AUDIT COMMITTEE'S REPORT

The accompanying financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The financial statements were prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 7, 2023.

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

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

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

"Susan Allen"
Chair – Audit Committee

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

Toronto, Ontario
March 7, 2023

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, 2022 and 2021, 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, 2022 and 2021;
- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, 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, 2022. 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.

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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 – Expenses by nature and note 19 – Financial instruments to the consolidated financial statements.* As at December 31, 2022, the Fund held inventory of $97.8 million, net of inventory provisions for slow moving inventory of $10.2 million. The Fund's inventory is valued at the lower of cost and net realizable value. Management applies significant judgment and makes assumptions in estimating its slow moving inventory provisions and in determining the net realizable value of inventory based on the consideration of a variety of factors, including aging, recent sales and market demand. We considered this a key audit matter due to the magnitude of the inventory balance, the audit effort involved in testing the inventory balance and the significant judgment by management in determining the slow moving inventory provisions.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the slow moving inventory provisions in determining the net realizable value of inventory, which included the following: – Tested the data used by management in determining the inventory provisions and recalculated the mathematical accuracy of the inventory provisions. – Evaluated the appropriateness of the Fund's inventory provisioning method. – Evaluated the reasonableness of assumptions based on the factors used by management, including aging, recent sales and market demand by: ○ Considering the appropriateness of the aging of inventory balances by testing a sample of inventory items to purchase invoices. ○ Assessing recent sales and market demand by reviewing a sample of sales invoices for transactions that occurred during the year and subsequent to year-end. ○ Discussing with management, including inventory personnel, to understand and corroborate the assumptions made by management in determining the inventory provisions. – Tested that inventory at year-end was recorded at the lower of cost and net realizable value by comparing a sample of inventory items to their most recent sales price as applicable.

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 7, 2023

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands, unless otherwise noted	Notes	2022	2021
Revenue	*4*	**446,896**	451,438
Cost of sales	*5*	**364,801**	363,048
Gross profit		**82,095**	88,390
Administrative expenses	*5*	**21,737**	21,471
Contingent consideration revaluation	*3*	**1,631**	47,700
Profit from operations		**58,727**	19,219
Financial expenses	*15*	**7,068**	5,603
Exchangeable shares	*16*		
Mark-to-market gain		**(8,501)**	(6,987)
Distributions		**931**	611
Share of income - Vision	*18*	**(126)**	(112)
Income tax expense (income)	*6*		
Current taxes		**15,132**	18,985
Deferred taxes		**(949)**	(949)
		14,183	18,036
Net income		**45,172**	2,068
Basic income per Unit	*16*	***$4.12***	*$0.19*
Diluted income per Unit	*16*	***$3.29***	*($0.37)*
Other comprehensive income (loss) *(subsequently recyclable to Net income)*			
Currency translation adjustment - Richards US		**7,515**	(271)
Comprehensive income		**52,687**	1,797

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

STATEMENT OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2022	2021
ASSETS			
Current Assets			
Cash	*7*	**5,445**	8,420
Accounts receivable	*8*	**57,334**	50,259
Inventory	*9*	**97,770**	100,724
Prepaid expenses and deposits	*10*	**9,977**	12,784
		170,526	172,187
Long-term Assets			
Leases	*12*	**32,733**	38,056
Plant and equipment	*13*	**4,970**	5,993
Investment - Vision	*18*	**725**	688
Intangible assets	*14*	**27,754**	29,489
Goodwill	*14*	**113,183**	110,485
		179,365	184,711
		349,891	356,898
LIABILITIES & EQUITY			
Current Liabilities			
Accounts payable and accruals	*11*	**63,464**	82,312
Income tax payable		**2,138**	897
Distributions payable	*16*	**1,256**	1,256
Due to previous shareholders	*3*	**1,068**	48,934
Exchangeable shares	*16*	**19,921**	28,422
		87,847	161,821
Long-term Liabilities			
Revolving and term debt	*15*	**64,817**	22,688
Lease obligations	*11,12*	**29,564**	34,505
Deferred income taxes	*6*	**6,163**	7,051
		100,544	64,244
Equity			
Unitholders’ capital	*16*	**—**	—
Retained earnings		**143,035**	119,883
Accumulated other comprehensive income		**18,465**	10,950
		161,500	130,833
		349,891	356,898
Contingencies	*20*		

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

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	Notes	Unitholders' capital	Retained earnings	AOCI[a)]	Equity
December 31, 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**
Comprehensive income			**45,172**	**7,515**	**52,687**
Distributions[b)]	*16*		**(22,020)**		**(22,020)**
December 31, 2022		—	**143,035**	**18,465**	**161,500**

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.

STATEMENT OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	Notes	2022	2021
OPERATING ACTIVITIES			
Profit from operations		**58,727**	19,219
Add items not involving cash			
Plant, equipment & lease depreciation	*12,13*	**9,701**	9,708
Gain on leases	*12*	**(385)**	(266)
Intangible assets amortization	*14*	**2,686**	2,712
Contingent consideration revaluation	*3*	**1,631**	47,700
Income tax payments		**(13,891)**	(17,650)
Dividends - Vision	*18*	**90**	90
Changes in working capital	*21*	**(15,407)**	(4,643)
Cash provided by operating activities		**43,152**	56,870
INVESTING ACTIVITIES			
Due to previous shareholders	*3*	**(49,533)**	(9,127)
Additions to plant and equipment	*13*	**(856)**	(1,807)
Additions to computer software	*14*	**(662)**	(555)
Cash used in investing activities		**(51,051)**	(11,489)
FINANCING ACTIVITIES			
Proceeds from debt for acquisition	*3,16*	**53,000**	—
Repayment of revolving & term debt	*15*	**(11,000)**	(1,000)
Lease payments	*12,15*	**(8,693)**	(8,101)
Financial expenses paid (excluding leases)	*15*	**(5,602)**	(3,670)
Purchase of Units for cancellation	*16*	—	(16,796)
Distributions paid to Exchangeable Shareholders	*16*	**(931)**	(611)
Distributions paid to Unitholders	*16*	**(22,020)**	(14,769)
Cash provided by (used in) financing activities		**4,754**	(44,947)
NET CASH FLOW		**(3,145)**	434
Cash, beginning of year	*7*	**8,420**	7,720
Foreign exchange effect		**170**	266
Cash, end of year	*7*	**5,445**	8,420

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. and Richards Packaging Holdings 3 Inc. ["Richards Canada"], Richards Packaging Holdings 2 Inc. ["Richards US"] and their wholly owned subsidiaries together are referred to as "Richards Packaging". The wholly owned subsidiaries of Richards Canada include Richards Packaging Inc., Clarion Medical Technologies Inc. ["Clarion"] and its wholly owned subsidiaries and Healthmark Services Ltd. ["Healthmark"]. The wholly owned subsidiaries of Richards US include Richards Packaging Holdings (US) Inc., Richards Packaging, Inc., The E.J. McKernan Company and McKernan Packaging - Richards de Mexico, S.A. de c.v. ["McKernan"]. Vision Plastics Inc. ["Vision"], which is jointly controlled and accounted for under the equity method, is a plastic container manufacturing plant located in Vancouver, British Columbia, Canada.

Foreign currency translation

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

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

Use of estimates

Preparation of financial statements required management to make estimates and assumptions which affect reported amounts of assets, liabilities, revenue and expenses. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically. Any adjustments deemed necessary are made prospectively in the period in which they are identified. Management believes that the expected credit losses, reserve for slow moving inventory, the establishment of any contingent consideration associated with the Clarion acquisition, our view of one reporting segment and the testing for impairment of goodwill, intangibles and trademarks are accounting estimates that involve significant judgment and complexity.

Revenue

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

Income taxes

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

Inventory

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

Leases

Leases are treated as “right of use assets” which requires that the present value of lease payments be recognized utilizing Richards Packaging’s incremental borrowing rate as the discount rate. Leased assets are depreciated on a straight-line basis over the expected terms of the leases. Lease payments reduce lease obligations after adjusting for implied financial expenses calculated utilizing the effective interest method. Lease terms include extension options as management is reasonably certain to exercise them in due course and exclude any residual value. There are no onerous or low value leases. Short term leases continue to be treated as operating in nature.

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. When performing the goodwill impairment assessment, management assesses this on an overall level as a result of there being only one operating segment identified. Should impairment exist, the loss would be measured as the difference between the carrying value and the recoverable amount and recognized as an additional current period charge. Management has not identified any such impairment losses to date. Trademarks are reviewed for impairment annually. Management monitors goodwill for the entire organization, a group of cash-generating units, and performs an impairment test annually.

Exchangeable shares

Exchangeable shares are classified as debt and carried at fair value based upon the year end trading price of Units into which they are convertible [note 16]. Mark-to-market changes in value along with distributions are expensed during the year.

3. ACQUISITION & DUE TO PREVIOUS SHAREHOLDERS

Included in due to previous shareholders is a U.S.$788 non-interest bearing demand loan. Contingent consideration associated with the Clarion acquisition of $49,533 was paid on March 31, 2022. During the 2021 year, $9,127 in holdbacks were paid.

4. REVENUE & SEGMENTED INFORMATION

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

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

	Canada		United States	
	2022	**2021**	**2022**	**2021**
By geography				
Revenue	**276,634**	254,972	**170,262**	196,466
Long-term assets	**105,130**	109,315	**74,235**	75,396

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

	2022	**2021**
Revenue by end market		
Cosmetics	**84,186**	111,533
Healthcare[a]	**198,550**	181,069
Food, beverage and other	**164,160**	158,836
	446,896	451,438

a) Healthcare includes $11,232 [2021 $10,861] of revenue recognized over time from the sale of maintenance & warranty service plans and $38,828 [2021 $36,664] sales of capital goods.

5. EXPENSES BY NATURE

	2022	**2021**
Salaries and wages	**34,914**	34,604
Benefits	**7,397**	7,781
Bonuses	**5,012**	5,246
Long-term incentive plan	**30**	180
Employee compensation	**47,353**	47,811
Inventory sold and services provided	**278,099**	277,156
Inventory provisions	**925**	5,818
Selling, distribution and other costs	**45,196**	39,652
Depreciation and amortization	**12,387**	12,420
Lease expenses	**1,470**	1,121
Foreign currency loss	**1,108**	541
Cost of sales and administrative expenses	**386,538**	384,519

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 $831 [2021 – $984]. 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 $383 [2021 – $331] and can be redeemed only when the DSU plan participant ceases to serve.

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

6. INCOME TAXES

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

	2022	2021
Profit from operations	**58,727**	19,219
Financial expenses	**(7,068)**	(5,603)
Contingent consideration revaluation	1,631	47,700
Income subject to income taxes	**53,290**	61,316
Statutory tax rate	*26.4%*	*26.5%*
Income tax expense at statutory tax rate	**14,051**	16,224
Deferred income taxes	**949**	949
Current period adjustments		
Refundable dividend tax	**(1,529)**	(493)
Unit redemption in excess of paid up capital	**737**	1,764
Foreign rate differential	**86**	(1)
Withholding tax	**802**	1,020
Recoveries from prior years	**—**	(613)
Other items	**36**	135
Current income taxes	**15,132**	18,985

Unremitted earnings in Richards US as of December 31, 2022 of US$57,842 is permanently reinvested and therefore the associated withholding tax is not recognized.

The significant components of deferred taxes are outline below:

	2022	expense/ (income)	f/x [b)]	2021	expense/ (income)	additions/ f/x [b)]	2020
Deferred tax liabilities							
Customer relationships[a)]	**4,200**	**(708)**	**10**	4,897	(736)	(1)	5,634
Patents and trademarks[a)]	**2,988**	**—**	**74**	2,914	—	(5)	2,919
Plant and equipment	**1,150**	**(136)**	**67**	1,219	49	(5)	1,175
Other	**1**	**(3)**	**—**	5	(3)	—	8
Deferred tax assets							
Loss carryforward for tax	**—**	**—**	**—**	—	118	—	(118)
Leases	**(1,025)**	**(70)**	**(44)**	(911)	(217)	2	(696)
Working capital	**(1,151)**	**(32)**	**(46)**	(1,073)	(159)	2	(916)
	6,163	**(949)**	**61**	7,051	(949)	(7)	8,006

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

b) f/x = foreign exchange differences

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

7. CASH

	2022	2021
Cash at bank[a)]	**7,749**	11,449
Issued and outstanding cheques	**(2,304)**	(3,029)
	5,445	8,420

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

8. ACCOUNTS RECEIVABLE

	2022 $	Expected Loss %	2021 $	Expected Loss %
Current	**35,861**	***0.1%***	39,848	*0.1%*
31 – 60 days past due	**14,476**	***0.2%***	9,902	*6.8%*
61 – 90 days past due	**1,268**	***1.2%***	590	*17.8%*
Over 90 days past due	**6,399**	***35.6%***	1,275	*86.7%*
Trade receivables	**58,004**	***4.1%***	51,615	*3.7%*
Expected credit losses[a)]	**(2,367)**		(1,925)	
Supplier rebates	**1,697**		569	
	57,334		50,259	

a) Management reassessed expected losses and recognized new provisions of $578 [2021 – $883] and wrote off $135 [2021 – $573]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

9. INVENTORY

	2022	2021
Goods purchased for resale	**103,138**	99,999
Goods in transit	**2,762**	12,716
Manufacturing raw materials	**729**	833
Manufactured finished goods	**1,361**	1,723
Reserve for slow moving inventory[a)]	**(10,220)**	(14,547)
	97,770	100,724

a) Management recorded a reserve for slow moving inventory of $925 [2021 – $5,818], and recognized write-offs of $1,397 [2021 – $1,788]. In addition, $4,071 was written down to market. The remaining non-cash change in inventory provision reflects foreign exchange differences.

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

10. PREPAID EXPENSES AND DEPOSITS

	2022	2021
Deposits for commitment to purchase goods	**3,999**	6,417
Deferred costs on maintenance contracts	**1,915**	2,672
Deposits for trade shows, moulds and computer software	**1,648**	1,502
Rent	**1,068**	1,153
Bank interest	**311**	26
Other deposits	**1,036**	1,014
	9,977	12,784

11. ACCOUNTS PAYABLE AND ACCRUALS

	2022	2021
Trade payables	**38,756**	57,626
Customer rebates	**1,437**	791
Staffing expenses[a)]	**8,361**	8,619
Professional fees	**917**	741
Sales tax	**1,432**	1,317
Deferred revenue on maintenance contracts	**3,662**	4,844
Lease obligations - current portion	**6,849**	6,832
Other payables	**2,050**	1,542
	63,464	82,312

a) Management bonuses of $4,451[2021 - $4,363] included in staffing expenses were fully paid subsequent to year end.

Included in Trade payables is $245 [2021 – $247] associated with payables to Vision [note 18].

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

12. LEASES AND LEASE OBLIGATIONS

	Property	Computer equipment	Warehouse & office	Leases	Lease Obligations
December 31, 2020					
Current portion					6,625
Leases and lease obligation	46,258	7	288	46,553	42,436
Additions/acquisitions	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)	(153)	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
Additions	**1,660**			**1,660**	**1,352**
Terminations	**(699)**			**(699)**	**(776)**
Amortization	**(7,546)**	**(5)**	**(111)**	**(7,662)**	
Payments, excluding interest					**(7,071)**
Foreign exchange differences	**1,378**		**-**	**1,378**	**1,571**
December 31, 2022					
Carrying value	**61,235**	**11**	**519**	**61,765**	
Accumulated amortization	**(28,643)**	**(11)**	**(378)**	**(29,032)**	
Current portion					**6,849**
Leases and lease obligation	**32,592**	**—**	**141**	**32,733**	**29,564**

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

	2023	2024	2025	2026	2027	beyond
Gross lease payments	8,224	7,589	5,931	5,913	5,558	7,633

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

13. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
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
Additions	**248**	**137**	**481**	**57**	**61**	**984**
Disposals	**(128)**		**(9)**			**(137)**
Depreciation	**(225)**	**(980)**	**(314)**	**(90)**	**(430)**	**(2,039)**
Foreign exchange differences	**(81)**	**89**	**(6)**	**25**	**5**	**32**
December 31, 2022						
Carrying value	**2,154**	**3,781**	**2,806**	**1,067**	**1,702**	**11,510**
Accumulated Depreciation	**(1,527)**	**(3,308)**	**(851)**	**(348)**	**(506)**	**(6,540)**
Net book value	**627**	**473**	**1,955**	**719**	**1,196**	**4,970**

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 10.6% [2021 – 12.2%]. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 3.0% [2021 – 2.7%]. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

	Customer relationships	Trade-marks	Computer software	Intangible assets	Goodwill
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
Amortization	**(2,574)**		**(112)**	**(2,686)**	
Additions			**662**	**662**	
Fully amortized intangibles	**(13,002)**			**(13,002)**	
Foreign exchange differences	**12**	**260**	**17**	**289**	**2,698**
December 31, 2022					
Carrying value	**24,700**	**11,593**	**1,809**	**38,102**	**113,183**
Accumulated amortization	**(9,721)**		**(627)**	**(10,348)**	
Net book value	**14,979**	**11,593**	**1,182**	**27,754**	**113,183**

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 $12,000 [2021 – $23,000] 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 3.4 % [2021 – 1.4%]. Voluntary repayments of term debt of $11,000 [2021 – $1,000] were made during the year ended December 31, 2021. To pay the Clarion contingent consideration and for working capital, $53,000 of the revolving credit facility of $65,000 [2021 – $65,000] was drawn [2021 – 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, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

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

	2022	2021	2020	2019
Interest expense	**2,193**	398	432	722
Credit card fees	**2,844**	2,883	2,340	1,295
Credit facility charges	**280**	389	446	206
Amortization of deferred financing fees	**129**	129	113	22
Lease obligation interest	**1,622**	1,804	1,795	1,512
	7,068	5,603	5,126	3,268

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, 2020	11,230,007	11,230,007	463,006	11,693,013	11,693,013
Units purchased for cancellation	(275,000)	(64,233)		(275,000)	(64,233)
December 31, 2021	10,955,007	11,165,774	463,006	11,418,013	11,628,780
December 31, 2022	**10,955,007**	**10,955,007**	**463,006**	**11,418,013**	**11,418,013**

Exchangeable shares mark-to-market gain reflects a unit price decrease during the year ended December 31, 2022 of $18.36 [2021– $15.09] to $43.40 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.

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 2022 at $1,205 with a special distribution of 69¢ paid in March 2022.

Distributions paid to exchangeable shareholders are not subordinated to distributions to Unitholders and are declared on the same basis net of applicable taxes. Distributions are made monthly to shareholders of record on the last business day of each month and paid on or about the 14th day of the following month. Monthly distributions in 2022 were $51 with a special distribution of $319 paid in March 2022.

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, 2022 was 0.93 [2021 – 0.25]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times at 4.1 [2021 – 5.0]. The minimum net worth covenant was $70,000 and the net worth was $181,544 [2021 – $159,255].

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

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

18. RELATED PARTY TRANSACTIONS AND INVESTMENT - VISION

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

	2022	2021
Leases of facilities from entities related to certain officers	**1,282**	1,137
Product purchases from Vision	**8,241**	7,425

Richards Packaging commitments for leases of facilities from entities related to officers of $7.9 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:

	2022	2021		2022	2021
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,962**	1,587	Current liabilities	**883**	670
Plant and equipment	**371**	460			
Total assets	**2,333**	2,047	**Net assets**	**1,450**	1,377
Statement of net income					
Revenue				**8,241**	7,425
Expenses				**7,988**	7,202
Net income				**253**	223

The increase of $36 [2021 – $19 increase] in Investment – Vision represents share of net income of $126 [2021 – $109] decreased by dividends received of $90 [2021 – $90].

19. FINANCIAL INSTRUMENTS

Fair value

Cash, accounts receivable, accounts payable and accruals, distributions payable and due to previous shareholders are all short term in nature and are measured at amortized cost, however, their carrying values approximate fair values with no amortization necessary. 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, 2022, 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, 2022 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, 2022 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 $426.

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 $1,108 has been recorded for the year ended December 31, 2022 [2021 – $541] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $160.

20. CONTINGENCIES

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

December 31, 2022 and 2021 [Cdn$ thousands unless otherwise noted]

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:

	2022	**2021**
Accounts receivable	**(5,686)**	(514)
Inventory	**6,934**	(12,808)
Prepaid expenses and deposits	**3,355**	(1,922)
Accounts payable and accruals	**(20,010)**	10,601
	(15,407)	(4,643)

For the year ended December 31, 2022, the foreign exchange translation gain excluded from the above was $4,485 [2021 – $290 loss].