

***Q1* QUARTERLY REPORT**

Richards Packaging Income Fund

Quarter ended March 31, 2018

Report Contents

CEO's report to Unitholders	1
Management's discussion and analysis	2
Financial statements	10
Notes to financial statements	14



Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2018

Richards Packaging has been providing packaging solutions to small-and medium-sized North American businesses since 1912. Over this period Richards Packaging has developed into the leading packaging distributor in Canada, and the third largest in North America, with one of the most diverse product and service offerings available to product marketers.

We continued to strengthen our mix of business to keep EBITDA¹ above 14%, paid down debt and built up our cash reserves while navigating through the turmoil created by trade war rhetoric and inconsistent taxation and monetary policies in Canada and the US. First quarter performance exceeded our 2017 outlook as total revenue was up 2.3% on 3.8% organic revenue growth offset by the impact of a U.S./Cdn.3.5¢ strengthening of the dollar to 79¢. Gross profit and EBITDA as a percent of sales were 18.6% and 14.5% respectively, up slightly from the fourth quarter of 2017. EBITDA was up \$1.1 million, or 11.3%, mainly due to higher organic revenue growth at Richards US. Net income was up \$1.8 million, or 16.5¢ per Unit, mainly due to higher revenue and margins, lower amortization and a lower mark to market loss on exchangeable shares.

The \$3.5 million of free cash flow² generated in the first quarter and the \$6.8 million cash on hand was utilized to settle the \$3.0 million of 2017 taxes owing, repay \$1.0 million in debt and provide for funding of the pending systems upgrade. The Fund's leverage at 0.8x is consistent with the level at December 31, 2017.

When the US tax reform details are finalized we will address our intercompany financing.

The Fund paid monthly capital dividends of 11¢ per Unit, which represented an annualized yield of 4.1% on the March 31st closing price of \$31.89 per Unit. The payout ratio³ for the first quarter was 53% reflecting the higher EBITDA and \$0.4 million in lower taxes on our US operations.

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

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

May 4, 2018

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the first quarter should be read in conjunction with the attached condensed interim financial statements dated March 31, 2018, the 2017 Annual Report and the 2017 Annual Information Form dated March 1, 2018, respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2017 annual financial statements.

Description of the Business

Richards Packaging serves a wide customer base that is comprised of approximately 14,000 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies. The primary source of revenue is from the distribution of over 5,000 different types of packaging containers and related components sourced from over 600 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent approximately 10% of the total revenues of Richards Packaging (2017 10%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance for the first quarter ended March 31, 2018 include:

- Revenue up \$1.7 mil., or 2.3%, due to organic growth of \$2.8 mil., or 3.8%, offset by a \$1.1 mil. foreign exchange impact due to a 3.5¢ U.S./Cdn. increase to 79¢,
- EBITDA¹ up \$1.1 mil., or 11.3%, at 14.5% of revenue, on higher revenue with an improved product mix,
- Current income taxes were flat on higher taxable income due to US tax reform resulting in \$0.4 mil. lower US taxes and an RDTOH recovery of \$0.1 mil.,
- Net income increased \$1.8 mil. or 16.5¢ per Unit due primarily to higher revenue and margins, lower amortization and a lower mark-to-market loss on exchangeable shares,
- Non-cash working capital increased \$3.8 mil. mainly due to a \$3.5 mil. decrease in payables as the \$2.3 mil. increase in receivables was offset by a decrease in inventory and prepaids,
- Free cash flow² of \$3.5 mil. and \$6.8 mil. cash on hand at Dec. 31, 2017 was utilized to pay \$3.0 mil. in income taxes owing, repay \$1.0 mil. in debt and build cash. Cash of \$4.4 mil. on March 31st will be required to settle taxes payable of \$1.8 mil., pay for the \$1.0 mil. computer system upgrade and fund future growth,
- Leverage ratio at 0.8x consistent with ratio at December 31, 2017,
- Distributable cash flow² up \$1.1 mil., or 9.6¢ per Unit, yielding a 53% payout ratio³, and
- Monthly distribution of 11¢ per Unit represented a 4.1% annualized return on the March 31st closing price of \$31.89 per Unit. These distributions have been characterized as capital dividends.

This MD&A covers the three months ended March 31, 2018 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information:

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

(\$ thousands)	Qtr. 1	
	2018	2017
Income Statement Data:		
Revenue.....	74,587	72,902
EBITDA ¹	10,832	9,734
<i>Diluted per Unit</i>	92.6¢	83.2¢
Net income.....	6,105	4,284
<i>Diluted per Unit</i>	56.0¢	39.5¢
Financial Position Data:		
Working capital.....	54,975	54,235
Net operating assets.....	154,761	155,675
Bank debt.....	32,460	39,878
<i>Debt/EBITDA</i>	0.8	1.0
Cash Flow Statement Data:		
Distributions.....	3,887	3,311
<i>Diluted per Unit</i>	33.3¢	28.4¢
<i>Payout ratio</i> ³	53%	53%
Unit purchases.....	—	—
Debt repayments.....	1,000	2,000

Review of Operations

Operations were split approximately half in the United States (“Richards Packaging US”) and half in Canada. Approximately forty percent of sales are concentrated in Los Angeles, Reno and Portland and 40% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue increased by \$1.7 million, or 2.3%, for the first quarter from the same period in 2017 due to organic growth (\$2.8 million) offset by the translation impact of Richards US, with the Canadian dollar strengthening by 3.5¢ from U.S./Cdn.75.6¢ (\$1.1 million).

Cost of products sold (before amortization) increased by \$0.5 million, or 0.8%, for the first quarter, with the business performing at a 18.6% gross profit margin, up 0.4% from the fourth quarter in 2017 mainly due to higher revenue with an improved product mix. The volatility in the price of resins did not have a material impact on margins as a result of management’s practice of passing through increases and decreases to customers.

Administrative expenses (before amortization) for the first quarter increased \$0.1 million from the same period in 2017 mainly due to inflation.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

(\$ thousands)	Qtr. 1	
	2018	2017
Revenue	74,587	72,902
Cost of products sold.....	60,730	60,232
Gross profit.....	13,857	12,670
	18.6%	17.4%
Administrative expenses.....	2,990	2,893
Foreign currency loss.....	35	43
EBITDA ¹	10,832	9,734
	14.5%	13.4%
Amortization.....	782	942
Financial expenses.....	545	501
Contingent consideration.....	—	83
Exchangeable shares.....	869	1,375
Share of income - Vision.....	14	(5)
Income tax expense.....	2,517	2,554
Net Income	6,105	4,284

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

EBITDA¹ for the first quarter increased by \$1.1 million, or 11.3%, from the same period in 2017. As a percent of sales, EBITDA was at 14.5% for the first quarter, up 1.1% from the same period in 2017. The translation impact Richards US was a reduction of \$0.1 million. Changes were a result of the factors referred to above.

Amortization of \$0.8 million for the first quarter was mainly comprised of \$0.5 million intangible assets amortization, which represents a charge for customer relationships and patents and depreciation for capital assets of \$0.3 million, which annualized, is approximately Richards Packaging's normalized annual maintenance capital expenditure requirement.

Financial expenses were higher for the first quarter compared to the same period in 2017 due to higher rates on term debt and credit card fees.

Exchangeable shares mark-to-market loss reflects a unit price increase during the first quarter of \$0.72 to \$31.89 per Unit. Exchangeable share monthly distributions were 11¢ per share in the first quarter.

Income tax expense was flat for the first quarter compared to the same period in 2017 on higher taxable income reflecting the \$0.4 million benefit from US tax reform.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

Net income for the first quarter was \$6.1 million, which represented 56¢ per Unit on a diluted basis, up 16.5¢ or 42.5% over the same period in 2017.

Distributable Cash Flow²

(\$ thousands)	Qtr. 1	
	2018	2017
Cash provided by operating activities	3,109	10,779
Working capital changes	3,795	(3,310)
Income tax payments	3,928	2,265
EBITDA¹	10,832	9,734
Interest	545	501
Current income tax	2,654	2,739
Maintenance capital	292	272
Distributable cash flow²	7,341	6,222
<i>Diluted per Unit</i>	<i>62.8¢</i>	<i>53.2¢</i>
Distributions	3,887	3,311
<i>Diluted per Unit</i>	<i>33.3¢</i>	<i>28.4¢</i>
<i>Payout ratio³</i>	<i>53%</i>	<i>53%</i>
Free cash flow²	3,454	2,911
Units outstanding (average)		
<i>Diluted basis 000's</i>	11,693	11,693

The distributable cash flow² definition excludes changes in working capital and capital expenditures for the expansion of the business, as they are necessary to drive organic growth and are expected to be financed by either a \$5.0 million revolving facility currently undrawn (2017 – nil drawn) or free cash flow².

Distributable cash flow² for the first quarter was \$1.1 million higher than in the same period in 2017 as a result of increased EBITDA¹ with higher interest expense offset lower current income taxes.

Free cash flow² of \$3.5 mil. and \$6.8 mil. cash on hand at Dec. 31, 2017 was utilized to pay \$3.0 mil. in income taxes owing, repay \$1.0 mil. in debt and build cash. Cash of \$4.4 mil. on March 31st will be required to settle taxes payable of \$1.8 mil., pay for the \$1.0 mil. computer system upgrade and fund future growth.

Monthly distributions paid of 11¢ per Unit represent a payout ratio³ of 53% and an annual yield of 4.1% on a \$31.89 price per Unit at March 31, 2018. These distributions have been characterized as capital dividends.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the first quarter was \$3.1 million, down \$7.7 million over the same period in 2017, partly due to a normalized distribution of sales in 2018. In addition, during the first quarter, working capital increased by \$3.8 million on higher receivables of \$2.3 million reflecting a higher sales volume and lower payables of \$3.5 million offset by lower inventory of \$1.7 million. The large reduction in working capital in the first quarter of 2017 was due to an unusual drop in inventory (\$3 million) due to a delay in timing of Asian imports which reversed in the second quarter and unusually high sales in December 2016 leading to a minimal receivables impact.

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and Exchangeable Shareholders as outlined above in the distributable cash discussion. Actual distributions paid during the first quarter were \$3.9 million, including those declared for December 2017, with \$1.3 million declared for March, which was paid April 13th.

Normal Course Issuer Bid

On March 14, 2018, the Fund renewed the normal course issuer bid to purchase up to 200,000 Units prior to March 13, 2019. No units were purchased during the first quarter (2017 nil).

Current income taxes

The current income tax expense for the first quarter was \$2.7 million, which reflects the lower US tax rates and the utilization of refundable dividend tax. The impact of the lower US tax rate was \$0.4 million for the first quarter.

Capital expenditures

Maintenance capital expenditures for the first quarter were \$0.3 million (2017 \$0.3 million) mainly comprised of refurbishment of moulds for replacement packaging and computer equipment upgrades. Expansion capital expenditures for the first quarter were nil (2017 \$0.1 million).

Financing activities and instruments

Credit facilities include a \$32.5 million term loan (2017 \$40.0 million) with maturity on September 30, 2019 and up to \$5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.25% to 1.80% or at a prime rate plus a premium of 0.25% to 0.80%. During the first quarter, \$1.0 million was repaid (2017 \$2.0 million).

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 EBITDA¹. As at March 31, 2018, our leverage ratio was 0.8 times (2017 1.0) consistent with the ratio at December 31, 2017. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future⁴.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

Outlook⁴

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to Unitholders at the current level through 2018.

Revenue performance for the second quarter will be in the 1-3% growth band. The impact of exchange translation is expected to be \$1 million for the second quarter at current exchange rates of U.S./Cdn. 77¢ versus 74¢ for the same period in 2017. The sensitivity is \$0.4 million for every 1¢ movement in the exchange rate.

EBITDA¹ is expected to be maintained at levels in excess of 14% of revenue for the second quarter. The impact of exchange translation is expected to be \$0.1 million for the second quarter at current exchange rates. The sensitivity is \$0.03 million for every 1¢ movement.

Current income tax expense is expected to decrease \$0.4 million for the second quarter due to the impact of US tax reform and the realization of another \$0.1 million of refundable dividend tax.

Maintenance capital will continue to be funded by cash flow from operations at \$0.3 million per quarter with the additional \$1.0 million set aside for an IT system upgrade in the third quarter.

Distributable cash flow² sensitivity on an annual basis to foreign currency fluctuations is \$0.02 million for every U.S./Cdn. 1¢ movement.

Cash on hand of \$4.4 million will be partially utilized to pay the income tax payable as of March 31st of \$1.8 million and fund the IT system upgrade.

Distributable cash flow from Richards Packaging US and Richards Canada's current tax profile are expected to allow for both capital dividends of \$2.4 million with the remainder being return of capital to Unitholders. Surplus distributable cash is expected to be deployed to pay down debt, purchase units opportunistically under the normal course issuer bid and/or fund acquisitions.

Risks and Uncertainties

Investment in Units involves risks inherent in the ordinary course of business including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier distribution 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 2017 Annual Information Form dated March 1, 2018. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2018.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

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 March 31, 2018 and revenue and expenses for the period then ended. There have not been any significant changes in the critical accounting estimates of the Fund in the first quarter of 2018, relative to December 31, 2017. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2017 Annual Report.

New Accounting Pronouncements

The Fund adopted IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2018. The adoption of this standard did not have an impact on the financial statements.

Disclosure Controls and Internal Controls over Financial Reporting

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

Cautionary Statements

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

- 1 *Management defines EBITDA as earnings before amortization, contingent consideration revaluation, financial expenses, unrealized losses and dividends on exchangeable shares, share of income - Vision and taxes. EBITDA is the same as profit from operations as outlined in the annual financial statements after adding back amortization and contingent consideration payments. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies.*
- 2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense, maintenance capital expenditures. Free cash flow is distributable cash flow less distributions. The objective of presenting this measure is to calculate the amount which is available for distribution to Unitholders or exchangeable shareholders and to determine the amount available to fund increases in working capital or expansion capital. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing*

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 4, 2018

and financing activities as a measure of liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by IFRS and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other companies.

- 3 Management defines payout ratio as distributions declared over distributable cash flow². The objective of presenting this measure is to calculate the percentage of distributions compared to the amount available for distribution. Payout ratio does not have a standardized meaning prescribed by IFRS. The method of calculating payout ratio may not be comparable to similar measures presented by other companies.*
- 4 The Report to Unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.*

Notice to Unitholders

The attached consolidated financial statements have not been reviewed
by the Fund's external auditors

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	2018	2017
Revenue	2	74,587	72,902
Cost of products sold		61,492	61,153
Administrative expenses		3,010	2,914
Foreign currency loss		35	43
Contingent consideration revaluation		—	83
Profit from operations		10,050	8,709
Financial expenses		545	501
Exchangeable shares			
Mark-to-market loss		576	1,095
Distributions		293	280
Share of income - Vision		14	(5)
Profit before income taxes		8,622	6,838
Income tax expense (income)			
Current taxes	3	2,654	2,739
Deferred taxes	3	(137)	(185)
		2,517	2,554
Net income for the period		6,105	4,284
Basic and diluted income per Unit	4	56.0¢	39.5¢
Other comprehensive income (loss)			
<i>(subsequently recyclable to Net income)</i>			
Currency translation adjustment - Richards Packaging US		2,495	(617)
Comprehensive income for the period		8,600	3,667

See accompanying notes

“Susan Allen”
Chair – Audit Committee

“Gerry Glynn”
CEO – Richards Packaging Inc.

“Enzio Di Gennaro”
CFO – Richards Packaging Inc.

Richards Packaging Income Fund

STATEMENTS OF FINANCIAL POSITION

Unaudited

As at March 31 and December 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Mar. 31		Dec. 31	
		2018	2017	2017	2016
Current Assets					
Cash and cash equivalents		4,443	7,535	6,816	13,257
Accounts receivable		31,948	32,089	29,218	32,827
Inventory		47,908	43,056	48,801	47,791
Prepaid expenses and deposits		3,437	2,930	3,631	3,172
		87,736	85,610	88,466	97,047
Current Liabilities (excluding debt)					
Accounts payable and accruals		(28,685)	(27,444)	(31,842)	(29,562)
Income tax payable	3	(1,763)	(1,584)	(3,037)	(1,110)
Distributions payable		(1,297)	(1,298)	(1,296)	(1,104)
Contingent consideration		—	—	—	(10,439)
Due to previous shareholder		(1,016)	(1,049)	(989)	(961)
		(32,761)	(31,375)	(37,164)	(43,176)
WORKING CAPITAL					
		54,975	54,235	51,302	53,871
Long-term Assets					
Plant and equipment		4,099	3,943	4,080	3,909
Investment - Vision		731	745	745	740
Intangible assets		14,683	16,763	14,915	17,459
Goodwill		84,666	85,962	83,578	86,326
		104,179	107,413	103,318	108,434
Long-term Liabilities (excluding debt)					
Deferred income taxes	3	(4,393)	(5,973)	(4,461)	(6,191)
NET OPERATING ASSETS					
		154,761	155,675	150,159	156,114
Debt					
Term debt		32,460	39,878	33,440	41,854
Exchangeable shares - current	4	25,413	21,141	24,837	20,904
		57,873	61,019	58,277	62,758
Equity					
Unitholders' capital	4	23,049	33,435	23,049	35,802
Retained earnings		62,025	47,158	59,514	42,874
Accumulated other comprehensive income		11,814	14,063	9,319	14,680
		96,888	94,656	91,882	93,356
CAPITAL					
		154,761	155,675	150,159	156,114

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	Unitholders' capital	Retained earnings	AOCI^{a)}	Equity
December 31, 2016		35,802	42,874	14,680	93,356
Comprehensive income (loss)			4,284	(617)	3,667
Share conversion	4	858			858
Distributions		(3,225)			(3,225)
March 31, 2017		33,435	47,158	14,063	94,656
December 31, 2017		23,049	59,514	9,319	91,882
Comprehensive income			6,105	2,495	8,600
Distributions			(3,594)		(3,594)
March 31, 2018		23,049	62,025	11,814	96,888

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

See accompanying notes

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

Unaudited

For the three months ended March 31

[Consolidated]

<i>Cdn\$ thousands</i>	Notes	2018	2017
OPERATING ACTIVITIES			
Profit from operations		10,050	8,709
Add items not involving cash			
Plant and equipment depreciation		321	302
Intangible assets amortization		461	640
Contingent consideration revaluation		—	83
Income taxes payments	3	(3,928)	(2,265)
Changes in non-cash working capital	5	(3,795)	3,310
Cash provided by operating activities		3,109	10,779
INVESTING ACTIVITIES			
Additions to plant and equipment		(292)	(349)
Acquisition, contingent consideration		—	(10,425)
Cash used in investing activities		(292)	(10,774)
FINANCING ACTIVITIES			
Repayment of term debt		(1,000)	(2,000)
Financial expenses paid		(546)	(502)
Distributions paid to Exchangeable Shareholders		(293)	(280)
Distributions paid to Unitholders		(3,595)	(3,031)
Cash used in financing activities		(5,434)	(5,813)
Net cash flow for the period		(2,617)	(5,808)
Cash, beginning of period		6,816	13,257
Foreign exchange effect		244	86
Cash, end of period		4,443	7,535

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2018

[Cdn\$ thousands]

1. BASIS OF PRESENTATION

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund’s 2017 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2017 audited annual financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS

The Fund adopted IFRS 15, *Revenue from Contracts with Customers*, for the period ending March 31, 2018. The adoption of this standard did not have an impact on the financial statements.

3. INCOME TAXES

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

	2018	2017
Profit from operations	10,050	8,709
Financial expenses	(545)	(501)
Contingent consideration revaluation	—	83
Income subject to income taxes	9,505	8,291
Statutory tax rate	26.9%	26.7%
Income tax expense at statutory tax rate	2,557	2,213
Deferred income tax	137	185
Current period adjustments		
Refinancing Intercompany notes ^{a)}	(48)	—
Foreign tax differential	—	(223)
Foreign rate differential	(34)	616
Other items	42	(52)
Current income taxes	2,654	2,739

a) future recovery associated with refundable dividend tax on hand of \$1,240 has not been recognized

The balance in the capital dividend account is \$2,445.

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2018

[Cdn\$ thousands]

4. UNITS AND EXCHANGEABLE SHARES

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2016	10,846,578	10,846,578	846,435	11,693,013	11,693,013
Share conversion	33,000		(33,000)		
March 31, 2017	10,879,578	10,846,945	813,435	11,693,013	11,693,013
December 31, 2017	10,893,365	10,875,082	799,648	11,693,013	11,693,013
March 31, 2018	10,893,365	10,893,365	799,648	11,693,013	11,693,013

Exchangeable shares mark-to-market loss reflects a unit price increase during the three months ended March 31, 2018 of \$0.72 to \$31.89 per Unit.

5. ADDITIONAL CASH FLOW INFORMATION

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

	2018	2017
Accounts receivable	(2,273)	594
Inventory	1,730	4,502
Prepaid expenses and deposits	243	228
Accounts payable and accruals	(3,495)	(2,014)
	(3,795)	3,310

Total foreign exchange translation impact excluded from the above was \$1,004 gain [2017 – \$288 loss].