2021 Annual Report

Richards Packaging Income Fund

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Securigo

HEALTHMARK

CLARION
MEDICAL TECHNOLOGIES

DISPILL

Good Things
Come in

Richards
Packaging

RPI.UN
LISTED ON TMX

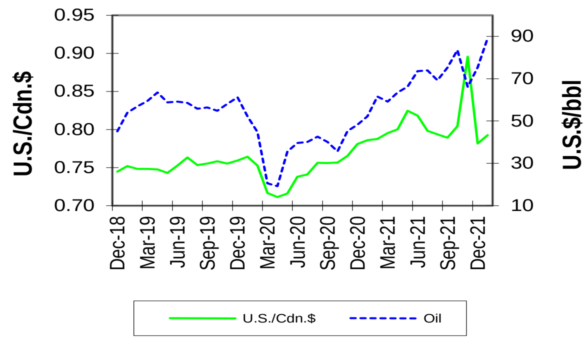
McKernan
PACKAGING CLEARING HOUSE

QUALITY DISCOUNT PACKAGING

INVESTMENT PROPOSITION

Financial Markets

- GDP in Canada and the US increased by 1.6% and 5.5% respectively in the fourth quarter
- Commodities erratic in 2021 reflected in U.S./Cdn. exchange rate; now +/-$0.79
- Governments shift to tightening monetary policies
- Hyper-inflation reflecting logistics problems and fiscal spending



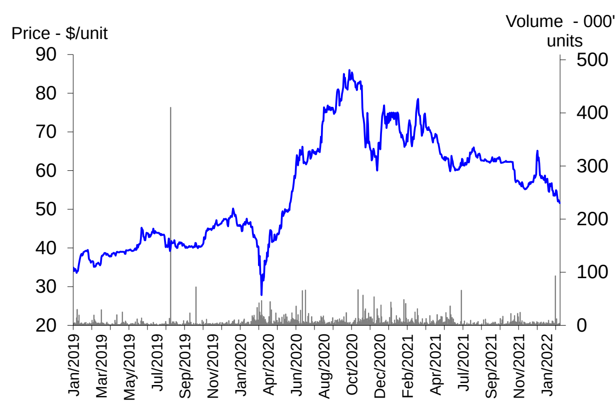
Distribution Stress Test

- Pro forma distributable cash reflects the impact of reversal of the remaining fixed cost and corona virus benefits, long term interest at 3%, a U.S./Cdn. 79¢ and 13% higher US taxes likely to be imposed by the Democrats
- Distributions reflect units purchased & cancelled
- Payout target of 50% due to coronavirus effect and logistics disruptions, with the remaining $7.9 mil. to be paid as a special dividend

($ millions)	**2021**	**Adj's**	**Proforma**
Adjusted EBITDA	71.2	(5.2)	66.0
Interest	(3.4)	(1.3)	(4.7)
Taxes	(18.8)	(1.8)	(20.6)
Maintenance capital	(2.4)	0.4	(2.0)
Distributable cash flow	46.6		38.7
Current distribution level	15.4	(0.3)	15.1
Payout Ratio	33%		39%

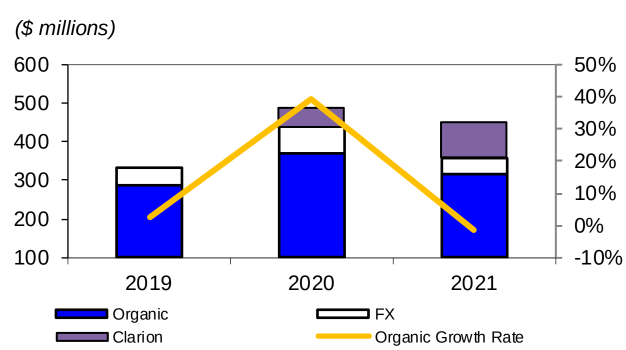
RPI.UN Trading Activity

- Price momentum in 2020 reflects coronavirus impact and Clarion acquisition in May
- Debt to Adjusted EBITDA[1] dropped 0.4x to 0.2x over the three years
- Insider (Tim McKernan) sold 400,000 in August 2019; 275,000 units purchased 2021, now 28% overall insider ownership
- March 2020 market sell off related to coronavirus concerns, November drop reflects likely effect of coronavirus benefits unwinding



Revenue

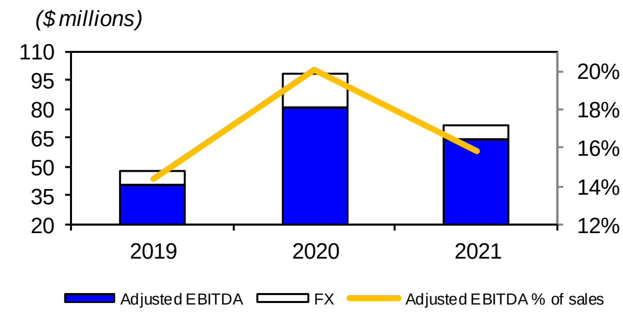
- Organic contraction 1.3%, or $6.3 mil., reflects $56 mil., or 11.5%, decrease due to unwinding of coronavirus effects offset by $45 mil., or 9.1%, increase due to Clarion acquisition
- Richards US translation negative impact of $31 mil. (2020 up $23 mil.) with average FX rates at U.S./Cdn. 80¢
- Changes in mix: Richards US decrease 12% to 44%, as cosmetics dropped 12% and healthcare and food & beverage were up 11% and 1%



PERFORMANCE SNAPSHOT

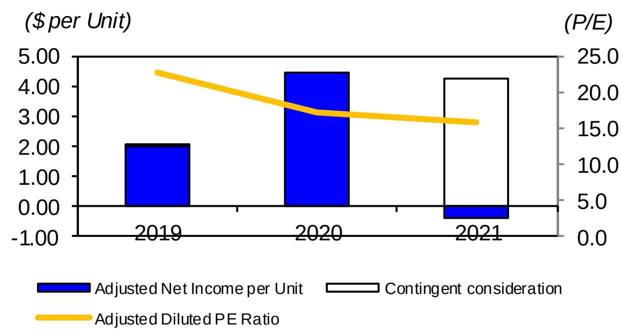
Adjusted EBITDA[1]

- Adjusted EBITDA down $27 mil. on lower revenue, at 16% of sales (2020 up $50 mil.)
- Inventory provision up $4 mil. to reflect a $12 mil. increase of inventory levels and higher freight cost
- FX currency decreased $11 mil. (2020 up $10 mil.) on U.S./Cdn. 6¢ rise and lower Richards US volume



Net Income

- Net Income down $48 mil., or $4.72/Unit, to $(0.37)/Unit (2020 up $28 mil., or $2.50/Unit to $4.84/Unit) on lower Adjusted EBITDA and $48 mil. contingent consideration for Clarion
- Exchangeable share mark-to-market gain up $21 mil. or $1.85/Unit (2020 loss up $8 mil.)
- P/E ratio reflects Unit price drop of $15 to $62/Unit (2020 up $31/Unit) and adjusted for contingent consideration



Cash Management

- Operating activities down $17 mil. on lower profit from operations offset by associated taxes of $8 mil. net of contingent consideration of $48 mil. Working capital investment decreased $2 mil.
- Repaid $1 mil. debt with $23 mil. outstanding
- Cash on hand of $8 mil. designated for $5 mil. annual bonuses and working capital
- Cash from operating activities used mainly to settle Clarion holdbacks, buy back 275,000 Units and pay distributions

($ millions)	**2019**	**2020**	**2021**
Operating activities	40.0	74.3	**56.9**
Capital expenditures	(1.8)	(2.7)	**(2.4)**
Acquisitions	—	(51.9)	**(9.1)**
Proceeds (repay) debt	(12.5)	6.0	**(1.0)**
Financial expenses	(2.2)	(3.7)	**(3.7)**
Lease payments	(6.1)	(8.3)	**(8.1)**
Unit purchases	—	—	**(16.8)**
Distributions	(15.5)	(15.4)	**(15.4)**
Net cash flow	1.9	(1.7)	**0.4**

Fourth Quarter Results

- Revenue decreased 6.7%; 3.3% from organic contraction in cosmetics, and 3.4% from FX currency up 3¢ at U.S./Cdn. 79¢
- Adjusted EBITDA reflects lower revenues, less favorable product mix, lower fixed cost benefits and FX currency impact
- Net Income decreased $40 mil., or $3.27/Unit, on lower Adjusted EBITDA and $28 mil. contingent consideration, or $2.44/Unit

($ millions)	**2019**	**2020**	**2021**
Revenue	79.5	124.7	**116.4**
Adjusted EBITDA[1]	11.2	26.0	**18.1**
	14.1%	*20.8%*	*15.6%*
Net Income	5.3	22.7	**(17.6)**
Diluted per Unit	*47.3 ¢*	*$1.67*	*($1.60)*
Payout Ratio[3]	***52%***	*19%*	***35%***
Free cash flow[2]	3.6	16.5	**7.2**

REPORT TO UNITHOLDERS

December 31, 2021

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.

Three factors have had a profound effect on our 2021 results. First, Clarion contributed additional revenue of $45 million, second, the dollar increase of U.S./Cdn. 6¢ on lower Richards US sales and third, the $57 million decreased sales due to healthcare related products associated with combatting the coronavirus not repeating. Earnings also were lower due to the reversal of fixed costs absorption on the return to lower volumes and less favorable product mix.

The 2021 year results reflect revenue contraction of 8% driven by organic contraction of 2% and a 6% currency translation loss with the strengthening of the dollar to U.S./Cdn. 80¢. Clarion sales contributed 9% as a partial offset. Adjusted EBITDA[1] was down $27 million on lower revenues, at 16% of sales 4% lower than 2020. Net income was down $48 million, or $4.84 per Unit, mainly due to $48 million of contingent consideration relating to the Clarion acquisition as lower Adjusted EBITDA was fully offset by $5 million of associated taxes and $21 million higher mark-to-market gain on the exchangeable shares, as the price decreased $15 per Unit.

Fourth quarter revenue performance contracted 7%, better than 13% in the third quarter, on 3% organic contraction and 3% currency translation as the dollar strengthened to U.S./Cdn. 79¢, up 3¢. Net income decreased $40 million mainly due to lower Adjusted EBITDA, $28 million in contingent consideration and a $3 million lower gain on mark-to-market of exchangeable shares as the Unit price decreased $1 per Unit during the quarter.

As impacts of the coronavirus unwind, the burning question is what level of sales increase and earnings are sustainable in a coronavirus free environment? A bridging table and a trend table have been provided to help investors come to their own conclusion in this regard. Richards Packaging is experiencing 5% negative growth in January and February and expects[4] negative growth for the first half of 2022 (see Outlook on page 14).

The focus for 2022 will be to continue to grow core revenues by 2% to 5%, net of the coronavirus unwind, as the economic recovery takes hold. We enter 2022 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 8, 2022

INDEPENDENT TRUSTEES' REPORT

December 31, 2020

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 28% of the Fund. Accordingly, our motivation and interests are aligned with the public Unitholders. Overall, our goal as directors and officers is to add value to Richards Packaging by contributing our broad experience and expertise in directing a controlled growth-oriented enterprise.

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

The Fund paid monthly distributions of 11¢ per Unit which represents an annualized yield of 2.1% on the December 31st closing price of $61.76 per Unit. The payout ratio[3] was 35% for the fourth quarter and 33% for the year with free cash flow[2] mainly deployed to settle Clarion holdbacks, buy back Units and repay debt. A special dividend of 69¢ per Unit will accrue to unitholders of record on March 16th and paid on March 18th bringing the total payout ratio to 50%. The distributions to Unitholders in 2021 were 100% eligible dividends.

On March 14, 2021, the Fund initiated a normal course issuer bid to purchase up to 500,000 Units prior to March 13, 2021 of which 275,000 Units were purchased at $61 per Unit.

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

March 8, 2022

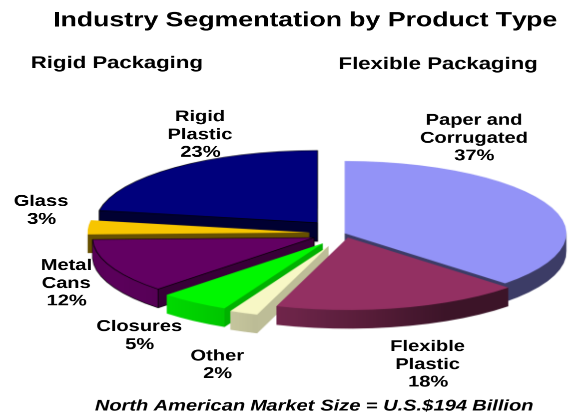
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 8, 2022

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, 2021, the annual statements for the year ended December 31, 2020, the quarterly reports for the periods ended March 31, June 30 and September 30, 2021 and the Annual Information Form dated March 8, 2022. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the 2020 annual financial statements.

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.



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 2021, there were over 281 acquisitions globally, up from the 235 acquisitions in 2020 at a median multiple of 11.2 times Adjusted EBITDA[1] (2020 10x). During 2021, the top 13 companies continued to spend on capital at the cautious rate of 7% of revenue (2020 6%). 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 13 companies, their Adjusted EBITDA as defined within the packaging industry as a percent of sales has remained at a healthy 16% overall for 2021.

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

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

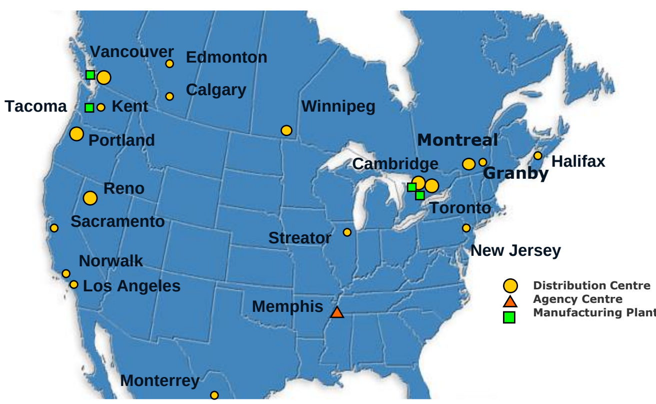
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 8, 2022

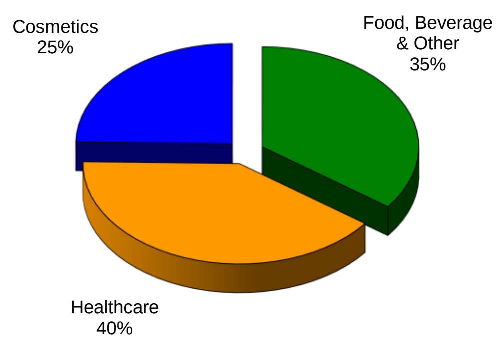
Description of the Business

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 approximately 18,000 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 four dedicated manufacturing facilities. Sales from these manufacturing facilities represent 6% of the total revenues (2020 5%). On May 31, 2020, Clarion Medical Technologies Inc. ("Clarion") a leading Canadian distributor of medical, aesthetic, vision care and surgical equipment and consumables was acquired.

The cornerstones of Richards Packaging's strategy include:

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

Revenue disaggregation

(% change)	Qtr.1	Qtr.2	Qtr.3	Qtr.4	2021
Cosmetics........................	-27.1%	-41.3%	-29.9%	-29.3%	**-32.3%**
Heathcare........................	-4.0%	-3.1%	-9.4%	-13.8%	**-7.7%**
Clarion...........................	18.2%	11.6%	11.4%	35.3%	**19.0%**
Food, beverage & other........	-3.4%	0.9%	1.0%	0.1%	**-0.3%**
Exchange translation...........	-7.0%	-9.9%	-5.5%	-3.4%	**-6.4%**
Weighted average growth	0.9%	-11.0%	-12.8%	-6.7%	**-7.7%**

Cosmetics packaging decreased $43 mil., excluding the impact of translation, due to volume related to the coronavirus offset by slight organic growth.

Healthcare decreased $7 mil., excluding Clarion, with $8 mil. due to volume related to the coronavirus offset by slight organic growth. Clarion increases contributed $45 mil. in revenue up 40%.

Food, beverage and other packaging were flat, excluding the impact of translation.

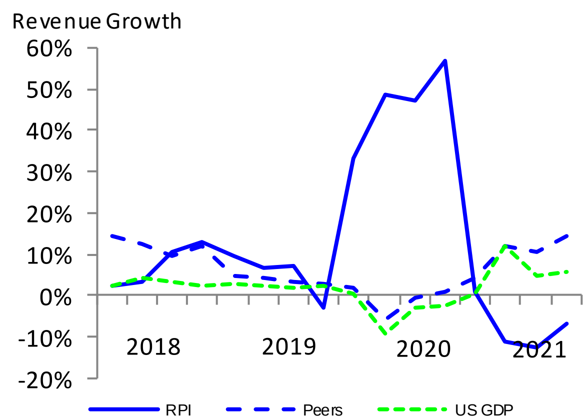
Revenue trend *($ thousands)*	**Qtr. 1**	**Qtr. 2**	**Qtr. 3**	**Qtr. 4**	**Total**
2020	108,891	127,019	128,591	124,734	489,235
Organic growth……………	(136)	1,476	1,970	2,260	5,570
	-0.1%	*1.2%*	*1.5%*	*1.8%*	*1.1%*
Coronavirus………………	(11,000)	(17,700)	(13,596)	(14,171)	(56,467)
Clarion………………………	19,782	14,755	2,272	7,775	44,584
Foreign exchange…………	(7,664)	(12,520)	(7,087)	(4,213)	(31,484)
2021	**109,873**	**113,030**	**112,150**	**116,385**	**451,438**

Changes in Financial Markets

Global economic markets, the impact of coronavirus restrictions imposed by governments 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 shifted to government deficit spending and protectionism also impacted currency valuations and GDP growth.

Gross Domestic Product

In Canada, GDP grew 1.4% in the first quarter, contracted 0.3% in the second quarter, grew 1.3% in the third and 1.6% for the fourth quarter. The United States GDP grew 0.5% in the first quarter and 12.2%, 4.9% and 5.6% in each of the following quarters. Our US and Canadian operations did not follow this pattern as sales associated with coronavirus did not repeat despite incremental revenue from our Clarion acquisition. For 2020, we outperformed GDP and our peers on the back of coronavirus revenues and the Clarion acquisition.



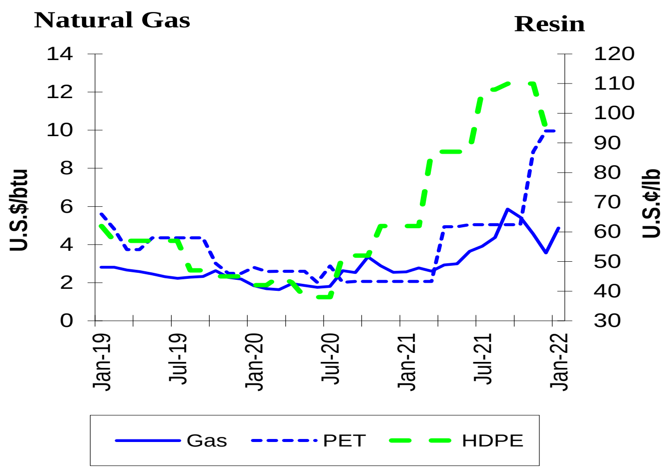
Interest Rates and Foreign Exchange

The US Federal Reserve and The Bank of Canada both expect significant interest rate increases, following significant accommodation, given recent inflationary pressures. Exchange rates averaged U.S./Cdn. $0.80 leading to a negative impact on both revenue and Adjusted EBITDA[1] in the year slightly muted by a decrease in US denominated volumes. Rising oil prices raged between $52-$84 and exchange rates were between U.S./Cdn. $0.78-$0.80 for the year.

($ millions)	**2019**	**2020**	**2021**
INTEREST RATES	***2.1%***	***1.5%***	***1.2%***
Impact on Interest	—	(0.2)	(0.1)
F/X - U.S./Cdn.$	***0.75***	***0.74***	***0.80***
Impact on:			
Revenue	**8.0**	**23.5**	**(31.5)**
Adjusted EBITDA	**1.5**	**9.9**	**(11.3)**

Energy Prices

Energy prices are a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2021, HDPE and PET resin prices skyrocketed on supply shortages with some relief towards the end of the year as natural gas, their main feedstock also rose, although less dramatically, on supply pressures.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Financial Highlights

The MD&A covers the three months ending March 31, June 30, September 30 and December 31, 2021 and 2020 (generally referred to in this MD&A as the "first, second, third or fourth quarter") and the 12 months ended December 31, 2021 and 2020 (generally referred to in this MD&A as the "year").

The 2021 year results

- Revenue was down 7.7% due 11.5% to the unwinding of the coronavirus impact and 6.4% from currency translation with a U.S./Cdn. 5.6¢ increase to 79.8¢, partially offset by an 9.1% increase from Clarion,
- Adjusted EBITDA[1] decreased $27.0 mil., at 15.8% of revenue, on less fixed costs and product mix benefits associated with lower revenue levels and a reversal of $10.6 mil. currency translation gain in 2020,
- Current income taxes decreased $5.2 mil. mainly reflecting lower taxable earnings partially offset by tax on unit redemptions in excess of paid up capital,
- Net income decreased $48.1 mil., or $4.84 per Unit, due to $47.7 mil. contingent consideration for the Clarion acquisition and lower Adjusted EBITDA net of taxes partially offset by a mark-to-market gain on exchangeable shares due to a $15.09 reduction in the unit price (2020 $31.26 increase),
- Assets increased by $4.1 mil. for $12.5 mil. higher inventory and decreased $8.5 mil. for Leases. Long-term financial liabilities decreased by $8.8 mil. mainly due lower Lease obligation,
- Working capital[5] was up by $4.6 mil. mainly due to higher inventory to combat logistic disruptions partially offset by payable increases,
- Cash balance of $8.4 mil. was accumulated to cover $4.4 mil. annual bonuses and working capital needs,
- Free cash flow[2] of $31.2 mil. was mainly used to purchase Units under the normal course issuer bid ($16.8 mil.) and release $9.1 mil. of the Clarion holdback, maintaining the leverage ratio at 0.25x,
- Distributable cash flow[2] decreased by $1.83 per Unit yielding a payout ratio[3] of 33%, and
- Monthly distributions of 11¢ and a special distribution of 69¢ per Unit yield a 3.3% return (@$61.76/Unit Dec 31st).

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 8, 2022

($ thousands)	Calendar Year		
	2021	**2020**	**2019**
Income Statement Data:			
Revenue……………………....	**451,438**	489,235	334,148
Net income…………………....	**2,068**	50,143	21,734
Diluted per Unit [a]……………	*-$0.37*	*$4.47*	*$1.97*
Financial Position Data:			
Assets……………………..........	**356,898**	352,885	248,014
Long-term finacial liabilities…..	**57,193**	65,995	52,347
Leverage [b]………………….	*0.3*	*0.2*	*0.3*
Cash Flow Statement Data:			
Distributions…………….............	**15,380**	15,435	15,533
Diluted per Unit ……………....	*$1.32*	*$1.32*	*$1.33*
Payout ratio [3]………………	*33%*	*23%*	*49%*
Unit purchases………………..	**16,796**	—	—
Debt repayments (proceeds)…	**1,000**	(9,000)	12,500

a) anti-dilutive result reverts back to basic income per Unit
b) Term debt/Adjusted EBITDA [1]

The 2020 year results

- Revenue up 31.9%, excluding Clarion, due to 24.9% organic growth in addition to 7.0% from U.S./Cdn. currency translation,
- Net income rose $28.4 mil. due to product mix and fixed cost advantages related to higher revenues and $7.8 mil. in higher mark-to-market losses on exchangeable shares reflecting a Unit price appreciation of $31.26,
- Assets increased by $105.0 mil. and long-term financial liabilities by $13.6 mil. mainly due to the Clarion acquisition ($83.8 mil.) and higher working capital to support the revenue increases,
- Free cash flow[2] used to pay $26.0 mil. of debt and provide $19.9 mil. for the Clarion acquisition,
- Distributable cash flow[2] increases by $3.11 per Unit yielding a payout ratio[3] of 23%, and
- Monthly distributions of 11¢ per Unit yield a 1.7% return (@$76.85/Unit Dec. 31st).

Review of Operations

Operations were 44% in the United States ("Richards US") and 56% in Canada ("Richards Canada"). Approximately 39% of sales are concentrated in Los Angeles, Sacramento, Memphis, Reno and Portland and 41% in Toronto, Montreal, Winnipeg and Vancouver.

Revenue decreased by $8.4 million, or 6.7%, for the fourth quarter (2020 up $45.2 million), and decreased by $37.8 million, or 7.7%, for the year (2020 up $155.1 million), from the same periods in 2020, respectively. During the fourth quarter, revenue decreased on organic contraction of $4.1 million, or 3.3%, (2020 up $42.5 million) reflecting the unwinding of coronavirus related sales along with the translation impact of Richards US as the Canadian dollar was up U.S./Can. 2.8¢ (2020 up U.S./Can. 0.9¢). For the year, revenue decreased on organic contraction of $6.3 mil., or 1.3%, (2020 up $83.1 million) along with the translation impact of Richards US $31.5 mil. as the rate appreciated 5.6¢ to U.S./Cdn. 79.8¢ (2020 up $23.5 million).

Cost of sales (before amortization) decreased $1.8 million for the fourth quarter, or 1.9%, (2020 up $29.8 million) and by $13.3 million for the year, or 3.6%, (2020 $96.4 million) from the same periods in 2020, respectively. During the fourth quarter gross profit margins were down 3.9% (2020 up 5.8%) from the same period in 2020. For the year, gross profit margins were down 3.4% (2020 up 5.8%) due to product mix and fixed cost advantages lost 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		
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2019**
Revenue…………………………	**109,873**	108,891	**113,030**	127,019	**112,150**	128,591	**116,385**	124,734	**451,438**	489,235	334,148
Cost of sales[a]………………………	**87,264**	85,942	**89,555**	94,825	**88,855**	96,357	**92,828**	94,645	**358,502**	371,769	273,179
Gross profit	**22,609**	22,949	**23,475**	32,194	**23,295**	32,234	**23,557**	30,089	**92,936**	117,466	60,969
	20.6%	*21.1%*	*20.8%*	*25.3%*	*20.8%*	*25.1%*	*20.2%*	*24.1%*	*20.6%*	*24.0%*	*18.2%*
Administrative expenses………………	**5,274**	3,482	**5,133**	4,701	**5,392**	6,417	**5,359**	4,689	**21,158**	19,289	13,001
Foreign currency loss (gain)………..	**223**	174	**(11)**	148	**263**	166	**66**	(569)	**541**	(81)	(92)
Adjusted EBITDA[1]	**17,112**	19,293	**18,353**	27,345	**17,640**	25,651	**18,132**	25,969	**71,237**	98,258	48,060
	15.6%	*17.7%*	*16.2%*	*21.5%*	*15.7%*	*19.9%*	*15.6%*	*20.8%*	*15.8%*	*20.1%*	*14.4%*
Lease payments……………………	**(2,013)**	(1,895)	**(1,901)**	(2,198)	**(2,087)**	(2,136)	**(2,100)**	(2,107)	**(8,101)**	(8,336)	(6,106)
Amortization…………………………	**3,004**	2,563	**3,096**	2,901	**3,134**	3,069	**3,185**	3,692	**12,419**	12,225	9,767
Contingent consideration…………..	**—**	—	**13,200**	—	**6,500**	—	**28,000**	—	**47,700**	—	—
Exceptional items…………………..	**—**	—	**—**	1,118	**—**	—	**—**	—	**—**	1,118	281
Financial expenses……………………	**1,410**	1,055	**1,365**	1,189	**1,426**	1,384	**1,402**	1,498	**5,603**	5,126	3,268
Exchangeable shares…………………	**(3,222)**	(2,968)	**(3,695)**	10,682	**800**	10,528	**(259)**	(3,157)	**(6,376)**	15,085	7,679
Share of income - Vision……………	**(19)**	(5)	**(16)**	(88)	**(25)**	14	**(52)**	(25)	**(112)**	(104)	69
Income tax expense…………………	**3,855**	5,577	**4,641**	7,797	**3,965**	6,290	**5,575**	3,337	**18,036**	23,001	11,368
Net Income	**14,097**	14,966	**1,663**	5,944	**3,927**	6,502	**(17,619)**	22,731	**2,068**	50,143	21,734

a) includes lease payments

Lease payments are required to adjust EBITDA[1] for bank covenant purposes and are lower against the same period in 2020 due to the consolidation of facilities in Montreal.

Administrative expenses (before amortization) increased $0.7 million for the fourth quarter (2020 $1.2 million) and $1.9 million for the year (2020 $6.3 million), over the same periods in 2020, respectively mainly due to the addition of Clarion.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The $17.5 million increase net liability position in the first quarter and the weakening of the Canadian dollar by 2¢ in the third quarter led to the losses.

Adjusted EBITDA[1] decreased $7.8 million for the fourth quarter (2020 increased $14.8 million) and $27.0 million for the year (2020 increased $50.2 million), over the same periods in 2020, respectively. The decrease during the fourth quarter reflected the lower volume and the U.S./Cdn. dollar translation on to lower earnings at Richards US while rates averaged U.S./Cdn. 79¢ (2020 U.S./Can. 77¢). For the year, the decrease was due to lower volumes and the 5.6¢ stronger Canadian dollar. As a percent of sales, Adjusted EBITDA was down 5.2% for the fourth quarter and 4.3% for the year (2020 up 5.7%). The lease write down in the first quarter was reversed in the fourth quarter of 2020 due to the assignment of the lease to the landlord.

Amortization of $3.2 million for the fourth quarter and $12.4 million for the year includes $0.7 million for the quarter and $2.7 million for the year for intangible assets, which represents a charge for customer relationships. Remaining amortization amounts consisted of plant and equipment depreciation of $0.7 million for the fourth quarter and $2.4 million for the year, which is approximately our annual capital spending requirement and lease amortization of $1.8 million of the fourth quarter and $7.3 million for the year.

Exceptional items represent professional fees associated with our acquisition of Clarion in 2020.

Financial expenses were flat for the fourth quarter and up $0.6 million for the year from the same periods in 2020 mainly due to credit card fees at Clarion.

Adjusted EBITDA[1] trend

($ thousands)	**Qtr. 1**	**Qtr. 2**	**Qtr. 3**	**Qtr. 4**	**Total**
2020	19,293	27,345	25,651	25,969	98,258
(% of revenue)	*17.7%*	*21.5%*	*19.9%*	*20.8%*	*20.1%*
Organic growth	(34)	369	368	565	1,268
Product mix	(1,827)	(2,592)	(4,114)	(2,565)	(11,098)
Fixed cost	(1,219)	(2,449)	(1,486)	(1,841)	(6,995)
Lease A/R write down	2,690	—	—	(2,242)	448
Foreign exchange	(1,791)	(4,320)	(2,779)	(1,754)	(10,644)
2021	**17,112**	**18,353**	**17,640**	**18,132**	**71,237**
(% of revenue)	*15.6%*	*16.2%*	*15.7%*	*15.6%*	*15.8%*

Exchangeable shares include the mark-to-market gain and the dividends paid on the exchangeable shares. The mark-to-market gain increase for the year reflects a Unit price decrease during the year of $15.09 to $61.76 per Unit, or $21.5 million (2020 loss $7.8 million). Unit prices decreased by $7.29 and $8.31 for the first and second quarters, increased by $1.40 for the third quarter and decreased $0.89 for the fourth quarter.

For the year, taxes decreased $5.2 million as decreases of $7.2 million income subject to taxes were mainly offset by an additional $1.8 million of taxes due to unit redemptions in excess of paid up capital.

Net income for the fourth quarter was down $40.4 million and for the year $48.1 million, which represented $3.27 and $4.84 per Unit on a diluted basis, respectively. The 2021 time-weighted averages were 11,165,774 Units and 463,006 exchangeable shares outstanding.

Distributable Cash Flow

The distributable cash flow[2] definition for banking purposes excludes changes in working capital and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by our $65.0 million revolving facility currently undrawn (2020 $nil drawn) or free cash flow.

Distributable cash flow[2] for the fourth quarter was down $9.3 million in comparison to the same period in 2020 due to decreased Adjusted EBITDA[1] of $7.8 million and current income tax of $2.1 million offset by lower interest and maintenance capital of $0.4 million and $0.2 million, respectively. For the year, distributable cash flow decreased $21.7 million with lower Adjusted EBITDA of $27.0 million being offset by lower current income tax of $5.2 million.

The monthly distribution of 11¢ per Unit represents an annual yield of 2.1% on a $61.76 price per Unit at December 31, 2021 and a payout ratio[3] of 33% (2020 23%). Unitholder distributions and the exchangeable shareholders' dividends will be fully taxable eligible dividends.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2019
Cash provided by											
operating activities........	**(1,202)**	27,984	**15,945**	19,878	**15,780**	4,749	**26,347**	21,732	**56,870**	74,343	39,966
Leases................................	**(1,885)**	(4,585)	**(1,901)**	(2,198)	**(2,087)**	(2,136)	**(1,962)**	63	**(7,835)**	(8,856)	(6,106)
Exceptional items..............	**—**	—	**—**	1,118	**—**	—	**—**	—	**—**	1,118	281
Dividends - Vision............	**—**	—	**—**	—	**—**	—	**(90)**	(75)	**(90)**	(75)	(20)
Working capital[5]................	**17,465**	(5,939)	**(1,634)**	3,848	**(509)**	7,322	**(10,679)**	1,307	**4,643**	6,538	1,305
Income tax payments..........	**2,734**	1,833	**5,943**	4,699	**4,456**	15,716	**4,517**	2,942	**17,650**	25,190	12,634
Adjusted EBITDA[1]	**17,112**	19,293	**18,353**	27,345	**17,640**	25,651	**18,133**	25,969	**71,238**	98,258	48,060
Interest [a)]	**933**	604	**887**	682	**912**	905	**626**	1,003	**3,358**	3,194	2,223
Dividends - Vision.............	**—**	—	**—**	—	**—**	—	**(90)**	(75)	**(90)**	(75)	(20)
Current income tax............	**4,099**	6,083	**4,893**	7,861	**4,188**	6,497	**5,805**	3,716	**18,985**	24,157	12,119
Maintenance capital...........	**774**	407	**309**	290	**541**	975	**738**	989	**2,362**	2,661	1,761
Distributable cash flow[2]	**11,306**	12,199	**12,264**	18,512	**11,999**	17,274	**11,054**	20,336	**46,623**	68,321	31,977
Diluted per Unit	*$0.97*	*$1.04*	*$1.05*	*$1.58*	*$1.03*	*$1.48*	*$0.96*	*$1.74*	*$4.01*	*$5.84*	*$2.73*
Distributions................	**3,860**	3,859	**3,856**	3,859	**3,848**	3,858	**3,816**	3,859	**15,380**	15,435	15,533
Diluted per Unit	*33.1¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.0¢*	*33.2¢*	*33.0¢*	*$1.32*	*$1.32*	*$1.33*
Payout ratio[3]	*34%*	*32%*	*31%*	*21%*	*32%*	*22%*	*35%*	*19%*	*33%*	*23%*	*49%*
Free cash flow[2]	**7,446**	8,340	**8,408**	14,653	**8,151**	13,416	**7,238**	16,477	**31,243**	52,886	16,444
Units outstanding *(average)*											
Diluted basis 000's	**11,693**	11,693	**11,676**	11,693	**11,658**	11,693	**11,490**	11,693	**11,629**	11,693	11,693

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

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities were up for the fourth quarter by $4.6 million and for the year down by $17.5 million over the same period in 2020. During the fourth quarter the $35.3 million decrease in profit from operations was fully offset by contingent consideration of $28.0 million and lower changes in working capital[5] of $12.0 million. The changes in working capital[5] were mainly due to an increase in accounts payable of $8.6 million and inventory of $9.5 million, offset by increases in accounts receivable of $3.3 million and prepaid expenses of $2.8 million. For the year, the decrease was due to a $74.0 million decrease in profit from operations partially offset by contingent consideration of $47.7 million, lower changes in working capital of $1.9 million and tax payments of $7.5 million. The changes in working capital include increases in accounts receivable ($10.7 million) inventory ($2.0 million) and prepaid expenses ($2.8 million), partially offset by higher accounts payable ($13.6 million).

Free Cash Flow Deployment

Distributions paid during the year were $15.4 million with an additional $1.3 million declared for December, which was paid January 14th. The rapid sales growth in 2020 and supply disruptions in 2021 necessitated the investment in working capital. The Clarion acquisition included $35.0 million borrowing and repayment of $3.0 million of their debt outstanding in 2020 and holdback releases in 2021. Debt repayment from free cash flow in 2021 was $1.0 (2020 $26.0 million).

($ millions)	2019	2020	2021
Free Cash Flow	16.4	52.9	**31.2**
Cash	2.6	0.4	**-0.3**
Working capital[5]	1.3	6.6	**4.6**
Clarion acquisition	—	51.9	**9.1**
Expansion capex	—	—	**—**
Unit Buyback	—	—	**16.8**
Debt repayment (proceeds)	12.5	-6.0	**1.0**

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 $19.0 million (2020 $24.2 million) which includes $1.8 million for the Unit redemption in excess of paid up capital and $1.0 million for withholding taxes offset by the $0.5 million refundable dividend tax recovery and the $0.6 million prior year tax recoveries.

Capital expenditures

The Clarion acquisition on May 31st, 2020 was for $49.9 mil. net of a $10.5 mil. holdback. During the year $8.5 mil. of the holdback was paid (2020 – $2.0 million) and $0.6 million for lower income tax.

Capital expenditures for the year were $2.4 million (2020 $2.7 million), all on account of maintenance capital and were mainly comprised of leasehold improvements ($0.3 million), the refurbishment of moulds ($0.5 million) and manufacturing ($0.2 million), computer ($0.8 million) and warehouse equipment ($0.6 million).

Financing activities and instruments

Free cash flow for the year was mainly deployed to purchase Units under the normal course issuer bid, settle Clarion holdbacks 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 May 31, 2020, the revolving and term debt credit facilities were expanded and extended to May 31, 2024 at a cost of $516 which will be deferred and amortized over the term of the facilities. The term facility of $23,000 [2020 – $24,000] bears interest at the bankers' acceptance borrowing rate plus a margin of 0.95% to 1.7%. The remaining revolving credit facility of $65,000 [2020 – $65,000], which is available for future acquisitions, was undrawn. The facility bears interest at the same rate as the term facility and any unused portion bears a standby fee of 20% of the margin. During the year, $1.0 million was repaid.

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, 2021, our leverage ratio was 0.3x (2020 0.2x). 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, with the remaining $47.9 mil. relating to the $0.2 mil. Clarion holdback and $47.7 mil. contingent consideration.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	23.0		23.0		
Exchangeable shares	28.4	28.4			
Previous shareholder	48.9	48.9			
Annual bonus plans	4.4	4.4			
Lease obligations [a)]	47.0	8.4	15.6	11.0	12.0
	151.7	90.1	38.6	11.0	12.0

[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 2022.

First quarter revenue is expected to be down 5% - 7% on coronavirus related demand reversing and the exchange translation impact at U.S./Cdn. $0.79 will be flat over the same period in 2021. The sensitivity for every 1¢ movement in exchange rates to revenue is $0.6 million and to Adjusted EBITDA[1] is $0.07 million.

At the current price of $53/Unit the mark-to-market gain on exchangeable units would be $4 million. The sensitivity for every $1 movement in unit price is $0.46 million.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $3.5 million in 2022 of which $1.5 million is to fund system upgrades. Expansion capital is expected to be in the order of $1 million cumulatively over the next few years to support the launch of new marketing programs by our customers. These expenditures will be funded by free cash flow[2].

Distributable cash flow from Richards Packaging US and the current tax profile of Richards Canada are expected to allow for eligible and non-eligible dividends to be paid to Unitholders in 2022. Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.05 million for every U.S./Cdn. 1¢ movement. For 2022, surplus distributable cash is expected to be deployed to pay the contingent consideration in connection with the Clarion acquisition.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business including: changes in China tariff rates, the impact of pandemics including the coronavirus, logistics disruptions, 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 2021 Annual Information Form dated March 8, 2022.

Transactions with Related Parties

Three facilities were leased in 2021 from Tim McKernan, a resident of Nevada, USA and officer of Richards Packaging. 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 8, 2022, 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, 2021 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, 2021 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 $5.8 million recognition of expense through inventory write down for the year (2020 $2.0 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2021.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $17.5 million as of December 31, 2021 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 $4.9 million future income tax liability as at December 31, 2021 will be amortized to income over 10 to 15 years from the dates of acquisition. In addition, trademark intangible assets of $11.3 million and an associated $2.9 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 $61.76 as at December 31, 2021 (2020 $76.85), 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 2% 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 Chief Operating Officer, 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, 2021 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, 2021 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.sedar.com 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 10. Our lenders use this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, Adjusted EBITDA and Adjusted EBITDA as a percentage of sales are intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating Adjusted EBITDA may not be comparable to similar measures presented by other companies.*

2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as Adjusted EBITDA[1] less 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.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information.*

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 8, 2022.

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 8, 2022

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, 2021 and 2020, 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).

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, 2021 and 2020;
- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of changes in equity for the years ended December 31, 2021 and 2020;
- the consolidated statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies 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, 2021. 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 – Summary of significant accounting policies, note 9 – Inventory, note 5 – Expense by nature and note 19 – Financial instruments to the consolidated financial statements.* As at December 31, 2021, the Fund held inventory of $100.7 million, net of inventory provisions for slow moving inventory of $14.5 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 and market demand, as applicable, by: o testing a sample of inventory items to purchase invoices or considering the turnover of inventory; 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 analyzing data related to current year sales and inventory movement, or 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, 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 8, 2022

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands, unless otherwise noted	Notes	2021	2020
Revenue	*4*	**451,438**	489,235
Cost of sales	*5*	**363,048**	376,468
Gross profit		**88,390**	112,767
Administrative expenses	*5*	**21,471**	19,516
Contingent consideration revaluation	*3*	**47,700**	—
Profit from operations		**19,219**	93,251
Financial expenses	*15*	**5,603**	5,126
Exchangeable shares	*16*		
Mark-to-market loss (gain)		**(6,987)**	14,474
Distributions		**611**	611
Share of income - Vision	*18*	**(112)**	(104)
Income tax expense (income)	*6*		
Current taxes		**18,985**	24,157
Deferred taxes		**(949)**	(1,156)
		18,036	23,001
Net income		**2,068**	50,143
Basic income per Unit	*16*	***$0.19***	*$4.47*
Diluted income per Unit	*16*	***($0.37)***	*$4.47*
Other comprehensive loss			
(subsequently recyclable to Net income)			
Currency translation adjustment - Richards US		**(271)**	(1,478)
Comprehensive income		**1,797**	48,665

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

STATEMENTS OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2021	2020
ASSETS			
Current Assets			
Cash	*7*	**8,420**	7,720
Accounts receivable	*8*	**50,259**	49,802
Inventory	*9*	**100,724**	88,251
Prepaid expenses and deposits	*10*	**12,784**	10,942
		172,187	156,715
Long-term Assets			
Leases	*12*	**38,056**	46,553
Plant and equipment	*13*	**5,993**	6,618
Investment - Vision	*18*	**688**	667
Intangible assets	*14*	**29,489**	31,678
Goodwill	*14*	**110,485**	110,654
		184,711	196,170
		356,898	352,885
LIABILITIES & EQUITY			
Current Liabilities			
Accounts payable and accruals	*11*	**82,312**	71,690
Income tax payable		**897**	(438)
Distributions payable	*16*	**1,256**	1,286
Due to previous shareholders	*3*	**48,934**	10,366
Exchangeable shares	*16*	**28,422**	35,409
		161,821	118,313
Long-term Liabilities			
Term debt	*15*	**22,688**	23,559
Lease obligations	*11,12*	**34,505**	42,436
Deferred income taxes	*6*	**7,051**	8,006
		64,244	74,001
Equity			
Unitholders' capital	*16*	—	5,276
Retained earnings		**119,883**	144,074
Accumulated other comprehensive income		**10,950**	11,221
		130,833	160,571
		356,898	352,885
Contingencies	*20*		

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

Richards Packaging Income Fund

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**Unitholders' capital**	**Retained earnings**	**AOCI[a)]**	**Equity**
December 31, 2019		**16,314**	**97,717**	**12,699**	**126,730**
Comprehensive income (loss)			**50,143**	**(1,478)**	**48,665**
Distributions[b)]	*16*	**(11,038)**	**(3,786)**		**(14,824)**
December 31, 2020		**5,276**	**144,074**	**11,221**	**160,571**
Comprehensive income (loss)			**2,068**	**(271)**	**1,797**
Units purchased for cancellation[c)]	*16*	**(5,276)**	**(11,520)**		**(16,796)**
Distributions[b)]	*16*		**(14,739)**		**(14,739)**
December 31, 2021		**—**	**119,883**	**10,950**	**130,833**

a) *AOCI - Accumulated other comprehensive income reflects the cumulative translation adjustment of Richards US.*
b) *Retained earnings amounts represent taxable distributions paid to Unitholders net of return of capital.*
c) *The amount paid for units purchased for cancellation in excess of the capital account was treated as a reduction in retained earnings.*

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

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2021**	**2020**
OPERATING ACTIVITIES			
Profit from operations		**19,219**	93,251
Add items not involving cash			
Plant, equipment & lease depreciation	*12,13*	**9,708**	9,839
Lease write down	*12*	**(266)**	520
Intangible assets amortization	*14*	**2,712**	2,386
Contingent consideration revaluation	*3*	**47,700**	—
Income tax payments		**(17,650)**	(25,190)
Dividends - Vision	*18*	**90**	75
Changes in working capital	*21*	**(4,643)**	(6,538)
Cash provided by operating activities		**56,870**	74,343
INVESTING ACTIVITIES			
Acquisition, net of holdback		—	(49,918)
Due to previous shareholders	*3*	**(9,127)**	(2,000)
Additions to plant and equipment	*13*	**(1,807)**	(2,661)
Additions to computer software	*14*	**(555)**	—
Cash used in investing activities		**(11,489)**	(54,579)
FINANCING ACTIVITIES			
Repayment of revolving & term debt	*15*	**(1,000)**	(26,000)
Proceeds from debt for acquisition		—	35,000
Extinguish Clarion debt		—	(2,997)
Lease payments	*12,15*	**(8,101)**	(8,336)
Financial expenses paid (excluding leases)	*15*	**(3,670)**	(3,696)
Units purchased for cancellation	*16*	**(16,796)**	—
Distributions paid to Exchangeable Shareholders	*16*	**(611)**	(611)
Distributions paid to Unitholders	*16*	**(14,769)**	(14,824)
Cash used in financing activities		**(44,947)**	(21,464)
Net cash flow		**434**	(1,700)
Cash, beginning of year	*7*	**7,720**	8,023
Foreign exchange effect		**266**	1,397
Cash, end of year	*7*	**8,420**	7,720

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

The financial statements include the accounts of the Fund and its investments, Richards Packaging Holdings Inc. ["Richards Canada"] and Richards Packaging Holdings 2 Inc. ["Richards US"] and their wholly owned subsidiaries together are referred to as "Richards Packaging". The wholly owned subsidiaries of Richards Canada include Richards Packaging Inc., 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 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, the establishment of any contingent consideration associated with the Clarion acquisition, 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. 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 and short term leases continue to be treated as operating in nature.

December 31, 2021 and 2020 [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% 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. 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 period.

3. ACQUISITION & DUE TO PREVIOUS SHAREHOLDERS

Included in due to previous shareholders is a U.S.$788 non-interest bearing demand loan and a $47,935 payable in connection with the Clarion acquisition. The Clarion acquisition was subject to a working capital adjustment and a $10,500 holdback of which $2,000 and $9,127 were paid during the years ending December 31, 2020 and 2021 respectively. This acquisition was also subject to contingent consideration based on a multiple of future earnings after certain adjustments for 2021 or 2022 at the seller's option. The 2021 year was chosen resulting in additional consideration being payable by March 31, 2022.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

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.

	Canada		United States	
	2021	**2020**	**2021**	**2020**
By geography				
Revenue	**254,972**	214,288	**196,466**	274,947
Long-term assets	**109,315**	113,516	**75,396**	82,654

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

	2021	**2020**
Revenue by end user		
Cosmetics	**111,533**	177,201
Healthcare[a)]	**181,069**	144,233
Food, beverage & other	**158,836**	167,801
	451,438	489,235

a) Healthcare includes $10,861 [2020 $6,831] of revenue recognized over time from the sale of maintenance & warranty service plans and $36,664 [2020 $22,038] sales of capital goods.

5. EXPENSES BY NATURE

	2021	**2020**
Salaries and wages	**34,604**	34,659
Benefits	**7,781**	6,831
Bonuses	**5,246**	4,985
Long-term incentive plan	**180**	180
Employee compensation	**47,811**	46,655
Inventory sold and services provided	**277,156**	301,708
Inventory provisions	**5,818**	1,955
Selling, distribution and other costs	**39,652**	33,063
Depreciation and amortization	**12,420**	12,225
Lease expenses	**1,121**	540
Foreign currency loss (gain)	**541**	(81)
Cost of sales and administrative expenses	**384,519**	396,065

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

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 $984 [2020 – $2,386]. 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 $331 [2020 – $263] and can be redeemed only when the DSU plan participant ceases to serve.

6. INCOME TAXES

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

	2021	**2020**
Profit from operations	**19,219**	93,251
Financial expenses	**(5,603)**	(5,126)
Contingent consideration revaluation	**47,700**	—
Income subject to income taxes	**61,316**	88,125
Statutory tax rate	*26.5%*	*26.6%*
Income tax expense at statutory tax rate	**16,224**	23,406
Deferred income taxes	**949**	1,156
Current period adjustments		
Refundable dividend tax	**(493)**	(1,762)
Unit redemption in excess of paid up capital	**1,764**	—
Donation	—	(575)
Foreign rate differential	**(1)**	707
Acquisition costs	—	661
Withholding tax	**1,020**	475
Recoveries from prior years	**(613)**	—
Other items	**135**	89
Current income taxes	**18,985**	24,157

Unremitted earnings in Richards US as of December 31, 2021 of US$58,560 is permanently reinvested and therefore the associated withholding tax is not recognized.

The significant components of deferred taxes are outline below:

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

	2021	expense/ (income)	f/x[b)]	2020	expense/ (income)	additions/ f/x[b)]	2019
Deferred tax liabilities							
Customer relationships[a)]	**4,897**	**(736)**	**(1)**	5,634	(604)	4,214	2,024
Patents and trademarks[a)]	**2,914**	**—**	**(5)**	2,919	—	1,747	1,172
Plant and equipment	**1,219**	**49**	**(5)**	1,175	376	(145)	944
Other	**5**	**(3)**	**—**	8	(51)	(1)	60
Deferred tax assets							
Loss carryforward for tax	**—**	**118**	**—**	(118)	(118)	—	—
Leases	**(911)**	**(217)**	**2**	(696)	(528)	23	(191)
Working capital	**(1,073)**	**(159)**	**2**	(916)	(231)	(256)	(429)
	7,051	**(949)**	**(7)**	8,006	(1,156)	5,582	3,580

a) 2020 customer relationships includes $1,419 and trademarks $1,749 for Clarion. Reversal of intangible assets will not give rise to income taxes.

b) f/x = foreign exchange differences

7. CASH

	2021	2020
Cash at bank[a)]	**11,449**	9,045
Demand deposits	**—**	597
Issued and outstanding cheques	**(3,029)**	(1,922)
	8,420	7,720

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

8. ACCOUNTS RECEIVABLE

	2021 $	Expected Loss %	2020 $	Expected Loss %
Current	**39,848**	***0.1%***	35,669	*0.1%*
Up to 60 days past due	**9,902**	***6.8%***	11,642	*0.2%*
61 – 90 days past due	**590**	***17.8%***	801	*1.6%*
Over 90 days past due	**1,275**	***86.7%***	2,662	*58.5%*
Trade receivables	**51,615**	***3.7%***	50,774	*3.2%*
Expected credit losses[a)]	**(1,925)**		(1,614)	
Supplier rebates	**569**		642	
	50,259		49,802	

a) Management reassessed expected losses and recognized new provisions of $883 [2020 – $645] and wrote off $573 [2020 – $168]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

9. INVENTORY

	2021	2020
Goods purchased for resale	**99,999**	88,087
Goods in transit	**12,716**	8,490
Manufacturing raw materials	**833**	572
Manufactured finished goods	**1,723**	1,618
Reserve for slow moving inventory a)	**(14,547)**	(10,516)
	100,724	88,251

a) Management recorded a reserve for slow moving inventory of $5,818 [2020 – $1,955], which reflects consideration for elevated freight costs and customers shut down due to the coronavirus, and recognized write-offs of $1,788 [2020 – $1,452]. The remaining non-cash change in inventory provision reflects foreign exchange differences.

10. PREPAID EXPENSES AND DEPOSITS

	2021	2020
Deposits for commitment to purchase goods	**6,417**	5,547
Deferred costs on maintenance contracts	**2,672**	2,309
Deposits for other commitments	**1,502**	1,122
Rent	**1,153**	1,053
Other deposits	**1,040**	911
	12,784	10,942

11. ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
Trade payables	**57,626**	47,092
Rebates	**791**	885
Staffing expenses a)	**8,619**	9,000
Professional fees	**741**	570
Sales tax	**1,317**	1,327
Deferred revenue on maintenance contracts	**4,844**	4,409
Lease obligations - current portion	**6,832**	6,625
Other payables	**1,542**	1,782
	82,312	71,690

a) Management bonuses of $4,363 [2020 - $4,553] included in staffing expenses were fully paid subsequent to year end.

Included in Trade payables is $247 [2020 – $405] associated with payables to Vision *[note 18]*.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

12. LEASES AND LEASE OBLIGATIONS

	Property	Computer equipment	Warehouse & office	Leases	Lease Obligations
December 31, 2019					
Current portion					6,065
Leases and lease obligation	39,618	9	291	39,918	37,385
Additions/acquisitions	16,824		111	16,935	14,702
Terminations	(2,357)			(2,357)	(2,598)
Amortization	(7,665)	(2)	(76)	(7,743)	
Payments, excluding interest					(6,541)
Foreign exchange differences	(162)		(38)	(200)	48
December 31, 2020					
Carrying value	60,150	11	428	60,589	
Accumulated amortization	(13,892)	(4)	(140)	(14,036)	
Current portion					6,625
Leases and lease obligation	46,258	7	288	46,553	42,436
Additions	**747**		**93**	**840**	**858**
Terminations	**(1,850)**			**(1,850)**	**(2,366)**
Amortization	**(7,205)**	**(2)**	**(127)**	**(7,334)**	
Payments, excluding interest					**(6,297)**
Foreign exchange differences	**(151)**		**(2)**	**(152)**	**81**
December 31, 2021					
Carrying value	**58,896**	**11**	**519**	**59,426**	
Accumulated amortization	**(21,097)**	**(6)**	**(267)**	**(21,370)**	
Current portion					**6,832**
Leases and lease obligation	**37,799**	**5**	**252**	**38,056**	**34,505**

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

	2022	2023	2024	2025	2026	beyond
Gross lease payments	8,393	8,107	7,520	5,513	5,526	11,966

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

13. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
December 31, 2019						
Carrying value	3,034	4,641	1,860	1,184	1,075	11,794
Accumulated Depreciation	(2,112)	(3,000)	(757)	(587)	(562)	(7,018)
Net book value	922	1,641	1,103	597	513	4,776
Additions	247	671	81	374	1,288	2,661
Clarion acquisition			1,047	62	276	1,385
Fully depreciated assets				(524)	(20)	(544)
Depreciation	(295)	(801)	(468)	(227)	(305)	(2,096)
Foreign exchange differences	(75)		5	(17)	(21)	(108)
December 31, 2020						
Carrying value	3,206	5,312	2,993	1,079	2,598	15,188
Accumulated Depreciation	(2,407)	(3,801)	(1,225)	(290)	(847)	(8,570)
Net book value	799	1,511	1,768	789	1,751	6,618
Additions	**150**	**449**	**608**	**264**	**336**	**1,807**
Fully depreciated assets	**(1,206)**	**(2,218)**	**(1,263)**	**(345)**	**(1,274)**	**(6,306)**
Depreciation	**(229)**	**(745)**	**(584)**	**(313)**	**(503)**	**(2,374)**
Foreign exchange differences	**(35)**	**12**	**2**	**(13)**	**(24)**	**(58)**
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**

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 the value in use. Five-year cash flow budgets, prepared using growth rates experienced in the industry and approved by the Board, were used with the application of a pre-tax discount rate of 12.2% [2020 – 13.4%]. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 2.7% [2020 – 2.7%]. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

	Customer relationships	Trade-marks	Computer software	Intangible assets	Goodwill
December 31, 2019					
Carrying value	21,968	4,126	577	26,671	84,958
Accumulated amortization	(14,556)		(471)	(15,027)	
Net book value	7,412	4,126	106	11,644	84,958
Amortization	(2,367)		(19)	(2,386)	
Clarion acquisition	15,200	7,300		22,500	26,493
Foreign exchange differences	(2)	(76)	(2)	(80)	(797)
December 31, 2020					
Carrying value	36,923	11,350	575	48,848	110,654
Accumulated amortization	(16,680)		(490)	(17,170)	
Net book value	20,243	11,350	85	31,678	110,654
Amortization	**(2,687)**		**(25)**	**(2,712)**	
Additions			**555**	**555**	
Foreign exchange differences	**(15)**	**(17)**		**(32)**	**(169)**
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**

15. REVOLVING AND TERM DEBT

Richards Packaging has available both revolving and term debt credit facilities. On May 31, 2020, the revolving and term debt credit facilities were expanded and extended to May 31, 2024 at a cost of $516 which will be deferred and amortized over the term of the facilities. The term facility of $23,000 [2020 – $24,000] bears interest at the bankers' acceptance borrowing rate plus a premium of 0.95% to 1.7%. The effective interest rate at December 31, 2021 was 1.4 % [2020 – 1.7%]. Voluntary repayments of term debt of $1,000 [2020 – $26,000] were made during the year ended December 31, 2021. The remaining revolving credit facility of $65,000 [2020 – $65,000], which is available for the Clarion contingent consideration and future acquisitions, was undrawn. The facility bears interest at the same rate as the term facility and any unused portion bears a standby fee of 20% of the premium.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

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

	2021	**2020**
Interest expense	**398**	432
Credit card fees	**2,883**	2,340
Credit facility charges	**389**	446
Amortization of deferred financing fees	**129**	113
Lease obligation interest	**1,804**	1,795
	5,603	5,126

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, 2019	11,230,007	11,021,566	463,006	11,693,013	11,693,013
December 31, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Units purchased for cancellation	**(275,000)**			**(275,000)**	
December 31, 2021	**10,955,007**	**11,165,774**	**463,006**	**11,418,013**	**11,628,780**

Exchangeable shares mark-to-market gain reflects a unit price decrease during the year ended December 31, 2021 of $15.09 [2020 increased – $31.26] to $61.76 per Unit. The impact on income per Unit of the mark-to-market loss and distributions to exchangeable shareholders in 2020 is anti-dilutive which reverts back to basic income 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.

The Fund initiated a normal course issuer bid on March 14, 2021 to purchase up to 500,000 Units prior to March 13, 2022. There were 275,000 units purchases during the year at an average value of $61.08/Unit.

Contributed surplus

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

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 2021, with $1,235 beginning the year decreasing to $1,205 by December 31st, due to the cancellation of Units purchased under the normal course issuer bid.

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 2021 were $51.

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, 2021 was 0.25 [2020 – 0.20]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times at 5.0 [2020 – 7.0]. The minimum net worth covenant was $70,000 and the net worth was $159,255 [2020 – $195,980].

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.

18. RELATED PARTY TRANSACTIONS AND INVESTMENT - VISION

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

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

	2021	2020
Leases of facilities from entities related to certain officers	**1,137**	1,062
Product purchases from Vision	**7,425**	6,358

Richards Packaging commitments for leases of facilities from entities related to officers of $7.1 million extend to 2028.

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:

	2021	2020		2021	2020
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,587**	1,680	Current liabilities	**670**	924
Plant and equipment	**460**	577			
Total assets	**2,047**	2,257	**Net assets**	**1,377**	1,333
Statement of net income					
Revenue				**7,425**	6,358
Expenses				**7,202**	6,150
Net income				**223**	208

The increase of $19 [2020 – $30 increase] in Investment – Vision represents share of net income of $109 [2020 – $104] decreased by dividends received of $90 [2020 – $75].

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. Term debt carrying value approximates fair value as it bears interest at rates comparable to current market rates. Associated financing fees are amortized over the term of the debt. Exchangeable shares fall under Level 1 of the fair value hierarchy and are recorded at the year-end trading price of Units into which they are convertible, with changes in value recorded through net income *[note 15]*.

Credit risk

Financial assets exposed to credit risk consist primarily of trade receivables arising from the sale of goods. Concentration of credit risk is limited due to the large number of customers and geographical dispersion. As at December 31, 2021, 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, 2021 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, 2021 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 $163.

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 loss of $541 has been recorded for the year ended December 31, 2020 [2020 – $81 gain] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $249.

December 31, 2021 and 2020 [Cdn$ thousands, unless otherwise noted]

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.

21. ADDITIONAL CASH FLOW INFORMATION

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

	2021	**2020**
Accounts receivable	**(514)**	(11,210)
Inventory	**(12,808)**	(14,797)
Prepaid expenses and deposits	**(1,922)**	(4,723)
Accounts payable and accruals	**10,600**	24,192
	(4,644)	(6,538)

For the year ended December 31, 2021, the foreign exchange translation loss excluded from the above was $290 [2020 – $2,185].

Richards Packaging Income Fund

UNITHOLDER INFORMATION

Management Team

David Prupas
President and Chief operating officer

Enzio Di Gennaro
Chief financial officer

Corporate Information

Registered Head office

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Transfer agent and registrar

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www.tsxtrust.com

Toronto Stock Exchange listing

Symbol: RPI.UN

Investor information

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

Annual meeting

Thursday May 5, 2022 at 10:00 a.m.
Richards Packaging Inc.
6095 Ordan Drive
Mississauga, Ontario L5T 2M7