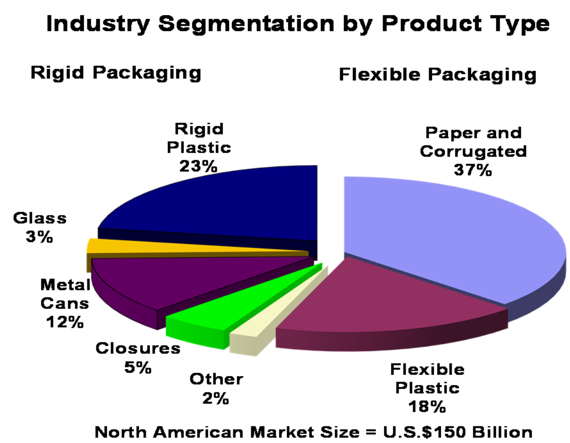
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 3, 2016

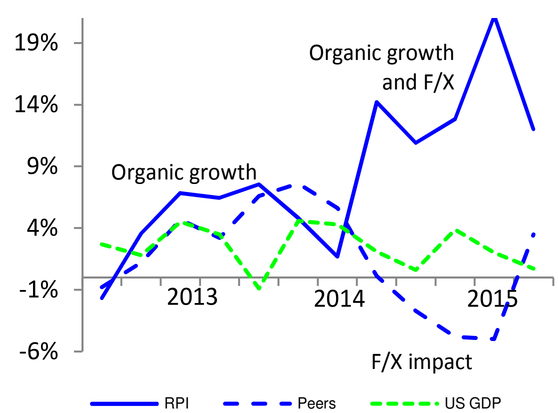
This management's discussion and analysis of Richards Packaging Income Fund ("MD&A") for the year should be read in conjunction with the attached audited financial statements for the year ended December 31, 2015, the quarterly reports for the periods ended March 31, June 30 and September 30, 2015 and the Annual Information Form dated March 3, 2016. 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 flat in 2015 as GDP expansion was offset by US dollar strengthening.

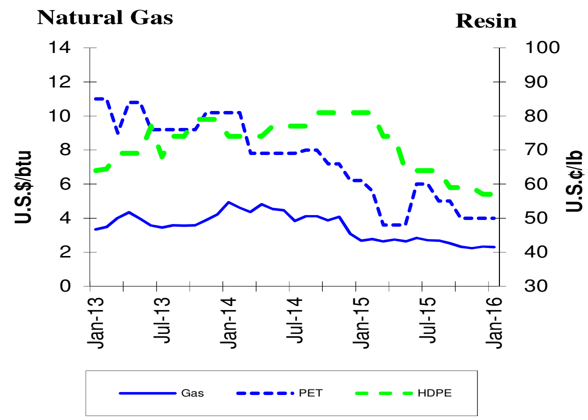


Revenue growth



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 2015, there were over 190 acquisitions in the global packaging industry, up slightly over 2014, with an average value of U.S.$184 million (2014 – U.S.$128 million) at a median multiple of 8.5 times EBITDA[1] (2014 – 8.2). During 2015, the top 20 companies continued to spend on capital at the cautious rate of 5% 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 2015, HDPE and PET resin prices began to converge with natural gas, their main feedstock with prices dropping in line. 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 4%, 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 15% overall for 2015.



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 60% 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 13,300 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies (2014 – 12,500). 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 13% of the total revenues (2014 – 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.

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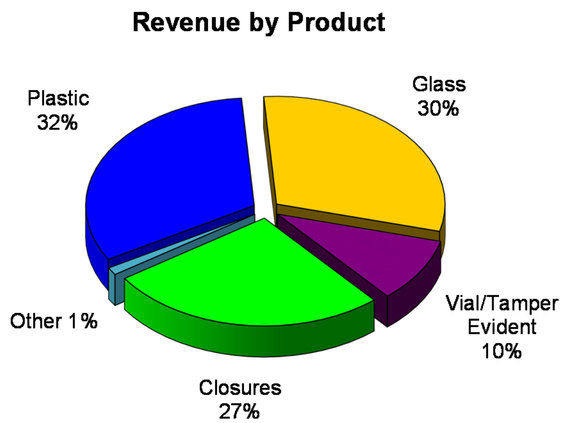
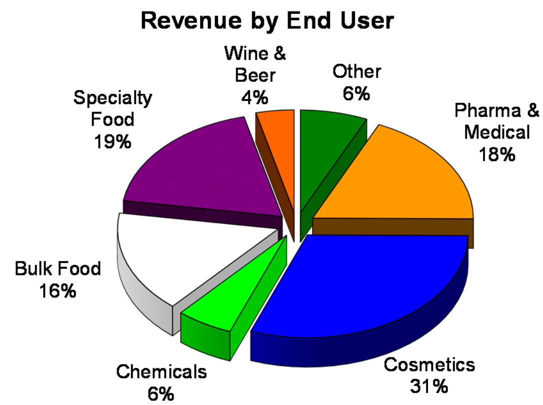
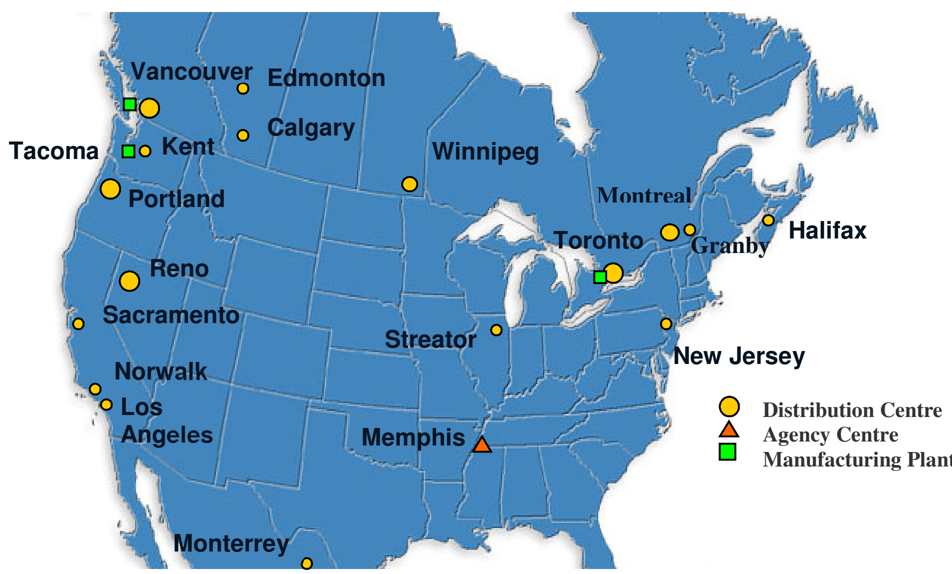
March 3, 2016



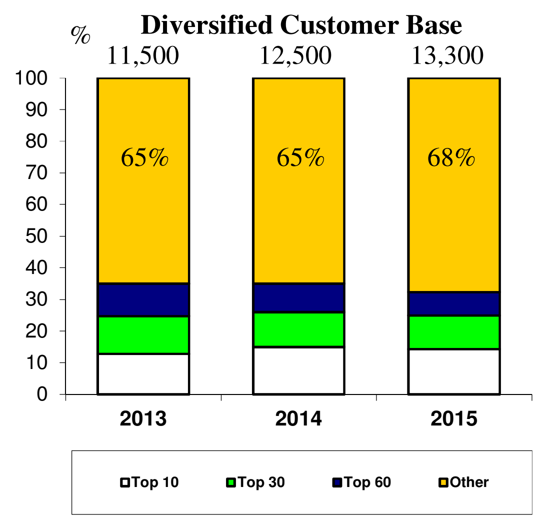


Richards Packaging Locations



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 beer markets,
- Being the leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems to health care service providers in Canada,
- Being the largest distributor of surplus packaging, and
- Being the only major distributor with dedicated in-house plastics manufacturing capability.



During 2015, 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 2015 by $6 million (2014 –$5 million) in addition to the $24 million growth in small customers (2014 – $9 million) as they experienced a growth rate of 18% per annum (2014 – 7%).

Impact of Changes in Financial Markets

Precarious global economic markets reflect struggling GDP growth, collapsing commodity prices, currency wars and divergent United States monetary policy from the rest of the first world. Policy shifts from austerity to government deficit spending and tax rate increases will also impact currency valuations and GDP growth.

Credit Markets and Interest rates

Short term borrowing rates were lowered ahead of an increase in the United States creating an unprecedented tightening of the spread to 0.3%. Rates decreased with short term BA's down at 0.8% (2014 – 1.2%).

Foreign Exchange

Exchange rates averaged U.S./Cdn. $0.78 leading to an impact on both revenue and EBITDA of $19.8 million and $3.2 million, respectively in the year. Volatility continued with plunging oil prices in 2015 with exchange rates dropping to U.S./Cdn. $0.72 as we face a lackluster Canadian economy as opposed to the more robust US economy.

($ millions)	**2013**	**2014**	**2015**
INTEREST RATES	*1.2%*	*1.2%*	*0.8%*
Impact on Interest	—	—	0.1
F/X - U.S./Cdn.$	*0.97*	***0.91***	***0.78***
Impact on:			
Revenue	3.1	**8.0**	**19.8**
EBITDA	0.5	**1.7**	**3.2**

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 2015. In Canada, the year began with recessionary rates at -0.2% and -0.1% in the first and second quarters with a rebound of 0.6% in the third and 0.8% for the fourth quarter while the United States grew 0.6%, 3.9%, 2.0% and 0.7% in each of the respective quarters. These patterns of growth were not 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, 2015 and 2014 (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 4.9% organically excluding Healthmark, and 9.3% from a 12.4¢ U.S./Cdn. drop,
- EBITDA[1] up $6.1 mil. representing 12% of sales or an 18.3% return on net operating assets; foreign currency contributing $3.2 mil.
- Healthmark acquisition on Oct. 1st, at a purchase price of $18.8 mil. financed by $16.8 mil. bank borrowing and $2.0 mil. contingent consideration,
- Current income taxes up $1.8 mil. in line with higher taxable income,
- Net income up $2.5 mil. due primarily to higher EBITDA and the completion of amortization of customer relationships, partially offset by the mark-to-market losses on exchangeable shares and income taxes,
- Non-cash working capital increase of $5.9 mil. – $8.8 mil. increase in inventory offset by $4.0 mil. increase in payables for growth,
- Revolving and term debt repayments of $1.8 mil. and $0.5 mil. respectively (2014 – $3.0 mil.),
- Monthly distributions 7.35¢ per Unit to yield a 4.6% return (@$19.18/Unit – Dec 31st),
- Buy back of $0.2 mil., or 11,300 Units (@ $18.50/Unit), under the normal course issuer bid, and
- Distributable cash flow[2] increased by 29¢ to $1.52 per Unit yielding a payout ratio[3] of 58%.

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

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2013**
Income Statement Data:											
Revenue…………………	**56,329**	50,993	**60,304**	53,444	**64,174**	52,942	**68,623**	54,906	**249,430**	212,285	198,528
EBITDA[1]………………	**6,467**	5,708	**7,143**	6,193	**7,737**	5,617	**8,535**	6,279	**29,882**	23,797	21,611
Diluted per Unit ……..	*55.2¢*	*48.7¢*	*60.9¢*	*52.8¢*	*66.0¢*	*47.9¢*	*72.8¢*	*53.6¢*	*$2.55*	*$2.03*	*$1.84*
Net income…………….	**897**	392	**3,408**	2,199	**4,847**	2,695	**1,353**	2,736	**10,505**	8,022	4,957
Diluted per Unit[c)] ……	*8.4¢*	*3.7¢*	*31.6¢*	*20.5¢*	*38.1¢*	*25.2¢*	*12.4¢*	*25.6¢*	*$0.97*	*$0.75*	*$0.46*
Financial Position Data:											
Working capital………..	**46,550**	41,318	**48,735**	40,379	**52,196**	42,187	**59,802**	42,989	**59,802**	42,989	39,858
Net operating assets…….	**136,208**	126,091	**137,425**	123,502	**144,099**	126,724	**163,097**	128,574	**163,097**	128,574	123,957
EBITDA/Assets ….									*18.3%*	*18.5%*	*17.4%*
Bank debt………………	**32,435**	35,000	**33,307**	34,000	**32,448**	33,500	**46,883**	32,428	**46,883**	32,428	35,500
Debt/EBITDA ……….	*1.3*	*1.5*	*1.3*	*1.5*	*1.1*	*1.4*	*1.5*	*1.3*	*1.5*	*1.3*	*1.6*
Gearing ratio[b)] ………..									*40.3%*	*33.7%*	*40.1%*
Cash Flow Statement Data:											
Distributions[a)]…………	**2,604**	2,406	**2,602**	2,592	**2,609**	2,597	**2,609**	2,580	**10,424**	10,175	9,235
Diluted per Unit ……..	*22.3¢*	*20.6¢*	*22.2¢*	*22.1¢*	*22.3¢*	*22.1¢*	*22.3¢*	*22.0¢*	*$0.89*	*$0.87*	*$0.79*
Payout ratio[3] ……….	*71%*	*68%*	*59%*	*68%*	*56%*	*73%*	*51%*	*72%*	*58%*	*71%*	*72%*
Free cash flow………….	**1,074**	1,110	**1,785**	1,193	**2,040**	965	**2,523**	979	**7,422**	4,247	3,521
Diluted per Unit ……..	*9.2¢*	*9.5¢*	*15.2¢*	*10.2¢*	*17.4¢*	*8.2¢*	*21.5¢*	*8.4¢*	*$0.63*	*$0.36*	*$0.30*
Unit purchases…………	—	—	—	—	—	—	209	88	209	88	426
Debt repayments……….	—	500	**(866)**	1,000	**866**	500	**2,257**	1,000	**2,257**	3,000	6,000

a) presented on a declared basis;
b) calculated as the percentage of bank debt to net operating assets less bank debt which excludes exchangeable shares
c) anti-dilutive result reverts back to basic income per Unit

Review of Operations

Operations were approximately 45% in Canada and 55% in the United States ("Richards Packaging US"). Approximately one-third of sales are concentrated in Toronto, Montreal, Winnipeg and Vancouver and 40% in Los Angeles, Reno and Portland.

Revenue increased by $6.8 million, or 12.3% for the fourth quarter (2014 – $6.8 million, or 14.2%), and by $30.2 million, or 14.2% for the year, excluding $6.9 million of revenue from Healthmark, (2014 – $13.8 million, or 6.9%), from the same periods in 2014, respectively. During the fourth quarter, revenue increased on organic growth of $1.4 million, or 2.5%, (2014 – $4.5 million, or 9.7%) back down to industry norms. The translation impact of Richards Packaging US, with the Canadian dollar weakening 13.2¢ to U.S./Cdn. $0.75, contributed $5.4 million (2014 –$2.3 million). For the year, the revenue increase was due to organic growth of $10.4 million, or 4.9%, (2014 – $5.8 million, or 3.0%) and the translation impact of Richards Packaging US of $19.8 million due to a U.S./Cdn. 12.4¢ weakening to U.S./Cdn. $0.78 (2014 – $8.0 million).

($ thousands)	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2013**
Revenue……	**56,329**	50,993	**60,304**	53,444	**64,174**	52,942	**68,623**	54,906	**249,430**	212,285	198,528
Cost of products sold……	**47,262**	42,914	**50,479**	44,908	**53,326**	44,795	**57,041**	46,317	**208,108**	178,934	167,837
Gross profit……	**9,067**	8,079	**9,825**	8,536	**10,848**	8,147	**11,582**	8,589	**41,322**	33,351	30,691
	16.1%	*15.8%*	*16.3%*	*16.0%*	*16.9%*	*15.4%*	*16.9%*	*15.6%*	*16.6%*	*15.7%*	*15.5%*
Administrative expenses……	**2,538**	2,342	**2,648**	2,395	**3,022**	2,434	**3,054**	2,358	**11,262**	9,529	9,010
Foreign currency loss (gain)….	**62**	29	**34**	(52)	**89**	96	**(7)**	(48)	**178**	25	70
EBITDA[1]……	**6,467**	5,708	**7,143**	6,193	**7,737**	5,617	**8,535**	6,279	**29,882**	23,797	21,611
	11.5%	*11.2%*	*11.8%*	*11.6%*	*12.1%*	*10.6%*	*12.4%*	*11.4%*	*12.0%*	*11.2%*	*10.9%*
Amortization……	**694**	1,641	**703**	729	**689**	733	**1,046**	883	**3,132**	3,986	7,788
Disputed duties……	—	—	—	—	—	—	—	—	—	—	(436)
Patent defense legal costs……	—	—	—	—	—	—	—	—	—	—	1,290
Financial expenses……	**499**	471	**538**	589	**525**	542	**652**	440	**2,214**	2,042	2,079
Exchangeable shares……	**2,681**	2,106	**750**	1,154	**(382)**	305	**3,091**	432	**6,140**	3,997	2,757
Share of income - Vision……	**(27)**	(20)	**(27)**	(19)	**(52)**	(28)	**(28)**	(31)	**(134)**	(98)	(251)
Income tax expense……	**1,723**	1,118	**1,771**	1,541	**2,110**	1,370	**2,421**	1,819	**8,025**	5,848	3,427
Net Income (loss)……	**897**	392	**3,408**	2,199	**4,847**	2,695	**1,353**	2,736	**10,505**	8,022	4,957

Cost of products sold (before amortization) increased $10.7 million for the fourth quarter or 23.2% (2014 –$5.5 million, or 13.5%) and increased by $29.2 million for the year, or 16.3% (2014 – $11.1 million, or 6.6%) from the same periods in 2014, respectively. During the fourth quarter gross profit margins were up 1.3% (2014 – 0.5%) from the same period in 2014, primarily due to the increased volumes. For the year gross profit margins were up 0.9% (2014 – 0.2%) as higher volumes absorbed the impact of $2.4 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 $0.7 million, or 0.2% of sales, for the fourth quarter (2014 – $0.1 million, or 0.2% of sales) and increased $1.7 million for the year (2014 – $0.5 million), over the same periods in 2014, 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 $2.3 million for the fourth quarter (2014 – $1.3 million) and increased $6.1 million for the year (2014 – $2.2 million), over the same periods in 2014, respectively. For the year the impact of the U.S./Cdn. 12.4¢ weakening resulted in an increase to EBITDA of $3.2 million (2014 – $1.2 million). As a percent of sales, EBITDA was at 12.4% for the fourth quarter and 12.0% for the year (2014 – 11.2%). Changes were due to the factors outlined above.

Amortization of $1.0 million for the fourth quarter and $3.1 million for the year was mainly comprised of $0.7 million for the quarter and $1.8 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 $0.4 million for the fourth quarter and $1.3 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. Patent defense legal costs in 2013 were incurred to establish infringement on our Dispill patent, trademark and copyright.

Financial expenses increased $0.2 million for the fourth quarter and the year from the same periods in 2014, with higher term debt and credit card fees partially offset by a 0.4% decrease in variable interest rates.

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 $5.89 to $19.18 per Unit ($5.3 million) in addition to the monthly dividend on the exchangeable shares ($0.9 million) which was increased in March 2014 by 0.8¢ per Unit to 7.35¢ per Unit.

For the year, taxes increased $2.2 million as current taxes increased $1.8 million and lower deferred tax income of $0.4 million reflecting decreased intangible amortization. Net deferred tax liabilities are $7.1 million, which include $6.6 million of customer relationships, patents and trademarks, $0.8 million of plant and equipment net of $0.5 million of working capital.

Net income for the fourth quarter was $1.4 million, and for the year was $10.5 million, which represented 12.4¢ and $0.97 per Unit on a diluted basis, respectively. A time-weighted average total of 10,807,570 Units and 846,435 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding in 2015.

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 (2014 – nil drawn).

Distributable cash flow[2] for the fourth quarter at $5.1 million increased $1.6 million in comparison to the same period in 2014 as higher EBITDA[1] was offset by higher interest and income taxes due to the increase in earnings. For the year distributable cash flow increased $3.4 million with higher EBITDA of $6.1 million partially offset by $1.8 million of higher taxes, $0.6 million of higher maintenance capital and higher interest of $0.2 million.

The monthly distribution of 7.35¢ per Unit represents an annual yield of 4.6% on a $19.18 price per Unit at December 31, 2015 and a payout ratio[3] of 58% (2014 – 71%). Based upon the year, 100% of the distributions will represent return of capital to Unitholders while the exchangeable shareholders' dividends will be fully taxable.

($ thousands)	**Qtr. 1**		**Qtr. 2**		**Qtr. 3**		**Qtr. 4**		**Calendar Year**		
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2013**
Cash provided by operating activities……….	**2,618**	1,699	**2,237**	3,649	**5,292**	4,540	**4,623**	4,772	**14,770**	14,660	20,410
Dividends - Vision………….	**—**	—	**—**	—	**(50)**	(189)	—	(15)	**(50)**	(204)	(189)
Working capital changes…….	**3,007**	2,897	**1,433**	(191)	**(154)**	231	**1,519**	185	**5,806**	3,122	(3,656)
Income taxes payments…….	**842**	1,112	**3,473**	2,735	**2,649**	1,035	**2,392**	1,337	**9,356**	6,219	4,192
Disputed duties………….	—	—	—	—	—	—	**—**	—	**—**	—	(436)
Patent defense legal costs…..	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	1,290
EBITDA[1]	**6,467**	5,708	**7,143**	6,193	**7,737**	5,617	**8,535**	6,279	**29,882**	23,797	21,611
Patent defense legal costs…..	**—**	—	**—**	—	**—**	—	**—**	—	**—**	**—**	1,290
Interest [a)]……………………	**499**	471	**531**	521	**525**	542	**628**	495	**2,183**	2,029	2,079
Dividends - Vision………….	**—**	—	**—**	—	**(50)**	(189)	**—**	(15)	**(50)**	(204)	(189)
Current income tax…………	**1,864**	1,567	**1,972**	1,721	**2,212**	1,538	**2,560**	1,996	**8,608**	6,822	4,995
Maintenance capital……….	**426**	154	**253**	166	**401**	164	**215**	244	**1,295**	728	680
Distributable cash flow[2] ..	**3,678**	3,516	**4,387**	3,785	**4,649**	3,562	**5,132**	3,559	**17,846**	14,422	12,756
Diluted per Unit …………	*31.4¢*	*30.0¢*	*37.4¢*	*32.3¢*	*39.7¢*	*30.4¢*	*43.8¢*	*30.4¢*	*$1.52*	*$1.23*	*$1.09*
Distributions…………….	**2,604**	2,406	**2,602**	2,592	**2,609**	2,597	**2,609**	2,580	**10,424**	10,175	9,235
Diluted per Unit ……….	*22.3¢*	*20.6¢*	*22.2¢*	*22.1¢*	*22.3¢*	*22.1¢*	*22.3¢*	*22.0¢*	*$0.89*	*$0.87*	*$0.79*
Payout ratio [3] ………….	*71%*	*68%*	*59%*	*68%*	*56%*	*73%*	*51%*	*72%*	*58%*	*71%*	*72%*
Free cash flow[2] ………….	**1,074**	1,110	**1,785**	1,193	**2,040**	965	**2,523**	979	**7,422**	4,247	3,521
Units outstanding *(average)*											
Diluted basis 000's ……….	**11,720**	11,727	**11,720**	11,727	**11,720**	11,727	**11,717**	11,720	**11,719**	11,725	11,734

a) financial expenses less bank refinancing fees

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities decreased $0.1 million for the fourth quarter and increased $0.2 million for the year, over the same periods in 2014. The changes were due primarily to higher EBITDA[1] and working capital over the same periods in 2014 driven by higher inventory levels to fund growth and by higher cash outflows for income taxes.

Free Cash Flow Deployment

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 $10.4 million with an additional $0.9 million declared for December, which was paid January 14th.

($ millions)	**2013**	**2014**	**2015**
Free Cash Flow	3.5	**4.2**	**7.4**
Patent Defence Costs	1.3	—	—
Working Capital	(4.6)	**0.8**	**6.3**
Expansion Capex	0.4	**0.3**	**0.4**
Unit Buyback	0.4	**0.1**	**0.2**
Debt Repayment	6.0	**3.0**	**0.5**

Normal Course Issuer Bid

On March 13, 2015, the Fund initiated a normal course issuer bid to purchase up to 200,000 Units prior to March 12, 2015. During the year 11,300 units were purchased at an average price of $18.50 per Unit and subsequent to year end 16,000 at $18.05 per Unit. On March 14, 2016, the Fund will reinstate a normal course issuer bid to purchase up to 200,000 Units prior to March 13, 2017.

Current income taxes

The current income tax expense for the year was $8.6 million (2014 – $6.8 million) and includes $0.5 million of withholding taxes on dividends received from Richards Packaging US (2014 – $0.3 million).

Capital expenditures

Capital expenditures for the year were $1.7 million (2014 – $1.0 million), of which $0.4 million (2014 – $0.3 million) was on account of expansion capital and $1.3 million on account of maintenance capital (2014 – $0.7 million) which includes $0.4 million of computer equipment and computer software. Expenditures classified as maintenance capital are mainly comprised of the 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.

Acquisition

On October 1, 2015 Richards Packaging acquired all the outstanding shares of Healthmark Services Ltd., a leading Canadian provider of sterile IV, chemo and oral drug packaging and dispensing systems to the health care industry, for an aggregate purchase price of $18.8 million, subject to adjustment depending on future earnings. Financing was by way of a draw of $16.8 million on the debt facilities and the recognition of the contingent liability. The revolver was paid down on close with cash acquired of $1.3 million. Contingent consideration is estimated at $2.0 million and will be based on future earnings for 2016 or 2017 without limitation, at the seller's option, and is payable 90 days after the year then ended.

Financing activities and instruments

Free cash flow for the year was deployed to invest in working capital, pay down debt and purchase Units under the normal course issuer bid. The lower leverage continues to keep bank margining down and 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 $47.0 million term loan (2014 – $32.5 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 1.25% to 1.80% (2014 – 1.3% to 1.8%) or at the prime rate plus a premium of 0.25% to 0.80% (2014 – 0.3% to 0.8%). During the year, the revolver was drawn by $2.3 million for working capital needs and by $1.8 million for the Healthmark acquisition and was fully repaid by year end. Term debt of $0.5 million was repaid (2014 – $3.0 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. On October 1, 2015, the term debt credit facility was increased by $15 million to fund the acquisition of Healthmark at a cost of $0.1 million and $1.8 million was drawn on the revolving debt credit facility under the same terms and conditions. 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, 2015, our pro forma leverage ratio was 1.5 (2014 – 1.3). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Commitments and contractual obligations

In 2015, two property leases were renewed for three to ten years which increased operating lease commitments by $3.0 million over 2014. Although the obligation to previous shareholder is on demand, the timing of the payment remains uncertain.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	47.0		47.0		
Previous shareholder	1.1	1.1			
Contingent consideration	2.0		2.0		
Annual bonus plans	1.2	1.2			
Operating leases	23.7	4.7	7.4	6.4	5.2
	75.0	7.0	56.4	6.4	5.2

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 2016.

Management expects revenue growth to return to the industry growth average of 1-3%. Based on fourth quarter results, the acquisition of Healthmark should add $21 million in 2016. The impact of exchange translation for 2016 is expected to be $10 million based on current exchange rates at U.S./Cdn.$0.73.

EBITDA[1] for the fourth quarter was $8.5 million and $29.9 million for the year, and is expected to be maintained at levels of 12% of revenue. For the 2016 year, translation is expected to impact EBITDA by $1 million at current exchange rates.

Interest rates are expected to remain at historically low levels for 2016.

The current income tax expense is expected to increase by $0.4 million in 2016 at current exchange rates.

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 2016. 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. These expenditures will be funded by free cash flow[2].

Cash on hand of $0.8 million at year end along with free cash flow[2] will be deployed to pay taxes 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 2016, 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 2015 Annual Information Form dated March 3, 2016.

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

Three facilities were leased in 2015 from officers 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 3, 2016, the Fund had 10,846,578 Units and Holdings had 846,435 exchangeable shares outstanding, respectively. See note 16 of the attached consolidated financial statements for further discussion on the terms of the Units and exchangeable shares.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure of contingent amounts for assets and liabilities as at December 31, 2015 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, 2015 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 $2.4 million recognition of expense through inventory write down for the year (2014 – $1.4 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2015.

Intangible assets

Intangible assets have been recognized in connection with various acquisitions valued at $15.2 million as of December 31, 2015 pertaining to the future customer relationships. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. The customer relationship intangible and associated $4.8 million future income tax liability as at December 31, 2015 will be amortized to income over 10-15 years from the date of acquisition. In addition, patent and trademark intangible assets of $4.8 million and an associated $1.8 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 $19.18 as at December 31, 2015 (2014 – $13.29), 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 1.6% and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Contingent consideration

Contingent consideration represents the additional purchase price payable to the sellers of Healthmark and is estimated at $2.0 million. The actual amount will be based on future earnings for 2016 or 2017 without limitation, at the seller's option, and is payable 90 days after the year then ended. Based on the fourth quarter earnings, management believes the estimated accrual is adequate to settle the liability.

New Accounting Pronouncements

The Fund will adopt IFRS 15, *Revenue from Contracts with Customers* for the annual period beginning on January 1, 2018 and IFRS 16, *Leases* for the annual period beginning on January 1, 2019. The revenue standard requires us to evaluate the timing of revenue recognition for customers with contracts and custom moulds. The leases standard requires us to capitalize and amortize the fair market value of most operating leases over the term of the leases. The impact of the adoption of these standards is not expected to have a material impact on the future financial statements of net income. The likely future impact of the adoption of the leases standard is expected to increase long term assets and long term liabilities on the statements of financial position. See *Commitments and contractual obligations* above for a summary of operating leases.

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, 2015 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, 2015 and there have been no changes in the internal controls over financial reporting during the year ended December 31, 2015 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.*