2014 Annual Report

Richards Packaging Income Fund

Securigo

DISPILL

Good Things Come in

Richards Packaging

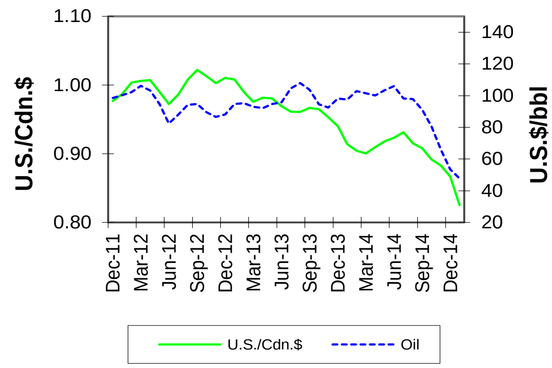
McKernan. PACKAGING CLEARING HOUSE

QUALITY DISCOUNT PACKAGING

INVESTMENT PROPOSITION

Financial Markets

- Global recession jobless recovery continued – packaging up 2% in 2013 and 5% in 2014
- Commodities back to 2008 levels and f/x and oil prices converging again
- U.S./Cdn. exchange rate now +/-$0.80
- Short term borrowing rates remained at all-time lows of 1%
- Mergers and acquisitions activity increased in the face of low financing costs



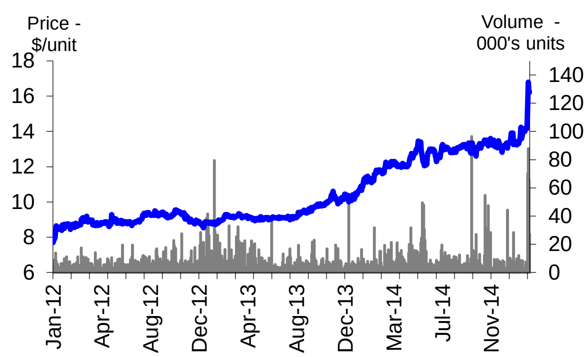
Distribution Policy

- Pro forma distributable cash reflects 2015 tax, 1.5% interest increase
- Distributions for 2015 will be mainly return of capital reflecting cash flow from Richards US
- Pro forma monthly distributions increased 0.8¢ to 7.35¢ per Unit since March 2014
- Payout target of 80% reflects uncertain times

($ millions)	**2014**	**Adj's**	**Proforma**
EBITDA	23.8		23.8
Interest	(2.0)	(0.5)	(2.5)
Dividends - Vision	0.2		0.2
Taxes	(6.8)	(0.3)	(7.1)
Maintenance capital	(0.7)		(0.7)
Future Distributable cash	14.4		13.6
Current distribution level	10.2	0.2	10.4
Payout Ratio	71%		76%

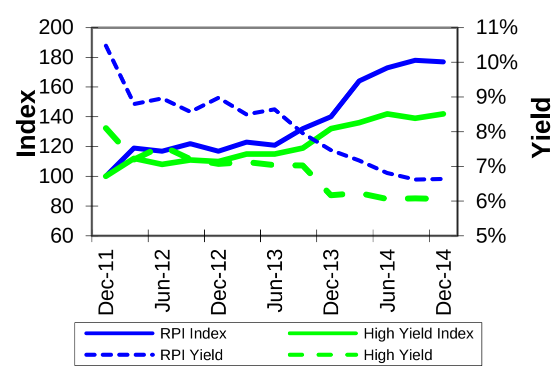
RPI.UN Trading Activity

- Price above $16 reflecting demand for high-yield securities driving yield down to below 5.5%
- Spike in Feb 2015 due to recommended "Top pick" on *BNN* aired Feb 17, 2015
- Ranked 3rd in National Bank: *Diversified Income Equities 2015 Scorecard* among 40 investments
- Debt to EBITDA at 1.9 for 2012, 1.6 for 2013 and 1.3 for 2014



High Yield Diversified Market

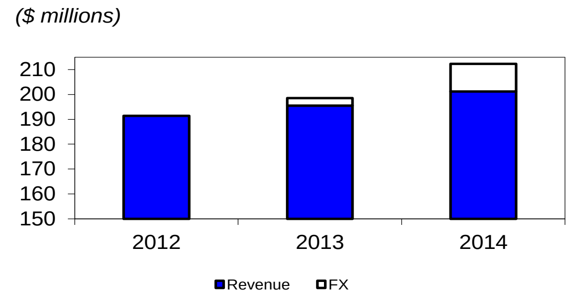
- December 2011 Price Index = 100
- Includes corporations and trusts with yields in excess of 5%
- Yields on a steady decline – now at 6%
- Average price index rising in 2014 reflecting continued investor demand for yield
- Average payout 67% (2013 – 71%), monthly distribution 7.53¢ (2013 – 7.33¢) and leverage 2.5 (2013 – 2.4)



PERFORMANCE SNAPSHOT

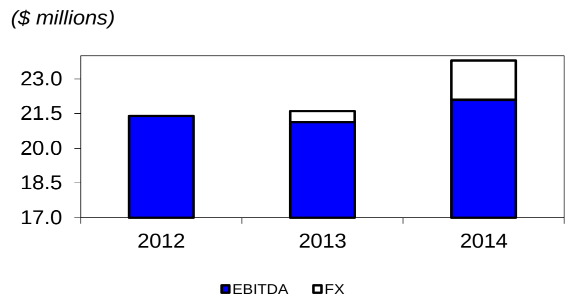
Revenue

- Organic growth 3% or $5.8 mil. both in Top 60 and small customers (2013 – $4.1 mil.)
- Non-cash currency translation impact of $8.0 mil. (2013 – $3.1 mil)
- Slight changes in mix - 1% closures increase; 1% plastics and glass decrease



EBITDA[1]

- EBITDA up $2.2 mil. at 11.2% of sales (2013 – up $0.2 mil. excluding the reversal of $0.4 mil. disputed duties and patent defense costs)
- Inventory $1.4 mil. provision (2013 – $1.2 mil.)
- FX currency impact $1.7 mil. (2013 – $0.5 mil.)
- Expansion capital impact $0.1 mil.



Cash Management

- Free cash flow[2] reflects long term target cushion of 20% of distributable cash and higher income taxes
- Debt payments $3.0 mil. (2013 – $6.0 mil.) absent 2013 working capital reduction
- Leverage ratio 1.3 and gearing ratio 34%
- NCIB initiated in 2012 and continued in 2013 & 2014

($ millions)	**2012**	**2013**	**2014**
Free Cash Flow	5.6	3.5	**4.2**
Cash	0.9	2.6	**1.1**
Working Capital	41.1	39.9	**43.0**
Expansion Capex	0.3	0.4	**0.3**
Term Debt	41.5	35.5	**32.5**
Debt/EBITDA	*1.9*	*1.6*	***1.3***
Units Purchased	0.2	0.4	**0.1**

Fourth Quarter Results

- Revenue growth 9.7% or $4.5 mil. organically as the US economy heats up; FX currency impact $2.3 mil. (2013 – $1.4 mil.) on U.S/Cdn 7.2¢ weakening
- Inventory write down of $0.4 mil. (2013 – $0.2 mil.) didn't effect margin on higher revenue
- EBITDA up $1.3 mil.; FX currency impact $0.3 mil. (2013 – $0.3 mil.)

($ millions)	**2012**	**2013**	**2014**
Revenue	45.2	48.1	**54.9**
EBITDA[1]	4.7	5.0	**6.3**
	10.4%	*10.3%*	***11.4%***
Payout Ratio[3]	*67%*	*77%*	***72%***
Debt Repayment	1.5	2.5	**1.0**
Share Buyback	0.1	—	**0.1**

CEO'S REPORT TO UNITHOLDERS

December 31, 2014

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

Although the seasonality of results in 2014 was unusual due to supply chain disruptions from west coast port authorities, the overall performance was in line with our expectations with revenue growth of 3% and EBITDA as a percentage of sales at 11%. The dollar depreciation of 6.5¢ to U.S./Cdn. $0.91 added an additional 4% to revenue and $1.2 million to EBITDA. Net income was $8.0 million, or $0.75 per Unit, up $3.1 million from the same period in 2013 which mainly reflects the expiry of intangible amortization and the absence of patent defense legal costs in 2014.

Fourth quarter results reflect organic growth in our base line business of 3% and an EBITDA at 11% of sales. We increased revenue by $3 million in the quarter by opportunistically investing in inventory to take advantage of temporary demands created by market disruptions on the west coast. The dollar depreciation of $7.2¢ to U.S./Cdn. $0.88 added an additional $2.3 million of revenue and $0.3 million of EBITDA. Net income was up $1.7 million as the higher EBITDA and lower amortization was partially offset by the $0.4 million gain on a positive resolution of the Mexican duties dispute in 2013 and $0.8 million in higher taxes.

The $4.2 million in free cash flow[2] for the year was utilized to pay down $3.0 million in debt, bringing our leverage ratio to 1.3, to pay for expansion and working capital of $1.1 million and to purchase $0.1 million of units under the normal course issuer bid.

The focus for 2015 will be to continue to grow revenue by 1% to 3% if the economic recovery takes hold. The impact of currency weakness should allow for the benefits of higher revenue translation to fall to the bottom line. Cash flow from operations will be adequate to fund minimal working capital investments at these slower revenue growth rates. Acquisitions still remain part of our strategic direction although locating compelling targets has proved challenging[4].

Richards Packaging enters 2015 as a leading North American packaging distribution company with a clear business strategy, a high quality sales organization and a dedication to providing our customers with innovative value add packaging solutions. Our acquisitions since the inception of the Fund continue to all be accretive and strong strategic fits and we are excited by the prospects of executing our strategic plan and growing the Richards Packaging family.

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

"Gerry Glynn"
Chief Executive Officer — March 5, 2015
Richards Packaging Inc.

INDEPENDENT TRUSTEES' REPORT

December 31, 2014

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

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

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

Each trustee, director and officer of Richards Packaging is a unitholder and combined own 37% 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.

The Fund concluded, after consultation with its advisors, not to voluntarily convert to a common share entity by December 31, 2012 and therefore has foregone the eligibility for a tax-free rollover on conversion to common shares. Factors considered were current demand for units, access to capital markets as an Income Trust and costs to convert.

The Fund paid monthly distributions of 6.55¢ per Unit for January and February and 7.35¢ per Unit for the remainder of the year, which represents an annualized yield of 6.6% on the December 31st closing price of $13.29 per Unit. The payout ratio[3] for the fourth quarter was 72% and 71% for the year with free cash flow[2] mainly deployed in to pay down debt. The distributions for 2014 were all return of capital.

On March 13, 2014, the Fund initiated a normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2015. During the year 6,900 units were purchased at an average price of $12.74 per Unit. On March 13, 2015, the Fund will reinstate a normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2016.

"Don Wright"	*"Wayne McLeod"*	*"Rami Younes"*	*"Derek Ridout"*
Chairman	Chair - audit committee	Trustee	Chair – compensation & Corporate governance committee

March 5, 2015

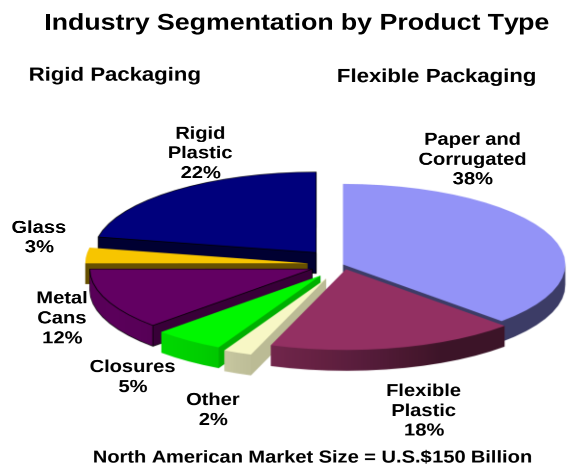
MANAGEMENT'S DISCUSSION AND ANALYSIS

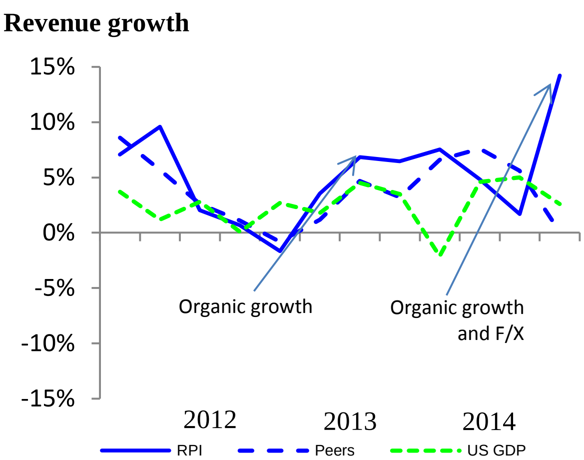
March 5, 2015

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, 2014, the quarterly reports for the periods ended March 31, June 30 and September 30, 2014 and the Annual Information Form dated March 5, 2015. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards on a consistent basis with the annual financial statements.

North American Packaging Industry

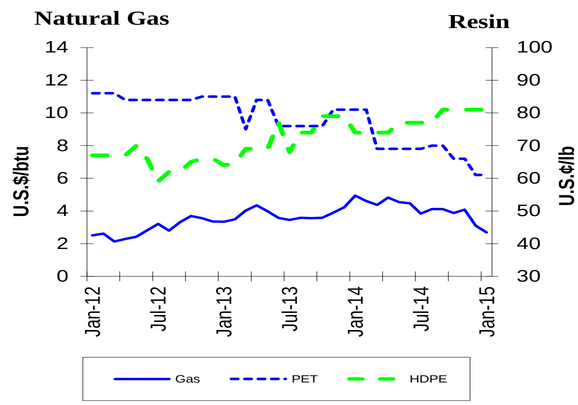
Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfils not only the practical, transportability, protection functions and shelf life, but also serves to differentiate products and communicate branding messages such as quality, safety and consumer satisfaction. The latest ergonomically complex packaging components' design reflects significant investment in market research and product development. To meet the needs of this changing marketplace, the packaging industry has segmented into different product types outlined in the adjacent chart. Markets strengthened in 2014 in line with GDP expansion.





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 2014, there were over 187 acquisitions in the global packaging industry, up 23% over 2013, with an average value of U.S.$128 million (2013 – U.S.$106 million) at a median multiple of 8.2 times EBITDA[1] (2013 – 7.0). During 2014, the top 20 companies continued to spend on capital at the cautious rate of 4% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates.

Energy prices continue to be a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2014, PET resin prices began to converge with natural gas, their main feedstock, but prices were more driven by supply and demand with low HDPE inventory levels. 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 7% and free cash flow as defined within the industry at 5%, which ensures that a disciplined approach to passing cost increases through will remain in place. Clear evidence is that for the top 20 companies, their EBITDA as defined within the industry as a percent of sales has remained at a healthy 13% overall for 2014.



PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Description of the Business and Fund Profile

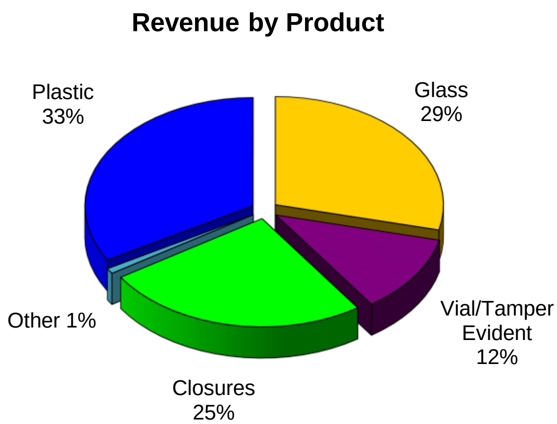
Within the North American Packaging Industry a $3 billion distributor-based market for rigid packaging exists to serve regional small- to medium-sized premium product marketers. Approximately 50 distributors provide marketing and package design expertise, source multiple packaging components from around 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 50% of their market. Richards Packaging Inc. and its subsidiaries ("Richards Packaging") are 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.

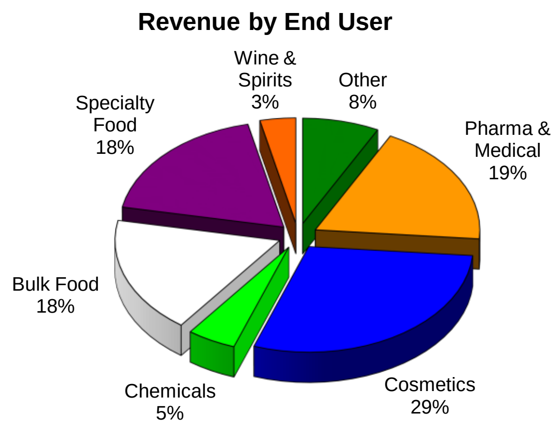
Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in packaging distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 when the Fund completed an initial public offering of 8,569,913 trust 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 which has subsequently been re-characterized as debt.

Richards Packaging serves a wide customer base that is comprised of approximately 12,500 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies (2013 – 11,500). The primary source of revenue is from the distribution of over 5,000 different types of packaging containers and related components sourced from over 600 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent 14% of the total revenues (2013 – 14%). In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

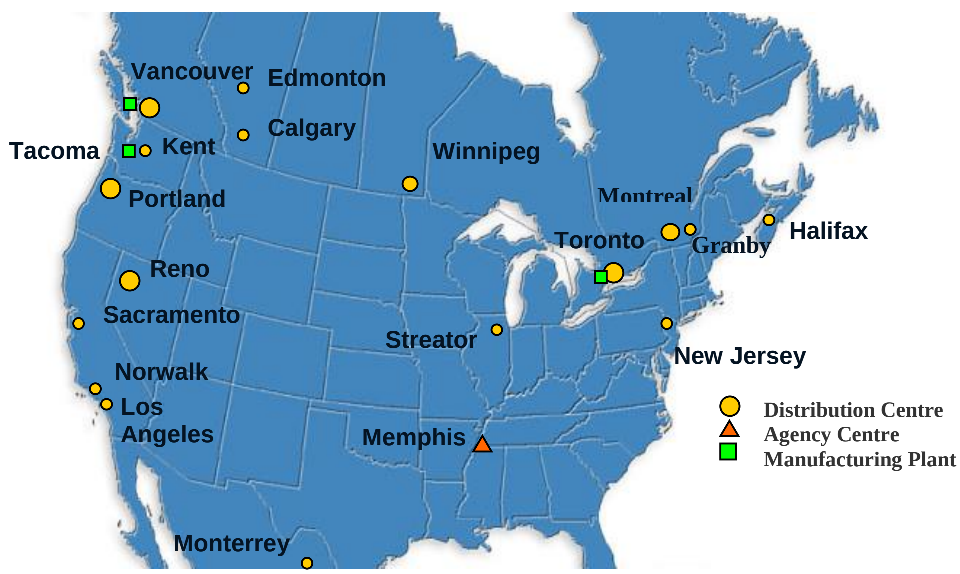
MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>*March 5, 2015*</u>



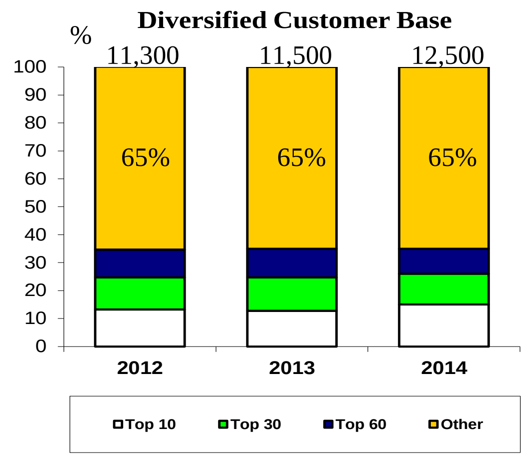


Richards Packaging Locations



The cornerstones of Richards Packaging's strategy include:

- Focusing on a diversified customer base dominated by small regional premium product marketers,
- Providing a complete one-stop source of packaging solutions,
- Being one of the largest distributors of European and Asian glass for the specialty food, wine and spirits markets,
- Being the largest supplier of packaging to the prescription drug and pharmaceutical markets in Canada,
- Being the largest distributor of surplus packaging, and
- Being the only major distributor with dedicated in-house plastics manufacturing capability.



During 2014, management continued to strategically reposition Richards Packaging in the marketplace to optimize the concentration of large customers and focus on customers with the highest value for the unique product offering and services we provide. The concentration of our top 60 customers increased in 2014 by $5 million (2013 –$3 million) in addition to the $9 million growth in small customers (2013 – $4 million) as they experienced a growth rate of 7% per annum (2013 – 3%).

Impact of Changes in Financial Markets

The global economic downturn that began in late 2008 continued through to 2014 which impacted the credit markets, foreign exchange and the economic climate.

Credit Markets and Interest rates

Short term borrowing rates have stayed low as governments across the globe attempt to avert another recession and in recognition of the jobless recovery. Rates have remained constant with short term BA's settling in at 1.2% since 2011 although the Bank of Canada in February 2015 cut rates by 25 bps bringing BA's down to 1.0%.

Foreign Exchange

Exchange rates averaged U.S./Cdn. $0.91 leading to an impact on both revenue and EBITDA of $8.0 million and $1.7 million, respectively in the year. Volatility continued into 2015 with exchange rates dropping to U.S./Cdn. $0.80 as we face a lackluster Canadian economy as opposed to the more robust US economy.

($ millions)	**2012**	**2013**	**2014**
INTEREST RATES	*1.2%*	*1.2%*	*1.2%*
Impact on Interest	—	—	—
F/X - U.S./Cdn.$	*1.00*	*0.97*	***0.91***
Impact on:			
Revenue	1.0	3.1	**8.0**
EBITDA	0.1	0.5	**1.7**

Gross Domestic Product

After experiencing consecutive quarters of negative growth in 2009, the gross domestic product growth rates in the United States and Canada remained mainly in positive territory for 2010 through 2014. In Canada, the year saw modest growth rates at 2.6% for 2014 while the United States shrank 2.1% in the first quarter but then rebounded up to 4.6%, 5.0% and 2.2% in the second, third and fourth quarters. These patterns of growth were reflected in our operations where growth was prevalent in both our US and Canadian operations.

Highlights and Selected Financial Information

The MD&A covers the three and 12 months ended December 31, 2014 and 2013 (generally referred to in this MD&A as the "fourth quarter" and the "year" respectively).

Highlights of the overall performance for the year include:

- Revenue up 7%, mainly due to a 6.5¢ U.S./Cdn. drop and organic growth of 3%,
- EBITDA[1] up $2.2 mil. representing 11.2% of sales or an 18.5% return on net operating assets,
- Inventory write down of $1.4 mil. (2013 – $1.2 mil.),
- Current income taxes up $1.8 mil. in line with higher taxable income,
- Net income up $3.1 mil. due primarily to higher EBITDA, the expiry of amortization of customer relationships, and the absence of patent defense legal costs shares partially offset by the mark-to-market losses on exchangeable shares and income taxes,
- Non-cash working capital increase of $3.1 mil. – $3.6 mil. increase in inventory for growth and caught up in west coast ports,
- Term debt repayments of $3.0 mil.,
- Term and revolving credit maturities were extended 2 1/3rd years to September 30, 2017 for a fee of $0.1 mil.
- Increased monthly distributions 0.8¢ to 7.35¢ per Unit in March 2014 to yield a 6.6% return (@$13.29/Unit – Dec 31st),
- Buy back of $0.1 mil., or 6,900 Units (@ $12.74/Unit), under the normal course issuer bid, and
- Distributable cash flow[2] increased by 14¢ to $1.23 per Unit yielding a payout ratio[3] of 71%.

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 Income Trust tax beginning in 2011, the current low interest rates and the cash needs of operations. The Fund concluded, after consultation with its advisors, not to voluntarily convert to a common share entity by December 31, 2012 and therefore has foregone the eligibility for a tax-free rollover on conversion to common shares. Factors considered were current demand for units, access to capital markets as an Income Trust and costs to convert.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 5, 2015

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2012**
Income Statement Data:											
Revenue	**50,993**	47,415	**53,444**	50,973	**52,942**	52,066	**54,906**	48,074	**212,285**	198,528	191,333
EBITDA[1]	**5,708**	5,136	**6,193**	5,841	**5,617**	5,667	**6,279**	4,967	**23,797**	21,611	21,396
Diluted per Unit	*48.7¢*	*43.7¢*	*52.8¢*	*49.8¢*	*47.9¢*	*48.3¢*	*53.6¢*	*42.4¢*	*$2.03*	*$1.84*	*$1.78*
Net income	**392**	763	**2,199**	2,247	**2,695**	863	**2,736**	1,084	**8,022**	4,957	6,061
Diluted per Unit[c)]	*3.7¢*	*7.1¢*	*20.5¢*	*19.5¢*	*25.2¢*	*8.1¢*	*25.6¢*	*10.2¢*	*$0.75*	*$0.46*	*$0.56*
Financial Position Data:											
Net operating assets	**126,091**	127,603	**123,502**	128,196	**126,724**	124,787	**128,574**	123,957	**128,574**	123,957	127,587
EBITDA/Assets									*18.5%*	*17.4%*	*16.8%*
Bank debt	**35,000**	41,000	**34,000**	39,500	**33,500**	38,000	**32,428**	35,500	**32,428**	35,500	41,500
Debt/EBITDA	*1.5*	*1.9*	*1.5*	*1.9*	*1.4*	*1.8*	*1.3*	*1.6*	*1.3*	*1.6*	*1.9*
Gearing ratio[b)]									*33.7%*	*40.1%*	*48.2%*
Cash Flow Statement Data:											
Distributions[a)]	**2,406**	2,311	**2,592**	2,309	**2,597**	2,307	**2,580**	2,308	**10,175**	9,235	9,271
Diluted per Unit	*19.6¢*	*19.6¢*	*22.1¢*	*19.7¢*	*22.1¢*	*19.7¢*	*22.0¢*	*19.7¢*	*$0.87*	*$0.79*	*$0.79*
Payout ratio[3]	*68%*	*76%*	*68%*	*67%*	*73%*	*70%*	*72%*	*77%*	*71%*	*72%*	*61%*
Unit purchases	—	250	—	176	—	—	88	—	88	426	244
Debt repayments	**500**	500	**1,000**	1,500	**500**	1,500	**1,000**	2,500	**3,000**	6,000	3,000

a) presented on a declared basis;

b) calculated as the percentage of bank debt to net operating assets less bank debt

c) anti-dilutive result reverts back to basic income per Unit

Review of Operations

Operations were approximately one-half (2013 – one-half) in Canada and one-half (2013 – one-half) in the United States ("Richards Packaging US"). Approximately one-third of sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Reno and Portland.

Revenue increased by $6.8 million, or 14.2%, for the fourth quarter (2013 – $2.9 million, or 6.5%), and by $13.8 million, or 6.9%, for the year (2013 – $7.2 million, or 3.8%), from the same periods in 2013, respectively. During the fourth quarter, revenue increased on organic growth of $4.5 million, or 9.7%, (2013 – $1.5 million, or 3.4%) on temporary demand with market disruptions due to west coast port strikes. Our higher inventory levels provided the opportunity for these one-time sales. The translation impact of Richards Packaging US, with the Canadian dollar weakening 7.2¢ to U.S./Cdn. $0.88, contributed $2.3 million (2013 –$1.4 million). For the year, the revenue increase was due to organic growth of $5.8 million, or 3.0%, (2013 – $4.1 million, or 2.2%) and the translation impact of Richards Packaging US of $8.0 million due to a U.S./Cdn. 6.5¢ weakening (2013 – $3.1 million) to U.S./Cdn. $0.91.

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2012**
Revenue	**50,993**	47,415	**53,444**	50,973	**52,942**	52,066	**54,906**	48,074	**212,285**	198,528	191,333
Cost of products sold	**42,914**	39,986	**44,908**	42,894	**44,795**	44,147	**46,317**	40,810	**178,934**	167,837	160,925
Gross profit	**8,079**	7,429	**8,536**	8,079	**8,147**	7,919	**8,589**	7,264	**33,351**	30,691	30,408
	15.8%	*15.7%*	*16.0%*	*15.8%*	*15.4%*	*15.2%*	*15.6%*	*15.1%*	*15.7%*	*15.5%*	*15.9%*
Administrative expenses	**2,342**	2,265	**2,395**	2,250	**2,434**	2,250	**2,358**	2,245	**9,529**	9,010	9,074
Foreign currency loss (gain)	**29**	28	**(52)**	(12)	**96**	2	**(48)**	52	**25**	70	(62)
EBITDA[1]	**5,708**	5,136	**6,193**	5,841	**5,617**	5,667	**6,279**	4,967	**23,797**	21,611	21,396
	11.2%	*10.8%*	*11.6%*	*11.5%*	*10.6%*	*10.9%*	*11.4%*	*10.3%*	*11.2%*	*10.9%*	*11.2%*
Amortization	**1,641**	1,912	**729**	1,934	**733**	1,945	**883**	1,997	**3,986**	7,788	7,757
Disputed duties	—	—	—	—	—	—	—	(436)	—	(436)	436
Patent defense legal costs	—	432	—	267	—	536	—	55	—	1,290	177
Financial expenses	**471**	500	**589**	525	**542**	548	**440**	506	**2,042**	2,079	2,547
Exchangeable shares	**2,106**	982	**1,154**	41	**305**	974	**432**	760	**3,997**	2,757	1,986
Share of income - Vision	**(20)**	(35)	**(19)**	(107)	**(28)**	(67)	**(31)**	(42)	**(98)**	(251)	(96)
Income tax expense	**1,118**	582	**1,541**	934	**1,370**	868	**1,819**	1,043	**5,848**	3,427	2,528
Net Income (loss)	**392**	763	**2,199**	2,247	**2,695**	863	**2,736**	1,084	**8,022**	4,957	6,061

Cost of products sold (before amortization) increased $5.5 million for the fourth quarter or 13.5% (2013 –$2.5 million, or 6.7%) and increased by $11.1 million for the year, or 6.6% (2013 – $6.9 million, or 4.3%) from the same periods in 2013, respectively. During the fourth quarter gross profit margins were up 0.5% (2013 – down 0.2%) from the same period in 2013, primarily due to the increased volumes. For the year gross profit margins were up 0.2% (2013 – down 0.4%) as higher volumes absorbed the impact of $1.4 million of inventory write-downs. 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.

Administrative expenses (before amortization) increased $0.1 million, but decreased 0.2% of sales, for the fourth quarter (2013 –$0.1 million, or 0.2% of sales) and increased $0.5 million for the year (2013 – decreased $0.1 million), over the same periods in 2013, respectively mainly due to the translation impact of expenses of Richards Packaging US.

The foreign currency loss (gain) resulted from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations. The net liability position, which dropped in the fourth quarter lead to a gain with the weakening of the Canadian dollar.

EBITDA[1] increased $1.3 million for the fourth quarter (2013 – increased $0.3 million) and increased $2.2 million for the year (2013 – increased $0.2 million), over the same periods in 2013, respectively. For the year the impact of the U.S./Cdn. 6.5¢ weakening resulted in an increase to EBITDA of $1.2 million (2013 – $0.5 million). As a percent of sales, EBITDA was at 11.4% for the fourth quarter and 11.2% for the year (2013 – 10.9%). Changes were due to the factors outlined above.

Amortization of $0.9 million for the fourth quarter and $4.0 million for the year was mainly comprised of $0.4 million for the quarter and $2.6 million for the year for intangible assets, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of plant and equipment depreciation of $0.5 million for the fourth quarter and $1.4 million for the year, which approximates the annual capital expenditure spending requirement.

Disputed duties in 2013 resulted from the reversal of additional duties accrued in 2012 for product imported into Mexico. Management has successfully challenged the assessment and had the duties, penalties and interest overturned.

Patent defense legal costs in 2013 were incurred to establish infringement on our Dispill patent, trademark and copyright in which the judge rendered his decision in favour of the defendants.

Financial expenses were flat for the fourth quarter from the same period in 2013, with lower term debt offset by higher credit card fees. For the year, financial expenses were flat as lower interest from $3.0 million in less term debt was offset by refinancing fees and higher credit card fees.

Exchangeable shares include the mark-to-market loss and the dividends paid on the exchangeable shares. The mark-to-market loss for the year reflects a unit price increase during the year of $2.77 to $13.29 per Unit ($3.1 million) in addition to the monthly dividend on the exchangeable shares ($0.9 million) which was increased in March 2014 from 6.55¢ per Unit to 7.35¢ per Unit.

For the year taxes increased $2.4 million as current taxes increased $1.8 million, representing tax leakage in Richards Packaging US and Canada and lower deferred tax income of $0.6 million reflecting decreased intangible amortization and full utilization of loss carry forwards in 2013. Net deferred tax liabilities are $4.4 million, which include $3.9 million of customer relationships, patents and trademarks, $0.7 million of plant and equipment net of $0.2 million of working capital.

Net income for the fourth quarter was $2.7 million, and for the year was $8.0 million, which represented 25.6¢ and $0.75 per Unit on a diluted basis, respectively. A time-weighted average total of 10,700,972 Units and 1,024,435 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding in 2014.

Distributable Cash Flow

The distributable cash flow[2] definition excludes changes in working capital and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility currently undrawn (2013 – nil drawn).

Distributable cash flow[2] for the fourth quarter at $3.6 million increased $0.6 million in comparison to the same period in 2013 as higher EBITDA[1] was offset by higher income taxes due to the increase in earnings. For the year distributable cash flow increased $1.7 million with higher EBITDA of $2.2 million and the absence of $1.3 million of patent defense costs partially offset by $1.8 million of higher taxes.

The monthly distribution of 7.35¢ per Unit reflecting the increase of 0.8¢ represents an annual yield of 6.5% on a $13.29 price per Unit at December 31, 2014 and a payout ratio[3] of 71% (2013 – 72%). Based upon the year, 100% and 15% of the distributions will represent return of capital to Unitholders and exchangeable shareholders respectively.

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2012**
Cash provided by											
operating activities……….	**1,699**	5,185	**3,649**	4,981	**4,540**	3,810	**4,772**	6,434	**14,660**	20,410	13,242
Dividends - Vision………….	**—**	—	**—**	—	**(189)**	(189)	**(15)**	—	**(204)**	(189)	—
Working capital changes…….	**2,897**	(621)	**(191)**	(1,052)	**231**	167	**185**	(2,150)	**3,122**	(3,656)	5,058
Income taxes payments…….	**1,112**	140	**2,735**	1,645	**1,035**	1,343	**1,337**	1,064	**6,219**	4,192	2,483
Disputed duties………….	**—**	—	**—**	—	**—**	—	**—**	(436)	**—**	(436)	436
Patent defense legal costs…..	**—**	432	**—**	267	**—**	536	**—**	55	**—**	1,290	177
EBITDA[1]	**5,708**	5,136	**6,193**	5,841	**5,617**	5,667	**6,279**	4,967	**23,797**	21,611	21,396
Patent defense legal costs…..	**—**	432	**—**	267	**—**	536	**—**	55	**—**	1,290	177
Interest [a)]……………………	**471**	500	**521**	525	**542**	548	**495**	506	**2,029**	2,079	2,447
Dividends - Vision………….	**—**	—	**—**	—	**(189)**	(189)	**(15)**	—	**(204)**	(189)	—
Current income tax…………	**1,567**	1,009	**1,721**	1,404	**1,538**	1,374	**1,996**	1,208	**6,822**	4,995	2,701
Maintenance capital……….	**154**	171	**166**	185	**164**	112	**244**	212	**728**	680	954
Distributable cash flow[2] ..	**3,516**	3,024	**3,785**	3,460	**3,562**	3,286	**3,559**	2,986	**14,422**	12,756	15,117
Diluted per Unit …………	*30.0¢*	*25.7¢*	*32.3¢*	*29.5¢*	*30.4¢*	*28.0¢*	*30.4¢*	*25.5¢*	*$1.23*	*$1.09*	*$1.28*
Distributions…………….	**2,406**	2,311	**2,592**	2,309	**2,597**	2,307	**2,580**	2,308	**10,175**	9,235	9,271
Diluted per Unit ……….	*19.6¢*	*19.6¢*	*22.1¢*	*19.7¢*	*22.1¢*	*19.7¢*	*22.0¢*	*19.7¢*	*$0.87*	*$0.79*	*$0.79*
Payout ratio[3] ………….	*68%*	*76%*	*68%*	*67%*	*73%*	*70%*	*72%*	*77%*	*71%*	*72%*	*61%*
Free cash flow[2] ………….	**1,110**	713	**1,193**	1,151	**965**	979	**979**	678	**4,247**	3,521	5,846
Units outstanding *(average)*											
Diluted basis 000's ……….	**11,727**	11,747	**11,727**	11,734	**11,727**	11,727	**11,720**	11,727	**11,725**	11,734	11,795

a) financial expenses less bank refinancing fees

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities decreased $1.7 million for the fourth quarter and $5.8 million for the year, over the same periods in 2013. The increases were due primarily to higher working capital over the same periods in 2013 driven by higher inventory levels to growth and caught up in west coast ports and by higher cash outflows for income taxes.

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the Unitholders and exchangeable shareholders as outlined above in the distributable cash discussion. Actual distributions paid during the year were $10.1 million with an additional $0.9 million declared for December, which was paid January 14th.

Free Cash Flow Deployment

($ millions)	**2012**	**2013**	**2014**
Free Cash Flow	5.6	3.5	**4.2**
Patent Defence Costs	0.2	1.3	—
Working Capital	1.9	(4.6)	**0.8**
Expansion Capex	0.3	0.4	**0.3**
Unit Buyback	0.2	0.4	**0.1**
Debt Repayment	3.0	6.0	**3.0**

Normal Course Issuer Bid

On March 13, 2014, the Fund initiated a normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2015. During the year 6,900 units were purchased at an average price of $12.74 per Unit. On March 13, 2015, the Fund will reinstate a normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2016.

Current income taxes

The current income tax expense for the year was $6.8 million (2013 – $5.0 million), made up of current income tax for the Richards Packaging US, withholding taxes and taxes in Richards Canada.

Capital expenditures

Capital expenditures for the year were $1.0 million (2013 – $1.1 million), of which $0.3 million (2013 – $0.4 million) was on account of expansion capital and $0.7 million on account of maintenance capital (2013 – $0.7 million). Expenditures classified as maintenance capital are mainly comprised of refurbishment of moulds for replacement packaging driven by customer marketing programs. Expansion capital expenditures were mainly incurred on new equipment and moulds for new customer programs.

Financing activities and instruments

Free cash flow for the year was deployed to pay down debt. The lower leverage continues to keep bank margining down resulting in savings of $0.1 million per year. Future debt reductions will provide financing flexibility for our ongoing acquisition program. The remaining free cash flow is more permanent in nature due to our distribution policy and is used to fund working capital for organic growth.

Credit facilities include a $32.5 million term loan (2013 – $35.5 million) with maturity on September 30, 2017 and up to $5.0 million in revolving debt to fund working capital expansion. The term loan facility bears interest at BA's plus a premium of 1.30% to 1.80% (2013 – 1.55% to 1.80%) or at the prime rate plus a premium of 0.30% to 0.80% (2013 – 0.55% to 0.80%). During the year, $3.0 million of term debt was repaid (2013 – $6.0 million).

On June 30, 2014, Richards Packaging extended the term and revolving credit facilities to September 30, 2017 and expensed $0.1 million of associated fees. 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 EBITDA[1]. As at December 31, 2014, our pro forma leverage ratio was 1.3 (2013 – 1.6). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

In 2014, three property leases were renewed for seven to ten years which increased operating lease commitments by $4.2 million over 2013.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	32.5		32.5		
Previous shareholder	0.9	0.9			
Annual bonus plans	0.8	0.8			
Operating leases	20.7	4.5	6.7	5.0	4.5
	54.9	6.2	39.2	5.0	4.5

Outlook[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 the newly established level through 2015.

Management expects revenue growth to return to the industry growth average of 1-3%. The impact of exchange translation for 2015 is expected to be $15 million based on current exchange rates at U.S./Cdn.$0.80.

EBITDA[1] for the fourth quarter was $6.3 million and $23.8 million for the year, and is expected to be maintained at levels of 11% of revenue. For the 2015 year, translation is expected to impact EBITDA by $1.6 million at current exchange rates.

Interest rates are expected to remain at historically low levels for 2015.

The current income tax expense is expected to increase by $0.7 million in 2015 due to the impact of exchange translation.

Distributable cash flow[2] sensitivity to foreign currency fluctuations is $0.1 million for every U.S./Cdn. 1¢ movement.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $1.0 million in 2015. Expansion capital is expected to be in the order of $1 to $2 million cumulatively over the next few years to support the launch of new marketing programs by our customers, although no major expenditures are pending. These expenditures will be funded by free cash flow[2].

Cash and cash equivalents on hand of $1.1 million at year end along with free cash flow[2] will be deployed to pay taxes payable of $1.3 million and bonuses payable of $0.7 million.

Distributable cash flow from Richards Packaging US and the current tax profile of Richards Canada are expected to allow for a full return of capital to Unitholders. For 2015, surplus distributable cash is expected to be deployed to pay down debt, purchase units opportunistically under the normal course issuer bid and/or fund acquisitions.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business including: 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 2014 Annual Information Form dated March 5, 2015.

Liquidity Risk

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

Transactions with Related Parties

Two facilities were leased in 2014 from an officer of Richards Packaging. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by the plant manager and 50% by Richards Packaging. All related party transactions are at rates that would be charged by arms-length parties.

Outstanding Share Data

At March 5, 2015, the Fund had 10,695,878 Units and Holdings had 1,024,435 exchangeable shares outstanding, respectively. See note 15 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, 2014 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Allowance for doubtful accounts

An allowance for doubtful accounts is reviewed periodically on an account-by-account basis with a focus on the creditworthiness, aging and historical collection experience. Based on this review, management believes the allowance as at December 31, 2014 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. Management's analysis resulted in a $1.4 million recognition of expense through inventory write down for the year (2013 – $1.2 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2014.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $6.0 million as of December 31, 2014 pertaining to the future customer relationships that are not under long-term contract. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. The customer relationship intangible and associated $2.3 million future income tax liability as at December 31, 2014 will be amortized to income over 15 years from the date of acquisition. In addition, patent and trademark intangible assets of $4.5 million and an associated $1.6 million future income tax liability have been recorded. Although previously recognized patent and 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. Although the Unit price was $13.29 as at December 31, 2014 (2013 – $10.52), management believes that this is still not indicative of 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 1.4% and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

New Accounting Pronouncements

The Fund will adopt IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2015. The standard requires us to evaluate the timing of revenue recognition for customers with custom moulds. The impact of the adoption of the standard is not expected to have a material impact on the financial statements.

Disclosure Controls and Internal Controls over Financial Reporting

The Fund has established and maintains disclosure controls and procedures as well as internal controls over financial reporting. Richards Packaging's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as well as the design and operating effectiveness of internal controls over financial reporting as of December 31, 2014 and have concluded that such controls and procedures are adequate and effective. Management determined that there were no material weaknesses in the Fund's internal controls over financial reporting as of December 31, 2014 and there have been no changes in the internal controls over financial reporting during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Additional Information

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 EBITDA as earnings before amortization, financial expenses, exceptional items (disputed duties and patent defense costs), unrealized losses and dividends on exchangeable shares, share of income - Vision and taxes. EBITDA is the same as profit from operations as outlined in the annual financial statements after adding back amortization and patent defense costs. The definition was changed in 2013 to exclude disputed duties and as a result, relevant comparative amounts have been recalculated to conform to the presentation. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to Unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by IFRS and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies.*

2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less extraordinary items, interest, cash income tax expense and maintenance capital expenditures. 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 and dividends declared over distributable cash flow*[2]*. The objective of presenting this measure is to calculate the percentage of actual distributions in comparison to the amount available for distribution. 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", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and*

analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described 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. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

MANAGEMENT'S REPORT TO UNITHOLDERS

The accompanying financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The financial statements were prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 5, 2015.

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.

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

Toronto, Ontario
March 5, 2015

March 5, 2015

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Richards Packaging Income Fund

We have audited the accompanying consolidated financial statements of Richards Packaging Income Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richards Packaging Income Fund and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2014**	**2013**
Revenue	*4*	**212,285**	198,528
Cost of products sold	*5*	**182,807**	175,520
Administrative expenses	*5*	**9,642**	9,115
Foreign currency loss	*18*	**25**	70
Patent defense legal costs	*5*	—	1,290
Disputed duties	*20*	—	(436)
Profit from operations		**19,811**	12,969
Financial expenses	*14, 18*	**2,042**	2,079
Exchangeable shares			
Mark-to-market loss	*15, 18*	**3,078**	1,918
Distributions	*15*	**919**	839
Share of income - Vision	*17*	**(98)**	(251)
Income before income taxes		**13,870**	8,384
Income tax expense (income)			
Current taxes	*6*	**6,822**	4,995
Deferred taxes	*6*	**(974)**	(1,568)
		5,848	3,427
Net income for the year		**8,022**	4,957
Basic income per Unit	*15*	***$0.75***	*$0.46*
Diluted income per Unit	*15*	***$0.75***	*$0.46*
Other comprehensive income			
(Subsequently recyclable to Net income)			
Currency translation adjustment - Richards Packaging US	*2*	**5,943**	4,314
Comprehensive income for the year		**13,965**	9,271

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

Richards Packaging Income Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2014**	**2013**
Current Assets			
Cash and cash equivalents	*7*	**1,127**	2,649
Accounts receivable	*8*	**23,262**	20,938
Inventory	*9, 18*	**42,892**	37,235
Prepaid expenses and deposits	*10*	**2,211**	2,056
		69,492	62,878
Current Liabilities (*excluding debt*)			
Accounts payable and accruals	*11*	**(23,383)**	(20,674)
Income taxes payable	*6*	**(1,341)**	(738)
Distributions payable	*15*	**(865)**	(770)
Due to previous shareholder	*11*	**(914)**	(838)
		(26,503)	(23,020)
WORKING CAPITAL	*2*	**42,989**	39,858
Long-term Assets			
Plant and equipment	*4, 12*	**3,190**	3,421
Investment - Vision	*4, 17*	**628**	734
Intangible assets	*4, 13*	**10,688**	12,489
Goodwill	*4, 13*	**75,514**	72,507
		90,020	89,151
Long-term Liabilities (*excluding debt*)			
Deferred income taxes	*6*	**(4,435)**	(5,052)
NET OPERATING ASSETS	*2*	**128,574**	123,957
Debt			
Term debt	*14*	**32,428**	35,500
Exchangeable shares - current	*15, 18*	**13,593**	10,515
		46,021	46,015
Equity			
Unitholders' capital	*15*	**54,790**	64,144
Retained earnings		**24,465**	16,443
Accumulated other comprehensive income (loss)	*2*	**3,298**	(2,645)
		82,553	77,942
CAPITAL	*16, 18*	**128,574**	123,957
Commitments and contingencies	*19*		

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

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**Unitholders' capital**	**Retained earnings**	**AOCI[a)]**	**Equity**
December 31, 2012		72,617	11,486	(6,959)	77,144
Share of comprehensive income			4,957	4,314	9,271
Distributions	*15*	(8,393)			(8,393)
Share conversion	*15*	346			346
Purchased for cancellation, net	*15*	(426)			(426)
December 31, 2013		64,144	16,443	(2,645)	77,942
Share of comprehensive income			**8,022**	**5,943**	**13,965**
Distributions	*15*	**(9,266)**			**(9,266)**
Purchased for cancellation, net	*15*	**(88)**			**(88)**
December 31, 2014		**54,790**	**24,465**	**3,298**	**82,553**

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

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	2014	2013
OPERATING ACTIVITIES			
Profit from operations		**19,811**	12,969
Add items not involving cash			
Plant and equipment depreciation	*12*	**1,358**	1,315
Intangible assets amortization	*13*	**2,628**	6,473
Income taxes payments	*6*	**(6,219)**	(4,192)
Dividends - Vision	*17*	**204**	189
Changes in non-cash working capital	*20*	**(3,122)**	3,656
Cash provided by operating activities		**14,660**	20,410
INVESTING ACTIVITIES			
Additions to plant and equipment	*12*	**(1,018)**	(1,093)
Additions to intangible assets	*13*	—	(31)
Cash used in investing activities		**(1,018)**	(1,124)
FINANCING ACTIVITIES			
Repayment of term debt	*14*	**(3,000)**	(6,000)
Financial expenses paid	*14*	**(2,155)**	(2,070)
Purchase of Fund units for cancellation	*15*	**(88)**	(426)
Distributions paid to Exchangeable Shareholders	*15*	**(908)**	(839)
Distributions paid to Unitholders	*15*	**(9,182)**	(8,393)
Cash used in financing activities		**(15,333)**	(17,728)
Net cash flow for the year		**(1,691)**	1,558
Cash and cash equivalents, beginning of year	*7*	**2,649**	893
Foreign exchange effect		**169**	198
Cash and cash equivalents, end of year	*7*	**1,127**	2,649

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

1. FORMATION OF THE FUND AND AQUISITION

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 compliance with International Financial Reporting Standards ["IFRS"]. The measurement basis used was the historic cost convention, except for exchangeable shares which are measured at fair value. Working capital is defined as current assets less current liabilities (excluding debt) and Net operating assets is defined as working capital plus long-term assets less long-term liabilities (excluding debt). 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, Richards Packaging Holdings Inc. ["Holdings"] and its subsidiaries: Richards Packaging Inc. ["Richards Canada"], Richards Packaging Holdings (US) Inc., 071907 Inc., Richards Packaging, Inc., The E.J. McKernan Company and McKernan Packaging - Richards de Mexico, S.A. de c.v. [collectively "Richards Packaging US"]. 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. Holdings and its subsidiaries are referred to as "Richards Packaging".

Foreign currency translation

The Canadian dollar is the functional currency for the Fund and its investments, except for Richards Packaging US, and therefore 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 exchange rates prevailing during the year. Gains and losses arising from foreign currency translations are included in profit from operations.

Richards Packaging 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 exchange rates prevailing during the year. Effects of translation are included in equity as accumulated other comprehensive income (loss). Upon any future sale of Richards Packaging US, the cumulative translation gain (loss) will be recycled to the Statement of Net Income to form part of the overall gain or loss on disposal.

Use of estimates

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

Revenue recognition

Revenue is recognized when significant risks and benefits of ownership are transferred to the customer, the sales price is fixed or is determinable and collection of the resulting receivable is reasonably assured. Significant risks and benefits of ownership are normally transferred in accordance with shipping terms agreed to with the customer. Management estimates and records an allowance for product returns and discounts for each reporting period.

Operating leases

Rental payments and lease inducements are expensed on a straight line basis over the term of the leases.

Income taxes

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of inventory includes purchase price plus inbound freight for distributed products and direct variable costs and related production overheads for manufactured products, determined on a first-in, first-out basis. If the carrying value exceeds the net realizable value a write-down is recognized.

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

Intangible assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the period of expected future benefit. Customer relationships and contracts are amortized over 10 to 15 years, patents are amortized over 12 years and computer systems software is amortized over 5 years. Trademarks have indefinite lives and therefore are not amortized.

Goodwill

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. Management monitors goodwill for the entire organization, a group of cash-generating units, and performs an impairment test on its goodwill annually, or more frequently if circumstances indicate a possible impairment.

Impairment testing of long-term assets

Non-current assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. For purposes of evaluating the 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 by way of an additional current period charge. Management has not identified any such impairment losses to date.

Exchangeable shares

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

3. NEW ACCOUNTING PRONOUNCEMENTS

There are no new IFRS that became effective after January 1, 2014 that would be expected to have a material impact on these financial statements.

The Fund will adopt IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2015. The standard requires us to evaluate the timing of revenue recognition for customers with custom moulds. The impact of the adoption of the standard is not expected to have a material impact on the financial statements.

December 31, 2014 and 2013 [Cdn$ thousands]

4. SEGMENTED INFORMATION

Richards Packaging's operations consist of one reporting segment, principally the distribution of plastic and glass containers and associated closures. Geographic information is provided below and is determined based on the country of sales origination. No customer represents greater than 5% of total revenue.

	Canada		United States	
	2014	**2013**	**2014**	**2013**
Revenue	**96,489**	93,989	**115,796**	104,539
Long-term assets	**37,204**	37,820	**52,816**	51,331

5. EXPENSES BY NATURE

	2014	**2013**
Salaries and wages	**17,202**	17,157
Benefits	**2,901**	2,915
Bonuses	**1,001**	846
Long-term incentive plan	**128**	100
Employee compensation	**21,232**	21,018
Inventory sold	**141,164**	132,403
Inventory provisions	**1,448**	1,214
Selling, distribution and other costs	**20,265**	18,170
Depreciation and amortization	**3,986**	7,788
Lease expenses	**4,354**	4,042
Cost of products sold and administrative expenses	**192,449**	184,635

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 $250 for three years starting in 2014 [2013 – $100]. Total salaries and benefits for executive officers was $1,680 [2013 – $1,519].

Patent defense legal costs relate to court proceedings associated with the prosecution of a patent, trademark and copyright infringement case completed on April 9, 2013. On October 15, 2013, the judge rendered his decision in favour of the defendants and as a result, Management accrued $500 in professional fees *[note 11]* associated with the judgment.

December 31, 2014 and 2013 [Cdn$ thousands]

6. INCOME TAXES

Significant components of deferred income taxes are as follows:

	2014	expense/ (income)	f/x b)	2013	expense/ (income)	f/x b)	2012
Deferred tax liabilities							
Plant and equipment	**660**	**(38)**	**36**	662	68	25	569
Customer relationships a)	**2,305**	**(692)**	**205**	2,792	(1,791)	153	4,430
Computer system software	**92**	**(54)**	**10**	136	(50)	9	177
Patents and trademarks a)	**1,619**	**(86)**	**113**	1,592	(82)	80	1,594
Other	**159**	**(31)**	**23**	167	35	20	112
Deferred tax assets							
Loss carryforward for tax	—	—	—	—	185	—	(185)
Working capital	**(400)**	**(73)**	**(30)**	(297)	67	(20)	(344)
	4,435	**(974)**	**357**	5,052	(1,568)	267	6,353

a) Reversal of patents and customer relationships and contracts accounts will not give rise to income taxes.

b) f/x = foreign exchange differences

Distributions of Richards Packaging US attract a 5% withholding tax. Income tax expense differs from the amount computed at statutory rates due to the various adjustments outlined below:

	2014	2013
Profit from operations	**19,811**	12,969
Financial expenses	**(2,042)**	(2,079)
Income subject to income taxes	**17,769**	10,890
Statutory tax rate	*26.5%*	*26.5%*
Income tax expense at statutory tax rate	**4,709**	2,886
Deferred income taxes		
Deferred income taxes pre loss carryforward	**974**	1,753
Loss carry forward for income tax utilized	—	(185)
	974	1,568
Current period adjustments		
Foreign tax differential	**(873)**	(839)
Foreign rate differential	**1,573**	1,060
Disputed duties	—	(72)
Withholding tax	**342**	410
Other items	**97**	(18)
Current income taxes	**6,822**	4,995

December 31, 2014 and 2013 [Cdn$ thousands]

7. CASH AND CASH EQUIVALENTS

	2014	2013
Cash at bank	**2,376**	2,627
Demand deposits	**—**	1,000
Issued and outstanding cheques	**(1,249)**	(978)
	1,127	2,649

Cash at bank represents cash clearing accounts at various branches which are netted on an overall basis. At December 31, 2014, cash at bank was net of $1,630 of credit balances [2013 – $222]. Demand deposits are highly liquid investments with a term to maturity of three months or less at the date of purchase.

8. ACCOUNTS RECEIVABLE

	2014	2013
Current	**16,315**	13,631
Up to 60 days past due	**6,415**	6,296
61 – 90 days past due	**237**	306
Over 90 days past due	**526**	791
Trade receivables	**23,493**	21,024
Allowance for doubtful accounts[a)]	**(635)**	(297)
Supplier rebates	**404**	211
	23,262	20,938

a) Management recorded new provisions of $332 [2013 – $11] and wrote off $8 [2013 – $98]. The remaining non-cash change in the accounts receivable reflects foreign exchange differences.

9. INVENTORY

	2014	2013
Goods purchased for resale	**38,616**	34,253
Goods in transit	**5,889**	3,984
Manufacturing raw materials	**853**	714
Manufactured finished goods	**1,792**	1,627
Reserve for slow moving inventory[a)]	**(4,258)**	(3,343)
	42,892	37,235

a) Management recorded a provision of $1,448 [2013 – $1,214] and recognized write-offs of $533 [2013 – $526]. The remaining non-cash change in inventory reflects foreign exchange differences.

December 31, 2014 and 2013 [Cdn$ thousands]

10. PREPAID EXPENSES AND DEPOSITS

	2014	2013
Deposits for commitment to purchase goods	**554**	699
Rent and deposits	**1,150**	828
Insurance	**32**	31
Bank interest	**85**	86
Property taxes	**8**	5
Other deposits	**382**	407
	2,211	2,056

11. ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
Trade payables	**18,247**	16,359
Rebates	**348**	594
Staffing expenses[a)]	**1,738**	1,201
Professional fees	**379**	725
Leases	**724**	429
Sales tax	**510**	331
Other payables	**1,437**	1,035
	23,383	20,674

a) Management bonuses included in staffing expenses have been fully paid subsequent to year end.

Associated with an acquisition, Richards Packaging has a U.S.$788 non-interest bearing demand loan owing to a previous shareholder.

December 31, 2014 and 2013 [Cdn$ thousands]

12. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer equipment	Leaseholds	Total
December 31, 2012						
Carrying value	5,138	6,492	1,184	1,376	1,302	15,492
Accumulated Depreciation	(4,115)	(4,958)	(813)	(1,150)	(892)	(11,928)
Net book value	1,023	1,534	371	226	410	3,564
Additions	233	553	245	62	—	1,093
Depreciation	(245)	(673)	(105)	(105)	(187)	(1,315)
Foreign exchange differences	(7)	0	1	42	43	79
December 31, 2013						
Carrying value	5,364	7,045	1,430	1,480	1,345	16,664
Accumulated Depreciation	(4,360)	(5,631)	(918)	(1,255)	(1,079)	(13,243)
Net book value	1,004	1,414	512	225	266	3,421
Additions	**125**	**619**	**196**	**69**	**9**	**1,018**
Depreciation	**(373)**	**(728)**	**(93)**	**(104)**	**(60)**	**(1,358)**
Foreign exchange differences	**5**	**70**	**0**	**33**	**1**	**109**
December 31, 2014						
Carrying value	**5,494**	**7,734**	**1,626**	**1,582**	**1,355**	**17,791**
Accumulated Depreciation	**(4,733)**	**(6,359)**	**(1,011)**	**(1,359)**	**(1,139)**	**(14,601)**
Net book value	**761**	**1,375**	**615**	**223**	**216**	**3,190**

13. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill are not deductible for tax purposes. Goodwill has been assessed by calculating the recoverable amount determined based on the value in use. Five year cash flow budgets, prepared using growth rates experienced in the industry and approved by the Board, were used with the application of a pre-tax discount rate of 13%. For periods beyond the budget period, cash flows were extrapolated using long term average growth rates of 1.4%. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

December 31, 2014 and 2013 [Cdn$ thousands]

	Customer relationships	Patents	Trade-marks	Computer software	Intangible assets	Goodwill
December 31, 2012						
Carrying value	62,851	3,701	3,312	2,343	72,207	70,367
Accumulated amortization	(49,638)	(2,397)	—	(1,887)	(53,922)	—
Net book value	13,213	1,304	3,312	456	18,285	70,367
Additions	—	—	—	31	31	—
Amortization	(6,041)	(323)	—	(109)	(6,473)	—
Foreign exchange differences	433	129	76	8	646	2,140
December 31, 2013						
Carrying value	63,511	3,830	3,388	2,382	73,111	72,507
Accumulated amortization	(55,906)	(2,720)	—	(1,996)	(60,622)	—
Net book value	7,605	1,110	3,388	386	12,489	72,507
Additions	**—**	**—**	**—**	**—**	**—**	**—**
Amortization	**(2,200)**	**(323)**	**—**	**(105)**	**(2,628)**	**—**
Foreign exchange differences	**545**	**182**	**107**	**(7)**	**827**	**3,007**
December 31, 2014						
Carrying value	**64,437**	**4,012**	**3,495**	**2,375**	**74,319**	**75,514**
Accumulated amortization	**(58,487)**	**(3,043)**	—	**(2,101)**	**(63,631)**	—
Net book value	**5,950**	**969**	**3,495**	**274**	**10,688**	**75,514**

14. REVOLVING AND TERM DEBT

Richards Packaging has available both revolving and term debt credit facilities, which were refinanced on June 30, 2014 to extend the maturity by 2 1/3rd years to September 30, 2017 at a cost of $85 of which $72 remains to be amortized to over the term of the debt. The revolving credit facility availability of $5,000 [2013 – $5,000] bears interest at the prime rate plus a premium of 0.30% to 0.80%. The effective interest rate at December 31, 2014 was 3.6% [2013 – 3.6%]. There was no amount drawn on the facility at December 31, 2014 or 2013. The term facility of $32,500 [2013 – $35,500] bears interest at the bankers' acceptance borrowing rate plus a premium of 1.30% to 1.80%. The effective interest rate at December 31, 2014 was 2.8% [2013 – 2.9%]. Voluntary repayments of term debt of $3,000 [2013 – $6,000] were made during the year ended December 31, 2014.

December 31, 2014 and 2013 [Cdn$ thousands]

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

	2014	**2013**
Interest expense	**1,031**	1,182
Credit card fees	**874**	758
Bank refinancing fees	**13**	—
Credit facility charges	**124**	139
	2,042	2,079

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

15. UNITS AND EXCHANGEABLE SHARES

Number outstanding	**Units basic**	**Weighted average**	**Exchangeable shares**	**Units diluted**	**Weighted average**
December 31, 2012	10,715,970	10,735,721	1,059,043	11,775,013	11,794,764
Share conversion	34,608		(34,608)	—	
Units purchased	(47,800)			(47,800)	
December 31, 2013	10,702,778	10,676,491	1,024,435	11,727,213	11,733,828
Units purchased	**(6,900)**			**(6,900)**	
December 31, 2014	**10,695,878**	**10,700,972**	**1,024,435**	**11,720,313**	**11,725,407**

Exchangeable shares mark-to-market loss reflects a unit price increase during the year ended December 31, 2014 of $2.77 [2013 - $1.98] to $13.29 per Unit. The impact on income per Unit of the mark-to-market loss and distributions to exchangeable shareholders is anti-dilutive which reverts back to basic income per Unit [2013 – anti-dilutive].

Fund Units

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

The Fund initiated a normal course issuer bid on March 13, 2014 to purchase up to 200,000 Units prior to March 12, 2015. During the year, 6,900 Units were purchased [2013 – 47,800 Units] at an average price of $12.74/Unit [2013 – $8.92].

Contributed surplus

The components of Unitholders' capital include unit capital and contributed surplus. The Fund's purchase of 6,900 Units [2013 – 47,800] resulted in a reduction of $47 [2013 - $101] to $703 [2013 – $750].

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 Holdings and Richards Packaging Holdings (US) Inc. are redeemable on February 28, 2017 and are retractable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. The Fund has the option to settle the redemption of Exchangeable shares issued by Richards Packaging Holdings (US) Inc. in cash. 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. Distributions in 2014 began at $701 and ended at $786, or 7.35¢ per Unit, reflecting a 0.8¢/month increase and unit buyback activity by the Fund. The Board of Trustees approved a reduction in the capital account for distributions made for 2014.

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 the 14th day of the following month.

16. CAPITAL STRUCTURE

Capital consists of Unitholders' equity, exchangeable shares and secured credit facilities. Capital levels are maintained to meet the following objectives: optimizing the cost of capital at acceptable risk levels while providing an appropriate return to its Unitholders and shareholders; balancing the interests of equity shareholders, exchangeable shareholders and debt holders; maintaining compliance with financial covenants; and preserving financial flexibility to benefit from potential opportunities as they arise. The leverage ratio covenant was 2.75 and the ratio of December 31, 2014 was 1.30 [2013 – 1.56]. In addition, the fixed charge coverage ratio covenant was greater than 2.0 times and the ratio was 3.28 [2013 – 3.38] and the minimum net worth covenant was $70,000 and the net worth was $96,092 [2013 – $88,455].

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, 2014 and 2013 [Cdn$ thousands]

17. RELATED PARTY TRANSACTIONS AND INVESTMENT

Richards Packaging entered into the following related party transactions, which were measured at the exchange amount:

	2014	2013
Leases of facilities from entities related to certain officers	**709**	639
Product purchases from Vision	**6,898**	6,849

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

	2014	2013		2014	2013
Statement of financial position					
Assets			**Liabilities**		
Current assets	**1,370**	1,233	Current liabilities	**447**	467
Plant and equipment	**329**	323			
Total assets	**1,699**	1,556	**Net assets**	**1,252**	1,089
Statement of net income					
Revenue				**6,898**	6,849
Expenses				**6,702**	6,347
Net income				**196**	502

The decrease of $106 in Investment – Vision represents share of net income of $98 less dividends of $204.

18. FINANCIAL INSTRUMENTS

Fair value

Cash and cash equivalents, accounts receivable, accounts payable and accruals, distributions payable and due to previous shareholder are all short-term in nature and, as such, their carrying values approximate fair values. Cash and cash equivalents and accounts receivable are classified as loans and receivables and measured at amortized cost. All financial liabilities excluding exchangeable shares are classified as other financial liabilities measured at amortized cost.

The fair value of term debt approximates the carrying value as it bears interest at rates comparable to current market rates that would be used to calculate fair value. Exchangeable shares are recorded at fair value, based on 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, 2014, no customer represented 5% or more of accounts receivable or sales.

Credit quality is assessed prior to establishing customer accounts. Management continuously monitors the collection of overdue accounts. For customers with overdue accounts, internal collection staff takes appropriate action, including the placement of accounts on hold, with third party collection or legal action taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. The allowance for doubtful accounts as at December 31, 2014 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, 2014 is sufficient to cover losses due to inventory obsolescence *[note 9]*.

Liquidity risk

The approach to managing liquidity risk is to ensure that sufficient funds are available to meet financial obligations as they come due *[notes 11, 19]*. This is achieved through a combination of cash balances *[note 7]*, availability of credit facilities *[note 14]*, 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 $240 [2013 – $283].

Foreign currency risk

Exposure to U.S./Cdn. currency fluctuations arises on cross-border transactions and on the translation of cash flows of Richards Packaging US. A foreign currency loss of $25 has been recorded for the year ended December 31, 2014 [2013 –$70] relating to cross-border transactions. A 1.0% movement in foreign currency rates would have impacted net income by $100 [2013 – $100].

December 31, 2014 and 2013 [Cdn$ thousands]

19. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy charges, required under the operating leases for premises are as follows:

	Related parties	Third parties	Total
2015	**752**	**3,748**	**4,500**
2016	**656**	**3,086**	**3,742**
2017	**637**	**2,387**	**3,024**
2018	**656**	**2,035**	**2,691**
2019	**676**	**1,646**	**2,322**
Thereafter	**680**	**3,857**	**4,537**

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

20. ADDITIONAL CASH FLOW INFORMATION

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

	2014	2013
Accounts receivable	**(1,385)**	(600)
Inventory	**(3,570)**	4,636
Prepaid expenses and deposits	**(51)**	340
Accounts payable and accruals	**1,884**	(281)
Disputed duties	—	(439)
	(3,122)	3,656

For the year ended December 31, 2014, the foreign exchange translation gain excluded from the above was $2,362 [2013 – $1,587].

In 2012, the Mexican customs authorities assessed additional duties of $143 and penalties and interest of $296 for product misclassified on goods imported into Mexico. In 2013, Management successfully challenged the assessment to have the classification overturned.

Richards Packaging Income Fund

UNITHOLDER INFORMATION

Trustees

Donald Wright
Chairman

Wayne McLeod
Chair – audit committee

Derek Ridout
Chair – compensation and corporate governance committee

Rami Younes
Trustee

Gerry Glynn
Trustee

Management Team

Gerry Glynn
Chief executive officer

David Prupas
President and Chief operating officer

Enzio Di Gennaro
Chief financial officer

Terry Edwards
Vice president

Timothy McKernan
President, McKernan Packaging

Corporate Information

Head office

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Mississauga, Ontario L5T 2M7
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Auditors

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PWC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Transfer agent and registrar

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Station B
Montreal, Quebec H3B 3k3
www.canstockta.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

Wednesday May 6, 2015 at 9:30 a.m.
Brookfield Place
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3