consideration revaluation	—	1,631
Income subject to income taxes	**50,847**	53,290
Statutory tax rate	*26.3%*	*26.4%*
Income tax expense at statutory tax rate	**13,371**	14,051
Deferred income taxes	**(89)**	949
Current period adjustments		
Refundable dividend tax	—	(1,529)
Unit redemption in excess of paid up capital	—	737
Foreign rate differential	**6**	86
Withholding tax	**1,669**	802
Other items	**66**	36
Current income taxes	**15,023**	15,132

Unremitted earnings in Richards US as of December 31, 2023 of US$42,100 is permanently reinvested and therefore the associated withholding tax is not recognized.

	2023	expense/ (income)	additions/ f/x[b)]	2022	expense/ (income)	additions/ f/x[b)]	2021
Deferred tax liabilities							
Customer relationships[a)]	**3,696**	**(504)**	**0**	4,200	(708)	10	4,897
Patents and trademarks[a)]	**2,961**	—	**(27)**	2,988	—	74	2,914
Plant and equipment	**1,427**	**298**	**(21)**	1,150	(136)	67	1,219
Other	**(74)**	**(75)**	—	1	(3)	—	5
Deferred tax assets							
Loss carryforward for tax	—	—	—	—	—	—	—
Leases	**(975)**	**33**	**17**	(1,025)	(70)	(44)	(911)
Working capital	**(800)**	**337**	**14**	(1,151)	(32)	(46)	(1,073)
	6,235	**89**	**(17)**	6,163	(949)	61	7,051

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

b) f/x = foreign exchange differences

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

7. CASH

	2023	2022
Cash at bank[a)]	**9,694**	7,749
Issued and outstanding cheques	**(1,578)**	(2,304)
	8,116	5,445

a) represents cash clearing accounts at various branches which are netted on an overall basis

8. ACCOUNTS RECEIVABLE

	2023 $	Expected Loss %	2022 $	Expected Loss %
Current	**33,541**	***0.1%***	35,861	*0.1%*
31 – 60 days past due	**14,484**	***0.1%***	14,476	*0.2%*
61 – 90 days past due	**2,676**	***0.1%***	1,268	*1.2%*
Over 90 days past due	**4,676**	***28.7%***	6,399	*35.6%*
Trade receivables	**55,377**	***2.5%***	58,004	*4.1%*
Expected credit losses[a)]	**(1,388)**		(2,367)	
Supplier rebates	**195**		1,697	
	54,184		57,334	

a) Management reassessed expected credit losses and recognized new provisions of $33 [2022 – $578] and wrote off $1,011 [2022 – $135]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

9. INVENTORY

	2023	2022
Goods purchased for resale	**76,551**	103,138
Goods in transit	**3,713**	2,762
Manufacturing raw materials	**484**	729
Manufactured finished goods	**701**	1,361
Reserve for slow moving inventory[a)]	**(10,169)**	(10,220)
	71,280	97,770

a) Management recorded a reserve for slow moving inventory of $2,854 [2022 – $925], and recognized write-offs of $1,360 [2022 – $1,397]. In addition, $1,545 was written down to net realizable value. The remaining non-cash change in inventory provision reflects foreign exchange differences.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

10. PREPAID EXPENSES AND DEPOSITS

	2023	2022
Deposits for commitment to purchase goods	**3,671**	3,999
Deferred costs on maintenance contracts	**1,448**	1,915
Deposits for trade shows, moulds and computer software	**1,835**	1,648
Rent	**848**	1,068
Bank interest	**99**	311
Other deposits	**1,107**	1,036
	9,008	9,977

11. ACCOUNTS PAYABLE AND ACCRUALS

	2023	2022
Trade payables	**43,470**	38,756
Customer rebates	**1,323**	1,437
Staffing expenses[a)]	**7,931**	8,361
Professional fees	**1,070**	917
Sales tax	**1,521**	1,432
Deferred revenue on maintenance contracts	**3,376**	3,662
Lease obligations - current portion	**6,687**	6,849
Other payables	**2,363**	2,050
	67,741	63,464

a) Management bonuses of $3,755 [2022 - $4,451] included in staffing expenses were fully paid subsequent to year end.

Included in Trade payables is $450 [2022 – $245] associated with payables to Vision [note 18].

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

12. LEASES AND LEASE OBLIGATIONS

	Property	Computer equipment	Warehouse & office	Leases	Lease Obligations
December 31, 2021					
Current portion					6,832
Leases and lease obligation	37,799	5	252	38,056	34,505
Additions/acquisitions	1,660	—	—	1,660	1,352
Terminations	(699)	—	—	(699)	(776)
Amortization	(7,546)	(5)	(111)	(7,662)	
Payments, excluding interest					(7,071)
Foreign exchange differences	1,378	—	—	1,378	1,571
December 31, 2022					
Carrying value	61,235	11	519	61,765	
Accumulated amortization	(28,643)	(11)	(378)	(29,032)	
Current portion					6,849
Leases and lease obligation	32,592	—	141	32,733	29,564
Additions/modifications	**6,817**	—	—	**6,817**	**6,457**
Amortization	**(7,405)**	—	**(110)**	**(7,515)**	
Payments, excluding interest					**(7,272)**
Foreign exchange differences	**(493)**	—	—	**(493)**	**(445)**
December 31, 2023					
Carrying value	**67,559**	**11**	**519**	**68,089**	
Accumulated amortization	**(36,048)**	**(11)**	**(488)**	**(36,547)**	
Current portion					**6,687**
Leases and lease obligation	**31,511**	—	**139**	**31,542**	**28,466**

The timing of when lease payments come due are as follows:

	2024	2025	2026	2027	2028	beyond
Gross lease payments	8,521	7,184	7,150	6,775	5,382	4,492

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

13. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
December 31, 2021						
Carrying value	2,115	3,555	2,340	985	1,636	10,631
Accumulated Depreciation	(1,430)	(2,328)	(546)	(258)	(76)	(4,638)
Net book value	685	1,227	1,794	727	1,560	5,993
Additions	248	137	481	57	61	984
Fully depreciated assets	(128)	—	(9)	—	—	(137)
Depreciation	(225)	(980)	(314)	(90)	(430)	(2,039)
Foreign exchange differences	(81)	89	(6)	25	5	32
December 31, 2022						
Carrying value	2,154	3,781	2,806	1,067	1,702	11,510
Accumulated Depreciation	(1,527)	(3,308)	(851)	(348)	(506)	(6,540)
Net book value	627	473	1,955	719	1,196	4,970
Additions	**34**	**256**	**875**	**259**	**58**	**1,482**
Fully depreciated assets	**—**	**(782)**	**—**	**—**	**—**	**(782)**
Depreciation	**(220)**	**(454)**	**(464)**	**(198)**	**(413)**	**(1,749)**
Foreign exchange differences	**(38)**	**—**	**(21)**	**(6)**	**—**	**(65)**
December 31, 2023						
Carrying value	**2,150**	**3,255**	**3,660**	**1,320**	**1,760**	**12,145**
Accumulated Depreciation	**(1,747)**	**(2,980)**	**(1,315)**	**(546)**	**(919)**	**(7,507)**
Net book value	**403**	**275**	**2,345**	**774**	**841**	**4,638**

Warehouse & office includes evaluation and service loaner equipment at Clarion.

14. 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 their 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 13.0% [2022 – 10.6%]. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 3.5% [2022 – 3.0%]. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

	Customer relationships	Trade-marks	Computer software	Intangible assets	Goodwill
December 31, 2021					
Carrying value	36,871	11,333	1,130	49,334	110,485
Accumulated amortization	(19,330)		(515)	(19,845)	
Net book value	17,541	11,333	615	29,489	110,485
Amortization	(2,574)		(112)	(2,686)	
Additions	—	—	662	662	—
Fully amortized intangibles	(13,002)		—	(13,002)	
Foreign exchange differences	12	260	17	289	2,698
December 31, 2022					
Carrying value	24,700	11,593	1,809	38,102	113,183
Accumulated amortization	(9,721)		(627)	(10,348)	
Net book value	14,979	11,593	1,182	27,754	113,183
Amortization	**(1,885)**		**(497)**	**(2,382)**	
Additions	—	—	**1,231**	**1,231**	—
Foreign exchange differences	—	**(95)**	**7**	**(88)**	**(990)**
December 31, 2023					
Carrying value	**24,700**	**11,498**	**3,047**	**39,245**	**112,193**
Accumulated amortization	**(11,606)**		**(1,124)**	**(12,730)**	
Net book value	**13,094**	**11,498**	**1,923**	**26,515**	**112,193**

15. REVOLVING AND TERM DEBT

Richards Packaging has available revolving debt credit facilities. On June 30, 2023, the credit facilities were amended to create one $65.0 million revolving credit facility at a cost of $198 and is available for working capital and future acquisitions. The facility bears interest at the bankers' acceptance borrowing rate plus a margin of 1.25% to 2.00%, [from 0.95% to 1.70%], with maturity to June 30, 2027 and any unused portion bears a standby fee of 20% of the margin. The effective interest rate at December 31, 2023 was 6.1 % [2022 – 3.4%]. Voluntary repayments of debt of $47,000 [2022 – $11,000] were made during the year ended December 31, 2023. The revolving credit facility of $65,000 [2022 – $65,000] was $18,000 drawn at December 31, 2023 [2022 – $53,000].

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

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

	2023	2022
Interest expense	**2,632**	2,193
Credit facility charges	**389**	280
Amortization of deferred financing fees	**438**	129
Lease obligation interest	**1,435**	1,622
	4,894	4,224

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 17].

16. UNITS AND EXCHANGEABLE SHARES

Number outstanding	Units basic	Weighted average	Exchangeable shares	Units diluted	Weighted average
December 31, 2021	10,955,007	11,165,774	463,006	11,418,013	11,628,780
December 31, 2022	10,955,007	10,955,007	463,006	11,418,013	11,418,013
December 31, 2023	**10,955,007**	**10,955,007**	**463,006**	**11,418,013**	**11,418,013**

Exchangeable shares mark-to-market gain reflects a unit price decrease during the year ended December 31, 2023 of $8.75 [2022– $18.36] to $34.65 per Unit.

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.

Unitholders' capital

The components of Unitholders' capital included unit capital and contributed surplus which was returned to unitholders and fully deployed to purchase units for cancellation and.

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. 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. 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 of 11¢ per Unit were paid in 2023 at $1,205 with a special distribution of 38¢ paid in March 2023 [69¢ March 2022].

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 2023 were $51 with a special distribution of $176 paid in March 2023.[2022 $319].

17. 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, 2023 was 0.22 [2022 – 0.97]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times at 4.2 [2022 – 4.8]. The minimum net worth covenant was $70,000 and the net worth was $196,018 [2022 – $181,421].

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, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

18. RELATED PARTY TRANSACTIONS AND INVESTMENT - VISION

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

	2023	2022
Leases of facilities from entities related to certain officers	**686**	1,282
Product purchases from Vision	**7,014**	8,241

Richards Packaging commitments for leases of facilities from entities related to officers of $0.2 million extend to 2024. Facilities in Streator and Reno were leased from Mr. McKernan who ceased to be an officer in 2023.

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:

	2023	2022		2023	2022
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,487**	1,962	Current liabilities	**574**	883
Plant and equipment	**324**	371			
Total assets	**1,811**	2,333	**Net assets**	**1,237**	1,450
Statement of net income					
Revenue				**7,014**	8,241
Expenses				**7,227**	7,988
Net (loss) income				**(213)**	253

The decrease of $106 [2022 – $36 increase] in Investment – Vision represents share of net loss of $106 [2022 – $126 income] decreased by dividends received of nil [2022 – $90].

19. FINANCIAL INSTRUMENTS

Fair value

Cash, accounts receivable, accounts payable and accruals, distributions payable and due to previous shareholders are all short term in nature and are measured at amortized cost, however, their carrying values approximate fair values with no amortization necessary. Revolving 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, 2023 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 expected credit losses is reviewed by management. The expected credit losses as at December 31, 2023 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, 2023 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, 20]. 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 $343.

Foreign currency risk

Exposure to U.S. and Euro currency fluctuations arises on cross-border transactions and on the translation of cash flows of Richards US. A foreign currency gain of $278 has been recorded for the year ended December 31, 2023 [2022 – $1,108 loss] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $148.

20. 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.

December 31, 2023 and 2022 [Cdn$ thousands unless otherwise noted]

21. ADDITIONAL CASH FLOW INFORMATION

The change in working capital excludes cash, income taxes payable, due to previous shareholders and exchangeable shares but consists of the following:

	2023	2022
Accounts receivable	**2,816**	(5,686)
Inventory	**25,586**	6,934
Prepaid expenses and deposits	**718**	3,355
Accounts payable and accruals	**4,779**	(20,010)
	33,899	(15,407)

For the year ended December 31, 2023, the foreign exchange translation loss excluded from the above was $928 [2022 – $4,485 gain].

UNITHOLDER INFORMATION

Management team

John Glynn
President

Enzio Di Gennaro
Chief financial officer

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Toronto Stock Exchange listing

Symbol: RPI.UN

Investor information

Investor information is available at www.richardspackaging.com, SEDAR+ at www.sedarplus.ca and TSX at www.tmx.com

Annual meeting

Thursday May 2, 2024 at 10:00 a.m.
Brookfield Place
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3