Q2 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended June 30, 2010

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

June 30, 2010

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.

Second quarter organic sales growth fell short of management expectation of $1.0 million, or 2.0%. Total revenue was down $3.9 million, or 8.0%, due to organic revenue shrinkage of $1.0 million, or 2.3%, and the translation of Richards Packaging US revenue as the Canadian dollar strengthened by U.S./Cdn. 11¢. EBITDA[1] decreased $0.6 million, or 9.6%, with EBITDA at 12.3% of sales. Net income was $2.1 million, or 21.1¢ per Unit, down 67.7% over the same period in 2009, due primarily to the absence of unrealized gains on financial instruments ($5.4 million).

On balance, the first half results were satisfactory with margin and cost improvements fully offsetting the $0.9 million adverse EBITDA impact of the translation of Richards Packaging US as the Canadian dollar strengthened by U.S./Cdn. 14¢. Total revenue was down $5.2 million, or 5.4%, due to organic revenue growth of $1.2 million, or 1.3%, being more than offset by currency translation. EBITDA[1] was flat at $11.2 million, with EBITDA at 12.4% of sales. Net income was $4.6 million, or 45.6¢ per Unit, down 33.7% over the same period in 2009, due primarily to the absence of unrealized gains on financial instruments ($3.9 million).

The revenue shortfall during the second quarter resulted in a further inventory increase of $1.6 million to a total of $3.6 million for the first half which will be recovered over the remainder of the year by slowing purchases.

The Fund paid monthly distributions of 6.55¢ per Unit during the first half of 2010, which represented an annualized yield of 9.8% on the June 30th closing price of $8.00 per Unit. The payout ratio[3] for the second quarter was 57% and for the first half of 2010 was 58%. During the second quarter, an additional 20,600 Units were purchased for cancellation at an average price of $7.25 per Unit.

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" July 29, 2010
Chief Executive Officer
Richards Packaging Inc.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

July 29, 2010

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the second quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated June 30, 2010, the first quarter report dated May 3, 2010, the 2009 Annual Report and the 2009 Annual Information Form dated March 5, 2010 respectively. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a consistent basis with the 2009 annual financial statements.

Fund Profile and Description of the Business

Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in packaging distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 with 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. ("Richards Packaging"). This ownership is currently at 85% due to the issuance of shares exchangeable into Units in order to facilitate the financing of two acquisitions and purchases under the normal course issuer bid. Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging serves a wide customer base that is comprised of approximately 10,000 regional food, beverage, cosmetic, specialty chemical, pharmaceutical and other companies. The primary source of revenue is from the distribution of over 5,000 different types of packaging containers and related components sourced from over 600 suppliers and its three dedicated manufacturing facilities. Sales from these manufacturing facilities represent approximately 15% of the total revenues of Richards Packaging. 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 16 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance of the Fund for the second quarter 2010 include:

- Revenue contraction of $3.9 million, or 8.0%, with 2.3% organic revenue shrinkage and foreign currency translation loss on Richards Packaging US,
- EBITDA[1] down $0.6 million, or 9.6%, representing 12.3% of sales,
- Inventory increased by $1.6 million, due to lower sales,
- Reduced the number of lenders in our bank syndicate from three to two; extended the term and revolving credit maturities to May 31, 2013 at a reduced cost of 0.5%,
- Maintained distributable cash flow[2] of $4.1 million resulting in a 58% payout ratio[3], similar to the first quarter,
- Purchased 20,600 Units for cancellation (@$7.25/Unit) under our buyback program and
- Paid monthly distributions of 6.55¢ per Unit representing a 9.8% annualized return on the June 30th closing price of $8.00 per Unit.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

July 29, 2010

This MD&A covers the three and six months ended June 30, 2010 generally referred to in this MD&A as the "second quarter" and the "first half", respectively. The following table sets out selected consolidated financial information of the Fund:

	Qtr. 2		Six months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Income Statement Data:				
Revenue	**45,215**	**49,158**	**90,373**	**95,575**
EBITDA[1]	**5,568**	**6,160**	**11,192**	**11,193**
Diluted per Unit	***47.2¢***	***51.7¢***	***94.7¢***	***94.0¢***
Net income	**2,118**	**6,561**	**4,573**	**6,900**
Diluted per Unit	***21.1¢***	***64.8¢***	***45.6¢***	***68.2¢***
Balance Sheet Data:				
Total assets	**168,175**	**179,428**		
Bank debt outstanding	**47,507**	**56,302**		
Cash Flow Statement Data:				
Distributions and dividends	**2,326**	—	**4,664**	**2,277**
Diluted per Unit	***19.7¢***	—	***39.5¢***	***19.1¢***
Payout ratio[3]	***57%***	—	***58%***	***31%***

The distribution policy is set by the Trustees after giving careful consideration to the projected cash flows, 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 on net income due to various non-cash accounting charges that depress net income such as amortization and future 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 payout ratio of 31% for the first half of 2009 reflects a temporary suspension of distributions beginning March 2009. The distribution was reinstated in October 2009 at the lower rate of 6.55¢ per Unit (2009 – 9.35¢). Surplus distributable cash was utilized to avoid typical seasonal borrowing and for Units purchased under our normal course issuer bid.

Review of Operations

Richards Packaging's operations during the second quarter were approximately half in Canada and half in the United States ("Richards Packaging US") similar to performance in 2009. Approximately one-third of Richards Packaging's sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Seattle, Reno and Portland.

Revenue for the second quarter decreased by $3.9 million, or 8.0%, from the same period in 2009 due to organic revenue contraction of $1.0 million, or 2.3%, and the translation of Richards Packaging US revenue with the Canadian dollar strengthening by 11¢ to U.S./Cdn.$0.97 ($2.9 million). Revenue for the first half decreased by $5.2 million, or 5.4%, from the same period in 2009 due to the translation impact on Richards Packaging US revenue of the Canadian dollar strengthening by 14¢ to U.S./Cdn.$0.97 ($6.4 million) offset by organic revenue growth of $1.2 million, or 1.3%, due to customer inventory restocking in the first quarter.

[expressed in thousands, except where otherwise indicated]

	Qtr. 2		Six months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Revenue	**45,215**	**49,158**	**90,373**	**95,575**
Cost of products sold	**37,048**	**40,457**	**73,988**	**79,155**
Gross profit	**8,167**	**8,701**	**16,385**	**16,420**
	18.1%	*17.7%*	*18.1%*	*17.2%*
Expenses	**2,473**	**2,692**	**5,011**	**5,307**
Foreign currency loss (gain)	**126**	**(151)**	**182**	**(80)**
EBITDA[1]	**5,568**	**6,160**	**11,192**	**11,193**
	12.3%	*12.5%*	*12.4%*	*11.7%*
Amortization and debt accretion	**2,235**	**2,068**	**4,278**	**4,130**
Patent defense costs	**112**	**33**	**175**	**105**
Interest expense	**652**	**1,124**	**1,273**	**2,430**
Gains on financial instruments	**—**	**(5,390)**	**—**	**(3,862)**
Income tax expense	**86**	**601**	**94**	**267**
Non-controlling interests	**365**	**1,163**	**799**	**1,223**
Net Income	**2,118**	**6,561**	**4,573**	**6,900**

Cost of products sold for the second quarter and the first half decreased by $3.4 million, or 8.4%, and by $5.2 million or 6.5%, respectively, from the same periods in 2009 on lower revenue. Gross profit margins remained at 18.1% for the second quarter, consistent with the first quarter on similar volumes and, up 0.4% from the same period in 2009. Volatility in the price of resins during the first half did not have a material impact on gross profit as a result of management's practice of immediately passing through increases or decreases to customers.

General and administrative expenses for the second quarter and the first half increased by $0.2 million and $0.3 million, respectively, from the same periods in 2009 primarily due to the translation of U.S. dollar denominated expenses of Richards Packaging US.

The foreign exchange loss from operations resulted from exchange rate changes applied to our U.S. dollar denominated working capital position in the Canadian operations and a decrease in the net investment in Richards Packaging US.

EBITDA[1] for the second quarter decreased by $0.6 million, or 9.6%, and offsetting a similar gain during the first quarter. As a percent of sales, EBITDA was 12.3% for the second quarter and 12.4% for the first half compared to 12.5% and 11.7% for the same periods in 2009, respectively. Changes were a result of the factors referred to above.

Amortization and debt accretion of $2.2 million for the second quarter and $4.3 million for the first half was mainly comprised of $1.6 million and $3.3 million respectively for intangibles, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of capital asset amortization of $0.4 million per quarter, which is approximately twice Richards Packaging's normalized annual maintenance capital expenditure requirement, and debt accretion of $0.3 million reflecting the refinancing completed in May.

[expressed in thousands, except where otherwise indicated]

Patent defense costs relate to ongoing expenditures incurred to defend an action against Richards Packaging to establish that a product launched in July 2006 does not infringe our Dispill patent and trademark. These costs were previously included in intangible assets and amortized over the patent's remaining useful life.

Interest expense for the second quarter and the first half decreased by $0.5 million and $1.2 million, respectively from the same periods in 2009 due to the absence of the fixed rate swap, $0.2 million and $0.6 million and the impact of principal repayments and floating interest rate reductions, $0.3 million and $0.6 million, respectively.

Gains on financial instruments in 2009 are comprised of foreign currency translation of debt and mark-to-market adjustments of our fixed interest rate swap. The term loan was converted in July 2009 which removed the volatility associated with foreign currency translation gains and losses on the debt. Since Richards Packaging had borrowed mainly in U.S. dollars to match the U.S. dollar interest obligations with the net cash it receives from Richards Packaging US prior to conversion, this natural hedge no longer exists.

Current income taxes of $0.7 million for the second quarter and $1.4 million for the first half reflect tax leakage from Richards Packaging US. Net future tax assets available to shield income taxes are $3.6 million.

Net income for the second quarter was $2.1 million and $4.6 million for the first half, which represented 21.1¢ and 45.6¢ per Unit on a diluted basis, respectively. A time weighted-average of 10,027,480 and 10,039,408 Units were outstanding during the second quarter and the first half respectively. 1,775,033 exchangeable shares were outstanding throughout the first half.

Distributable Cash Flow[2]

	Qtr. 2		Six months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Cash provided by operating activities	**2,220**	**4,363**	**3,042**	**6,345**
Working capital changes	**1,934**	**(189)**	**5,273**	**1,054**
Non-cash charges	**1,414**	**1,986**	**2,877**	**3,794**
	5,568	**6,160**	**11,192**	**11,193**
Interest	**652**	**1,124**	**1,273**	**2,430**
Cash income tax	**650**	**829**	**1,429**	**1,259**
Maintenance capital	**167**	**136**	**476**	**204**
Distributable cash flow[2]	**4,099**	**4,071**	**8,014**	**7,300**
Diluted per Unit	***34.7¢***	***34.2¢***	***67.8¢***	***61.3¢***
Distributions and dividends	**2,326**	**—**	**4,664**	**2,277**
Diluted per Unit	***19.7¢***	**—**	***39.5¢***	***19.1¢***
Payout ratio[3]	***57%***	**—**	***58%***	***31%***
Purchase of Units	**150**	**—**	**455**	**—**
Units outstanding on a diluted basis	**11,803**	**11,908**	**11,814**	**11,908**

The distributable cash flow[2] definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility available to Richards Packaging (nil drawn; 2009 – $1.0 million).

Distributable cash flow[2] of $4.1 million for the second quarter and $8.0 million for the first half was flat and increased $0.7 million, respectively compared to the same periods in 2009. Overall, the increases during the first half were attributable to lower interest expense offset by higher taxes and maintenance capital.

Monthly distributions for the first half at 6.55¢ per Unit, represents an annual yield of 9.8% on an $8.00 price per Unit at June 30, 2010 and a payout ratio[3] of 58%. Based upon the second quarter, 100% of the distributions will represent interest on the subordinated note held by the Fund.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the second quarter was $2.2 million, down $2.1 million over the same period in 2009 primarily due to an increased working capital from the same period in 2009. For the first half, cash flow from operating activities was $3.0 million, down $3.3 million primarily due to $4.2 million of increased working capital offset by items not involving cash of $0.9 million. During the first half, working capital increased by $5.3 million mainly on higher receivables ($1.5 million) and inventory ($3.6 million) offset by the drop in payables ($0.3 million).

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the unitholders and shareholders as outlined above in the distributable cash discussion. In recognition of impending higher interest rates and taxes, 42% of the cash flow from operations was diverted to avoid seasonal debt borrowings for working capital and purchase Units under the normal course issuer bid. Distributions and dividends paid during the second quarter, including those declared for March 2010, were $2.3 million with $0.8 million declared for June, which was paid on July 14th.

Normal course issuers bid

On November 16, 2009, the Fund initiated a normal course issuer bid to purchase up to 202,000 Units prior to November 15, 2010. During the first half of 2010, 62,736 Units (2009 – nil) were purchased at an average price of $7.15 per Unit and since the inception of the buyback program, 105,742 Units were purchased at an average price of $7.11 per Unit.

Cash income taxes

The cash income tax expense for the second quarter was $0.7 million and $1.4 million for the first half of 2010, representing current income tax for Richards Packaging US and $0.1 million of U.S. withholding tax paid during the first quarter. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards Packaging US until the new tax imposed upon publicly traded income trusts takes effect in 2011[4].

Capital expenditures

Capital expenditures for the second quarter were $0.3 million (2009 – $0.5 million), $0.2 million on account of maintenance capital. For the first half, capital expenditures were $0.8 million, $0.5 million on account of maintenance capital. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. Expansion capital of $0.3 million was incurred during the first half was for new customer programs and associated business lines.

Financing activities and instruments

Richards Packaging's credit facilities include a $48.0 million long-term loan (2009 – U.S. $48.0 million) with repayment on May 31, 2013 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 2.75% to 3.25% (2009 – 3.25% to 3.75%). The revolving credit facility bears interest at the prime rate plus a premium of 1.75% to 2.25% (2009 – 2.75% to 3.25%).

During the second quarter, Richards Packaging reduced the number of lenders in the bank syndicate from three to two, refinancing approximately 36% owing to the exiting bank, and expensed $214 of unamortized debt issue costs. An additional net $281 was drawn on the term facility, $499 of associated fees added. The term and revolving credit maturities were extended to May 31, 2013 with the interest premium over BA's, or prime rate, lowered by 0.5% and 1.0%, respectively. Also, the revolving credit facility was reduced by $2.0 million. The credit facilities are subject to a number of covenants including the leverage ratio which is to maintain debt less than 2.75 times the trailing twelve month EBITDA[1]. As at June 30, 2010, our leverage ratio was 2.14, similar to the December 31, 2009 level of 2.13. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Richards Packaging had entered into interest rate swap contracts to June 5, 2009 on a notional principal amount equal to U.S. $30 million of term debt outstanding. The mark-to-market valuation of the swap contracts as at June 30, 2009 gave rise to a loss of $0.7 million in the first half.

Outlook[4]

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the newly established level for the remainder of the year and through 2011.

Although the long term industry average revenue growth has been 1-3%, organic revenue decreased by 2.3% and increased by 1.5% for the second quarter and first half, respectively. Given the current economic climate, management expects Richards Packaging's future organic growth rate to be plus or minus 2% for the remainder of the year. The prior positive impact of exchange translation has now reversed to reduce revenue with the exchange rate impact likely to continue at the current level for the next quarter and subside to $0.8 million and $0.6 million for the third and fourth quarters, respectively, at current exchange rates of U.S./Cdn.$0.96.

EBITDA[1] for the second quarter was $5.6 million and $11.2 million for the first half, down $0.6 million in the second quarter and flat in the first half, respectively over the same periods in 2009. The impact of foreign exchange translation of Richards Packaging US is expected to impact each of the next two quarters by $0.2 million at current exchange rates of U.S./Cdn.$0.96.

Interest expense decreased $0.6 million and cash income taxes decreased $0.2 million in the second quarter from the same period in 2009. Both are expected to run at their respective second quarter levels for the remainder of the year.

Maintenance capital will continue to be funded by cash flow from operations and is expected to grow in 2010 with the commitment of an additional $0.5 million for computer systems software to bring Richards Packaging US up to the same standard as Richards Canada.

Distributable cash flow sensitivity on annual basis to foreign currency fluctuations is $0.1 million for every U.S. /Cdn. 1¢.

Risks and Uncertainties

Investment in Units involves risks inherent in the ordinary course of business of Richards Packaging 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, patent and trademark challenges, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, liquidity risks, 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 2009 Annual Information Form dated March 5, 2010. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the second quarter of 2010.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting practices requires the Fund to make estimates and assumptions which affect the reported, and disclosure of, amounts for assets and liabilities as at June 30, 2010 and revenue and expenses for the period then ended. Changes in these accounting estimates may have an impact on the financial results of Richards Packaging and the Fund. There have not been any significant changes in the critical accounting estimates of the Fund in the first half of 2010, relative to December 31, 2009. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2009 Annual Report.

New Accounting Pronouncements

***International Financial Reporting Standards** ("IFRS")*

Commencing in the first quarter of 2011, the Fund's financial statements will be prepared in accordance with IFRS, with 2010 comparative figures and the January 1, 2010 opening balance sheet restated to conform to IFRS. Based on work performed to date, the key areas expected to be impacted with the first time adoption of IFRS are: (a) enhanced note disclosure in the consolidated financial statements; (b) the reclassification of non-controlling interests; and (c) the investment in Joint Venture. Management confirms that under IFRS, the Units will continue to be presented as equity on the balance sheet.

Disclosure Controls and Internal Controls over Financial Reporting

There have been no changes in the Fund's internal controls over financial reporting during the quarter and six months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control 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 on TSX at www.tsx.com

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1 *Management defines EBITDA as earnings before amortization, interest, unrealized losses (gains) on financial instruments and taxes. EBITDA is the same as income before under noted items, income taxes and non-controlling interests as outlined in the interim consolidated financial statements. 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 Fund's 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 GAAP and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies or income trusts.*

2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense, maintenance capital expenditures and loan payments. The objective of presenting this measure is to calculate the amount which is available for distribution to unitholders and exchangeable shareholders. 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 liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by GAAP and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other income trusts.*

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 GAAP. The method of calculating the payout ratio may not be comparable to similar measures presented by other income trusts.*

4 *The Report to unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and*

opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes 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.

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

Richards Packaging Income Fund

CONSOLIDATED BALANCE SHEETS

Unaudited

[expressed in thousands of dollars]

As at June 30, 2010 and December 31, 2009

	2010 $	2009 $
ASSETS		
Current		
Cash and cash equivalents	**198**	2,071
Accounts receivable	**20,497**	18,873
Inventory	**35,253**	31,289
Prepaid expenses	**2,294**	2,010
Income taxes recoverable	**133**	10
Total current assets	**58,375**	54,253
Capital assets	**4,294**	4,180
Intangible assets	**34,407**	37,514
Future income tax assets	**55**	21
Goodwill	**71,044**	72,010
	168,175	167,978
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**989**	—
Accounts payable and accrued liabilities	**19,009**	18,604
Distributions and dividends payable	**777**	780
Due to previous shareholder of acquired company	**836**	825
Total current liabilities	**21,611**	20,209
Long-term debt *[note 3]*	**47,507**	47,402
Future income tax liabilities	**7,333**	8,581
Total liabilities	**76,451**	76,192
Non-controlling interests *[note 4]*	**15,124**	15,081
Unitholders' equity		
Units *[note 5]*	**93,894**	94,349
Deficit	**(12,841)**	(13,469)
Accumulated other comprehensive income	**(4,453)**	(4,175)
	(17,294)	(17,644)
Total unitholders' equity	**76,600**	76,705
	168,175	167,978

See accompanying notes

"Wayne McLeod"	*"Gerry Glynn"*	*"Enzio Di Gennaro"*
Chair - Audit Committee	CEO - Richards Packaging Inc.	CFO - Richards Packaging Inc.

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME, DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Unaudited

[expressed in thousands of dollars except for per Unit amounts]

For the three and six months ended June 30

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Revenue	**45,215**	**49,158**	**90,373**	**95,575**
Cost of products sold	**37,048**	**40,457**	**73,988**	**79,155**
	8,167	**8,701**	**16,385**	**16,420**
General and administrative expenses	**2,473**	**2,692**	**5,011**	**5,307**
Foreign currency loss (gain)	**126**	**(151)**	**182**	**(80)**
Income before under noted items, income taxes and non-controlling interests	**5,568**	**6,160**	**11,192**	**11,193**
Amortization and debt accretion	**2,235**	**2,068**	**4,278**	**4,130**
Patent defense costs	**112**	**33**	**175**	**105**
Interest expense	**652**	**1,124**	**1,273**	**2,430**
Gains on financial instruments	**—**	**(5,390)**	**—**	**(3,862)**
Income before income taxes and non-controlling interests	**2,569**	**8,325**	**5,466**	**8,390**
Provision for (recovery of) income taxes *[note 6]*				
Current taxes	**650**	**829**	**1,429**	**1,259**
Future taxes	**(564)**	**(228)**	**(1,335)**	**(992)**
	86	**601**	**94**	**267**
Non-controlling interests *[notes 4]*	**365**	**1,163**	**799**	**1,223**
Net income for the period	**2,118**	**6,561**	**4,573**	**6,900**
Basic and diluted income per Unit *[notes 5]*	**$0.21**	**$0.65**	**$0.46**	**$0.68**
Other comprehensive income (loss)				
Unrealized foreign currency translation	**1,071**	**(4,807)**	**(278)**	**(3,427)**
Comprehensive income for the period	**3,189**	**1,754**	**4,295**	**3,473**
STATEMENT OF DEFICIT				
Deficit, beginning of period	**(12,989)**	**(24,985)**	**(13,469)**	**(23,433)**
Net income for the period	**2,118**	**6,561**	**4,573**	**6,900**
Distributions declared to unitholders	**(1,970)**	**—**	**(3,945)**	**(1,891)**
Deficit, end of period	**(12,841)**	**(18,424)**	**(12,841)**	**(18,424)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Beginning of period	**(5,524)**	**5,794**	**(4,175)**	**4,414**
Other comprehensive income (loss)	**1,071**	**(4,807)**	**(278)**	**(3,427)**
End of period	**(4,453)**	**987**	**(4,453)**	**987**

See accompanying notes

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

[expressed in thousands of dollars]

For the three and six months ended June 30

	Three months		Six months	
	2010	2009	2010	2009
	$	$	$	$
OPERATING ACTIVITIES				
Net income for the period	2,118	6,561	4,573	6,900
Add (deduct) items not involving cash				
Amortization				
Capital assets	351	373	688	726
Intangible assets	1,618	1,669	3,268	3,351
Debt accretion	266	26	322	53
Future income taxes	(564)	(228)	(1,335)	(992)
Non-controlling interests	365	1,163	799	1,223
Gains on financial instruments				
Interest rate swap contract	—	(372)	—	(660)
Foreign currency translation of debt	—	(5,018)	—	(3,202)
	4,154	4,174	8,315	7,399
Net change in non-cash operating elements of working capital *[note 7]*	(1,934)	189	(5,273)	(1,054)
Cash provided by operating activities	2,220	4,363	3,042	6,345
INVESTING ACTIVITIES				
Additions to capital assets	(308)	(465)	(818)	(647)
Expenditures on computer systems software	(6)	—	(11)	(7)
Cash used in investing activities	(314)	(465)	(829)	(654)
FINANCING ACTIVITIES				
Increase in bank indebtedness	860	782	1,011	745
Proceeds from (repayment of) short-term debt	—	(1,000)	—	1,000
Repayment of long-term debt *[note 3]*	(47,719)	(3,463)	(47,719)	(3,463)
Proceeds from long-term debt *[note 3]*	47,501	—	47,501	—
Purchase of trust units for cancellation *[note 5]*	(150)	—	(455)	—
Dividends paid to exchangeable shareholders	(354)	—	(714)	(575)
Distributions paid to unitholders	(1,972)	—	(3,950)	(2,837)
Cash used in financing activities	(1,834)	(3,681)	(4,326)	(5,130)
Foreign currency income (loss)	(37)	(149)	240	(634)
Net increase (decrease) in cash and cash equivalents	35	68	(1,873)	(73)
Cash and cash equivalents, beginning of period	163	61	2,071	202
Cash and cash equivalents, end of period	198	129	198	129

See accompanying notes

[expressed in thousands of dollars]

1. FORMATION OF THE FUND AND ACQUISITIONS

Richards Packaging Income Fund [the "Fund"] is an open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust dated February 26, 2004. The Fund completed an initial public offering of trust units of the Fund [the "Units"] on April 7, 2004 to facilitate the acquisition of 96% of the shares of Richards Packaging Inc. and an indenture note through a series of transactions for consideration of $86,161. The ownership position is currently at 85% due to the issuance of shares exchangeable into Units in order to facilitate the financing of two subsequent acquisitions.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles using disclosure standards appropriate for interim financial statements. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund's 2009 audited annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the 2009 audited annual consolidated financial statements.

3. SHORT- AND LONG-TERM DEBT

On May 31, 2010, Richards Packaging reduced the number of lenders in the bank syndicate from three to two, refinancing approximately 36% owing to the exiting bank, and expensed $214 of unamortized debt issue costs. An additional net $281 was drawn on the term facility, $499 of associated fees added and availability under the revolving facility was reduced from $7,000 to $5,000 of which no amount was drawn as at June 30, 2010 [2009 – $1,000]. The term and revolving credit maturities were extended to May 31, 2013 with the interest premium over BA's, or prime rate, lowered by 0.5% and 1.0%, respectively. Long-term debt reflects a decrease of $493 for unamortized debt issue costs [2009 – $499].

4. NON-CONTROLLING INTERESTS

As at June 30, 2010, 1,775,033 exchangeable shares remain outstanding. The change in carrying value of the non-controlling interests for the six months ended June 30, 2010 represents $799 of net income [2009 – $1,223], $41 of unrealized loss from the translation of Richards Packaging US [2009 – $688] and $715 of dividends [2009 – $385].

5. UNITS

	Number of Units #	Carrying value $	Discount $	$
Balance, December 31, 2009	**10,090,216**	**94,179**	**170**	**94,349**
Purchased for cancellation, net	**(62,736)**	**(586)**	**131**	**(455)**
Balance, June 30, 2010	**10,027,480**	**93,593**	**301**	**93,894**

[expressed in thousands of dollars]

During the six months ended June 30, 2010, Units were purchased at an average price of $7.15/Unit.

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
	#	#	#	#
Basic Units outstanding	**10,027,480**	**10,114,722**	**10,039,408**	**10,114,722**
Diluted Units outstanding	**11,802,513**	**11,908,255**	**11,814,441**	**11,908,255**

6. INCOME TAXES

The income tax expense differs from the provision computed at statutory rates as outlined below:

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Income before income taxes and non-controlling interests	**2,569**	**8,325**	**5,466**	**8,390**
Distributions to unitholders, not subject to income tax	**(1,930)**	**(950)**	**(3,840)**	**(3,268)**
Income subject to income taxes	**639**	**7,375**	**1,626**	**5,122**
Statutory tax rate	***31.5%***	***32.5%***	***31.5%***	***32.5%***
Income taxes expense at statutory tax rate	**201**	**2,397**	**512**	**1,665**
Future income tax recovery	**564**	**228**	**1,335**	**992**
Current period adjustments	**(115)**	**(1,796)**	**(418)**	**(1,398)**
Current income taxes	**650**	**829**	**1,429**	**1,259**

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Accounts receivable	**(16)**	**(85)**	**(1,502)**	**(945)**
Inventory	**(1,596)**	**565**	**(3,645)**	**2,911**
Prepaid expenses	**(85)**	**35**	**(262)**	**(367)**
Accounts payable and accrued liabilities	**253**	**(440)**	**260**	**(2,972)**
Income taxes recoverable (payable)	**(490)**	**114**	**(124)**	**319**
	(1,934)	**189**	**(5,273)**	**(1,054)**

[expressed in thousands of dollars]

The cash flow impact of interest and income taxes consists of the following:

	Three months		Six months	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Interest paid	**654**	**1,284**	**1,281**	**2,541**
Income taxes paid	**1,144**	**694**	**1,650**	**915**